

Warren County Capital Asset Policy

The financial reporting procedures adopted by Warren County reflect the implementation of the Governmental Accounting Standards Board (GASB) Statement 34 which establishes new requirements for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to people who use governmental financial information such as managers, legislative officials, creditors, financial analysts, citizen groups and the general public. GASB 34 requires the following:

Management's discussion and analysis (MD&A), which will provide an analysis of Warren County's financial activities for a fiscal year based on currently known facts, decisions and conditions.

Government-wide financial statement, which will display information about the government as a whole. This statement will measure and report all assets, liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and accrual basis of accounting.

Fund financial statement, which will display information about the major funds individually and the nonmajor funds in the aggregate. Financial statements will be presented using the current financial resources measurement focus and the modified accrual basis of accounting.

Notes to the financial statements.

Required supplementary information (other than MD&A), which will include required budgetary comparison information.

Capital Asset Capitalization

Capital assets are major assets that are used in governmental operations and that benefit more than a single fiscal period. Effective July 1, 2002, Warren County will report the following major categories of capital assets that have an estimated life of three years or more.

- Machinery and equipment including vehicles
- Building and improvements
- Land
- Land improvements
- Infrastructure
- Construction in progress

Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems.

Capital assets are to be reported at historical cost. This should include capitalized interest and ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include costs that are directly attributable to asset acquisition. The historical cost should include the cost of any subsequent additions or improvements, which could extend the expected useful life of the asset but exclude the cost of repairs or routine maintenance. Items acquired to extend the life of a previously acquired asset are not required to be inventoried but are added to the historical cost of the asset and capitalized. Maintenance costs are to be expensed rather than capitalized. The independent judgment of capital improvement versus repair or maintenance will be distinguished through a quantifiable measurement by the Warren County Engineer on a case-by-case basis. Trade-in value, if any, should be included in an asset's cost. Example: purchase cost + trade-in value of old asset = total cost of asset. A trade-in can be defined as exchanging an existing asset as part of an agreement to acquire a new asset. Any additional cash paid as part of such an agreement must be reported as an expenditure in the appropriate governmental fund.

Capital assets that are being depreciated will be reported net of accumulated depreciation in the statement of net assets. Depreciation expense will be reported in the statement of activities.

The capital asset threshold for financial reporting purposes are as follows:

Fixed assets	\$ 5,000
Land and buildings	\$ 5,000
Infrastructure	\$ 50,000

Individual assets with an initial cost of \$500 or more but less than \$5,000 will be maintained on an inventory list for public accountability and insurance purposes. The \$500 - \$5,000 internal management control will not be reflected in the financial statements.

Any donated capital assets will be reported at their estimated fair value at the time of acquisition plus ancillary charges, if any.

A physical count of Warren County's inventory will be done on an annual basis at the discretion of the Auditor.

Each Department Head or Elected Official shall, upon request, report to the Auditor the following information for new purchases: cost, date of purchase, and location of item. The Auditor may ask for input regarding estimated useful life and estimated salvage value.

Depreciation Method for Capital Assets

Depreciation expense will be measured by the straight line depreciation method which is historical cost divided over the estimated useful life of the asset.

Formula = (Historical Cost)/Estimated Useful Life

A full year's depreciation will be taken in the year of acquisition for the capital assets of machinery, equipment, vehicles, buildings and building improvements.

Land and construction in progress are not depreciated.

Estimated Useful Lives of Capital Assets

The standards or parameters for estimating the useful lives of capital assets are based on professional judgments and industry averages, therefore determined to be objectively reasonable. Warren County will have a subsequent review of estimated useful lives of capital assets once established to reflect changes in the condition of the asset or its use.

A range approach is used as a matter of policy, with specific estimated useful lives attached to specific assets when recorded in order to facilitate depreciation and tracking.

The following ranges are proposed as guidelines in setting estimated useful lives for asset reporting:

Machinery and Equipment	03-20 years
Vehicles	05-15 years
Buildings and Improvements	25-50 years
Land Improvements	10-50 years
Infrastructure	10-65 years

Infrastructure

Warren County has followed the guideline developed by the Iowa County Engineers Association (ICEA) Cost Accounting Committee and approved by the Iowa County Finance Board for GASB 34 infrastructure reporting system.

The following terms have specialized meanings within the infrastructure depreciation framework:

Construction-in-progress (CIP): Prior to completion of a project, all payments made therefore will be classified as "CIP" amounts. This means no depreciation until work is complete.

Original Cost: The total amount paid to complete the improvement. Equals the total of all partial payments and the final payment. When a project is finished, the accumulated CIP is reduced to zero and that amount is then added into the original cost category.

Estimated Life: This is an estimate of how many years the infrastructure asset will be in service. Many will end up remaining in service beyond the estimated lifetimes set. The estimated life is only a

basis for calculating annual depreciation installments – not a binding prediction.

Net Book Value (NBV): If a project is incomplete, NBV equals the current CIP amount. If placed into service, NBV equals the asset’s original cost minus the current accumulated depreciation.

Network: A group of assets providing particular types of service.

Sub-system: Group of assets that make up a portion of a network.

Infrastructure Class and Sub-System

Infrastructure will consist of three classes: Roadways, Bridges and Culverts, and ROW.

Infrastructure will consist of four sub-systems: Paved, Hard Surfaced, Gravel and Earth.

Criteria

County road infrastructure improvements should be reported if they meet all of the following criteria:

1. Is expected to have a service life of at least 10 years.
Includes bridges, grading, pavements, etc.
Excludes seal coats, rock replacement, pavement markings, etc.
2. Is classified as construction. Maintenance items will be excluded.
3. Equals or exceeds the day labor cost limit listed in the Code of Iowa.
Currently \$50,000.

Recommended Lifetimes of Infrastructure

Based on the recommended values from the ICEA:

Right-of-way	not depreciated
Bridges	40-65 years
Culverts	40-65 years
Grading	50 years
Paving and surfacing	10-30 years
Roadside construction	included in grading or paving
Traffic control and safety	25 years

Disposal of Capital Assets

Real property owned by the County shall be disposed of in accordance with Chapter 331.361 of the Code of Iowa. A public hearing shall be held on the proposed sale. After the public hearing the board may make a final determination on the proposed sale.

Other property shall be disposed at public auction. All Warren County identifying information shall be removed prior to disposal. Any electronic or digital media shall be erased of any information or rendered inoperable and useless prior to disposal. Elected officials and department heads shall provide written approval of assets disposed and a full accounting will be provided to the Auditor's office.

Retroactive Reporting of Infrastructure Assets

Besides current and future improvements, effective July 1, 2002, Warren County will report infrastructure assets acquired beginning July 1, 1980.