

AGENDA ITEM 28

Discuss and take appropriate action on Capitalization Policy for Williamson County.

Julie Kiley of the County Auditor's office discussed the proposed capitalization policy, which was recommended by the outside auditors in order to ensure GASB 34 compliance.

Moved: **Judge Doerfler**

Seconded: **Commissioner Boatright**

Motion: To approve the proposed Capital Asset Policy for Williamson County.

Vote: **5 - 0**

< Attachment >

Highlights of the Williamson County Capital Asset Policy

In response to the financial reporting changes as required by the Government Accounting Standards Board (GASB) Statement No. 34, the County Auditor's Office has prepared the *Capital Asset Policy* to formally establish the method to record and control Capital Assets. The policy defines a capital asset and the costs associated with the value of a capital asset. In addition, the document explains capitalization threshold amounts and residual/salvage value. Finally, the policy describes the procedure for any changes to the asset such as transfers or disposals.

approved 6-4-02
John C. Daeyler

WILLIAMSON COUNTY CAPITAL ASSET POLICY

PURPOSE

In response to the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financials Statements and Management's Discussion and Analysis for State and Local Governments*, the Capital Asset Policy has been established to set a method for the County to record and control capital assets. This policy will define how the County will determine and maintain the assets in accordance with GASB and Generally Accepted Accounting Principles (GAAP).

CAPITAL ASSETS DEFINED

Capital assets are Williamson County properties that are either acquired, donated or constructed and have a useful life of more than one year. The capital asset may be tangible or intangible and the cost of the property must meet or exceed the capitalization threshold (See Capitalization Threshold Section). The County Auditor may find it necessary to record and monitor assets that do not meet these criteria. These assets will be considered Controlled Assets.

Capital Assets are divided into different categories. The categories are as follows:

- ❖ Land
 - Land is unimproved real property. Any costs such as filling, grading or excavation which ready the land for its intended use should be included; does not include improvements such as parking lots, landscaping or fencing. Land is characterized as having an inexhaustible life and is not depreciated.
- ❖ Buildings and Building Improvements
 - Any roofed facility which is designed to shelter persons or property. Additionally, buildings should include all other property attached or any integral part of the structure.
- ❖ Improvements Other Than Buildings
 - All permanent improvements not identified with a building, which adds value to the property. These assets wear out over time and therefore depreciable. Examples are parking lots, lights, fountains, etc.
- ❖ Leasehold Improvements
 - Leasehold Improvements include construction of improvements made to leased buildings. If these improvements will revert to the owner at the expiration of the lease, these improvements should be amortized over the life of the lease or the life of the improvement, whichever is shorter.
- ❖ Infrastructure
 - Infrastructure known as a long-lived capital asset that is stationary in nature and can be preserved for a significantly greater number of years than most

capital assets. Examples are roads, bridges, and drainage systems. Not include are buildings, drives, etc. unless the assets are considered an ancillary part of the infrastructure.

- ❖ **Machinery, Equipment and Other Assets**
 - Included are any fixed or movable asset used in the operation of the county. Examples are bulldozers, automobiles, trucks, radios, computers, library books and materials.
- ❖ **Works of Art and Historical Treasures**
 - Works of Art or Historical Treasures are assets that have cultural, aesthetic, or historical value. These assets are held by the County for public exhibition, education or research in furtherance of public service rather than financial gain. The assets are often protected and preserved in a manner greater than that for other assets. These assets are usually considered inexhaustible and are not depreciated.
- ❖ **Computer Software**
 - Software that is acquired or developed for internal use should be capitalized as an intangible capital asset.
- ❖ **Capital Leases**
 - A lease of real or personal property that meets the criteria for capitalizing an asset. (See Capitalization Threshold Section)
- ❖ **Construction in Progress**
 - Included are the costs of capital-related projects that are not completed.
- ❖ **Controlled Assets**
 - Assets with a cost less than the capital threshold or with a need to be secured and tracked due to the nature of the items. Examples are computers, medical equipment, and communication equipment.

CAPITAL ASSETS VALUATION

Purchased Assets

Capital Assets should be recorded at historical cost. Any other costs that are essential to place the asset in service should be added to the cost of the asset. Examples of costs that can be associated with an asset are: purchase price, taxes, professional fees, freight and delivery charges, installation/set-up charges (exclude in-house labor), site preparation costs, and demolition costs.

Not all software costs acquired for internal use can be capitalized. Once the final selection of software has been determined, qualified costs incurred should be capitalized. External direct costs of materials and service incurred in developing or obtaining internal-use computer software should be capitalized. Testing should be capitalized. Cost to develop or obtain software that allows for access or conversion of old data should be capitalized. All other data conversion should be expensed. Once the testing is complete capitalized cost should end. Training costs are not capitalized.

Trade-In – When an asset is traded, the cost of the new asset is calculated by adding the cost of new asset to any net book value of the asset traded less any amount received from the trade-in.

Donated Assets

Donations shall be accepted by the Commissioners Court. The following information must be sent to the County Auditor once the donation has been accepted by the Commissioners Court. The fair market value of the asset, any ancillary charges to place the asset into service and any associated restrictions placed by the donor. Donated assets are reported at their estimated fair market value at the time of acquisition plus any ancillary charges. An estimated value may be used, if fair market value can not be determined. Appraisals, market quotes, information of actual sales of similar assets, etc., are ways to determine an estimated value.

Constructed Assets

The value of an asset that is constructed by the county includes all costs incurred to get the asset ready for its intended use. If the asset is financed with proprietary or trust funds, interest costs must be capitalized until the period of construction. Do not capitalize interest for assets constructed with resources from governmental funds.

Transferred Assets

Any asset that is transferred to any department shall be approved by the Commissioners Court. When capital assets are moved from one fund to another, the fund that receives the asset should continue to report those assets at the value previously reported prior to the transfer.

Costs following Acquisition

- ❖ **Additions** - Any expansion or extension to an existing capital asset (if the costs exceed the threshold).
- ❖ **Replacements and Improvements** – A replacement is replacing a component part of an asset with the same type of asset. An improvement is replacing a component part of an asset with an improved component part. Any expenditure that extends the useful life, increases capacity, adds value and/or improves an existing fixed asset should be capitalized if the cost exceeds the threshold. Remove the dollars of the old cost and accumulated depreciation and recognize any gain or loss. Then add the cost of the replacement/improvement.
- ❖ **Extraordinary (Major) or Ordinary Repairs** - Costs incurred on a continuous basis to keep the asset usable or repairs that do not materially add to the value or prolong its life significantly should be recorded as an expense. If the repair meets the threshold, increase the value of the asset or extend the useful life and capitalize the repair.

Controlled Assets

Any asset with a cost greater than \$500 but less than \$5,000 will be considered a Controlled Asset. All firearms, regardless of cost, are Controlled Assets. The list of Controlled Assets will not be reflected in the fixed assets schedule however the list will be maintained and monitored by the Auditors Office. The Controlled Asset will not be required to be associated with an inventory tag. The Department Head or Elected Official will be responsible for all items on their departmental inventory list.

CAPITALIZATION THRESHOLD

Capital Assets should be capitalized when the cost equals or exceeds the following capitalization threshold amounts. When assets are purchased as a group, the threshold amount is applied to an individual asset not the cost of the group of assets purchased:

Capital Asset Category	Threshold
Land and Land Improvements	Capitalize All
Buildings and Building Improvements	\$5,000
Improvements other than Buildings	\$5,000
Leasehold Improvements	\$5,000
Infrastructure	\$5,000
Machinery, Equipment and Other Assets	\$5,000
Computer Software	\$5,000
Works of Art, Historical Treasures	\$5,000

Assets that meet or exceed the thresholds and the useful life of more than one year must be classified using the account codes, 005XXX's. Expenditures that are considered furniture or equipment but does not meet the threshold but have a life greater than one year should be expensed using account codes, 003XXX's. Examples include calculators, fax machines, phones, and computers. **However, it should not be expensed as a supply.** Supplies are items purchased that are consumable. Examples of supplies are pens, paper, staplers, clip board, and printer cartridges.

Capital Lease

A lease needs to meet one of the four criteria to be considered a Capital Lease:

1. The title of ownership is transfer to the County.
2. It must contain a bargain purchase option.
3. The lease term is at least 75% of the useful life of the asset.
4. The present value of the minimum lease payments is at least 90% of the market value at the time of the beginning of the lease.

DEPRECIATING CAPITAL ASSETS

A Capital Asset should be depreciated over the estimated useful life of the asset. The straight-line method will be used to determine the amount of depreciation. Assets that are inexhaustible (i.e., land, land improvements, and construction in progress) should not be depreciated.

Estimated Useful Lives

The Auditors Office will be responsible for establishing the estimated useful life of an asset. The Auditors Office may request technical information from the County Office or Department necessary to determine an asset's useful life. The following ranges are the guidelines the County will use in establishing the useful life for an asset:

Asset Category	Estimated Useful Life (Yrs)
Land	No Depreciation
Buildings and Improvements	7-30 Years
Improvements other than Buildings	10-40 Years
Leasehold Improvements	Lesser of lease term or life of improvement
Infrastructure Paved Asphalt Non-paved Bridges	20-50 Years
Machinery, Equipment and Other Assets	5-10 Years
Works of Art and Historical Treasures	No Depreciation
Computer Software	3 years
Capital Leases	Over the life of the lease
Construction in Progress	No Depreciation

Note: Buildings designated as historical are not depreciated unless used in the operations of the County.

RESIDUAL/SALVAGE VALUE

In order to calculate depreciation for an asset, residual or salvage value must be determined. Residual value or salvage value is the estimated amount recoverable when the asset is disposed or sold. The residual value may be based on information from county offices or departments, professional organizations, or prior experiences. Residual or Salvage Value will not be considered unless it is significant.

CHANGE IN STATUS OF AN ASSET

County Vehicle Retirement

The Williamson County Vehicle Retirement Form must be filled out, when a vehicle is ready to be retired. This form must be sent to the Fleet Manager of the Unified Road System (URS). Once approved by URS the information will be forwarded to the Auditors Office and sent to Commissioners Court for final approval. See the Williamson County Vehicle Retirement Policy and Procedures for more information (Retirement Form is attached).

All Other Changes

Before an asset can be disposed, transferred, sold or donated a completed Change in Asset Form (Change Form is attached) must be forwarded to the Purchasing Department. The form will be reviewed and sent to the County Judge for placement on the Commissioners Court agenda. All dispositions whether by sale, trade-in, donation, or transfer, must be approved by the Commissioners Court.

When the Court approves the request, the transfer or removal may occur. No transfers or removals should occur until final approval has been secured through the Commissioners Court. Refer to the Texas Local Government Code, Chapter 263 Subchapter D, governs the "Disposition of Salvage or Surplus Property".

CHANGE OF FIXED ASSET STATUS

DATE _____

06/04/2002

Page 326

**Highlights of the Williamson County
Capital Asset Policy**

In response to the financial reporting changes as required by the Government Accounting Standards Board (GASB) Statement No. 34, the County Auditor's Office has prepared the *Capital Asset Policy* to formally establish the method to record and control Capital Assets. The policy defines a capital asset and the costs associated with the value of a capital asset. In addition, the document explains capitalization threshold amounts and residual/salvage value. Finally, the policy describes the procedure for any changes to the asset such as transfers or disposals.

approved 6-4-02
John C. Daefler

WILLIAMSON COUNTY VEHICLE RETIREMENT FORM

VEHICLE IDENTIFICATION NUMBER DOOR NUMBER

LICENSE PLATE NUMBER YEAR MAKE MODEL COLOR

DRIVER ASSIGNED TO VEHICLE DEPARTMENT

REASON FOR VEHICLE BEING PLACED INTO RETIREMENT:

Accident: Damage to County Property or Official Accident Report must be attached

High Mileage: List actual mileage

Not mechanically sound

Other: Explain

THIS VEHICLE WILL BE: AUCTIONED OR USED AS TRADE

Date:

Department Head or Elected Official

FORWARD TO MIKE FOX – UNIFIED ROAD DEPARTMENT

FOLLOW UP FOR U.R.S.

AUTHORIZED LITIGATION/INSURANCE RELEASE FORM OBTAINED

VEHICLE MARKED FOR AUCTION AND MOVED TO AUCTION YARD

FORWARD FORMS AND REPORTS TO INTERNAL AUDIT

Date:

Mike Fox, Fleet Manager, Unified Road Department

AGENDA ITEM 29

Discuss and take appropriate action concerning the park advisory committee.

Commissioner Heiligenstein noted that Chris Crawford of Precinct 1 has asked to be removed from the committee.

AGENDA ITEM 30

Consider approving additional services authorization for Baker-Aicklen for Williamson County Regional Park.

Moved: **Commissioner Hays**

Seconded: **Judge Doerfler**

Motion: To approve an additional services authorization for Baker-Aicklen in the amount of \$300 for preparing a control drawing for Workman Construction.

Vote: 5 - 0

< Attachment >



**Baker-Aicklen
& Associates, Inc.**
Engineers/Surveyors

Project No. 0711-2-010
Contract Date 06/07/01
Additional Services Project No. 0711-2-010-25
Proposal No. 02-7069
Date 05/28/02

ADDITIONAL SERVICES AUTHORIZATION

Client WILLIAMSON COUNTY	Project No. 0711-2-010
Project Southwest Wimsn County Reg. Park (235 AC)	Contract Date 06/07/01
Subject of Additional Services Prepare Drawing	Additional Services Project No. 0711-2-010-25

1. Prepare control drawing for Workman Construction.

Reason For Change

Client Request

Compensation:

Hourly charge plus reimbursable expense basis, as defined in the PROFESSIONAL SERVICES AGREEMENT, and in addition to the compensation for BASIC SERVICES. Total charges for these ADDITIONAL SERVICES are estimated to be approximately \$ _____.

☒ Lump sum charge basis plus reimbursable expenses, as defined in the PROFESSIONAL SERVICES AGREEMENT, and in addition to the compensation for BASIC SERVICES. Total charges for these ADDITIONAL SERVICES are to be **\$300.00**.

Estimated Date of Completion: _____

BAKER-AICKLEN & ASSOCIATES, INC.

PREPARED BY: Donald J. Kirby, R.P.L.S.

OFFERED BY:

A. William Waeltz, P.E., Branch Manager

Date

5-29-02

APPROVED BY:

Client:

County Judge

Title:

Date

6-4-02

(Sign, keep Client's copy & return all others.)