Tyler County Fixed Asset Policy

BACKGROUND

This procedure documents general policies and guidelines, which should be followed by all County departments, as applicable. These guidelines should be considered as the minimal requirements for establishing adequate internal controls for processing property transactions and safeguarding County property. The elected or appointed official is responsible for all County property within their department. Written policies/procedures should be established within each department for handling and safeguarding County property.

Local Government Code (LGC) §157.903 provides Commissioners Court the ability to indemnify (at their discretion) an elected or appointed county officer against personal liability for the loss of county funds, or loss of or damage to personal property incurred by the officer in the performance of official duties if the loss was not the result of the officer's negligence or criminal action.

PURPOSE

The purpose of this document is to prescribe general policies and guidelines regarding the handling of property and property transactions.

This policy will insure that transfers of assets between departments within the county or disposals of assets are properly documented.

ASSESTS

A. Fixed Assets

1. Each department within Tyler County has purchased and maintains items defined as "Fixed Assets." A Fixed Asset is defined as tangible personal property having a useful life of one year or more and acquisition cost of $5,000 or more.
2. Classification of Fixed Assets
    a. Land
    b. Buildings
    c. Land Improvements
    d. Machinery and Equipment
    e. Vehicles

B. Infrastructure Assets

1. Infrastructure asset are long-lived fixed assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most fixed assets.
2. Classification of Infrastructure Assets
    a. Roads
    b. Bridges

C. Other Assets

1. Detailed records shall be maintained for certain items below the capitalization thresholds that should be safeguarded from loss. These items will be part of the annual physical inventory. These items include:
    a. Furniture
    b. Computer / Office Equipment
    c. Tools

D. Asset Costs

1. Capitalized costs include, but are not limited to, the following:
    a. The purchase price, net of any purchase discounts
    b. Freight and handling
    c. Installation and inspection costs
2. Cost excluded from capitalization include, but are not limited to, the following:
    a. Licensing and registration
    b. Costs related to the training of personnel in the use of the fixed asset

E. Depreciation and Useful Life

1. The Auditor's office will assign an estimated useful life to all applicable assets for the purpose of recording depreciation. Asset lives will be adjusted as necessary depending on the present condition and use of the asset and based on how long the asset is expected to meet current service demands. Adjustments should be properly documented. Deprecation will be recorded based on the straight line method using actual month convention and depreciated down to the assets salvage.
2. Depreciation will be recorded on Fixed Assets with an original value of $5,000 or greater only. Other fixed assets will be expensed upon purchase. Infrastructure assets will not be depreciated.
3. Depreciated will be recorded on the following fixed assets:
    a. Buildings and improvements
    b. Land improvements
    c. Machinery and equipment
    d. Vehicles
4. Depreciation will not be recorded on the following fixed assets:
    a. Land

F. Asset Identification and Tracking

1. All machinery and equipment, vehicles, furniture and computer / office equipment will be assigned an asset number and identified with a fixed asset tag. Any fixed assets that are purchased, disposed of or transferred during the year must be reported by the department head in custody of that asset by preparing a Fixed Asset Disposition Form. Once completed, this form is then forwarded to the County Auditor.
    a. Purchased Assets – At the time an asset is purchased, the Fixed Asset Disposition form is completed by the Department Head. The completed form should be forwarded to the County Auditor with the following information:
    1. Department
    2. Date

3. Location
4. Make
5. Model Number
6. Serial Number
7. Brief description of asset
8. Cost Information

b. Transferred Assets- If it is determined an asset it is no longer needed but that the item surplus could be possibly used by another department arrangements can be made to transfer the item directly.

1. The Fixed Asset Disposition form should include:
    a. Asset Number
    b. Serial Number
    c. Name and signature of the department head the asset is being transferred to and the department head the asset is being transferred from
    d. Forward completed form to the County Auditor.

c. Disposed Asset

1. Surplus
    a. If it is determined an asset is to be declared as surplus a Fixed Asset Disposition form should be prepared to include the asset number, serial number and status of the asset.
    b. Forward completed form to County Auditor
    c. Commissioner's Court will approve / disapprove items as salvage
    d. Bids will be received and awarded to highest bidder or rejected at least twice
    e. Commissioner's Court then may order the assets destroyed or placed into storage

2. Salvage
    a. If it is determined an asset is to be declared as salvage, is lost or stolen a Fixed Asset Disposition form should be prepared to include the asset number, serial number and status of the asset.
    b. Forward completed form to County Auditor
    c. Commissioner's Court will approve / disapprove items as salvage
    d. Property will be disposed of in an approved manner

GENERAL GUIDELINES

1. Department management should establish internal property access and use guidelines to ensure the safeguarding of property in the department's control.
2. Property should be secured at all times when the department is closed or the property is not in use.
3. The processing and / or approval of lost, stolen, damaged, or destroyed property documentation should be limited to supervisors.
4. Ensures for all items inventoried, regardless of Department inventoried property or Tyler County inventoried property, that inventory records reflect sufficient identifying information including each item's received date and serial number.

5. All property valued at or above $5,000 must be tagged (if possible) with a Tyler County inventory identification number issued and applied by the auditor's office., These tags should not he removed except at the direction of or by the auditor's office. Property suspected to require an inventory tag, which is not tagged, should be reported to the auditor's office.
6. Stolen property as well as property damaged or lost due to natural causes valued at or above $5,000 should be reported to the auditor's office for potential insurance claim processing.
7. The record retention period for records of deleted property is the fiscal year end of the date of deletion +4 years.
8. Inventoried property records maintained by the department and / or auditor's office, should be kept current with new items added and deleted items removed timely (e.g., due to transfer, loss, theft, destruction) or otherwise indicated in accordance with department internal policy.
9. All or portions of inventoried property on hand should be counted annually and compared to perpetual inventory records, as maintained by the department and by the auditor's office on the County's Official Inventory Listing, as applicable. Discrepancies should be documented, investigated, and reconciled.
10. Tyler County Auditor's office shall:
    a. Perform annual inventory verification for property valued at or above $5,000
    b. Completes, signs, and returns to auditor's office, "*Inventory Completion Statement*," documenting completion of the annual inventory verification and any discrepancies noted.
11. Performs annual inventory verification for computer and computer related equipment valued at $1,000 to $4,999 and retains verification documentation in department records.
12. Performs annual inventory for weapons and firearms (any value) and retains verification documentation in department records.
13. All or portions of perpetual inventory records should be compared to counted property on hand within the department with discrepancies documented, investigated, and reconciled.
14. Department employees should report any misuse, neglect, or impropriety regarding use of property to department management upon discovery of such use.
15. All suspected criminal misconduct activities will be investigated and reported to the District Attorney's Office. If a theft is suspected or discovered, contact **each** of the following:
    - County Auditor – 409-283-3652
    - County Sheriff – 409-283-2172
    - District Attorney – 409-283-8136

Note: The removal of lost or stolen property from Tyler County Official Inventory Listing does not relieve the elected or appointed official's responsibility for the property.

Capital Asset Classification

Assets purchased, constructed or donated that meet or exceed the Comptroller's established capitalization thresholds or minimum reporting requirements must be uniformly classified, utilizing the SPA class code structure. A list of current class code structures for personal and real Property is in Appendix B. Included in the SPA class code structure are codes that can be used to componentize buildings as required by Senate Bill 482.

Each class code in the SPA system contains a default value for both residual value (expressed as a percentage of historical cost) and estimated useful life (expressed in months). The default values are based upon statewide historical data for each class of asset. Agencies will follow set Comptroller accounting standards for establishing the historical costs for each asset. Agencies will be allowed to substitute information for residual value and/or estimated life based on individual experience for each class or asset. Any substitutions must be substantiated and auditable.

Capitalization Thresholds

Standard capitalization thresholds for capitalizing assets have been established for each major class of assets. All state entities are required to use these thresholds.

Class of Asset	Threshold
Land/land improvements	Capitalize All
Buildings/building improvements	Capitalize All
Facilities and other improvements	Capitalize All
Infrastructure	$5,000
Personal property (equipment)	$5,000*
Electronic Equipment	Capitalize All
Library books/materials (collections)	Capitalize All
Works of art/historical treasures	Capitalize All
Leasehold improvements	$10,000

GASB Statement No. 34 (See attached)

G.A.S.B. Website Information

The Governmental Accounting Standards Board's (GASB) Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, will require that governments depreciate their exhaustible capital assets, including infrastructure.

Depreciation is the systematic and rational allocation of the (estimated) historical cost of a capital asset, (or if donated, the fair value of a capital asset at the time of donation), over its estimated useful service life. Accordingly, one of the principal challenges facing those attempting to implement depreciation accounting for previously undepreciated categories of capital assets is estimating the useful service lives of those assets (i.e., "lifing"). This section will attempt to provide financial statement preparers with information that may be useful for making such estimates.

Background GASB Statement No. 34, paragraph 161, provides the following guidance on estimating the useful lives of capital assets:

> For estimated useful lives, governments can use (a) general guidelines obtained from professional or industry organizations, (b) information for comparable assets of other governments, or (c) internal information. In determining estimated useful life, a government also should consider an asset's present condition and how long it is expected to meet service demands.

As discussed in an previous issue of GAAFR Review (October 2001), a number of states (especially state departments of transportation) are using the internet to make information available to local governments on the estimated useful lives of various categories of capital assets. Likewise, professional groups and consultants have provided information that should be useful for lifing purposes. It is important, however, that such general information the adapted to a government's specific circumstances. GFOA issued a recommended practice earlier this year on Estimating the Useful Lives of Capital Assets that emphasized the need to take into account each of the following factors:

- *Quality* Similar assets may differ substantially in quality, and hence in their useful lives, because of differences in materials, design and workmanship. For example, an asphalt road will not have the same useful life as a concrete road. Likewise, the depth of the material used for paving purposes, as well as the quality of the underlying base, will also affect the useful life of a road.

- *Application* The useful life of a given type of capital asset may vary significantly depending upon its intended use. Thus, the life of a motor vehicle used in the public safety function may differ from the life of the same type of vehicle used in the parks and recreation function.

- *Environment* Environmental differences among governments can have an important impact on the useful lives of their respective capital assets. For instance, the useful life of a road in a climate subject to extremes in temperature is likely to be different from that of a similar road located in a more temperate climate. Also, regulatory obsolescence may shorten the service life of some capital assets used in connection with highly regulated activities (e.g., utilities).

Data on estimated useful lives. The paragraphs that follow will offer information on the *average* estimated useful lives of various types of capital assets.

It should be mentioned that sometimes a given asset grouping may be classified either as a land improvement or as infrastructure depending upon the specific circumstances (e.g., parking lots, sidewalks, pedestrian paths). The criterion used to make a classification in such cases often is the location of the asset. A parking lot adjacent to a building, for example, might be classified as a land improvement, whereas a public parking lot on a street corner operated by the government might be classified as infrastructure.

Roadways When arriving at an estimated life for a roadway it is assumed all normal maintenance will be performed to maintain the roadway during its normal life. "Average" lives for roadways are as follows:

Dirt	10 years (subject to weather conditions)
Gravel	15 years (subject to weather conditions)
Concrete	30 years
Asphaltic Concrete	20 years
Brick or Stone	50 years

Sidewalks As with roadways, climatic conditions affect the life of sidewalks. Otherwise, the average lives for sidewalks depend upon the material used for construction, as follows:

Concrete	30 years
Asphalt	25 years
Brick or Stone	50 years (subject to weather conditions)

Parking Lots Once again, the key variable in determining useful life is the construction material:

Concrete	35 years
Asphalt	15 years
Gravel	10 years
Brick or Stone	45 years

Bridges and Culverts Sometimes there is confusion when attempting to distinguish bridges from culverts. One approach to resolve this potential problem is to use the length of a structure as the determining factor (e.g., all structures with a span of more than 20 feet are to be classified as bridges).

For financial reporting purposes, the following average lives may be useful, subject to any adjustment needed to reflect climate and temperature fluctuations:

Precast Concrete	40 years
Prestressed Concrete	45 years
Steel with Truss	50 years
Steel without Truss	45 years
Timber/Wood	30 years
Pedestrian	
Steel	30 years
Concrete	30 years
Wood	25 years

Unique structures, such as suspension bridges, cable staid bridges, movable bridges, and covered bridges typically are evaluated on a case-by-case basis.

Culverts can de divided into two categories: major and small. Major culverts have a side area of 35 square feet or greater. Small culverts have a side area less than 35 feet.

Major Culverts:

Concrete (precast box, precast elliptical, cast in place)	40 years
Concrete pre stress	45 years
Timber log treated	30 years
Steel	30 years

Small Culverts:

Plastic	25 years
Cast Iron	30 years
Metal Corrugated	30 years
Concrete	40 years

Road Signage GASB limits the mandatory retroactive reporting of infrastructure assets to major networks and subsystems. Consequently, road signage normally is exempt from this requirement. Most governments are choosing to report roadway signage because information is readily available. The average useful life of road signage is 10 years.

Traffic Lights The situation for traffic lights is the same as described for road signage. The following are average useful lives:

Mast Arms	20 years
Hung Wire	15 years

Street Lighting Most governments will report street lighting voluntarily. The average useful life varies, as follows:

Concrete	30 years
Metal	20 years
Wood	15 Years

Sewer Lines The key factor in estimating the average useful life is the material used, as follows:

Concrete	50 years
Brick	90 years
Metal	40 years

Man-made Lakes, Water Ways/Canals, and Boat Ramps The average useful life of a man-made lake or waterway or canal is 100 years. The average useful life of a boat ramp depends upon the construction material, as follows:

Wood	10 years
Concrete/Asphalt	20 years
Metal	15 years

Marinas Estimated useful lives apply as follows:

Piers	50 years
Seawalls	50 years
Bulkheads	50 years

Reservoirs and Dams Reservoirs have an estimated useful life of 50 years. Dams require individual research, as a general rule, however, earthen dams have a life of 40 years and concrete dams of 60 years.

Airport Runways On average an estimated life of 10 years.

Moveable Equipment The following is a list of average estimated useful lives for some of the most commonly encountered categories:

Athletic Equipment	10 years
Appliances/food Service	10 years
Audio Visual Equipment	7 years
Books, Multi-Media	5 years
Business Machines	7 years
Communications Equipment	10 years
Computer Software	5 years
Contractors/Construction Eq.	12 years
Computer Equipment	5 years
Fire Department Equipment	12 years
Furniture	20 years
Grounds, Agricultural Eq.	15 years
Lab, Science Equipment	10 years
Law Enforcement Eq.	10 years
Licensed Vehicles	6 years
Machinery and Tools	15 years
Outdoors Recreational Eq.	15 years
Custodial Equipment	15 years
Photocopiers	5 years

Land Improvements The following is a list of common categories of land improvements:

Fencing, gates	20 years
Landscaping	10 years
Outside Sprinkler Systems	25 years

Septic Systems	15 years
Stadiums	45 years
Swimming Pools	20 years
Tennis Courts	20 years
Fountains	20 years
Retaining Walls	20 years

Buildings, Building Components, and Building Services The following is a list of common categories:

Permanent Structures	50 years
Portable Structures	25 years
Foundation	50 years
Frame	50 years
Floor Structure	50 years
Floor Covering	15 years
Carpeting	5 years
Computer Flooring	10 years
Fire System	25 years
Elevators	20 years