



Cass County Fixed Asset Policy

The following guidelines and definitions are set forth by the Commissioner's Court of Cass County for the reporting and maintenance of records for the assets of the county. The objectives of the Fixed Asset Policy are to accurately account for and report fixed assets in financial reports issued to external reporting agencies, grant agencies and the public and to establish systems and procedures to protect the County's assets from loss or theft.

DEFINITIONS AND GUIDELINES

Capital Asset Definitions

Capital assets are real or personal property that have a value equal to or greater than the capitalization threshold for the particular category of the asset and have an estimated useful life of greater than one year.

The County has invested in a wide range of capital assets that are used in the County's operations, which include the following major categories:

- 1) Land and land improvements
- 2) Buildings and building improvements
- 3) Improvements other than buildings
- 4) Infrastructure
- 5) Machinery, equipment, and other assets
- 6) Leasehold Improvements
- 7) Construction in progress

Capital Asset Classification

Assets purchased, constructed or donated that meet or exceed the County's established capitalization thresholds and useful life requirements must be uniformly classified utilizing the County Auditor's account structure and the corresponding capital asset code structure which are determined by the auditor's office.

Capitalization Thresholds

Standard capitalization thresholds have been established for each major class of assets. All County offices are required to use these thresholds. The County Auditor upon review may establish uniform useful lives and residual values for each class of asset and subclasses where appropriate. Commissioners' Court must approve any change in the threshold for capitalization.

<u>Class of Asset</u>	<u>Capitalization and Depreciation Threshold</u>
Land/land improvements	Capitalize Only
Buildings/building improvements	\$5,000
Improvements other than buildings	\$5,000
Infrastructure	\$50,000
Machinery, Equipment, and Other Assets	\$1,000
Leasehold Improvements	\$5,000

Capital Asset Acquisition Cost

Capital assets should be recorded and reported at their acquisition or historical costs, which include the vendor's invoice cost, plus any other taxes imposed on the acquisition, initial installation cost, modifications, attachments, accessories or any item necessary to make the asset usable and render it into service. Capitalized costs also include ancillary charges such as freight and transportation charges, in-transit insurance charges, handling and storage charges, site preparation costs and professional fees.

If something other than cash is used to pay for the asset, the fair-market value of the non-cash payment or consideration determines the asset's cost or acquisition value. When the value of the consideration paid cannot be determined, the asset's fair-market value determines its cost.

In the event of a trade-in, the County's net book value of the asset being traded will be added to the purchase price of the asset.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest to be capitalized is calculated by offsetting interest expense incurred during the period of construction until completion of the project with interest earned on invested proceeds over the same period.

Capital Asset Donations

Donations are defined as voluntary contributions of resources to a governmental entity by a nongovernmental entity. Donations may occur for any asset category. Voluntary contributions of resources between governmental entities are not considered donations.

The Commissioners Court must accept by court action any donated property. County Offices must provide the following information to the County Auditor's office before property is donated:

- 1) The date the asset is placed into service
- 2) The asset's fair market value
- 3) The asset's estimated useful life
- 4) Any ancillary charges required to place the asset into service
- 5) Construction in progress

Once accepted by Commissioners' Court, donated capital assets are reported at fair value at the time of acquisition plus ancillary charges, if any. Fair value is the amount at which an asset would be exchanged in a current transaction between willing parties.

If the County receives a donation of a capital asset and intends to sell the asset immediately, revenue must be recognized. In these cases the receiving County office must provide supporting documentation regarding the sale or contract-to-sell to the County Auditor. This supporting documentation will allow the Auditor to determine when revenue should be recognized. Only Commissioners' Court may approve the sale.

In some cases, donated capital assets are given with stipulation (time requirement) that the asset cannot be sold, disbursed or consumed until a specified number of years have passed or a specific event has occurred. For such cases, the capital asset should be reported as "Net Assets – Restricted" as long as the restrictions or time requirements remain in effect. The receiving County office should provide the County Auditor with any such restrictive stipulations.

Forfeited Assets

Forfeited Assets awarded through the District Courts that are not to be traded or sold, should be recorded at the fair market value at the time of the forfeiture.

Capital Leases

Buildings, equipment or other assets leased by the County should be capitalized if the lease agreement meets any one of the following criteria:

- 1) The lease transfers ownership of the property to the lessee by the end of the lease term.
- 2) The lease contains a bargain purchase option.
- 3) The lease term is equal to 75 percent or more of the estimated economic life of the leased property.
- 4) The present value of the minimum lease payments at the inception of the lease, excluding executory costs, equals at least 90 percent of the fair value of the leased property.

Leases that do not meet any of the above requirements will be recorded as operating leases.

County Offices should notify the County Auditor when potential capital leases are being developed to ensure that leases are recorded as required by Generally Accepted Accounting Principles in the United States of America. When a capital lease is involved, County offices must provide the County Auditor with the same information regarding the asset as with any other asset acquisition. All lease agreements must be approved by Commissioners' Court.

Depreciating Capital Assets

Capital assets should be depreciated over their estimated useful lives. Some assets such as land, have unlimited useful lives and are considered inexhaustible. Therefore such assets are not depreciated. The County will use the straight-line method of depreciation for those assets that qualify. An asset is considered placed into service on the date it became available for use.

Residual or Salvage Value

Residual or salvage value is an estimate of the amount that would be realized at the end of the useful life of a depreciable asset through sale or disposal. The County will not assign any residual or salvage value for assets, as it is the intention to keep each asset through its full-intended life, and it is not the policy of the county to sell or dispose of its capital assets.

Depreciation Lives

The life span of a depreciable asset will be classified according to the following table:

Heavy Equipment	15	Years
Buildings	20-50	Years
Other Vehicles	5-8	Years
Furniture	5-8	Years
Computer Equipment	3-5	Years

Assets Held in Trust

Capital assets held by the County on behalf of a non-county entity and under the temporary control of the County should be recorded as “assets held in trust” until returned to the owners. This includes assets owned by the federal government that have been loaned to the County. This also includes assets purchased with federal or state grant funds in which the asset remains the property of the granting agency.

Inventoried Assets or Controlled Assets

Controlled assets are those assets below the capitalization threshold that must be secured and tracked in the Fixed Asset System due to the nature of the items. An example of assets that might be included in the “Controlled Assets” category would be those purchased with grant funding requiring specific tagging/tracking procedures.

Property and Equipment with a dollar value greater or equal to \$500 but less than \$1,000 are considered inventoried assets. These assets are inventoried for security purposes in the Fixed Asset System but not capitalized for depreciation purposes. Inventoried assets also include assets that are purchased in a large quantity, but their individual price is below the capitalization threshold. Such assets are to be inventoried by location as a quantity total (example: 100 metal folding chairs, 20 folding 8 foot tables, etc.).

Sale, Disposal, or Retirement of Capital Assets

If the sale, disposal or retirement of capital assets becomes necessary, county offices should provide the County Auditor with all information to properly record the transaction. Commissioners’ Court must approve the sale, disposal or retirement of Capital Assets.

CAPITAL ASSET CATEGORIES

A. LAND AND LAND IMPROVEMENTS

Land Definition

Land is the surface or crust of the earth, which can be used to support structures, and may be used to grow crops, grass, shrubs, and trees.

Capitalization Threshold

All acquisitions, including donations, of land and land improvements will be capitalized. Examples of Expenditures to be Capitalized as Land and Land Improvements:

- 1) Purchase price or fair market value at time of donation
- 2) Commissions
- 3) Professional fees (title searches, architect, legal, engineering, appraisal, surveying, environmental assessments, etc.)
- 4) Land excavation, fill, grading, drainage
- 5) Demolition of existing buildings and improvements (less salvage)
- 6) Removal, relocation, or reconstruction of property of others (railroad, telephone and power lines)
- 7) Interest on mortgages accrued at date of purchase
- 8) Accrued and unpaid taxes at date of purchase
- 9) Other costs incurred in acquiring the land
- 10) Right of way

B. BUILDINGS AND BUILDING IMPROVEMENTS

Building Definition

A building is a structure that is permanently attached to the land, has a roof, is partially or completely enclosed by walls and is not intended to be transportable or movable.

Building Improvement Definition

A building improvement materially extends the useful life, increases the value, adds capacity, or increases efficiency of the building. A building improvement should be capitalized.

Buildings designated as “historical” by the Texas Historical Commission are not depreciated unless used in the operations of the County. However, any improvements not deemed “historical” by the Texas Historical Commission are depreciated the same as any other improvements made to a building.

Examples of Expenditures to be capitalized as Buildings:

- 1) Purchased Buildings
 - a. Original purchase price
 - b. Expenses for remodeling, reconditioning or altering a purchased building to make it ready to use for the purpose for which it was acquired if it extends

the useful life, increases the value, adds capacity or increases efficiency of the building.

- c. Environmental compliance (i.e., asbestos abatement)
- d. Professional fees (legal, architect, inspections, title searches, etc.)
- e. Payment of unpaid or accrued taxes on the building to date of purchase
- f. Cancellation or buyout of existing leases
- g. Other costs required to place or render the asset into operation

2) Constructed Buildings

- a. Completed project costs
- b. Cost of excavation or grading or filling of land for a specific building
- c. Expenses incurred for the preparation of plans, specifications, blueprints, building permits, etc.
- d. Professional fees (architect, engineer, management fees for design and supervision, legal)
- e. Costs of temporary buildings used during construction
- f. Permanently attached fixtures or machinery that cannot be removed without impairing the use of the building
- g. Additions to buildings (expansions, extensions, or enlargements)
- h. Build-out of interior spaces to specifications

3) Building Improvements

- a. Conversion of attics, basements, etc., to usable office, clinic, research or classroom space
- b. New structures *attached* to the building such as covered patios, sunrooms, garages, carports, enclosed stairwells, etc.
- c. Installation or upgrade of heating and cooling systems, including ceiling fans and attic vents
- d. Original installation/upgrade of wall, ceiling, or floor covering such as carpeting, tiles, paneling, or parquet
- e. Structural changes such as reinforcement of floors or walls, installation or replacement of beams, rafters, joists, steel grids, or other interior framing
- f. Installation or upgrade of window or door frame, upgrading of windows or doors, built-in closet and cabinets
- g. Interior renovation associated with casings, baseboards, light fixtures, ceiling trim, etc.
- h. Exterior renovation such as installation or replacement of siding, roofing, masonry, etc.
- i. Installation or upgrade of plumbing and electrical wiring
- j. Installation or upgrade of phone or closed circuit television systems, networks, fiber optic cable, wiring required in the installation of equipment (that will remain in the building)
- k. Other costs associated with the above improvements

C. IMPROVEMENTS OTHER THAN BUILDINGS

Improvements Other Than Buildings Definition

Improvements other than buildings are capital assets, not specifically identifiable to an individual building, that reflect the cost of permanent improvements and add value to the property. Such improvements made to a facility or to land should be capitalized.

Examples of expenditures to be capitalized as Improvements Other Than Buildings:

- 1) Fencing and gates
- 2) Parking lots/driveways/parking barriers
- 3) Outside sprinkler systems

D. INFRASTRUCTURE

Infrastructure Definition

Infrastructure is long-lived capital assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets.

Infrastructure Improvements Definition

Infrastructure improvements are capital additions that materially extend the useful life or increase the value of the infrastructure, or both. Infrastructure improvements should be capitalized.

Jointly Funded Infrastructure

Infrastructure paid for jointly by the County and other governmental entities should be capitalized.

Preservation Costs

Preservation costs are generally considered to be those outlays that extend the useful life of an asset beyond its original estimated useful life, but do not increase the capacity or efficiency of the asset. Preservation costs should be capitalized if the asset is depreciated.

Additions and Improvements

Additions and improvements are those capital outlays that increase the capacity or efficiency of the asset. A change in efficiency maintains the same service level, but at a reduced cost. The cost of additions and improvements should be capitalized.

E. MACHINERY, EQUIPMENT, AND OTHER ASSETS

Machinery, Equipment, and Other Assets Definition

Fixed or movable tangible assets used for operations of the county and benefit the county for more than one year from the date the asset first renders service. Improvements or additions to property should be capitalized if they materially increase the value, life, efficiency, or capacity of the asset. This category includes the following:

- a) Machinery, Equipment, and Furniture
- b) Computer software
- c) Library books and reference materials of an academic, professional, or research library
- d) Works of art and historical treasures

Jointly Funded Machinery, Equipment, and Other Assets

Machinery, equipment and other assets paid for jointly by the county and other governmental entities should be capitalized.

F. LEASEHOLD IMPROVEMENTS

Leasehold Improvements Definition

Leasehold improvements include construction of improvements made to existing structures by the lessee. These improvements *will revert to the lessor* at the expiration of the lease. Moveable equipment or office furniture that is not attached to the leased property is not considered a leasehold improvement. Leasehold improvements should be capitalized as a Building Improvement.

G. CONSTRUCTION IN PROGRESS

Construction in Progress Definition

Construction in Progress includes the cost of buildings and other structures, capital-related additions, alterations, reconstruction, and installations that are substantially incomplete.

Capitalization Threshold

Construction in progress assets should be capitalized to their appropriate capital asset categories upon the earlier occurrence of substantial completion, occupancy, or when the asset is placed into service.

RESPONSIBILITIES OF COUNTY DEPARTMENTS

The property and equipment owned by Cass County are in fact the property of the taxpayers of Cass County. County officials shall be held responsible for proper accounting, maintenance, safekeeping, and use of county fixed assets. All property and equipment owned by the County will only be used for County business.

Periodically, an inventory will be made of fixed assets under the direction of the County Auditor. Upon the inspection of the inventory if an item is missing from a department's inventory listing, it is the responsibility of the department head to report/explain the

missing item and the circumstances involved. The Commissioners' Court has the discretion to require the department head to reimburse the county for the lost equipment. If there are items in the department which are not listed on the report, those items shall be listed with the annual inventory so that they can be picked up on inventory records. The County Auditor will make corrections and adjustments to the inventory records to reflect the actual inventory count. Upon completion of the final inventory of fixed assets, any discrepancies will be reported to the Commissioners' Court for appropriate action.

All requests for transfers of property or equipment between departments must be signed by the department heads/elected officials involved and submitted to the County Auditor before the transfer occurs. The department head/elected official is responsible for all property and equipment assigned to his/her department until it is removed for storage and/or awaiting disposition. Periodically, the auditor will submit a listing of the assets awaiting disposition to the Commissioners' Court for its consideration.

Items lost or stolen will be reported immediately in writing by the responsible department to the County Auditor.

Items obtained by the County through the use of a capital lease will be deemed "purchased" by the County. The acquisition of all such items must comply with County Purchasing policies and statutes for competitive bidding, including cooperative purchasing. The award of the bid/authorization for purchase as well as the use of a capital lease must be approved by Commissioners' Court for all such purchases. Upon acquisition, items purchased through the use of a capital lease will be tagged and inventoried as capital assets.

The County Auditor will periodically audit actual equipment held by various departments in the county to determine the accuracy of inventory records.

The Taxpayers of Cass County have an enormous investment in our County's buildings, land, equipment and furnishing. Not only is it a good accounting policy to maintain accurate inventory records of Fixed Assets of the County, but State Law also mandates that these records be kept.

Department Heads have a direct responsibility of all Fixed Assets purchased for, assigned to or otherwise provided to their department. This includes the legal and ethical obligation of their staff to provide sufficient care and safekeeping of Fixed Assets.

The Auditor's Office will continue to conduct inventory of all Fixed Assets at least once every year or as requested by Department Heads or directed by Commissioners' Court. Auditor's Office will conduct an exit inventory when required.

The Auditor's Office will submit a Fixed Asset inventory report for all Departments to Commissioners' Court as audits are conducted during the fiscal year, as requested by the Commissioners' Court.

VALUATION:

All fixed assets will be valued at cost, or if cost is not practically determinable, at estimated cost. Donated or dedicated fixed assets will be valued at their fair market value at the time

the asset is received by the County.

The cost recorded for fixed assets will include all ancillary costs. These costs include, but are not limited to freight, site preparation, professional fees, legal claims directly related to asset acquisition, installation and testing, construction related insurance and any other costs directly associated with the purchase, installation or delivery of the asset to the County in an operable and productive state.

DISPOSITION OF FIXED ASSETS:

Salvage and surplus property owned by the County may be disposed of by sale or competitive bid or auction, trade-in for new property, or by being destroyed as worthless if it cannot be sold or donated to a tax-exempt entity. (SEE TEXAS LOCAL GOVERNMENT CODE – CHAPTER 263 – SECTIONS 263.151 through 263.158.)

Disposition of abandoned or unclaimed property seized by a peace officer must be conducted in accordance with Article 18.17, TEXAS CODE OF CRIMINAL PROCEDURE.

All salvage and surplus property owned by the County for disposal must be approved by Commissioners' Court.

NOTICE OF SALE/BID/AUCTION:

The Commissioners' Court shall publish notice of a sale of surplus or salvage property in at least one newspaper of general circulation in the county. The notice must be published on or after the 30th day but before the 10th day before the date of the sale. A county that contracts with an auctioneer licensed under Chapter 1802, Occupations Code, who uses an Internet auction site, shall satisfy the notice requirement by posting the property on the site for at least 10 days unless the property is sold before the 10th day.

A description of the sold equipment must be completed upon the sale by the auctioneer with information regarding the equipment and purchaser. If the item was sold the sales price must be included on the form, if the item was donated an estimated value must be included on the form.

Local auctions held by the Sheriff's Office for both Seized and County property will record the fixed assets sold, the amount received for the sale item(s) and appropriate collection of sales tax, then will send this information to the Treasurer's Office, which will deposit all proceeds and disburse revenue to appropriate County funds.