



FORSYTH COUNTY GOVT CAPITAL ASSETS POLICY



FORSYTH COUNTY GOVERNMENT

CAPITAL ASSET POLICY

PURPOSE/OBJECTIVE

The purpose of this policy is to provide guidance in defining and maintaining capital asset records for Forsyth County Government. The purpose of a capital asset inventory system: to provide control and accountability over Capital Assets; to gather and maintain information needed for the preparation of financial statements.

POLICY

It is the policy of Forsyth County Government to administer close control over the acquisition, Donation, location, transfers, and disposition for the security of all Capital Assets and to maintain complete and accurate records of the related transactions. "The County will maintain accurate records of all assets to insure a high degree of stewardship for public property".¹

PROCEDURES

All departments and agencies must adhere to the procedures outlined in this policy for the proper accounting and tracking of all County assets. Capitalization of general Capital Assets includes Land, Buildings and Improvements, Infrastructure, Machinery and Equipment, Vehicles and Construction in Progress. The Capital Asset inventory listing is supported with detailed records for each asset, which supports the documented amount represented in the financial statements.

DEFINITIONS:

Amortization – The process of reducing a recognized asset (such as an intangible asset) systematically by recognizing expenses or costs.

Ancillary Charges – Costs that are directly attributable to capital asset acquisition and that are necessary to place the asset into its intended location and use: examples include freight, transportation and handling; assembly and installations costs; site preparation costs; and other professional expenditures. These costs are capitalized as part of the asset.

Building – A structure that is permanently attached to the land and is not intended to be transportable or moveable.

Building improvements – A capital event that materially extends the useful life of a building, increases the value of a building or both.

Capital Assets – The term capital assets includes 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.

Capitalized – The monetary criterion used to determine whether a given capital asset should be reported on the balance sheet.

Computer Software – The ownership or right to use computer programs that control the functioning of computer hardware and other devices.

Construction in Progress – A noncurrent asset account in which the costs of constructing long-term, fixed assets are recorded.

Depreciation – The systematic and rational allocation of the cost of a capital asset over its estimated useful life.

Donation – A voluntary non-exchange transaction entered into willingly by two or more parties. Both parties may be governments, such as the Federal Government, another state, a county or municipality, or one party may be a nongovernmental entity, including an individual.

Easement – The right to use the land of another party for a particular purpose.

Fair Value (FV) – It is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Historical Cost – Cost of a capital asset, which includes the vendor's invoice (plus the value of any trade-in), sales tax, ancillary charges, initial installation cost, modifications, attachments, accessories or apparatus necessary to make the asset usable and render it into service.

Improvement – An improvement is a substitution by a better asset, one with superior performance over the current assets being used. An improvement also extends the life or improves significantly the marketability of the original asset through added functionality, enhanced performance, or increased service capability.

Infrastructure Assets – Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets.

Intangible Asset – An asset that lacks physical substance, is non-financial in nature, and has an initial useful life extending beyond one year. Intangible assets are either acquired through purchase, license, or donation; or internally generated within the agency.

Land – The surface or crust of the earth, which can be used to support structures, and may be used to grow crops, grass, shrubs, and trees.

Land improvements - Consist of betterments, site preparation and site improvements (other than buildings) that ready the land for its intended use.

Machinery and Equipment - consist of transport equipment and other machinery and equipment other than that acquired by households for final consumption.

Residual Value (Also referred to as salvage value) – The estimated fair value of a capital asset, infrastructure or otherwise, remaining at the conclusion of its estimated useful life. In most cases, it is probable that many infrastructure assets will have no salvage value, given the cost of demolition or removal.

Salvage Value – The government's estimate of what a capital asset may be sold for when it is no longer used in operations.

Straight-line Method – A method of calculating depreciation expenses which assumes that the asset is used up equally over its estimated useful life: historical cost less residual value, divided by useful life.

Useful Life – The period during which an asset is expected to provide service to the government. If the life is defined by contractual or legal rights, the period should not exceed the expected service period. Renewal periods may be considered in setting the useful life, if there is evidence that the government will request and obtain renewals at nominal cost.

Vehicles - A long-term asset account that reports a company's cost of automobiles, trucks, etc.

ACCOUNTING POLICIES REGARDING CAPITAL ASSETS ARE AS FOLLOWS:

DESCRIPTION OF A CAPITAL ASSET

Capital Assets, which include property, plant, equipment, Intangible Assets, and Infrastructure Assets (e.g., roads, bridges, sidewalks, and similar items), reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The County defines Capital Assets as assets with an initial, individual cost of \$5,000 or greater and an estimated Useful Life in excess of two

years. Such assets are recorded at Historical Cost purchased or constructed. Donated Capital Assets are recorded at estimated fair market value at the date of Donation. The County has elected to Capitalize all general Infrastructure Assets regardless of the acquisition date and has used the estimated Historical Cost to value these assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend useful lives are expensed as incurred and are not added to the value of the asset.

A capital asset is specific real or personal property, which has the following characteristics:

- 1) Tangible in nature, possesses physical substance (Land, Building, Building Improvements, vehicles, machinery and equipment, and infrastructure).
- 2) Intangible, possesses no physical substance (permanent easements and internally generated Computer Software (only costs incurred during the application development stage are Capitalized)).
- 3) Unit cost of \$5,000 or more. Capital construction in progress projects over \$100,000.
- 4) Donated Capital Assets are approved by the Board of Commissioners via the agenda process and documentation is provided to the Finance Department to record in the County's asset system at the asset's estimated Fair Value as of the date of the Donation. When Capital Assets are donated by a developer, a government may use the developers' cost as the Fair Value in the absence of a readily determinable market value.³

A. Capitalization Threshold

1. Forsyth County considers the following guidelines in establishing capitalization thresholds:
 - a. Potentially capitalizable items should only be Capitalized if they have an estimated Useful Life of at least two years following the date of acquisition;
 - b. Capitalization thresholds are best applied to individual items rather than to groups of similar items (e.g. desks and tables).
 - c. Forsyth County Government does not establish a capitalization threshold of less than \$5,000 for any individual item;
 - d. If Forsyth County is a recipient of federal awards, federal requirements are followed.
2. Forsyth County standard capitalization threshold is as follows:
 - Capital Assets - \$5,000
 - Infrastructure - \$100,000
3. Any outlay that does no more than return a capital asset to its original condition, regardless of amount, is classified as *maintenance and repairs*. Since maintenance repairs provide no additional value, cost is recognized as expense when incurred.
 - a. Services, such as repaving, milling and resurfacing, are necessary to restore the roadway back to its original condition. These services are classified as *maintenance*.
 - b. At other times, Forsyth County expends resources on existing Capital Assets that either 1) increase their utility (through increased capacity or serviceability) or 2) extend their total estimated Useful Life. Such *Improvements* (or *betterments*) add new value; therefore, their cost is Capitalized as part of the cost of the underlying asset.

- c. Assets, such as intersection improvements, new roadway construction, roadway improvements, new trails/paths, addition of turn/through lanes, addition of traffic signals, and similar asset types, add to the capacity of the roadway or improvement. These services are Capitalized over the Useful Life of the asset as required.

DEPRECIATION METHODS:

Capital Assets of the primary government are depreciated or amortized using the straight-line method over the following useful lives:

<u>Asset Category</u>	<u>Years</u>
Buildings and Improvements	20 - 50
1. Buildings, Building Improvement 25 Yr. Dep	
2. Buildings, 40 Yr. Dep	
Machinery and Equipment	5 – 20
1. Equipment, Computer 5 Yr. Dep	
2. Machinery, Off-Hwy 10 Yr. Dep	
Vehicles	3 – 10
1. Vehicles, Sheriff Patrol 3 Yr. Dep	
2. Vehicles, Light Truck 5 Yr. Dep	
Intangible Assets	7 - 11
1. Intangible, Water 7 Yr. Dep	
2. Intangible, Water 10 Yr. Dep	
Infrastructure	20 - 50
1. Infrastructure, Roads 20 Yr. Dep	
2. Infrastructure, Bridges 50 yr. Dep	

RESPONSIBILITIES FOR CAPITAL ASSETS CONTROL AND INVENTORY

Finance Department

1. Audits the tangible county wide Capital Assets so that all such assets are accounted for, at least on a test basis, at least once every five years.
2. Reconciles the physical inventory to the listing contained within the County's asset system.

3. When a department moves to a new location, Finance will do a before and after inventory.
4. The Finance Department periodically verifies the data on the asset listing provided by each department. Procedures are reviewed with custodian to verify the reliability and completeness of the data:
 - a. Status and understanding of the asset inventory: Forsyth County's asset inventory includes a description of the asset and its location, condition, age and remaining Useful Life, and economic value.
 - b. Business procedures: Forsyth County policy requires the proper communication and recording of asset additions, deletions and adjustments. Forsyth County's Fixed Asset Accountant validates or confirms that the appropriate accounting procedures used are consistent with the Capital Asset Policy.

Department/Office Roles

1. Department heads have the responsibility of control and accountability for their department's assets.
2. Each department head may assign responsibility for different groups of assets to one or more specific individuals. That assignment is documented in writing and communicated to the Finance Department.
3. Individuals responsible for a department's assets plans and conducts an annual physical count by listing every asset in the department that meets the minimum threshold criteria of \$5,000. They will then reconcile the department's assets before sending the report to Finance.
4. Once a physical audit is conducted by Finance any discrepancies are marked and researched by the department. Items that are not located must include an explanation as to the disposition.
5. A final report including the list of assets along with an explanation of changes from the system report is prepared and certified by the department head as reliable and complete.
6. Once a department relocates, it is the responsibility of each department to list their old/new assets prior to Finance doing a final relocation inventory assessment.

TRANSFER OF ASSETS

Department/Office Roles

1. Each department is required to complete a "Surplus Request Form" and follow the procedures in the Surplus Policy (Forsyth County Intranet > Forms & Documents > Procurement > Surplus Policy) prior to disposal of an asset. Assets, along with the Surplus Request Form, are either taken to Fleet Services or picked up by Public Facilities per the County's Surplus Policy.
2. Departments will determine if an item other than vehicles, motorized equipment and road equipment are deemed still useable. These items will be placed on the Intranet under Available Surplus items.
3. If the item is a Capital Asset, the surplus request form must be sent to Finance/Fixed Assets.
4. Transfer of items between departments must have executive managers approval.

Fleet Services

1. Fleet Services will determine when an asset will better serve its purpose by transferring to another county department. These items include vehicles, motorized equipment and road equipment.
2. When an asset is transferred to another department, otherwise physically removed from a department, Fleet Services is responsible for notifying the Finance Department by submission of a "Surplus Request Form".

Finance Department

The Finance Department will remove the asset from the originating department's inventory records and change ownership responsibility in the software system. Note: The "Surplus Request Form" will not be needed for items initially costing less than \$5,000 and otherwise did not meet the criteria of a capital asset.

DISPOSAL OF ASSETS

Department/Office Roles

1. Each department/office will determine if the department no longer needs certain assets.
2. To dispose of an item the Surplus Policy must be used. (Forsyth County Intranet > Forms & Documents > Procurement > Surplus Policy)
3. Donation to another entity will need to have a MOU (Memorandum of Understanding) with the intending party and this item will need to be on an Agenda Request form to be presented before the Board of Commissioners. The Donation Form, to be returned to Finance, is attached.

Procurement

1. Procurement disposes assets with a Residual Value of \$5,000 and above, once it is declared surplus or unserviceable. Authorized methods of disposal include auction, sale via the internet or other means, trade or transfer to another department within county government.

Finance Department

1. Decommissioned capital assets custodian is changed to surplus in the capital asset module.
2. Once an item is disposed, Procurement will send all documentation for the item to Finance to be decommissioned in the software system.

CONTROLLED ASSETS

Controlled assets are assets that must be secured and tracked as inventory. A controlled asset's value is below the capitalization threshold and is not depreciated or reported on the balance sheet. Examples of

controlled assets are laptops and uniforms. Controlled asset designee may be the same as capital asset contact representative. Forsyth County undertakes a systematic effort to identify all its controlled Capital Assets.

Department/Office Roles

1. Control normally occurs at the departmental level. Departments are expected to manage controlled Capital Assets as an integral part of the process they use to achieve their operational goals.
2. Control responsibility is assigned within each department. Control cannot be divorced from accountability. Consequently, departments are assigned responsibility for different groups of controlled assets, the responsibility may be delegated to one or more specific individuals. That assignment is documented within the department and communicated to the Fixed Asset Accountant. Likewise, changes in assignments should be documented and communicated.
3. Individuals responsible for controlled assets should prepare and maintain a complete list of those items each year within the department. At the close of each fiscal year, every individual assigned responsibility for controlled assets is required to prepare a report (to be maintained within the department) that provides a complete list of those items, along with an explanation of changes from the previous year.
4. Departments should certify each year to the Finance Department that updated lists of controlled assets are on file and available for inspection. Each department should designate an individual to be responsible for verifying that lists of all controlled assets have been filed each year, as required. The responsible manager in the department should then certify to the Finance Department that the lists are 1) on file and available for inspection and 2) reliable and complete.

Finance Department

The Finance Department verifies the data on controlled assets on file in each department. No less than once every two years on a rotating basis (more frequently for particularly sensitive items), the Finance Department ensures that procedures are performed to verify the reliability and completeness of the data on file in each department concerning controlled assets.

CAPITAL ASSET REPLACEMENT PROGRAM (CARP)

The CARP program is a five year replacement plan for capital assets that have been determined ready for replacement based on useful life and/or condition.

Department/Office Roles

1. Departments are responsible to provide a list of their Capital Assets to be replaced for the next year's budget process.
2. Departments will undergo their normal budget meetings, at this time funding for CARP will be discussed.
3. Replacement list must be approved by executive manager.

Finance Department

1. After the budget meetings with the departments and replacement list has been approved, Finance will program replacement asset in system.
2. Finance will monitor replacement program throughout the year.

NOTES:

1. Forsyth County Financial Policy – Adopted May 30, 2001
2. Forsyth County Surplus Personal Property Policy and Procedures – Adopted May 18, 2017
3. GASB Statement No. 34, *Basic Financial Statements-and Management’s Discussion and Analysis – for State and Local Governments*

REFERENCE:

The Government Finance Officers Association (GFOA) *Governmental Accounting, Auditing, and Financial Reporting* (GAAFR) “Blue Book” and its *Committee on Accounting, Auditing, and Financial Reporting* (CAAFR):

GFOA – GAAFR – 2005, Chapter 6, *Proprietary Funds*

GFOA – GAAFR – 2005, Chapter 11, *Notes to the Financial Statements*

GFOA - GAAFR - 2005, Chapter 12, *Transaction-specific and Account-specific Guidance*

GFOA – CAAFR Recommended Practices – *Establishing Appropriate Capitalization Thresholds for Tangible Capital Assets* (1997, 2001, updated 2006)

GFOA – CAAFR Recommended Practices – *Establishing the Estimated Useful Lives of Capital Assets* (2002 and 2007)

Donation of Asset

Capital Items

Department Submitting:_____Deptartment #:_____

Contact if questions about item:_____Ext:_____

E-mail:_____

Form is to be completed and submitted to the Finance Department along with MOU, appropriate photos and signed copy of Agenda Request.

Describe item:_____

Year Acquired:_____VIN/Serial#:_____

Unit #:_____Mileage:_____or Number of Hours:_____

Why is the item being donated:_____

Donor:_____

Department Head Signature:_____Date:_____

Once item is documented as received by the intended party, Finance will process transaction to remove item from donated department's inventory listing.