

**RESOLUTION APPROVING AMENDMENT TO  
MAURY COUNTY CAPITAL ASSET POLICY**

**WHEREAS**, Maury County Government currently has a Capital Asset Policy that was adopted by the Maury County Commission on June 16, 2008 and amended June 21, 2010 and amended on November 15, 2010; and,

**WHEREAS**, County Audit has requested that a useful life for the Intangible Assets be included in the Capital Asset Policy; and,

**WHEREAS**, it is necessary to amend the Maury County Capital Asset Policy in order to include this useful life within the intangible asset policy; and,

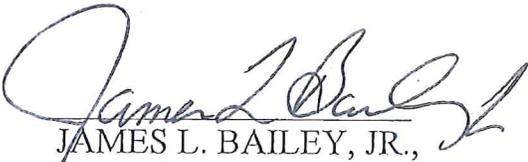
**WHEREAS**, the proposed amendment to the Capital Asset Policy is attached.

**NOW, THEREFORE BE IT RESOLVED** by the Maury County Legislative Body that the amended Maury County Capital Asset Policy is adopted.

This the 18th day of April, 2011.

STATE OF TENNESSEE - - - - MAURY COUNTY:  
I the undersigned clerk, do hereby certify that  
this is a true and correct copy of the original  
of this instrument filed this 20 day of

April, 2011.  
Nancy W. Thompson  
Maury County Clerk

  
JAMES L. BAILEY, JR.,  
County Mayor





Maury County\*, TN

# Amendment to Capital Asset Policy to implement GASB Statement 51, Accounting & Financial Reporting for Intangible Assets

## SUMMARY:

Maury County\* possesses many different types of assets that may be considered intangible assets. Examples of intangible assets include: right-of-ways and computer software. Intangible assets, and more specifically right-of ways, are referred to in the description of capital assets in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. This reference has created questions as to whether and when intangible assets should be considered capital assets for financial reporting purposes. An absence of sufficiently specific authoritative guidance that addresses these questions has resulted in inconsistencies in the accounting and financial reporting of intangible assets among state and local governments, particularly in the areas of recognition, initial measurement, and amortization. The objective of GASB Statement 51 is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.

\* MAURY COUNTY is understood to represent MAURY COUNTY BOE & MAURY COUNTY GOVERNMENT.

Effective Implementation Date: Maury County Government will implement accounting and reporting standards for GASB Statement 51 for Fiscal Year Ended June 30, 2010.

Recognition of Intangible Assets:

Intangible assets of Maury County Government shall be recognized and capitalized if it is identifiable by at least one on the two following conditions:

1. The asset is separable, that is, the asset is capable of being separated or divided from the county government and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract, asset, or liability
2. The asset arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

All individual intangible assets with a cost equal to or greater than \$50,000 and a useful life of two or more years shall be capitalized over the useful life of the asset. Exception: All right-of-ways that have been capitalized prior to 06/30/10 are capitalized. Assets costing below the threshold will be expensed in the fiscal year that they are acquired.

Intangible assets with an indefinite useful life will not be amortized. Assets are deemed to have an indefinite useful life if there are no legal, contractual, regulatory, technological, or other factors that limit the useful life of the asset (e.g., permanent right-of-way easement).

Retroactive Reporting: In accordance with GASB implementation guidance, all government entities that were classified as Phase 1 or Phase 2 governments for the purpose of implementing Statement 34, are required to retroactively report intangible assets except for those considered to have indefinite useful lives as of the effective date of Statement 51. Maury County Government is a Phase 2 government and will retroactively report intangible assets that meet capitalization criteria, and were acquired in fiscal years ending after June 30, 1980. In instances where determining actual historical cost of an intangible asset is not practical due to the lack of sufficient records, then the asset will be reported at an estimated historical cost if acquired in fiscal years ending after June 30, 1980. In the event that there are already capitalized intangible assets less than \$50,000, then Maury County will continue to recognize these assets and merely reclassify these from their current classification to intangible assets. However, all prospective reporting of intangible assets will be \$50,000 and over.

### Internally generated intangible assets

Per Statement 51, intangible assets are considered internally generated if they are created or produced by the government or an entity contracted by the government, or if they are acquired from a third party, but require more than incremental effort on the part of the government to begin to achieve their expected level of service capacity. Per GASB Statement 51 implementation guidance, internally developed intangible assets will NOT be retroactively capitalized if management deems that accurate historical cost cannot be determined using acceptable cost accounting principles.

Capitalization of internally generated assets can only occur after ALL of the following conditions have been met:

1. Determination of the specific objective of the project and the nature of the service capacity that is expected to be provided by the intangible asset upon the completion of the project.
2. Demonstration of the technical or technological feasibility for completing the project so that the intangible asset will provide its expected service capacity, and
3. Demonstration of the current intention, ability, and presence of effort to complete or, in the case of a multiyear project, continue development of the intangible asset.

Only outlays incurred subsequent to the meeting the above criteria should be capitalized. Outlays incurred prior to meeting those criteria should be expensed as incurred.

Specific guidelines for the capitalization of internally generated computer software: Computer software is a common type of intangible asset that is often internally generated. Software should be considered an internally generated intangible asset if it is either:

- Developed in-house by the government's personnel or by a third-party contractor on behalf of the government.
- Commercially available software that is purchased or licensed by the government and modified using more than minimal incremental effort before being put into operation

For internally generated software, the three above mentioned criteria to capitalize intangible assets are met only after the preliminary project stage of software development has been completed and county management implicitly or explicitly authorizes and commits to funding, at least currently in the case of a multiyear project, the software project. All outlays associated with activities in the preliminary project stage should be expensed as incurred.

Capitalization of Construction in progress of Intangible Assets: Maury County will not capitalize construction in progress (CIP) of intangible assets unless county financial management deems the CIP to be material to the presentation of the county's financial statements when taken as a whole.

Tagging for inventory purposes of intangible assets: Actual physical tagging of intangible assets typically is not possible, however, county asset management will assign an inventory tag number to each individual intangible asset for identification purposes (example, Asset #12003: Register of Deeds Office Software). The inventory tag will be kept with the asset's cost documentation.

Identified Intangible Assets of Sample County

Purchased/licensed software

Right of Way Easements

**RESOLUTION APPROVING AMENDMENT TO  
MAURY COUNTY FIXED ASSET POLICY**

**WHEREAS**, Maury County Government currently has a Fixed Asset Policy that was adopted by the Maury County Commission on June 16<sup>th</sup>, 2008 and amended June 21, 2010; and,

**WHEREAS**, certain policies are being followed that are not in the written policies; and,

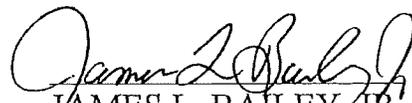
**WHEREAS**, it is necessary to amend the Maury County Fixed Asset Policy in order to include these policies regarding reporting of assets, capitalization of leases and disposition of certain property; and,

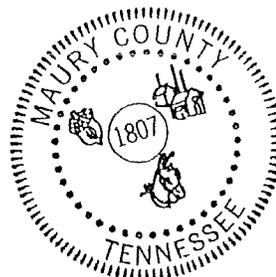
**WHEREAS**, the proposed Fixed Asset Policy is attached.

**NOW, THEREFORE BE IT RESOLVED** by the Maury County Legislative Body that the amended Maury County Fixed Asset Policy is adopted.

This the 15<sup>st</sup> day of November, 2010.

STATE OF TENNESSEE - - - - MAURY COUNTY  
I the undersigned clerk, do hereby certify that  
this is a true and correct copy of the original  
of this instrument filed this 15<sup>th</sup> day of  
November, 20 10.  
Nancy W. Thompson  
Maury County Clerk

  
JAMES L. BAILEY, JR.,  
County Mayor



*MAURY COUNTY, TENNESSEE*  
*Capital Assets Policies and Procedures*

The purpose of this policy is to provide guidelines for the departments of Maury County regarding capital asset reporting in the financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments* and establishes management control and continuing accountability for all capital assets acquired by county departments.

Capitalization of capital assets includes land, buildings and improvements, roads and bridges, machinery and equipment, and construction in progress. The asset amounts represented in the county's financial statements should be documented by an inventory listing supported with detailed records for the historical or estimated historical cost of each asset.

**ADMINISTRATIVE POLICIES**

A. Fiscal Responsibility.

1. County Commission:

- a. Determine and approve policies for capital asset management.
- b. Review findings and recommendations related to internal audits conducted by inventory control personnel or external audits conducted by the State/IPA firm.
- c. Ensure any identified deficiencies or non-compliance with policies are addressed and corrected.
- d. *Provide administrative officials with listings of inventory for which they are accountable.*

2. Capital Asset Management:

The office of Capital Asset Management is under the direction of the Purchasing Agent, which provides fiscal procedure. Capital Asset Management operates with respect to the responsibilities of the County Mayor as fiscal agent of the county; and the County Highway Department. A full cooperative effort of all parties allows the Capital Asset Management Department to maintain records in accordance with adopted capital asset policies. Areas of responsibility are outlined below:

- a. Maintain a computer database inventory of all county-owned assets that exceed capitalization thresholds assets. Copies of documentation for the actual historical or estimated historical cost of each capitalized asset will be maintained in a separate file as long as each individual asset is actively on the books.
- b. Works with county officials and other departments to identify newly purchased or donated assets. Tags all movable assets over capitalization thresholds and inputs all relative information into the inventory control computer system.
- c. Removes asset tags upon retirement of assets from computer records upon proper notification by appropriate departments.
- d. Receives copy of and reviews annual inventory of all departments to determine that capitalized assets are being properly accounted.

- e. Randomly audits annual inventory listings of county departments to insure that departments are complying with adopted capital asset policies.
- f. Reports to the Purchasing Agent all instances of non-compliance with capital asset policies and procedures.
- g. Updates inventory of capital assets tracked on capital asset software and generates all reports needed to prepare external financial statements.
- h. Works with management and external auditors on all issues concerning capital asset reporting in order to comply with GASB Statement 34.

3. Administrative Officials:

Administrative officials (county officials, 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 limited to, the following points:

- a. Report the theft or loss of property, immediately, to Capital Asset Management by telephone, to be followed in writing to the Purchasing Agent. A police report should be obtained on all losses suspected of being stolen.
- b. Report to Capital Asset Management in writing any assets deemed to be surplus and unneeded by the department so that proper transfer or disposal can proceed.
- c. Any acquisition, transfer to another county department or disposal of assets by administrative officials shall be documented in writing to the Capital Asset Management Department.
- d. Allow Capital Asset Management access to all records and inventory necessary to aid in the determining of proper disclosure of capital 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 Capital Asset Management for direct communication purposes.
- f. All county officials/department are required to prepare and maintain an annual inventory of all assets assigned to their respective department. A second inventory listing of only assets with cost basis that are over the capitalization threshold for financial reporting should be prepared and submitted to the Capital Asset Management Department. All county officials/department heads are responsible for the inventories of their respective department/office.

4. Departmental Property Coordinator (each county office/department):

- a. Prepare and maintain an updated (at least annually) listing for all capital assets accountable to the office.
- b. Tag all controllable assets (over \$500 cost, but below GASB 34 capitalization threshold).
- c. Maintain a second inventory listing of only assets with a cost basis that is over the capitalization threshold for financial reporting. This inventory report should be prepared and submitted to the Capital Asset Management Department on an annual basis.

- d. Notify, on a timely basis, Capital Asset Management of new asset acquisitions not currently tagged and any item that has been declared surplus/destroyed/missing.
- e. Reconcile and report differences between annual capital asset inventory and actual physical inventory to Inventory Control and county official/department head.

B. Assets:

Assets over capitalization thresholds will be identified through various sources including county department inventories, accounting records, bond issue documents, county commission minutes, the current county road list, building and content insurance records, data from the county's Register of Deeds and Tax Assessor's office. All capitalized assets will be inventoried on capital asset software that will be maintained by the Capital Asset Management Department.

Recording Land – Land will be capitalized but not depreciated. It is recorded at historical or estimated historical cost and remains at that cost until disposal.

1. 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. During initial implementation of GASB Statement 34, these improvements will be recorded separately to the extent that cost documentation is available.
2. 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. During initial implementation of GASB Statement 34, these components will be recorded separately to the extent that cost documentation is available.
  3. Recording Building Improvements – Building improvements which extend the useful life of a building and meet the capitalization threshold will be capitalized. During initial implementation of GASB Statement 34, these improvements will be recorded separately to the extent that cost documentation is available.
  4. Recording Construction in Progress – Construction in progress will be capitalized and not depreciated.
  5. Recording Vehicles – Vehicles will be identified by asset tags, inventoried and depreciated.
  6. 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.
  7. Interest on debt issued-interest on debt issued for the construction of an asset will be capitalized as part of the asset's cost to the extent of the interest that was incurred during the construction period only.

C. Costs:

Capital 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.

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/or price level adjustments based on the Consumer Price Index 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. 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. The county will utilize the full-month averaging convention. By using the full-month averaging convention, property placed in service at any time during a given month is treated as if it was placed in service at the first day of that month, regardless of the actual day of the month acquired. Likewise, when the asset is disposed of, the actual date of disposal is disregarded and the disposal date is the end of the month prior to the month of disposal (i.e. no depreciation is taken for the month of disposal). The salvage value of an asset is an estimate made by management of what the value of an asset will be at the end of its useful life. Using the assumption that Maury County tends to utilize capital assets until they are literally worthless, a salvage value of zero (0) will be assigned to all capital assets and infrastructure to help decrease the cost of record keeping.

E. Dollar Value and Life Expectancy Tests:

Individual assets (other than infrastructure) with an actual or estimated historical cost of \$10,000 or more and with a life expectancy of three years will be included in the capital asset records. Items under this dollar value will not be presented in the financial statements. All infrastructure that has an actual or estimated historical cost of \$50,000 or greater will be capitalized. While authoritative pronouncements do not require it, management will consider the grouping of large purchases of assets that individually do not meet capitalization thresholds (personal computers, library book collections, desks, etc.) if management deems the total cost of the group of assets is material in relation to the total assets of the county.

F. Controllable Assets:

*Controllable assets are assets which do not meet the criteria for a capital asset but will be included in a manager's inventory for control purposes. Such property would include individual items such as televisions, low cost computers, handheld radios and other such items as desired by departments.*