

FIXED ASSET POLICY FOR ALLEGAN COUNTY



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Allegan County Budget and Finance Department

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I. POLICY STATEMENT

It shall be the policy of the Board of Commissioners that a record of fixed assets owned by the County shall be established and maintained. The valuation of fixed assets shall be based on an historic cost and shall meet generally accepted accounting principles. Department directors and elected officials shall be responsible to charge the acquisition cost to the proper account, to maintain accurate and current records of existing assets, to record the disposition of assets leaving their area of responsibility, and to cooperate with the annual audit and inventory.

II. PURPOSE OF THE FIXED ASSET PROGRAM

There are three basic premises to the Fixed Asset Policy for Allegan County. The first premise is an acknowledgment that Allegan County, as a business entity, should manage its financial affairs in a manner consistent with established business practices whenever practical, including compliance with generally accepted accounting principles (GAAP). Basic to this concept is the duty to publicly recognize and value assets owned by the County. It is the intent of the management of Allegan County to demonstrate accountability and stewardship of tax dollars used to fund capital transactions by maintaining records of Fixed Assets.

The second premise is recognition that governmental accounting (NCGA statement No. 1) requires fixed assets to be recorded at their historical cost. The additional stipulations of GASB Statement 34 require us to track and depreciate fixed assets.

The third premise is a desire to establish internal controls for the purchase, tracking, and disposition of all owned material and equipment. However, the desire for internal controls must necessarily be tempered in recognition that the cost of implementing controls should not exceed the value of implementation. To that end, department directors and elected officials are responsible for items of lesser value. The Budget and Finance Department shall assist those departments that wish to account for items of lesser value with designing systems to account for those items.

Pursuant to the adoption of this Policy, in accordance with the statements above, the capitalization threshold for fixed assets as defined in Section III of this Policy is hereby established at \$5,000, infrastructure values as defined in Section III will be tracked for projects with a cost of \$25,000 or greater, and a process to depreciate capital items will be established.

III. ACCOUNTING BASIS AND OPERATIONAL PRINCIPLES

Allegan County has adopted a Fixed Asset Program in accordance with the principles established by the Governmental Accounting Standards Board (GASB) Statements Nos. 1 and 34.

OFFICE OF RECORD

The Budget and Finance Department shall be the official office of record for all fixed asset purchases, improvements, additions, and disposals.

DEFINITIONS AND CLASSIFICATION GUIDELINES

This section will establish guidelines to be used by purchasing when classifying and valuing purchased items. Asset acquisition must be classified within one of the following categories:

FIXED ASSET – A Fixed Asset as defined by this Policy is a fully functioning unit which has an acquisition cost of \$5,000, or greater, and a useful life of at least 2 years. All fixed assets shall be recorded in a manner consistent with the provisions of GASB Statement 34, by classification, and further in conformance with requirements set forth in “Governmental Accounting, Auditing and Financial Reporting” (GAAFR) guide issued by the Government Finance Officer’s Association.

In accordance with Generally Accepted Accounting Principles, all costs associated with bringing a fixed asset to working condition will be recorded as a cost of the fixed asset. This includes any costs related to design including engineering, architecture, and site preparation, freight, and other labor or consulting fees associated with the preparation of a fixed asset for public use.

INVENTORY - An asset, which has an acquisition cost of less than \$5,000, and a useful life of at least one year. Inventory will be accounted for separately by each responsible department.

CONSUMABLES (SUPPLIES OR DISPOSABLES) - Are items which, regardless of cost, are neither Fixed Assets nor inventory items; they have a useful life of less than one year. These items will not be recorded as a Fixed Asset nor will they be inventoried and will not receive a Property Record Tag.

INFRASTRUCTURE - Are assets that are defined as Fixed Assets that are immovable and of value only to the governmental unit and include such things as sidewalks, roads, and utility lines. Accordingly, and in conformance with GASB Statement 34, Allegan County will include these values for items with an acquisition or appraised value of \$25,000 or greater in the Fixed Asset System.

CLASSIFICATION GUIDELINES:

ORDINARY REPAIRS - Repairs made to keep an asset in good working condition, regardless of cost, are ordinary repairs and shall not be recorded in the Fixed Asset System. Ordinary repairs for a building include such things as re-painting, and repairing a roof. Ordinary repairs for equipment and vehicles include replacing small parts or other maintenance items.

EXTRAORDINARY REPAIRS/IMPROVEMENTS - Major repairs made not just to keep an asset in good working condition, but to extend its useful life beyond that originally estimated, are extraordinary repairs and shall be recorded in the Fixed Asset System. A replaced roof would be an example of an extraordinary repair. Improvements involve modifying an existing asset to make it more efficient or productive, usually by replacing part of the asset with an improved or superior part, and shall be recorded in the Fixed Asset System.

ADDITIONS TO EXISTING FIXED ASSETS - Which have an acquisition cost of at least \$5,000, shall be assigned to and increase the value of the Property Record of the existing item and shall be considered a Fixed Asset Addition. An example of this would be a playground installation at an existing park, or costs incurred when adding physical attributes to an existing building.

The Useful Life of Extraordinary Repairs and Improvements will be determined by the number of years the useful life is extended. Additions to Existing Fixed Assets will be capitalized according to the Useful Life guidelines below.

SOFTWARE - Will be subject to the threshold above with the exception of software upgrades and maintenance costs. Upgrades and maintenance will not be recorded in the Fixed Asset System. (NOTE: An exception may exist if a significant upgrade is acquired which will be determined at that time.) Software purchases greater than \$5,000 that result in a new license will be recorded in the Fixed Asset System and will be assigned a property tag, which must be maintained in a log in the department wherein it resides.

HARDWARE - Components that are stand alone units, and will not be installed internally to an existing computer, will be subject to the existing threshold of \$5,000 when determining whether it is a fixed asset.

USEFUL LIFE – All Fixed Assets except land will be assigned a useful life appropriate to that asset. Land has an unlimited useful life and will not be subject to the provisions of this paragraph. The cost of an asset will be capitalized using the straight-line method over the useful life of the asset. Guidelines for determining the useful life of a Fixed Asset are as follows:

5-Year Property – includes automobiles, light duty general purpose trucks, tractors, mowers, and all other grounds maintenance equipment, copiers,

computers and peripheral equipment, computer software and applicable licenses and upgrades, boats and other water vessels, motorcycles, ATV's, snowmobiles and other recreational motor vehicles.

7-year Property – includes appliances and office furniture and equipment, except those items listed in 5-year property above.

15-year Property – any water/wastewater treatment plant or equipment, any telephone distribution plant or equipment used for 2-way exchange of voice and data communications except those previously mentioned, improvements to land or buildings.

25-year Property – includes water/sewer/drain projects and fiber optic lines.

45-year Property – includes all buildings and structures.

IV. FIXED ASSET PROCEDURES

Attached to this policy is a section entitled Fixed Asset Procedures which details the procedures that must be followed by departments when purchasing, transferring, or disposing of a Fixed Asset or an asset carrying a Property Record Tag. This section is hereby incorporated into this policy statement but may be amended from time to time as necessary. Amendments shall be incorporated into a new fixed Asset Procedure Manual and shall occur either at the discretion of the Budget and Finance Director or the County Chief Administrative Officer.

V. DEPARTMENTS' RESPONSIBILITIES

A. DEPARTMENT DIRECTORS

It shall be the responsibility of every department head and elected office holder to control and record the acquisition and disposition of infrastructure and fixed assets (as defined in Section III) within their department. These numbers, values, and locations are recorded in the Fixed Asset Module of the EDEN Software and will be updated by departments with each new acquisition, disposal or transfer. The following procedures are hereby established to insure a continued accurate inventory of these items:

PROCUREMENT

1. The responsibility of record keeping begins with the decision to purchase an item. The item must be included in the approved Capital Budget for that year and procurement of the item must comply with the County's Purchasing Policy.
2. The Department must complete the requisition (if appropriate) and purchase order in Eden with the Fixed Assets box checked on the line items and multiple items if more than one item per line was entered. It is the responsibility of the Department to enter recordable items properly into the Requisition and Purchase order fields.
3. Invoices received for fixed assets purchased will be processed through Accounts Payable. The Department will forward any necessary information needed for the maintenance of the Fixed Asset database to Finance. The Budget and Finance Department will be the official "office of record" for fixed asset purchases.

PROPERTY TRANSFER AND DISPOSITION

Each responsible department will record property transfers.

1. The Department Head shall be responsible for the care and safekeeping of all fixed assets recorded in the EDEN system which were purchased by their department. When departments are finished actively utilizing a fixed asset, it will be turned over to the Facilities Management or Information Services Department.
2. Items must be tracked as long as the County maintains custody, regardless of whether they are fully depreciated. Departments must

insure that as these items are moved or disposed of; their status is tracked in EDEN.

3. At the time of inventory, all recorded items must be located. Notice of disposition must be provided to the Budget and Finance Department at if any item recorded is not located. Items located but not valued or recorded must at that time be entered into the system.
4. All fixed assets not in active use will be turned over to either the Facilities Management or Information Services Department. If an item has been sent to either department for final disposition, the item will be recorded to a "Holding" Cost Center established for that purpose.
5. At any time when a recorded item is sold or otherwise disposed, the Budget and Finance Department will receive a written notification of property disposition from the department disposing the item. Finance will record the final disposition of the item and remove its value from the system.
6. On or around January 1 of each year, Finance will submit a complete list of all fixed asset items to all departments. Each department will then be required to review the list and alert Finance regarding any discrepancies to the list that may exist. The absence of an alert will indicate the department head's concurrence that the list accurately reflects all existing items.

B. DEPARTMENT OF BUDGET AND FINANCE

The Budget and Finance Department will be the office of record and is responsible to insure that all items are properly classified and are charged to the correct account. In addition, they must conduct overall program reviews from time to time to insure consistency and integrity. They will review the following information:

- the classification and useful life of the item/items based on the nature and value of the item is reasonable and proper, and;
- the object account is proper based on the classification.

A report will be prepared by the Budget and Finance Department for the Board of Commissioners that details the results of the annual inventory and any pertinent findings.

The Budget and Finance Department, as part of their audit responsibilities, may visit any department as part of their normal audit schedule and conduct an audit of the inventory.

C. DEPARTMENT OF INFORMATION SERVICES

The Information Services Department will be responsible to approve all requests for data processing related fixed asset purchases including all hardware and software. Annual appropriations for all computer related fixed assets may reside within the IS budget or within respective departments as will be determined annually.

Computer hardware and software that qualify as fixed assets will be recorded in the Fixed Asset System in accordance with this policy. The Information Services Department is primarily responsible to advise departments and to approve requested purchases when purchased through the IS Department. Record of all such items will be maintained by the IS Department after delivery/installation.

D. DEPARTMENT OF FACILITIES MANAGEMENT

The Facilities Management Department will be responsible to approve all requests for building and furniture related fixed asset purchases. Annual appropriations for all Facilities Management related fixed assets may reside within the Facilities Management budget or within respective departments as will be determined annually.

Building and furniture items that qualify as fixed assets will be recorded in the Fixed Asset System in accordance with this policy. The Facilities Management Department is primarily responsible to advise departments and to approve requested purchases when funded from the Facilities Management budget. Record of all such items will be maintained by the Facilities Management Department after delivery/installation.

In addition to maintaining the inventory for their items, the Facilities Management Department has responsibility to provide a location to store temporarily items transferred to await sale at public auction or other final disposition. To this end, there shall be established a separate cost center within the chart of accounts which will serve as a "Location" into which these items will be recorded. When held, the Facilities Management shall be responsible for administering the sale of County fixed assets. All dispositions of fixed assets shall be reported to the Department of Budget and Finance for processing in accordance with Item A above.

E. EXCEPTIONS

- On occasion, the County receives gifts of value at no cost. Department heads are responsible to indicate this to the Budget and Finance Department who must then contact the appropriate department of custody to create an asset record and tag. At that time, the department of custody must make a value determination using the best available data from vendor or trade publications and enter this information into the EDEN system accordingly.
- On occasion, the County purchases items through grants that are on behalf of other agencies. These items will not be in the possession of the County and are not owned by the County but may be transferred to the County after the useful life has expired. These items will not be recorded on the Fixed Asset System until and unless the item is transferred to the County and the value at the time of transfer is determined to be at least \$5,000. At the time the County acquires these items from the agency, the department head must insure that an asset record and tag is created for the asset. The value to be recorded must be based on the best available data from vendor or trade publications.
- On occasion, the County Board of Commissioners may loan an asset to a non-County related agency. At this time the Board shall work through Administration to notify the Budget and Finance Department in writing of such a transaction. Budget and Finance shall be responsible for tracking the location for all such items in the system and maintaining the value thereof.