Resolution 2010-9

Inventory Resolution

Vermillion County, Indiana

WHEREAS, It has been brought to the attention of the Board of Commissioners of Vermillion County that county owned property is accountable to the state board of accounts as well as to the citizens and taxpayers of Vermillion County and whearas certain office holders control county owned property within their various offices that a method is required to periodically inventory and account for such items.

NOW BE IT ORDAINED AND ENACTED by the Vermillion County Commissioners that:

SECTION 1. Each officeholder shall once per calendar year compile and inventory of all county owned property within their office or in their possession that is worth at least $200.00 and file a copy of that inventory with the Auditor.

SECTION 2. That the inventory shall include a brief description of each piece of county owned property held by that office such that a lay person can tell what is in a given office's control and should include serial, registration or similar numbers where appropriate.

SECTION 3. That county owned property shall be such things that are not the personal property of the elected official and which have some value for which the County is accountable.

SECTION 4. Should any section, paragraph, sentence, clause or phrase of this Resolution be declared unconstitutional or invalid for any reason by any Court of competent jurisdiction, such provision shall be deemed severable and remaining portions of this Resolution shall remain in full force and effect.

SECTION 5. All ordinance or parts of ordinances or resolutions that are inconsistent with the provisions of this Resolution are repealed to the extent of such inconsistency.

Adopted and passed by the Vermillion County Board of Commissioners on this 3rd day of August, 2010.

Tim Wilson Harry Crossley Kim Hawkins

VERMILLION COUNTY

CAPITAL ASSET POLICY

Policy and Procedure Manual

Approved by:

County Commissioners

President of County Commissioners	8-3-10 Adoption Date
Phyllis Orman County Auditor	8-3-10 Signed Date

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SECTION **CAPITAL ASSET POLICY**

1.0 PURPOSE

To establish policy and procedures for the acquisition, inventory, transfer and disposition of assets.

2.0 POLICY

Vermillion County is implementing a Capital Asset Policy effective July 1, 2010. This policy is being implemented to meet the requirements of the new accounting-reporting model, Governmental Accounting Standards Board Statement (GASB) 34. The new reporting model will require the County to depreciate capital assets. The County has accounted for expenditures utilizing the cash accounting method, where the costs of assets are recorded as an expenditure the same year in which the costs are paid. This method, although simple, does not reflect the true value of the investments that are made with County dollars. Once the expenditures are made these dollars transform into real assets. Assets, particularly infrastructure assets like buildings, roads, sewer treatment plants, etc. become part of the intrinsic value of the County. The County is more than the builder; it is the steward of the investment. The Capital Asset Inventory is aimed at accounting not only the costs incurred, but moreover the value they hold. The Capital Asset Inventory is an excellent tool for managers to identify and validate the work that must be done to maintain the assets.

Vermillion County developed the Capital Asset Inventory in order to provide a higher degree of control over its considerable investment in capital assets, and to be able to demonstrate accountability to its citizens, ratepayers, oversight bodies and regulators.

The purpose of the project is:

a. Safeguard the investment
b. Fix responsibility for the custody of equipment
c. Provide a basis for formulating capital asset acquisition, maintenance and retirement policies
d. Provide data for financial reporting
e. Demonstrate appropriate stewardship responsibility for public assets

3.0 ASSETS DEFINED

A **Fixed asset** is a long-lived tangible asset obtained or controlled as a result of past transactions, events or circumstances.

GASB Regulation Establishing a Threshold for Capitalized Assets

A **capitalized asset** is property, such as land, land improvements, including monuments, buildings, building improvements, construction in progress, machinery and equipment, vehicles and infrastructure with a cost greater than or equal to $500.00 and a useful life of more than one year. Capitalized assets are acquired for use in normal operations and are not for resale. These assets are long-term in nature are subject to depreciation.

Threshold levels for assets to be Inventoried and Included in the Report

The following schedule will be followed for the different types of capital assets:

Asset	**GASB Threshold**
Land	Capitalize All
Construction in Progress	Capitalize All
Buildings	Capitalize All
Machinery and Equipment	$200
Improvements Other Than Buildings	$200

ASSESTS WITH COST LESS THAN THRESHOLD: Department Heads may include assets of lesser cost than the Threshold of $200 ; however the inclusion is not mandatory.

Level of Control

The Asset Valuation is to be maintained for each Fund and Department. Each Department needs to maintain assets based on "Location" so that accurate inventory reports can be printed. The County Auditor's Office will be ultimately responsible for asset inventory management.

4.0 VALUATION OF CAPITAL ASSETS

General

All assets shall be recorded at historical cost or estimated historical costs according to Generally Accepted Accounting Principles. If purchasing a new asset, the cost is the amount paid for the asset including sales tax and freight. The amount recorded includes the total purchase price, less any discounts. It also includes any payment required to place the asset in its intended state of operation such as labor to install. If it is a donated asset, the cost is defined as the fair market value on the date donated. The fair market value is the estimated amount of the asset for which it would be exchanged between a willing buyer and seller when neither are forced into the exchange. Both parties should have knowledge of all facts and consider it an equitable exchange.

Capital assets should be recorded at actual cost. Normally the cost recorded is the purchase price or construction costs of the asset, but also included is any other reasonable and necessary costs incurred to place the asset in its intended location and intended use. Such costs could include the following:

a. Legal and title fees, closing costs
b. Appraisal and negotiation fees, surveying fees
c. Damage payments
d. Land preparation costs, demolition costs
e. Architect, engineering and accounting fees
f. Insurance premiums during construction
g. Transportation charges
h. interest costs during construction – on enterprise funds only

5.0 ASSET DEFINITIONS BY MAJOR CATEGORY

It is important to the maintenance of accurate records that each asset category (land, buildings, improvements other than buildings, equipment, etc.) be precisely defined and that all persons responsible for records maintenance be fully aware of the categorization system. This section further clarifies the asset definitions by major category.

A. Land

Land is defined as specified land, lots, parcels or acreage including rights-of-way regardless of the method or date of acquisition. Easements will not be included in the asset inventory. All land is entered as Inventory, regardless of cost; however, land is not to be deprecated.

Purchased land should be entered at its cost. Cost includes its purchase price plus any other charges necessary to purchase the land. Other charges include costs such as site preparation expenditures, attorney fees, deed stamps, appraisals, surveys, and legal claims directly attributable to the land acquisition. If land and a building are acquired as a single parcel, the cost should be allocated between land and building, and recorded in the appropriate inventory accounts.

Donated land should be recorded at the appraised or estimated market value at the time of donation.

B. Improvements Other than Buildings

Examples of assets in this category are ball diamonds, basketball courts, walks, parking areas, driveways, fencing, outdoor lighting, retaining walls, fountains, wells, and other similar items.

C. Buildings

All structures designed and erected to house equipment, services, or functions are included. This includes systems, services, and fixtures within the buildings, and attachments such as porches, stairs, fire escapes, canopies, areaways, lighting fixtures, and all other such units that serve the building.

Plumbing systems, lighting systems, heating, cooling, ventilating and air handling systems, sprinkler systems, alarm systems, sound systems, and surveillance systems, passenger and freight elevators, escalators, built-in casework, walk-in coolers and freezers, fixed shelving, and other fixed equipment are included with the building.

1. Guidelines

a. All Buildings are Inventoried and capitalized.
b. Buildings are recorded at the purchase price or construction cost.
   - Cost should include all charges applicable to the building such as purchase price, contract price or job order costs and any other expenditures necessary to put a building or structure into its intended state of operation.
   - Other expenditures may include the following: professional fees (broker's or architect's fees), damage claims, cost of fixtures, insurance premiums or interest on construction (for proprietary funds only) and related costs incurred during the period of construction.
   - Fixtures permanently attached to the building, i.e. heating and ventilation systems, should be included in the cost of the building.
c. Donated buildings should be recorded at the appraised or estimated fair market value at the time the building was donated.
d. If using in-house resources such as labor, materials to construct, renovate or add on to the building, these costs are to be included in the cost of the asset. Those departments that perform in-house services, such as general building construction (electrical, pluming, carpentry, etc.), grading/paving (chip/seal, asphalt resurfacing, etc.) or other improvements shall keep cost records of this work. These costs will be capitalized and recorded as if outside contractors were used.
e. If an addition to a building is constructed, the addition cost is added to the Asset Inventory as a separate asset when such costs meet the inventory/capitalization threshold.
f. Modular equipment added subsequent to the original construction of a larger building or equipment unit, are to Inventoried as a separate asset item.
g. Maintenance expenses are incurred to keep assets in normal operating condition and to help maintain the original use of the building. Maintenance expenses do not extend the life of the building beyond the expected useful life at acquisition. Maintenance costs are expensed and not capitalized.

h. For Land and Buildings, the legal description, including address and plat location found in the county Register of Deeds records, should be recorded in the asset record to identify it.

i. The long-term construction costs of buildings are paid from capital improvement funds. Costs are accumulated while the building is under construction. Annually, they are recorded in the Construction in Progress account. When the construction is completed, costs should be reclassified from the Construction in Progress account to reflect a "Building" Asset value.

4. Maintenance

Maintenance expenses:

- Expenses are incurred to keep assets in normal operating condition
- Expenses are incurred to help maintain the original intended use of the asset
- Expenses do not extend the life of the asset beyond the expected useful life at acquisition
- Expenses are incurred to keep the asset operational throughout its useful life

<u>Maintenance costs are expensed and not capitalized.</u>

D. Infrastructure

Infrastructure assets are long-lived capital assets that normally can be preserved for a significant greater number of years than most capital assets and that are normally stationary in nature. Examples include roads, bridges, culverts, streetlights, traffic signals, drainage systems, and water systems. Infrastructure assets do not include driveways, parking lots, fences, outside lighting, or any other asset items that are incidental to property or access to the property. Typically these asset items would be "Improvements Other than Buildings".

Additions and improvements to infrastructure, which increase the life, capacity, or efficiency of the asset, will be capitalized. Maintenance/repairs will be considered as necessary to maintain the existing asset, and therefore not capitalized. For example, patching, resurfacing, snow removal, etc., are considered maintenance activities and will be expensed. Also, any normal department operating activities such as feasibility studies, and preliminary engineering and design, will be expensed and not capitalized as an element of the infrastructure asset.

E. Equipment

Included within this category are office equipment, office furniture, appliances, furnishings, machinery items, maintenance equipment, communication equipment, police, fire, sanitation and park department equipment, laboratory equipment, vehicles, road equipment, aircraft, emergency equipment, earth moving equipment, civil defense equipment, and data processing equipment. **Supplies are not "Equipment"** and are excluded.

6.0 DEPRECIATION METHODS

The County will be depreciating all capital assets by the straight-line method. There will be a salvage value based on the type of the asset. The salvage value will be an estimate of the remaining value of the asset at the end of the depreciated life of the asset. Depreciation will be calculated at year-end. **Land is not depreciated** according to generally accepted accounting principles.

Guidelines for Straight-line Depreciation (these are to be viewed as guidelines only)

All Assets will be depreciated using the straight-line method of depreciation.
Following is a list of the most common useful lives:

Name	Years
• Vehicles	8 years
• Office Equipment	10 years
• Heavy Equipment	20 years
• Buildings	50 –75 years
• Building Components (HVAC systems, roofing)	20 years
• Leasehold Improvements	10 years
• Other Improvements – structure (parking lots, athletic courts, etc)	30 years
• Other Improvements – ground work (landscaping, fencing)	30 years
• Outdoor Equipment – (playground equipment, radio towers)	25 years
• Grounds Equipment – (mowers, tractors, attachments)	10 years
• Mains	65 years
• Pump Stations	45 years
• Structure & Improvements	45 years
• Pump Equipment	20 years
• Treatment Equipment	25 years
• Furniture & Equipment	12 years
• Other Equipment	12 years
• Transportation Equipment	10 years
• Shop & Lab Equipment	15 years
• Computer Equipment	6 years
• Communication Equipment	10 years

For any item not listed above, contact the County Auditor's Office.

7.0 CAPITAL ASSET ACQUISITION

The method of acquisition is not a determining factor. Each department should report items acquired by:

- Typical purchase
- Construction by County personnel
- Construction by an outside contractor
- Condemnation
- Donation/contribution
- Addition to an existing asset
- Transfer from another Departments
- Trade

<u>Lease Agreements</u>

A lease is an agreement between a lessor and a lessee that gives the lessee the right to use property, plant, or equipment for a specific period of time in return for stipulated cash payments. Leases are classified as either **capital** or **operating**,

Capital Leases

<u>A lease is considered a capital lease</u> if it meets any one of the following criteria:

1. The lease transfers ownership of the property to the lessee by the end of the lease term.
2. The lease contains an option to purchase the lease property at a bargain price.

Capital leased assets are to follow the same depreciation policy as similar owned assets in the fund. If depreciated, the period is restricted to the lease term rather than the life of the asset unless the lease provides for transfer of title or includes a bargain purchase option.

Operating Leases

To determine if a lease is operating, review the criteria above for a capital lease. If it does not meet any of the criteria for a capital lease, the lease is considered an operating lease.

All costs incurred are expensed when recording operating lease activity.

Neither an asset nor an obligation is recorded for operating leases.

8.0 TRANSFERING ASSETS

Assets are transferred when they are permanently moved from one department or location to another. If the move is temporary, it is treated as an asset on loan to another department.

- A transfer should not be confused with a location change.
- A transfer takes place when the asset is moved from one department to another.

Location changes are changes from one location to another within the same department.

Surplus Property

Surplus property is any equipment or other property that is no longer needed in the Department.

When feasible or practical surplus property will be transferred between departments at values deemed reasonable to each party. If other departments have no need for the asset, the asset is to be sold at the highest price possible. This will be done by offering the asset to the public through auction, sealed competitive bids, or other means.

After the item is sold, the asset record is edited to reflect the retirement or transfer of the asset.

9.0 TAGGING ASSETS

When reasonably possible, assets should be tagged. The asset number is to be recorded in the system, and attached to the asset.

Items not needing a tag are:

- Buildings (record legal description in asset record)
- Land (record legal description in asset record)
- Fire arms (record serial number in asset record)
- Improvements Other than Buildings.
- Any Asset Item that has a Serial Number that can be tracked.

If "tagging" is required, it will be the responsibility of the Department Head that owns the asset to follow up to ensure that a number has been assigned to the asset, and that it is properly tagged.

10.0 PHYSICAL INVENTORY

The County Auditor's Office will furnish each department with an updated Asset Report for review and corrections at the end of each year.

A physical inventory of capitalized assets should be taken to verify that capitalized assets physically located in the Department are recorded in the asset accounts. A physical inventory should be completed once each two years.

If possible, the physical inventory should not be taken or checked by a person who has custodial responsibility for the assets, nor has responsibility for receiving, checking in, tagging, or recording the assets.

When there is a change at a management or supervisory level the new manager or supervisor should conduct a physical inventory of capitalized assets and inventoried items.

Exceptions to or changes to a physical inventory will be noted on the Asset Report and communicated to the County Auditor by the Department Head.

11.0 RESPONSIBILITY OF DEPARTMENT HEAD

It is the responsibility of the Department Head to review, research, and answer questions regarding availability, condition, and usage of the asset.

Department Head will be the contact person during the physical inventory process.

Department Head is responsible for reporting asset acquisitions and the disposal of assets. Report is to be timely
submitted to the County Auditor.