CAPITAL ASSETS

Policy

All capital assets acquired by the county through purchase, construction, lease-purchase, installment agreements, eminent domain, foreclosure, or gifts are accounted for, assigned, used, and disposed of appropriately to serve the public interest.
Definitions

A. Capital Asset
A capital asset is recognized when an acquisition meets one or more of the following conditions:

1. It is tangible or intangible with a useful life of more than one year.

2. Its total purchase price is greater than or equal to $5,000 or if the asset is used in a cost allocation.

3. It is an addition or attachment to a capital asset which improves the usefulness of an existing asset or extends its useful life.

4. Any expenditure relating to capital improvement projects (CIP) are capitalized, regardless of the amount. These expenditures typically are paid from the 400 series funds, but may be paid from other funds as well.

(For further clarification of these definitions, see the Capital Asset Procedures manual.)

B. Controllable Asset
A controllable asset has the same defining attributes as a capital asset, except its value is less than $5,000.

1. Controllable assets fall within the following categories:

   a. Items that require special attention to ensure legal compliance.

   b. Items that require special attention to protect public safety and avoid potential liability.

   c. Items that require special attention to compensate for a heightened risk of theft (“walk-away” items).

C. Non-Capitalized Items
This comprises all other expenditures of the county that do not fall under the definitions of a capital or controllable asset.

D. Insurance
The capital asset system classifies capitalized and controllable assets under the guidelines and requirements of the county's insurance provider.

Guidelines

The county's guidelines for managing capital assets are:

A. To ensure compliance with state laws and county policies.

B. To adhere to Generally Accepted Accounting Principles (GAAP) for proper recording, valuation, depreciation, useful lives and retirements.

C. To maintain adequate records and asset valuation for insurance purposes.

D. To ensure that the assigned custody of assets is properly recorded and updated.

E. To establish the value of Capital or Controllable Assets.

1. The original cost of a capital asset includes the following:

    a. Direct purchase price or construction cost as documented in invoices or other accounting records.

    b. Ancillary Costs incurred to place the asset in its intended location and/or condition for use, such as:

        1) Freight and transportation costs
        2) Sales tax
        3) Site preparation expenditures
        4) Professional fees
        5) Legal claims in relation to asset's acquisition
        6) Engineering expenses
        7) Contractor costs

    c. Estimated Cost
    If the original cost is not available, estimated fair market value at the time of acquisition is an acceptable practice.

    Sources to determine fair market value include:

1) Recent sales of a similar asset
2) Price index table
3) Market appraisal
4) Outside vendor

F. To ensure that assets are properly disposed of or sold after they are no longer useful for county purposes.

1. Disposals of Capital, Controllable, and Non-Capitalized Items
A capital or controllable asset and a non-capitalized expenditure can only be disposed of with the consent of the appropriate authority within that department.

a. Surplus Property
Surplus property describes an asset or non-capitalized equipment which is no longer usable to a particular department.

b. Sale of Capital or Controllable Assets and Non-Capitalized Items
All items to be sold are subject to the requirements described in Minnesota State Statute. Items sold through an auction follow the guidelines stated in the county's Policy #1903, County Auctions.

c. Trade-ins
A current asset is exchanged for a new asset to help reduce the cost of the asset being purchased.

d. Obsolescence
Obsolescence is recognizing an asset is no longer practical or useful for the purposes for which it was originally acquired.

e. Lost, Stolen or Damaged Beyond Repair

G. To evaluate whether an improvement to an asset should be capitalized.
1. Capitalization of improvements occurs when the improvement causes the asset to become more efficient or increases the assets useful life. Other expenditures that are not capitalized are considered maintenance or repair only, adding no additional value to the asset.

<u>Responsibility</u>

It is the responsibility of the county's departments to ensure all aspects of this policy are implemented in the following areas:

A. Building Services

1. Managing disposals of capital or controllable assets and non-capitalized items.

B. Accounting and Finance Department

1. Developing procedures to maintain asset records.
2. Recording capital asset additions and disposals.
3. Valuing of assets.
4. Calculating depreciation.
5. Ensuring compliance with GAAP requirements.
6. Establishing useful lives.

C. Information Technology

1. Managing capital and controllable computer related technology assets that were purchase by Information Technology.
2. Recycling of select capital and controllable computer related technology assets purchased from the Technology Replacement Fund (130).

D. County Departments

1. Reporting additions to the Accounting and Finance Department.
2. Managing and recording controllable assets, which includes:
   a. Entering, disposing and transferring controllable assets in the financial accounting system.
   b. Certifying to the Accounting and Finance Department that all controllable asset records are up-to-date in financial accounting system.
3. Authorizing and reporting disposals to Building Services and Accounting and Finance.
4. Transferring and maintaining all assets.
5. Performing an annual physical inventory of all assets before year-end.
6. Informing Human Resources of insurance changes on items in their area with regards to vehicles, road equipment, buildings, etc

E. Human Resources/Risk Management

1. Notifying insurance company of changes to the policy when notification is received from the departments.

2. Providing adequate insurance coverage.

3. Supplying insurance schedules to county departments on an annual basis, for the purpose of verifying existing coverage.

F. The internal auditor shall periodically test inventories of assets.

Procedures

Source

County Board motion on April 22, 1986
County Board motion on October 15, 2002
County Board motion on November 22, 2005
County Board motion on March 23, 2010
County Board motion on January 26, 2016