

Commission Approved: 11/19/01
Original Policy Effective Date: 12/01/01

Amended: 2/21/06
Amendment Effective: 7/01/05

Amended: 10/20/03
Amendment Effective: 6/30/03

Amended: 8/20/2012
Amendment Effective: 7/1/2012

Amended: 5/02/2016
Amendment Effective: 5/02/2016

BRADLEY COUNTY, TENNESSEE

General Fixed Assets

Policies and Procedures

The purpose of this policy is to provide guidelines and regulations for elected officials and departments of Bradley County to follow regarding purchases made with county funds that represent fixed assets. Capitalization of general fixed assets is recorded in the General Fixed Assets Account Group (GFAAG) in the financial statements. This account maintains management control and continuing accountability for investment in general, government fixed assets with public funds.

Capitalization includes land, buildings and improvements, roads and bridges, machinery and equipment, and construction in progress. 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 ensure proper accountability of certain other purchases made with county funds that do not represent investment in general fixed assets. This policy will encompass that responsibility as well. Any violation of this policy will result in a request for the elected official or department head to appear before the Bradley County Finance Committee to explain the circumstances regarding the violation and the corrective measure taken to ensure future compliance with this policy.

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 transfer of fixed assets and policy for notification to Inventory Control. (See Sections H and I)
- 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.
- d. Approve list of items declared surplus and suggested disposal methods (i.e., sale, scrap, etc.).

2. Inventory Control Office:

The office of Inventory control is under the direction of the County Executive's Accounting Department/County Board of Education's Agent/Highway Dept Agent (as appropriate), which provides for fiscal procedure. Inventory Control operates with respect to the duties of the County Executive as fiscal agent of the county; the County Board of Education which governs the operations of the schools and the County Highway Department. 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 listings of all assets included in the GFAAG and of other assets (controllable) determined to be tracked by officials. Copies of documentation on all assets will be maintained in separate files as long as asset is actively on the books.
- 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 Board of Education.**

- d. Verify audits of all departments to determine that assets are being properly accounted for.
- e. Prepare annual inventories for all departments of general fixed 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 inventory control by telephone, to be followed by a letter to the County Executive/Board of Education (as appropriate) and Inventory Control. A police report should be obtained on all losses suspected of being stolen.
- b. Report to the Board of Education/Inventory Control (as appropriate) any assets deemed to be surplus and unneeded by this department so that transferal or disposal can proceed.
- c. Any transferal or disposal of assets by administrative officials shall be documented in writing to relieve that official of said responsibility.
- d. Allow Inventory Control access to all records necessary to aid in the determining of proper disclosure of fixed assets for reporting purposes.
- e. Designate person(s) for the custody and control departmental property (departmental property coordinator). The name of this person shall be submitted to Inventory Control for direct communication purposes.

4. Departmental Property Coordinator:

- a. Maintain all records of fixed assets and controllable assets accountable to the office. These records would include transferals, disposals, and assets surplus to the county.
- b. Notify Inventory Control of new asset acquisitions not currently tagged.
- c. Reconcile and report differences between annual fixed asset inventory and actual physical inventory to Inventory Control.

B. Assets:

- 1. Recording Land – Land is to be capitalized but not depreciated. It is recorded at historical cost and remains at that cost until disposal.
- 2. Recording Land Improvements –
 - a. Non-Exhaustible – Expenditures for improvements that do not require maintenance or replacement are capitalized but not depreciable.
 - b. Exhaustible – Other improvements that are part of a site, such as parking lots, landscaping and fencing, are depreciable.
- 3. Recording Buildings – Buildings should be recorded at either their acquisition costs or construction costs. Each building components (e.g., roof, air conditioner systems, etc) should be recorded separately when significant because these have different useful lives. The value of each component needs to be determined and placed within its own category.
- 4. Recording Building Improvements – Building improvements that extend the useful life of a building and meet the capitalization threshold should be capitalized. (For retroactive recognition of site and facility improvements, only those projects completed within the last five years will be considered, unless meaningful data are readily available for preceding years).
- 5. Recording Construction in Progress – Construction in progress should be capitalized and not depreciated.
- 6. Recording Vehicles – Vehicles should be identified, inventoried, and if applicable depreciated.
- 7. Recording Furniture and Equipment – Assets such as furniture, machinery and equipment should be identified and inventoried. If they meet the threshold levels, they should be capitalized and depreciated. In addition to providing documentation to the Inventory Control Office, each elected official or department shall be required to maintain a separate internal list of all assets valued at \$500 or more at the time of purchase. Additionally, this internal list shall also include all devices that have internal memory, even if the purchase value is less than \$500.

C. Costs.

Fixed assets shall be recorded at historical cost or if the cost is not reasonably determinable, at estimated cost. Donated fixed assets should be recorded at their estimated fair value at time received.

- 1. 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.

2. 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.
3. Donated Cost – these assets will be based on their estimated fair value at a time of acquisition. A determination as to be the fair value basis will be included with property records.

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.

D. *Dollar Value and Life Expectancy Tests:

Assets purchased with a dollar value of \$10,000 or more and with a life expectancy of three years will be included in the GFAAG. A Salvage Value of \$500 for vehicles and 10% of original value on all other equipment and buildings will be set on items expected to exceed their original life expectancy. Items under the \$10,000 dollar value will not be presented in the financial statements; however, controllable assets will be tracked in inventory records for accountability purposes.

E. Controllable Assets.

Controllable assets are assets which do not meet the criteria for a fixed asset but will be included in property management's records for control purposes. Such property would include individual items with a replacement dollar value of at least \$1,000 (\$1000 for schools) and not already included in Section E above.

F. Cancelable Lease Assets.

Assets with a cancelable lease clause will not be included in the GFAAG; however, these items will be tracked in inventory records for accountability purposes.

G. Asset Reduction.

Assets no longer owned by or in the possession of the County shall be removed from the GFAAG.

1. Sold and/or retired – these assets will be removed from the GFAAG upon formal notification from the responsible party of such disposition. Departments should be cautious about retiring assets still depreciating on books. This will result in department having to write off a loss in the year the asset was retired.
2. Obsolete – these assets will be removed from the GFAAG upon formal notification and upon said determination by responsible party whether sold or not.
3. Transferred or Proprietary or Trust Fund – Assets in good working order may be removed from one departments responsibility and placed in storage for future use by other departments. These assets will be removed from the GFAAG upon formal notification from responsible party and shall be accounted for in that Fund.
4. Missing – assets not seen for two consecutive annual inventories will be classified as missing and will be removed from the GFAAG and controllable asset listing 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 full County Commission.
5. Assets formerly recorded due to dollar value limits will be removed from the GFAAG upon Commission approval of any updated policy.

H. Surplus Equipment.

1. A list of surplus items must be presented to and approved by the Full Commission. No County property with a purchase value of more than \$500 shall be disposed of without the express approval of the County Commission.
2. Each elected official or department must seek the approval of the County Commission as to the specific method of disposal for any surplus equipment. The approved method of disposal must require a competitive bidding process. Any change in the method of disposal by an elected official or department must be approved by the County Commission. A complete accounting of the assets and any proceeds must be reported back to Inventory Control so that these items can be

removed from the system. County employees will be prohibited from personally taking possession of any items declared surplus, other than those purchased through the sealed bid process or public auction.

3. Be cautious of co-mingling County owned assets with other assets in possession of departments. A clear record must be kept of ownership.
4. Items for which no bids are received; or their salvage value is determined to be less than the cost of handling/advertising and will create a negative cash flow, may be destroyed or sold as scrap. A list of these items must be forwarded to Inventory Control so they can be removed from the system.
5. The disposal of any vehicle owned by the County requires the completion of a "Change of Vehicle Status Form", included as Attachment #1 to this policy.
6. The disposal of any asset included on the inventory listing of either the Inventory Control Office or the internal list of the elected official or department requires the completion of a "Scrap and Surplus Property Disposal Authorization Form", included as Attachment #2 to this policy.

ACCOUNTING POLICIES

A. Capitalization and Depreciation:

The following items will be capitalized in the General Fixed Assets Account Group:

1. Land	\$ 1	Capitalize Only
2. Land Improvements	\$ 25,000	
3. Buildings	\$ 50,000	
4. Building Improvements	\$ 50,000	
5. Roads and Bridges	\$ 50,000	
6. Vehicles	\$ 10,000	
7. Machinery and Equipment	\$ 10,000	
8. Furniture and Fixtures	\$ 10,000	
9. Construction in Progress	\$ 1	Capitalize Only

B. Tracking and Inventory:

The following items will be tracked and inventoried:

	<u>General</u>	<u>Schools</u>
1. Land	\$ 1	\$ 1
2. Land Improvements	\$ 1	\$ 1
3. Buildings	\$ 1	\$ 1
4. Building Improvements	\$ 1	\$ 1
5. Roads and Bridges	\$ 50,000	N/A
6. Vehicles	\$ 1,000	\$ 1,000
7. Machinery and Equipment	\$ 1,000	\$ 1,000
8. Furniture and Fixtures	\$ 1,000	\$ 1,000
9. Construction in Progress	\$ 1	\$ 1

*These items will be subjected to a dollar value test and/or life expectancy test. (See Section E)

Capital Assets of Local Governments
Suggested Useful Lives

Asset Type	Examples	Maximum Depreciable Life in years*
<u>Non-Infrastructure</u>		
Furniture, office equipment	Desks, tables, chairs	5
Computer Hardware	Monitors, CPU, printer, scanner	5
Telephone Equipment		10
Motor Vehicles		5
Cars and light trucks		8-10
Busses	School, City	15
Fire trucks		25
Buildings – Temporary	T-buildings, sheds, other portable	40
Buildings		20
HVAC Systems	Air-conditioners, heating, ventilation systems	20
Roofing		7
Carpet Replacement		30
Electrical/Plumbing		12
Kitchen Equipment	Appliances	5-10
Heavy Construction Equip	Backhoes, Trucks, Dozers, front-end loaders, lg tractors	10
Engineering, Scientific Equip	Lab Equipment	10
Firefighting Equipment	Ladder, hoses	10
Police Special Equipment		18 months
Medical Equipment		5
Traffic Control Equipment	Stoplights	10
Radio, Communications Equipment	Mobile, portable radios	10
Recreational/Athletic Equipment	Weight machines, mats, golf carts, treadmills, tackling	10
	Shed, pitching machines, lights	5-7
Library Books	Collections	5-7
Artwork	Collections	20
Outdoor Equipment	Playground equip, scoreboards, bleachers, radio towers	12
Custodial Equipment	Floor scrubbers, vacuums, other	15
Grounds Equipment	Mowers, tractors and attachments	
Land Improvements – structure	Parking lots, sidewalks, bus ramp, fencing, running track, Flagpole.	20
Land Improvement – ground work	Golf Course, Ball field, park landscaping	30
Landfill Disposal Systems		25
Land		No depreciation
Sewerage treatment plants		25
<u>Infrastructure</u>		
Easements		No depreciation
Drainage Systems		25
Water Systems		25
Sewerage disposal Works System		25
Waterway		
Levees and canals (unlined)		No depreciation
Canal lining		30
Dams		
Concrete		50
Steel, Sheetpile		30
Earthen embankment		No depreciation
Roads		
Paved		40
Asphalt – rural (outside the populated area of the county)		40
Asphalt – urban (inside the populated area of the county)		20
Non-paved		50

*May be less but not more than Maximum Depreciable Life.

SCRAP AND SURPLUS PROPERTY DISPOSAL AUTHORIZATION FORM

Note: For Vehicle Disposition Use "Change of Vehicle Status Form"

This form is to be completed in accordance with Bradley County general fixed assets policies and procedures for declaring property surplus or scrap and to make the property available for redeployment, sale or disposal.

DEPARTMENT: _____ CONTACT PERSON: _____

DATE: _____ PHONE NUMBER: _____

List and describe each item to be declared scrap/surplus – List only one item per form except for matching items.

Complete Description – Include color, materials, measurements, condition, etc. _____

Serial Number: _____

Please Circle: Surplus or Scrap

Asset Number: _____

Original Price: \$ _____

Current Value: \$ _____

Item Location (Building and/or Office): _____

Does the item include memory? _____ Date cleaned by IT department: _____

Disposition of Property Described Above

Price: \$ _____ Disposal Date: _____

Auctioned/Scraped by: _____

Approved by: _____

Department head/Elected official

Date

SUBMIT THIS FORM TO: FINANCE OFFICE/PURCHASING

Must submit form to Finance Office/Purchasing one week prior to voting session.

Completed form must accompany budget amendment request.

CHANGE OF VEHICLE STATUS FORM

This form is to be completed when a vehicle is transferred or disposed of in accordance with Bradley County general fixed assets policies and procedures. After you have reached your assigned divisional vehicle allotment, each vehicle received by transfer or surplus without release of another vehicle in exchange constitutes a fleet increase for your division.

DEPARTMENT: _____ CONTACT PERSON: _____

DATE: _____ PHONE NUMBER: _____

VEHICLE ACQUIRED: VIN NUMBER: _____ ASSET #: _____

TAG NUMBER: _____ YEAR: _____ PRICE: _____

MAKE: _____ MODEL: _____

DATE ACQUIRED: _____ ACCOUNT/LINE: _____

If vehicle is acquired from another department, list the department: _____

Enhancements to vehicle: _____

DISPOSED VEHICLE: VIN NUMBER: _____ ASSET #: _____

MILEAGE: _____ DISPOSAL DATE: _____

If vehicle is transferred to another department, list the department: _____

If vehicle is disposed of as wrecked/scraped, please specifically explain method of disposal and include photographs: _____

Condition of vehicle: _____

Approved by: _____

Department head/Elected official

Date

Disposition of Property Described Above:

Sale Price: _____

Date: _____

Prepared by: _____

SUBMIT THIS FORM TO: FINANCE OFFICE/PURCHASING

Must submit form to Finance Office/Purchasing one week prior to voting session.

Completed form must accompany budget amendment request.

EMPLOYEE HANDBOOK