

Williamson County Government & Schools Policies and Procedures

General Capital Assets

***Effective 7-1-2007**

***Updated FY 2024-25**

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, construction in progress, and intangible right-to-use assets (e.g., Subscription Based Information Technology Arrangement assets). 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.

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) determined 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 or 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.

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 of 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*
- i. Intangibles *
- j. Intangible right-to-use assets (SBITA) *

* 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.

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 the minimum dollar values stated in Appendix A 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, 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.
 - c. Surplus property which does not sale at auction or is 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 Dept calculations for year 2000 construction costs applied to a US Dept 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.

C. Accounting and Financial Reporting for Intangible Assets- Amendment to Capital Asset Policy for Implementation of GASB Statement 51

The objective of GASB Statement 51 is to establish accounting and financial reporting requirements for intangible assets among state and local governments, particularly in the areas of recognition, initial measurement, and amortization. Intangible assets are defined as lacking physical substance, nonfinancial in nature, and with an initial life extending beyond one fiscal year. Examples of intangible assets include: 1) computer software internally developed or licensed software from external sources, 2) land use rights such as easements, water rights, timber rights, mineral rights and other land use rights, and 3) other capital intangible assets such as patents, trademarks, and copyrights.

1) Effective Date

Williamson County Government effective date for implementing accounting and reporting standards for GASB Statement 51 was fiscal year end June 30, 2010.

2) Retroactive Reporting

In accordance with GASB implementation guidance, all government entities that were classified as Phase 1 or Phase 2 governments for the purpose of implementing Statement 34, are required to retroactively report intangible assets except those considered to have indefinite useful lives as of the effective date for Statement 51. Williamson County is a Phase 2 government and will retroactively actively report intangible assets that meet capitalization criteria, and were acquired in fiscal years ending June 30, 1980. In instances where determining actual historical cost of intangible asset is not practical due to lack of sufficient records, then the asset will be reported at an estimated historical cost if acquired in fiscal years ending after June 30, 1980. In the event that there are already capitalized intangible assets less than \$100,000, then Williamson County will continue to recognize these assets and merely reclassify these from their current classification to intangible assets. However, all prospective reporting of intangible assets will be \$100,000 and over.

3) Recognition of Intangible Assets

Intangible Assets for Williamson County shall be recognized and capitalized if either one of the following conditions is met:

- 1) The asset is separable, that is, the asset is capable of being separated or divided from the county government and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract, asset, or liability
- 2) The asset arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

4) Capitalization Categories/Thresholds

Intangibles Account Group categories of software, land use rights, other capital intangible assets and thresholds will be applied as listed on Appendix A and Appendix B.

- a) Internally Generated (Software) - Intangible assets are considered internally generated if they are created or produced by the government or an entity contracted by the government, or if they are acquired from a third party, but require more than incremental effort on the part of the government to begin to achieve their expected level of service capacity.

Capitalization of internally generated assets can only occur after ALL of the following conditions have been met: 1) Determination of the specific objective of the project and the nature of the service capacity that is expected to be provided by the intangible asset upon the completion of the project. 2) Demonstration of the technical or technological feasibility for completing the project so that the intangible asset will provide its expected service capacity and 3) Demonstration of the current intention, ability, and presence of effort to complete or, in the case of multiyear project, continue development of the intangible asset.

Outlays incurred prior to meeting the above criteria should be expensed as incurred.

Computer software is a common type of intangible asset that is internally generated. Software should be considered an internally generated intangible asset if it is either:

- Developed in-house by the government's personnel or by a third-party contractor on behalf of the government.
- Commercially available software that is purchased or licensed by the government and modified using more than minimal incremental effort before being put into operation.

For internally generated software, the three criteria mentioned above to capitalize intangible assets are met only after the preliminary project stage for software development has been completed and county management implicitly or explicitly authorizes and commits to funding, at least currently in the case of a multiyear project, the software project. All outlays associated with activities in the preliminary project stage should be expensed as incurred.

b) Land use rights – Land use rights should not be reported as separate intangible assets if the agency already owns the associated property. Land use rights would normally be determined to have indefinite life unless the terms of the agreement state otherwise.

c) Other capital intangibles – Intellectual property rights such as patents, trademarks and copyrights are subject to legal limited life.

5) Tagging for Inventory Purpose of Intangible Assets

Actual physical tagging of intangible assets typically is not possible; however, Williamson County Inventory Control Accountant will assign an inventory tag number to intangible asset listing for identification purposes.

6) Capitalization of Construction in Progress of Intangible Assets

Williamson County will not capitalize construction in progress (CIP) of intangible assets unless county financial management deems the CIP to be material to the presentation of the county's financial statements when taken as a whole.

Appendix A

CAPITALIZATION POLICIES

The following items will be capitalized in the Financial Statements:

Category	Threshold	Notes
1. Land and Land Improvements	\$ 1	Capitalize Only: no depreciation
2. Building and Building Improvements	\$ 100,000	
3. Infrastructure (roads and Bridges	\$ 50,000	
4. Vehicles	\$ 10,000	(\$20,000 for schools)
5. Machinery and Equip	\$ 10,000	
6. Office Equipment	\$ 10,000	
7. Construction in Progress	\$ 1	
8. Other Improvements	\$ 20,000	
9. Intangibles and intangible right-to-use (SBITA)	\$100,000	

When groups of like assets are purchased, even though the individual acquisition costs are less than the threshold for capitalization, these assets will be capitalized if the aggregate acquisition cost exceeds \$100,000 for Williamson County Government assets or \$300,000 for Williamson County Schools.

Appendix B

CAPITAL ASSETS - SUGGESTED USEFUL LIVES			
		Depreciable	Depreciable
Asset Type	Example	Life in Years	Life in Months
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 (50,000 & up)	15	180
	Light (10,000-49,999)	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
Software	Internally generated or purchased	5	60
Land use rights-permanent	Road right of way	indefinite	
Land use rights-term	Easement	5	60
Other capital intangibles	Patents, trademarks, copyrights	Applicable legal life	

*Revised June 2011

*Revised November 2024