

FRANKLIN COUNTY, TENNESSEE
General Fixed Assets and Inventory
Policies and Procedures

The purpose of this policy is to provide guidelines and regulations for departments of Franklin 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.

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 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 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 Finance Department, which provides for fiscal procedure. Inventory Control operates with respect to the responsibilities 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 controllable assets 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. Their responsibilities include, but are not necessarily limited to, the following points:

- 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/Highway

Superintendent (as appropriate) and Inventory Control. A police report should be obtained on all losses suspected of being stolen.

- b. Report to Inventory Control any assets deemed to be surplus and unneeded by the department so that proper transfer or disposal can proceed.
- c. Any transfer 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 of 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 include transfers, 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 will 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 depreciated.
 - b. Exhaustible – Other improvements that are part of a site, such as parking lots, landscaping and fencing, are depreciable.
3. Recording Buildings – Buildings will be recorded at either their acquisition cost or construction cost. Each building component (e.g., roof, HVAC systems, etc.) should be recorded separately when significant because of the difference in the useful life of these components.
4. Recording Building Improvements – Building improvements which extend the useful life of a building and meet the capitalization threshold will be capitalized.
5. Recording Construction in Progress – Construction in progress will be capitalized and not depreciated.
6. Recording Vehicles – Vehicles will be identified, inventoried and 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 will be capitalized and depreciated.

C. Costs:

Fixed assets shall be recorded at historical cost if the cost is reasonably determinable. If historical cost data is not determinable, an estimated cost will be used. Donated fixed assets will 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 paid check 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 market value at time of acquisition. A determination as to the fair market value basis will be included with property records.

D. 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 the capital asset must be written off as an expense over the useful life of the asset as an indirect cost. Annual depreciation expense will be calculated using the straight-line method.

E. Dollar Value and Life Expectancy Tests:

Assets purchased with a dollar value of \$5,000 or more and with a life expectancy of three years will be included in the GFAAG. Items under this dollar value will not be presented in the financial statements; however, controllable assets will be tracked in inventory records for accountability purposes.

- F. **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 \$500 and not already included in section E above, except as noted in **ACCOUNTING POLICIES**, Paragraph B, Item 10.
- G. **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.
- H. **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 the 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 department's 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 first be presented to the appropriate supervisory board and then to the full County Commission.
- I. **Surplus Equipment:**
1. Each department may bid out any surplus equipment. 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 by employees through the sealed bid process or public auction.
 2. Be cautious of co-mingling County owned assets with other assets in possession of departments. A clear record must be kept of ownership.
 3. 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.
 4. A list of surplus equipment removed from GFAAG and controllable asset listing will first be presented to the appropriate supervisory board and then to the full County Commission.

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	\$	5,000	
7.	Machinery and Equipment *	\$	5,000	
8.	Furniture and Fixtures *	\$	5,000	
9.	Construction in Progress	\$	1	(Capitalize Only)

B. Tracking and Inventory:
The following items will be tracked and inventoried:

1.	Land	\$	1
2.	Land Improvements	\$	1
3.	Buildings	\$	1
4.	Building Improvements	\$	1
5.	Roads and Bridges	\$	50,000
6.	Vehicles	\$	500
7.	Machinery and Equipment	\$	500
8.	Furniture and Fixtures	\$	500
9.	Construction in Progress	\$	1
10.	In certain instances where individual items cost less than \$500, but are only one of a number of like or similar items (e.g., cell phones, TVs, VCRs), the individual items will be tracked and inventoried as part of the group.		

*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

<u>Asset Type</u>	<u>Examples</u>	<u>Depreciable Life in Years</u>
<u>Non-Infrastructure</u>		
Furniture, office equipment	Desks, tables, chairs, file cabinets	5
Computer Hardware	Monitors, CPU, printer	5
Telephone Equipment		10
Motor Vehicles		
Cars and light trucks		5
Buses	School	8-10
Fire trucks		15
Buildings – Temporary		
Buildings	T-buildings, other portables	25
		40
HVAC Systems	Air-conditioners, heating, ventilation systems	20
Roofing		20
Carpet Replacement		7
Electrical/Plumbing		30
Kitchen Equipment	Appliances	12
Heavy Construction Equipment	Backhoes, Trucks, Dozers, front-end loaders, etc.	5-10
Engineering, Scientific Equipment	Lab Equipment	10
Firefighting Equipment	Ladders, hoses	10
Police Special Equipment		10
Medical Equipment		5
Traffic Control Equipment	Stoplights	10
Radio, Communication Equipment	Mobile, portable radios	10
Recreational/Athletic Equipment	Weight machines, mats, golf carts, treadmills, Tackling sled, pitching machines, etc.	10
Library Books	Collections	5-7
Artwork	Collections	5-7
Outdoor Equipment	Playground equipment, scoreboards, bleachers, Radio towers	20
Custodial Equipment	Floor scrubbers, vacuums, other	12
Grounds Equipment	Mowers, tractors and attachments	15
Land Improvements – structure		
	Parking lots, sidewalks, bus ramp, fencing, Running track, flagpole	20
Land Improvements – ground work		
Landfill Disposal Systems		30
Land		25
		no depreciation
Sewage treatment plants		25
<u>Infrastructure</u>		
Easements		no depreciation
Drainage Systems		25
Water systems		25
Sewage disposal works systems		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		40
Asphalt – urban		20
Non-paved		50