

10. PROPERTY CAPITALIZATION AND INVENTORY POLICY

POLICY

It is the policy of Scott County to have a capitalization policy and a comprehensive inventory system. The Financial Review Committee shall be responsible for making recommendations concerning capitalization thresholds. The Director of Budget and Administrative Services shall be responsible for developing, implementing and administering the asset management system.

DEFINITIONS

Tangible Asset - An item of value that has a physical form with a value at the time of acquisition in excess of \$15,000. Examples include but are not limited to: land, buildings, equipment, construction-in-progress, vehicles, machinery and infrastructure. Like items may be tracked together for capitalization purposes.

Intangible Asset - An item of value that may not have a physical form that has a determinable value at the time of acquisition that is in excess of \$25,000. Examples include but are not limited to: on premise software and data.

Right to Use Asset - An item of value that may not have physical format that has a determinable value at the time of acquisition that is in excess of \$25,000. The item of value is a contract that conveys control of the right to use another party's asset (lease) or information technology software (subscription - based information technology arrangement (SBITA)).

Physical Inventory - A process whereby assets are verified by physically locating items, verifying their continued existence and updating the corresponding asset record.

Construction-in-progress - An asset with an estimated "total value" in excess of the capitalization threshold that is not complete during a particular reporting period. Examples include but are not limited to: a large software development project, a building addition or a roadway resurfacing project, any of which are in process and completed during two or more fiscal year periods.

Non-consumable asset - An asset or property other than a consumable supply-type item with a definable useful life of at least two years and having a measurable residual value at the conclusion of said useful life.

Capitalized Asset - An asset that is included in the Asset Management System, subject to periodic physical inventory and reported as part of the Annual Comprehensive Financial Report. If applicable, depreciation amounts are also reported for capitalized assets.

SCOPE

The property of all County Offices, Departments and financial component units shall be included in the inventory program.

All non-consumable tangible assets with a value exceeding \$15,000 shall be capitalized and included in the inventory program. All intangible and right to use assets with a value exceeding \$25,000 shall be capitalized and included in the inventory program. County Offices and Departments will work with the County Risk Management Coordinator and Director of Budget and Administrative Services to maintain any other equipment listings in spreadsheet format for tangible items with a purchase value greater than \$1,000 but less than \$15,000 for insurance purposes.

PURPOSE

The purpose of this policy is:

- A. To establish and maintain an inventory of County property for the purpose of better management of County assets.
- B. To have inventory data available in the event the County would initiate the disaster recovery process.
- C. To insure inventory accountability of all County offices and departments.
- D. To provide data for accounting, reporting and insurance purposes. The capitalization amount for the County's Annual Comprehensive Financial Report is \$15,000 for tangible assets and \$25,000 for intangible assets / right to use assets.

ADMINISTRATIVE PROCEDURES

- A. Physical Inventory
 - 1. A comprehensive physical inventory of County property will be coordinated every five (5) years by the Administration Department.
 - 2. A computerized asset management system of capitalized assets will be maintained and updated quarterly by the Administration Department. Data from said system shall be used in preparing annual accounting reconciliations and reporting.
 - 3. Offices and Departments shall send any changes (additions, disposals or damage) to capitalized assets at least quarterly to the Administration Department. Administration shall incorporate said changes into their

quarterly updates of the asset management system.

4. A computer print-out or on-line report of departmental inventories will be distributed to each County Office and Department on an annual basis, at the conclusion of each fiscal year. Each department will be responsible to verify the accuracy of this print-out or on-line report and make any changes that are necessary. Any discrepancies between the physical inventory and the computer listing or on-line report will be resolved by the Administration Department and the respective County Office or Department. Once the inventory is reconciled the department head or elected official or their designee will indicate their concurrence.
5. In the event there is a change in the department head or elected official a physical inventory will be taken immediately by the Administration Department if requested by the Board of Supervisors or the incoming department head or elected official.
6. For capital assets acquired using grant monies, Administration shall conduct inventory in all fiscal years ending in an even number (every two years) to ensure compliance with grant requirements. Grant recipient departments or offices may also be required to keep inventory for non-capitalized assets (under \$15,000) purchased using grant proceeds. Those departments or offices should coordinate efforts with Administration to ensure proper record keeping for grant compliance.

B. Identification of Property

1. All non-consumable County property with a value exceeding \$1,000 shall have an inventory tag attached to the item whenever physically possible. This is especially important for items that do NOT have a unique identifier such as a serial number, detailed description, model number, in-service date. Unique identifiers shall be provided to Administration for recording in accounting financial records.