

Williamson County Board of Education Procedures and Guidelines

Adopted Date:
Rev. 2/4/10

2.702p

CAPITAL ASSETS
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The purpose of this policy is to provide guidelines and regulations for departments to follow regarding purchases made with funds that represent capital assets. Capitalization of assets is recorded in the financial statements and establishes management control and continuing accountability for investment in general government capital assets with public funds.

Capitalization includes land, buildings and improvements, roads and bridges, machinery and equipment, automobiles and construction in progress. The amount represented in the financial statements should be documented by an inventory listing supported with detailed records of each asset.

It is also the county's responsibility to insure proper accountability of certain other purchases made with funds that do not represent investment in general capital assets. This policy will encompass that responsibility as well. Sensitive minor equipment purchased in the 142 Federal Projects Fund shall be included in the Williamson County inventory system. For 142 Federal Projects Fund purposes, "sensitive minor equipment" shall be defined as items purchased with a cost of \$100.00 or more per item. Such items will include computers, external computer peripherals, materials, books, etc., as determined by the 142 Federal Formula Grant Directors and the Department of Budget and Finance, in compliance with the requirements set by the State Personal Property Section of Tennessee.

ADMINISTRATIVE POLICIES

A. Fiscal Responsibility

1. County Commission/Board of Education

- a. Provide administrative officials with listings of inventory for which they are held accountable.
- b. Determine policy for proper disposal and transferal of capital assets and policy for notification to Inventory Control.
- c. Notification of administrative officials of findings related to internal audits conducted by Inventory Control or external audits conducted by the state/IPA firm of said departments and disposition thereof.

2. Inventory Control Office

The office of Inventory Control is under the direction of both the County Mayor's Accounting Department and the Board of Education's Finance Department which provides for fiscal procedures. A full cooperative effort of all parties allows Inventory Control to maintain records in accordance with Governmental Accounting and Financial Reporting. Areas of responsibility are outlined below:

- a. Maintain inventory listing of all assets included in the financial statements and of other assets (controllable) determine to be tracked by officials.
- b. Tagging of all assets as determined by this policy and input of all relative information to the computer system.
- c. Removal of tags and retirement of assets from computer records upon proper notification by appropriate departments of officials.
- d. Verify audits of all departments to determine that assets are being properly accounted for.
- e. Prepare annual inventories for all departments of general capital assets and controllable assets.

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3. Administrative Officials

Administrative officials (county officials, principals, supervisors, etc.) are responsible for the custody and maintenance of all assets purchased for or assigned to their office.

- a. Report the theft or loss of property immediately to Risk Management followed by submittal of property loss notice. A police report should be obtained on all losses suspected by being stolen. A letter of theft or loss should be submitted to Inventory Control. (letter will be forwarded to County or BOE Finance Director depending on department)
- b. Report to the Inventory Control any assets deemed to be surplus and unneeded by this department so that transferal or disposal can proceed. (by board policy and state statute, this has to be approved by the board first before it is surplus)
- c. Notify Inventory Control of new asset acquisitions not currently tagged.
- d. Any transferal or disposal of assets by administrative officials shall be documented in writing to relieve that official of said responsibility.
- e. Allow Inventory Control access to all records necessary to aid in the determining of proper disclosure of capital assets for reporting purposes.
- f. Maintain all records of capital assets and controllable assets accountable to the office. These records would include transferals, disposals, and assets surplus to the county.
- g. Reconcile and report differences between annual capital asset inventory and actual physical inventory to Inventory Control.

B. Accounting Policies

1. Capitalization

The following items will be capitalized in the Capital Asset Account Group:

- a. Land
- b. Buildings
- c. Building improvements and additions that do not constitute repairs and maintenance.
- d. Roads and Bridges (Infrastructure)
- e. Machinery and Equipment*
- f. Automobiles*
- g. Construction in Progress
- h. Other Improvements*

*These items will be subject to a dollar value test and/or life expectancy test. (See Appendix A for thresholds)

2. Costs

Capital assets shall be recorded at historical cost, or if the cost is not reasonably determinable, at estimated cost. Donated capital assets should be recorded at their estimated fair value at time received.

- a. Actual Cost – This will include not only the purchase or construction cost (which can be obtained through invoice, purchase order, and warrant paid files) but also charges necessary to place the asset in its intended location. This includes costs such as freight and transportation, site preparation expenditures, interest costs, professional fees, and legal claims directly attributable to asset acquisition.
- b. Estimated Cost – This will be based on as much documentary evidence that can be found to support the cost such as interviews with personnel and price level adjustments for each asset.
- c. Donated Cost – These assets will be based on their estimated fair value at time of acquisition. A determination as to be the fair value basis will be included with property records.

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3. Accumulated Depreciation

Depreciation is a method for allocating the cost of buildings and equipment over their useful lives. Generally accepted accounting principles dictate that the value of capital assets must be written off as an expense over the life of the asset as an indirect cost. Annual depreciation expense will be calculated using the straight-line method. (See Appendix B for Suggested Useful Lives)

4. Dollar Value and Life Expectancy Tests

Assets purchased with a dollar value of \$5000 or more and with a life expectancy of five years will be included in the capital assets. Items under this dollar value will not be presented in the financial statements. However, principals and administrative officials are still responsible for controllable item inventories even though they may not meet the dollar value and life expectancy tests.

5. Controllable Assets

Controllable assets are assets which do not meet the criteria for a capital asset but will be included in a manager's inventory for control purposes. Such property would include individual items such as televisions, VCRs, low cost computers, handheld radios and other items as desired by departments.

6. Operating/Capital Lease Assets

Assets acquired under operating leases will not be capitalized.

7. Asset Reduction

Assets no longer owned by or in the possession of the County shall be removed from the accounting records.

- a. Sold and or Retired – These assets will be removed from the capital asset records upon formal notification from the responsible party of such disposition.
- b. Obsolete – These assets will be removed from the capital asset records upon formal notification and upon said determination by responsible party whether sold or not.
- c. Transferred Property – These assets will be removed and shown in the proper department upon notification by Administrative Official or Purchasing Agent.
- d. Missing – Assets not seen for two consecutive annual inventories will be classified as missing and will be removed from the capital asset records upon formal notification to Inventory Control. These assets will no longer be searched for in regular annual inventories. However, if an asset is located at some time in the future, it will be reactivated in the system. A list of missing assets by departments will be presented to the County Commission/Board of Education.

8. Surplus Property

- a. The department head should submit a completed surplus transmittal sheet to the Inventory Control Accountant and to the Purchasing Manager of the BOE if it is for board property. The list should include the item's description and asset tag number if available. TAGS are not to be removed at this time. The asset will remain on the Department's asset listing until the asset is transferred to another department or auctioned.
- b. The property shall remain in surplus for a period of at least thirty days (30) before being selected for auction by the Purchasing Agent/Purchasing Manager of the Board. The department head should review the surplus items to determine any transfer request before items are tagged for auction.

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- c. Surplus property which does not sale at auction or it not transferred to another department shall be evaluated by the Director of Accounts and Budgets/Finance Director and the Purchasing Agent to authorize the disposal of the equipment.

9. Roads and Bridges

The roads and bridges that are owned and /or maintained by Williamson County fall under the responsibility of the County roads Superintendent. The Superintendent's office is the Williamson County Highway Department.

The County Finance Department will receive the Highway Department's road and bridge listing at fiscal year end, after they are updated by the Highway Department. The Highway Department will submit a listing of additions, deletions, corrections, or any other changes to the previous fiscal years records to the Director of Accounts and Budget to be maintained on the capital asset inventory program.

Road and bridge values were recorded based on Williamson County Engineering Department calculations for year 2000 construction costs applies to a US Department of Commerce Bureau of Economic Analysis National Income & Product Accounts Index. This NIPA Index adjusts 2000 construction costs to cost of year built for roads and bridges. Actual cost will be used for fiscal year 2002-03 forward for roads and bridges constructed by the county Highway Department. Donated or annexed roads and bridges will be based on current values.

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Appendix A

CAPITALIZATION POLICIES

The following items will be capitalized in the Financial Statements:

Category	Threshold	*Revised	Notes
1. Land and Land Improvement	\$ 1		Capitalize Only
2. Building and Building Improvements	\$ 50,000	\$100,000	
3. Infrastructure (roads and Bridges)	\$ 50,000		
4. Vehicles	\$ 5,000	\$ 10,000	(\$20,000 for schools)
5. Machinery and Equip	\$ 5,000	\$ 10,000	
6. Office Equipment	\$ 5,000	\$ 10,000	
7. Construction in Progress	\$ 1		
8. Other Improvements	\$ 5,000	\$ 20,000	

***Revised capitalization threshold effective July 1, 2007**

The revision is to account for lower-cost items being reported as Capital Assets on the financial statements. Lower-cost items will be tracked as inventory as they apply to the controllable items category.

Appendix B

CAPITAL ASSETS – SUGGESTED USEFUL LIVES			
		Depreciable Life in Years	Depreciable Life in Months
Asset Type	Example		
Land and Land Improvements		n/a	n/a
Building and Building Improvements	Brick	40	480
	Storage Type	20	240
Infrastructure (roads)	Paved	40	480
	Asphalt	20	240
	Gravel	50	600
Infrastructure (bridges)	Concrete	50	600
	Steel	30	360
Vehicles		5	60
Machinery and Equipment	Heavy (5,000 & up)	15	180
	Light (5000-49,999)	10	120
Office Equipment		5	60
Other Improvements	Parks-ball fields, parks-lighting, walking trails, parking lots and lighting, etc.	20	240
School Buses		15	180
Kitchen Equipment for Schools		12	144

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General Capital Assets – Williamson County Government/Schools Policies and Procedures

Revisions Request:

- 1) Appendix A

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- 2) Section B.4. Dollar Value and Life Expectancy Tests

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***Change dollar value of \$5000 to \$10,000 to correspond with change of capitalization threshold revisions.**