

**ANTRIM COUNTY
CAPITAL ASSET POLICY
Adopted: December 8, 2016**

PURPOSE

The purpose of this policy is to provide a guide on how to acquire, depreciate and dispose of County-owned capital assets with a major understanding of the procedure for identifying, inventorying and recording capital assets.

SCOPE

This policy shall apply to any item acquired with an original cost in excess of \$5,000 and a useful life of greater than two years that is considered to be a capital asset per the definition "capital asset." Exceptions to this policy are the following: County-Owned Vehicle Policy, all County policies concerning land, IT Disposal of Digital Data Storage Devices & Media and Purchasing and Bid Policy.

DEFINITIONS

Acquiring Process

It is essential that capital assets be recorded within the County's general ledger financial reports. The amount in the general ledger must be supported by detail subsidiary ledgers. Assets that are associated with a specific enterprise or internal services fund are recorded in the appropriate fund. The recording of capital assets makes it possible to provide for protective custody and to fix responsibility for proper use and custody of such assets. It also permits proper disclosure on financial statements. Valuation of capital assets is recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair market value at the date of their donation.

Capital Assets

Term used by GASB (Governmental Accounting Standards Board) to include land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. A capital asset is an asset whose cost exceeds \$5,000 and useful life is greater than two years. Included in the cost of a capital asset are items such as labor and freight and any other costs associated in bringing the asset into full operation. NOTE: land and land improvements, vehicles and computers are listed in a separate policy. Normal repair and maintenance are not considered to be capital assets.

Capitalization Costs

Capitalization costs include, not just the cost to purchase or construct an asset, but also any "ancillary charges necessary to place the asset into its intended location and condition for use." "Ancillary charges are shipping and labor cost to assemble the asset. Training to use the asset is NOT part of the ancillary charges; the focus is on the readiness of the capital asset itself, not the user.

Classifications

Asset classification by major asset class must be provided on the face of the financial statements or in the financial notes. The following is a list of Antrim County major asset classes: Land, Buildings, Land Improvements, Machinery and Equipment, Furniture/Fixtures/Equipment and Vehicles.

Depreciation Process

GASB and GAAP (Generally Accepted Accounting Principles) guidelines will be followed for the straight-line depreciation method, County's historically practiced method that will be used to spread the original cost of an asset over its estimated useful life.

Disposal Process

Disposal of an asset represents its physical removal from custody and/or accountability. Disposal is accomplished through one or more of the following means: auction, sale, salvage, trade in, lost, destroyed, or other means that are acceptable to the Board of Commissioners.

Retirement Process

Retirement is the point in time at which an asset is fully depreciated. A fully depreciated asset shall remain recorded in the financials reports and be tracked in inventory by the department until the time of disposal.

Tag Number

Numbers will be assigned to assets and used as primary identification for all items entered into the capital asset reports.

Transfer Process

When an item is transferred to another department, depreciation continues until its useful life expires.

Useful Life

An estimation of the expected economic life of an asset from the time it is placed into service until its retirement. Useful life will vary with each class of asset based on commonly accepted industry standards.

PROCEDURES

The Finance Director's office is responsible for maintaining the capital asset financial reports and department heads are responsible for custodianship and inventory of all capital assets assigned to their departments.

Acquisition of assets shall be initiated through the budget process unless there is an emergency. However, even then all acquisitions shall follow the current Purchasing & Bid policy. The Finance Director will record all capital assets in the capital asset financial software with the following information through the BS&A Accounts Payable module merging into the BS&A Fixed Asset Module: date of acquisition, original cost, vendor, serial or model number where applicable, description, department and tag number.

Depreciation will be performed annually; and if required, the Finance Director will post journal entries to the general ledger.

Three Methods are used to Move or Eliminate Capital Assets:

Prior to initiating any of these three methods, **please consult by email or in written communication with the Finance Director.** The Finance Director will provide the department head with the depreciated financial status of the assets and the next steps in the process.

1. **Internal Transfers:** Provide the tag number to the Finance Director. If a tag number is not available, a complete detailed description of the item is required. Also, list the department the asset will be transferred to for inventory purposes.
2. **Disposals:** This method is used when a department prefers to eliminate the inventory of an unused asset. This process will depend on the type of asset it is and if the asset has reached full depreciation.
3. **Sale of Asset:** This process is initiated with the assistance of the County Administrator's office. Assets for sale can be listed for auction with notice in the newspaper and County website or through the County auction. Assets will stay in the originating department until proof of purchase is confirmed and pickup of asset is completed. Once sold, it must be reported to the Finance Director's office by email with all documentation of the sale. The tag number shall be removed from the asset by the originating department and given to the Finance Director. All proceeds from the sale of all County Assets will be returned to the General Fund or as sale of assets in Other Funds.

These three methods may require journal entries which shall be entered annually into the general ledger by the Finance Director.

Year End Inventory: Each department will receive a listing of their capital assets at least once every two years. At this time, the department head shall review the list and notify the Finance Director's office, by email or written correspondence, of any changes to the listing such as acquisitions, transfers, retirements or disposals.

Related Policies:

County-Owned Vehicle Policy
All County Policies Concerning Land
IT Disposal of Digital Data Storage Devices & Media
Purchasing and Bid Policy

Policies Rescinded Upon Adoption of this Policy:

Fixed Asset Policy
Equipment & Furniture Disposal Policy