

CAPITAL ASSET ACCOUNTING

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CAPITAL ASSET ACCOUNTING

The Capital Asset Accounting policies apply to all elected and appointed office holders.

General Purpose. Capital assets are items of tangible and intangible property of significant value, and which have usefulness that extends beyond the year in which they are acquired. Capital assets include land, structures and improvements, infrastructure, certain equipment, and certain intangible assets. Capital asset accounting safeguards investments, fixes equipment custody, provides data for financial reporting and retirement policies, and assures compliance with State and Federal laws, budget requirements, and policies of the Board of Commissioners.

Definitions and Capitalization Policies. The cost records of property shall be established (i.e., “capitalized”) in accordance with the following policies:

.1 Land. The investment, held in fee title, in real estate other than structures and improvements, and land acquired for street and road purposes. Land is capitalized regardless of cost. Land will not be depreciated.

.2 Structures and Improvements. Physical properties of a permanent nature, such as buildings, structural attachments, storage tanks, reservoirs, parking area, and landscaping are considered structures and improvements. For structures such as roads, streets, bridges, traffic signs and signals see .3 Infrastructure.

.2.1 New Construction. Newly constructed structures and improvements are capitalized when the estimated cost is \$10,000 or more. New construction will be categorized as construction in progress on the fixed asset listing and not depreciated until completion.

.2.2 Additions. Additions and extensions of existing units are capitalized when the estimated cost of the work is \$10,000 or more.

.2.3 Betterments and leasehold improvements. The replacement of parts of existing structure or improvement with improved or superior parts, usually resulting in a more productive, efficient or longer-lived property. All betterments and leasehold improvements are capitalized when the estimated cost of the work is \$10,000 or more.

.2.4 Maintenance. All new construction, additions, and betterments not qualifying for capitalization as prescribed above are charged to the maintenance and repairs line item in the department’s budget.

.3 Infrastructure. Structures and improvements that are long-lived, stationary in nature, and can be preserved for a significantly greater number of years than other capital assets. Roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems are considered infrastructure. Costs are capitalized when the estimated cost of the work is \$50,000 or more.

.4 Equipment. Tangible personal property which is moveable, or if attached, is readily detachable without appreciable impairment to the unit to which it is attached and has a useful life of more than one year and a value of \$500 or more.

.5 Intangible Assets. An item that lacks physical substance, the initial useful life exceeds one year and a value of \$5,000 or more. Specifically, easements, computer software, water rights, timber rights, patents and trademarks.

Budget Procedures. In accordance with current budgeting practices, budgetary control for capital assets is at the line item and fund level. Therefore, encumbrances and expenditures shall not exceed the authorized appropriation for each line item account and fund. Mid-year capital asset requests from the General Fund and Capital Improvement Trust must be approved by the Board of Commissioners.

Capital Asset Program Maintenance. The employee responsible for maintenance of the Capital Asset Program shall be an employee designated by the County Treasurer.

Land Acquisition and Disposal. The cost of land includes the expenditures incurred for acquisition, such as purchase price, appraisal and negotiation fees, title search fees, surveying fees, cost of consents, payments of damages, clearing land for use, demolishing or removing existing structures, land filling costs, and relocation cost of the landowner if the land was acquired by condemnation.

.1 Acquisition by Purchase. The County Board of Commissioners has the express authority given in the Illinois Compiled Statutes to purchase land for County purposes. Land may be purchased upon a two-thirds majority vote for acquisition. The purchase date and price, property description, and all other applicable costs must be stated in the purchase agreement.

.2 Acquisition by Gift. After property has been accepted by the Board of Commissioners, the Board of Commissioners shall complete an Asset Acquisition Form and submit it to the employee designated with maintaining the County's Capital Asset Program, noting that the property was acquired by gift, donation, etc. The estimated fair market value, as determined by appraisal or from the Assessor's records is stated in lieu of a purchase price. There is no charge to the department's budget unless there are related costs, such as appraisal fees.

.3 Disposal by Sale. The department submits Fixed Asset Disposition/Transfer Form to the County Commissioners. The sale date and price, property description and deposit permit number must be stated. Upon the County Board's approval, the approved Fixed Asset Disposition/Transfer Form will be forwarded to the employee designated with maintaining the County's Capital Asset Program for data entry.

.4 Trade. When a parcel of County-owned land is traded for parcel of land owned by another agency or private party, the requesting department submits both an Asset Acquisition Form for the parcel being acquired and a Fixed Asset Disposition/Transfer Form for the parcel being disposed of, to the County Board for approval. These two forms must be annotated for cross-reference purposes. Upon approval by a majority of the County Board, the approved acquisition and disposition forms will be forwarded to employee designated with maintaining the County's Capital Asset Program

Structures, Improvements, and Infrastructure Acquisition and Disposal

.1 Applicable Costs. The cost of structures or improvements includes all expenditures in connection with its acquisition, such as purchase or construction cost, fixtures attached to a structure, architect fees, costs of building permits and licenses, accident or injury costs, payment of damages, and engineering costs, including those of County departments.

.1.1 Direct Labor, Employee Benefits, and Overhead. When a structure or improvement is constructed by force account (i.e., by County employees), the costs shall also include the following:

- a. Actual costs of salaries (hours worked times hourly rate);
- b. Employee benefits using the current rates, multiplied by direct salaries; and
- c. Indirect cost, or overhead, is determined by applying an indirect cost rate to direct salaries only. If no indirect cost rate is available, contact the County Commissioners for assistance.

.2 Acquisition of Construction by Contract. All contracts covering the acquisition or construction of structures and improvements must be approved by the County Board of Commissioners prior to construction or purchase.

.3 Replacement for Betterment. When a part of an existing structure or improvement is replaced by a betterment, the cost of the replaced part must added to the Capital Asset Program if the replacement or betterment cost is above \$10,000. The department includes in the final Notice of Completion an identification of the item being replaced, and an estimate of its original cost.

.4 Disposal of Structures and Improvements. When a structure or improvement is disposed of in any manner, the department submits a Fixed Asset Disposition/Transfer Form, to the County Board of Commissioners.

.5 Capital Lease-Purchase of Assets Other Than Equipment. When a lease-purchase agreement results in the acquisition of a capital asset item other than equipment, the department must submit a Asset Acquisition Form to the County Commissioners, providing the same data as specified for an Acquisition by Purchase.

Department Equipment Records. Each department shall be required to review and approve an annual listing all equipment assigned to it, adding items as they are acquired, and deleting items as they are disposed of. Items costing \$500 or more are required to be entered into the County's Capital Asset Program. The information maintained should include at a minimum the item description, cost, acquisition date, purchase method and location.

Equipment Acquisition and Disposal. The cost of an item of equipment includes the purchase price or manufacture cost, freight or other transportation cost, sales, use or transportation taxes, and installation costs. Discounts taken in paying for equipment are deducted from the purchase price or manufacture cost. Credits for trade-ins or rent-purchase allowances are deducted from total costs when charging equipment to department budgets, but are not deducted when recording the costs of equipment items in the capital asset accounts.

.1 Acquisitions by Purchase. All costs, less applicable credits, of acquiring an item of equipment by purchase, shall be charged to the fund's expense line-item under the disbursement section of the budget.

.2 Acquisitions by Gift. After acceptance by the County Board of Commissioners, gifted or donated items to the County will be assigned to a department. The County Board of Commissioners reserves the right to assign all donated equipment. The department will use the County Board minutes as the source document initiating the capitalization of items with a value of \$500 or more, using the estimated current market value of the item. Items valued above \$500 must be entered into the County's Capital Asset Program.

.3 Acquisitions by "Discovery". At any time, such as during the equipment inventory that a department finds an equipment item in its custody that is not on its equipment records, the department must notify the County Board of Commissioners by written memorandum describing the item and the circumstances of its discovery. If, after investigation it is found that the item is property of the County, but not included in the County capital asset accounts, the department will request item be placed in the County's Capital Asset Program at its estimated current market value if its original cost is unknown.

.5 Capital Lease-Purchase of Equipment. If a lease agreement meets one or more of the following four criteria, the lease is classified as a capital lease: 1) by the end on the lease term, ownership of the leased property is transferred to the lessee (department); 2) the lease contains a bargain purchase option; 3) the lease term is substantially (75% or more) equal to the estimated useful life of the leased property; or 4) at the inception of the lease, the present value of the minimum lease payments is 90% or more of the fair value of the leased property. If any of the four above criteria are met, the department must make use of the following procedures.

- a. Copiers or fax machines under capital lease/purchase agreements should be included on the equipment inventory list.

- b. For new equipment purchased by capital lease that has a value in excess of \$500, the item must be added to the County's Capital Asset Program. The cost of the item would be the total principal and interest of the lease. The department is required to send a copy of the lease amortization schedule to the County Commissioners Office.
- c. When new equipment is leased or an old piece of leased equipment is replaced, the department should supply the County Board of Commissioners a copy of the lease agreement used to originate the transaction. These should always include payment terms, interest amount and maintenance costs. No office holder shall exceed the appropriation for any budgeted line item.
- d. For leased equipment that is either being replaced or has been paid off and is to be transferred to another department, a Fixed Asset Disposition/Transfer Form for removal or transfer must be initiated by the office holder requesting the transfer and approved by the County Board of Commissioners. The asset transfer shall be entered in the County's Capital Asset Program.
- e. The employee designated with the County's Capital Asset Program maintenance will send the department an inventory number for the new equipment.

.6 Trade-ins. When a department wishes to trade-in an existing item of equipment for credit against the purchase price of a new item of equipment, the office holder must contact the County Board of Commissioners for approval and complete an Asset Acquisition Form.

.7 Lost/Stolen Equipment. When an item of equipment has been determined to have been lost or stolen, the department shall contact the County Board of Commissioners and the County Sheriff's Department immediately. A copy of a police report and/or memorandum with an explanation should be submitted to the employee designated with maintaining the County's Capital Asset Program for deletion from the database.

Equipment Control. All County equipment shall be identified with and County-issued identification tag and controlled.

.1 Vehicles. Automobiles, trucks, and trailers, etc, will be marked by the department immediately upon receipt with serial numbers, by decal, identification tag, or other appropriate means. The employee designated with maintaining the County's Capital Asset Program shall enter into the Capital Asset Program the description of each item and the assigned identification number.

.2 Other Capital Asset (Capitalized Value at \$500 or More). Capital asset items shall be assigned a county identification number by the employee designated with maintaining the County's Capital Asset Program. The employee designated with maintaining the County's Capital Asset Program will provide self-adhesive identification tag upon request. When it is impracticable to place adhesive numbers on certain types of equipment (i.e., medical or electronic), it will be the responsibility of the department to identify the property as County property.

.3 Equipment Under \$500. Departments are required to establish inventory control that will ensure that County assets valued between \$250 and \$500 are safeguarded. The system will be reviewed as part of the department audit to ensure that it provides proper control and information for the department head to certify the inventory as required by the Illinois Compiled Statutes. For the purposes of the section, equipment is defined as moveable personal property with a useful life of one year or longer and has a value in excess of \$250.

Equipment Inventory. A review of the inventory control system will be performed as a part of the County's annual year-end process. The review will include a verification of the sample of items of capitalized equipment (\$500 or more in cost in the Capital Asset Program), non-capitalized equipment (between \$250 and \$500 in cost and on the department maintained equipment list), and verification that capital leases have been properly reported and recorded by the department. The employee designated with maintaining the County's Capital Asset Program will perform the annual review.

.2.1 Equipment List. Near the first end of each fiscal year the inventories are to be certified by the office holders. The employee designated with maintaining the County's Capital Asset Program will furnish each department an inventory list from the County's Capital Asset Program to review, sign-off on and return.

.2.2 Physical Inventory. Each department will conduct a physical inventory of all equipment in its possession. Any exceptions should be corrected by an adding to or deleting from the inventory list provided. The signed listing along with notations for any additions and deletions shall be returned to the employee designated with maintaining the County's Capital Asset Program before the specified due date.

.2.3 Missing Items. If any items on the Equipment List cannot be located during the physical inventory, the office holder shall notify the employee designated with the County's Capital Asset Program and the County Commissioners immediately.

.2.4 Capital Lease-Purchase Equipment. The department shall review the Equipment List to ensure that all equipment capital lease-purchase activity is accurately recorded. Any necessary additions/deletions of lease-purchase items shall be given to the employee designated with maintaining the County's Capital Asset Program and entered into the Capital Asset Program.

.2.5 Inventory Review. Upon receipt of approved departmental Equipment Lists, the employee designated with maintaining the County's Capital Asset Program will review them for completeness, and investigate any exceptions noted.

Intangible Asset Purchases. Each department shall maintain up-to-date records of all intangible asset items purchased or developed, adding items as they are acquired and deleting items as they are disposed of. Items costing \$5,000 or more are required to be entered into the County's Capital Asset Program. Intangible assets may include such things as easements, computer software, water rights, timber rights, patents and trademarks.

.1 *Software*. Specific costs such as design, configuration, interfaces, coding, installation to hardware and testing should be capitalized. All other costs of internally developed software should be expensed. “Off the shelf” software purchases should be capitalized at the purchase price, which would include licenses and sales tax. Maintenance services are not capitalized. Software purchases that exceed \$500 must be entered into the Capital Asset Program as an intangible asset.

Disposal of Equipment Policy – Unwanted Property and Equipment

In addition to the disposal policies listed above, the County Board of Commissioners also reserves the right to dispose of property in the following manner in accordance with the Illinois Compiled Statutes:

.1 After formal approval of the Board of Commissioners, unwanted equipment owned by the County will be cleaned and disposed of through the following sealed bid process.

.2 Notice will be given listing all items to be disposed of and the deadline by which to submit a sealed bid for any or all of the items. Williamson County Government has the right to reject any or all bids.

.3 The bidder submitting the highest bid will be sold the item or items in question. When two or more bidders submit the same bid, then Williamson County residents will be given preference over non-Williamson County residents. In the event both bidders are Williamson County residents and are submitting the same bid amount, there will be a blind drawing to determine the successful bidder.

.4 All items must be paid for in cash or certified check when they are picked up by the successful bidder within seven (7) days of receiving notification unless other arrangements have been made with the County Board of Commissioners. All items are sold “as is” and shall not be returned to the County.

.5 Any equipment not sold through this sealed bid process may be put up for sale on a “first come” basis with the same terms and conditions stated in paragraph .4 above, or disposed of at the Board’s discretion.

Depreciation and amortization expense:

The County shall use straight-line depreciation and amortization for all County-owned assets and shall depreciate County-owned assets over the estimated useful lives of the assets according to the major classifications below:

<u>Major Classification</u>	<u>Estimated Useful Life</u>
Buildings	40-60 years
Building Improvement	15-30 years
Roads and Infrastructure	10-30 years
Vehicles	5 years
Office Equipment	5 years
Computer Equipment	5 years
Software	3 years

Examples of Repairs vs. Improvements

- (1) REPAIR is an expenditure that keeps the property in ordinary efficient operating condition. The cost of the repair does not add to the Value or prolong the life of the asset. All repair expenditures are charged to the appropriate department and fund.
- (2) IMPROVEMENTS are expenditures for additions, alterations and renovations that appreciably prolong the life of the asset, materially increase its value or adapt it to a different use. Improvements of the nature are capitalized.

Examples of Repairs vs. Improvements

Repairs = Expenditures

All items—life less than one year

All items under \$10,000

Property maintenance, wall repair

Replacement of machine parts to keep machine in normal operating condition

Property restoration (rebuilding) for normal operations different or better

Existing building repairs

Replacement of small sections of wiring, pipes or light fixtures pipes or sewer

Patching walls, minor repair of floors, painting, etc.

Patching driveways

Cleaning drapery, carpet, furniture

Improvements = Capitalized Assets

Life of more than one year

All items \$10,000 or more

Property rebuilding

Replacement of motor and parts that prolong the useful life

Property restoration for something

Building regulation conformity

Major replacement of wiring, pipes or light fixtures pipes or sewer

Installation of floor, wall, roof, wall-covering, etc

New driveway or major repair

New drapery, carpets, furniture

WILLIAMSON COUNTY GOVERNMENT CAPITAL ASSET FINAL COST FORM

Instructions:

(1) Complete this form if you wish to achieve the following:

- (1) Purchase a capital asset with public funds.
- (2) Receive a donated asset to the County.

(2) Definitions:

(1) Fixed or Capital Asset: Any item purchased with public funds or donated to the County that has an initial value of \$500 or more and a life expectancy of more than one year.

(2) County Treasurer's Office: That is the Department that is tasked with maintaining inventory lists and updating the County's software program.

(2) County Commissioners' Office: That is the Department that is tasked approving the purchases or acquisitions of capital assets by County personnel.

(3) Custodian: Department that has been made accountable by rule and delegated responsibility of custody and whereabouts of a fixed asset purchased with public funds.

(4) Requestor: That person or department representative asking that a Fixed Asset be

(3) Quotes: Please request 3 quotes or bids from three different vendors. If it is not possible to obtain 3 bids or quotes, please explain why.

(4) Attachments: Please attach copies of all quotes received to this prior approval request. Requests without this required information will be returned.

(5) If you have any questions about completing this form please call the County Commissioners Office at 618-997-1301 ext 135.

(6) Please keep a copy for your files.

Filling Out the Form:

1. Please fill out the form completely.
2. Do not fill out any item in the shaded area of the form. This will be done by the Commissioners' Office.
3. Please make sure you (as the requestor) and the department head signs and dates the form.
4. Please forward the form to the County Commissioners Office.
5. Please note that departments may not order or purchase items without the Commissioners' approval.
7. Once approved, a copy of this signed form must be attached to the asset acquisition form.

WILLIAMSON COUNTY GOVERNMENT
ASSET ACQUISITION FORM

<u>County Treasurer's Office Use:</u>		Asset Classification (mark one):	
Asset ID	Automotive <input type="checkbox"/>	Computer <input type="checkbox"/>	Equipment <input type="checkbox"/>
		Office <input type="checkbox"/>	Other (describe) <input type="checkbox"/>
Asset Description			
Serial Number	Model Number	VIN Number	
License Number			
Location:	Grant or Agency Funded:		
Department/Program	Grant Agreement #:		
Capital Asset Vendor Quote Sheet Completed?	Invoice Date	In-service Date	
Yes No			
Vendor	Purchase Price		

Name (Print)	Title
Signature	Date

- Instructions:**
- Please complete and sign the form for completed asset acquisitions.
 - Keep a copy for your file.
 - Attach the approved Capital Asset Prior Approval Vendor Quote Sheet
 - Forward the original to the Jerry McSparin in the County Treasurer's Office

<u>Asset Account Classification:</u>	<u>Expense if Grant Funded Asset:</u>
1405 Land Purchase	5410 Equipment - Transportation
1415 Building Purchase	5415 Equipment Under \$5,000
1425 Leasehold Improvements	5420 Leased - Other
1430 Equipment - Furnitures & Fixtures	5425 Leased - Rental Office Equip
1435 Equipment - Office Machines	5430 Leased - Rental Pagers
1440 Equipment - Communications	5435 Leased - Copiers
1445 Equipment - Data Processing	5440 Leased - Workstations/Phones
1450 Equipment - Other Fixed Assets	5450 Equipment Over \$5,000
1455 Equipment - Automotive	5455 Repairs & Maint. - Computers
1460 Equipment - Kitchen & Household	5457 Repairs & Maint. - Equip.
1465 Equipment - Medical	5460 Repairs & Maint. - Office Equip.
1470 Equipment - Photographic	5465 Equipment Purchase Discounts
1475 Equipment - Under \$5,000 Net	5470 Equipment Taxes
1480 Equipment - Under \$5,000 Contra	5475 Installation Costs
1495 Construction in Progress	5476 Expansion Building Projects
3151 Grant Funded Assets	5480 Equipment Costs Allocated

**WILLIAMSON COUNTY GOVERNMENT
FIXED ASSET DISPOSITION/TRANSFER FORM**

Description of Item (Year, Make, Model, Manufacturer, etc.)		Asset Number*:	
		Serial Number or Vehicle Identification Number (VIN):	
Physical Location of Item:	Current Location:	Original Cost: \$ -	Purchase Date

Disposition:

<ul style="list-style-type: none"> - Damaged Beyond Repair - Destroyed - Donated - Lost/Stolen - Obsolete, Sell at Auction - Traded In - Transfer - Other 	Please Fully Describe the Request for Disposition Here (attach memo if necessary):

Transfer:

<u>Name of Person Completing Form</u>			
Signature: _____	Date: _____		
Printed: _____	Phone: _____		

<u>Department Head Releasing the Fixed Asset</u>			
Signature: _____	Date: _____		
Printed: _____	Phone: _____		

<u>Department Head Receiving the Fixed Asset</u>			
Signature: _____	Date: _____		
Printed: _____	Phone: _____		

<u>New Physical Location of the Asset (Where will this item be found or stored)</u>			
Office _____	Name of Person to whom asset was assigned: _____		
Building and Room Number: _____			

For County Commissioners' & Treasurer's Office Use Only

<u>County Board Use:</u>		<u>County Treasurer's Office:</u>	
- Transfer _____		Initials	
- Send to Auction _____		Item Disposed	
- Trade In _____		in fixed asset	
- Destroyed _____		program	
Initials: _____	Date: _____	Item transferred	
Initials: _____	Date: _____	Date	
Initials: _____	Date: _____		

WILLIAMSON COUNTY GOVERNMENT FIXED ASSET DISPOSITION/TRANSFER FORM

Instructions:

(1) Complete this form if you wish to achieve the following:

- (1) Removal of inventory capital item from your department's inventory permanently (e.g., sale or sale at auction)
- (2) Transfer of inventory capital item from one department or fund to another department or fund designation.

(2) Definitions:

(1) Fixed or Capital Asset: Any item purchased with public funds or donated to the County that has an initial value of \$500 or more and a life expectancy of more than one year.

(2) County Treasurer's Office: That is the Department that is tasked with maintaining inventory lists and updating the County's software program.

(2) County Commissioners' Office: That is the Department that is tasked approving the disposals or transfers of fixed assets by County personnel.

(3) Custodian: Department that has been made accountable by rule and delegated responsibility of custody and whereabouts of a fixed asset purchased with public funds.

(4) Requestor: That person or department representative asking that a Fixed Asset be removed from inventory by use of this form.

(3) Arranging for Temporary Storage: All arrangements for storage must be coordinated by the department requesting to have the Fixed Asset declared surplus or obsolete.

(4) If you have any questions about completing this form please call the County Commissioners Office at 618-997-1301 ext 135.

(5) Please keep a copy for your files.

Filling Out the Form:

1. Please fill out this form completely.

2. Do not fill out any item in the shaded area of the form, at the bottom of the front side of this form. This will be done by the Offices listed.

3. Please make sure you (as the requestor) and the department head from where the item is inventoried signs and dates this form.

4. Please forward the form to the County Commissioners Office.

5. Please note that departments must receive prior approval from the Board when disposing of an item.

6. Items transferred between departments must be reported to the County Commissioners Office.

7. The County Commissioners' Office will forward the form to the County Treasurer's Office after approval.