

***OTTAWA COUNTY BOARD OF COMMISSIONERS***

**CAPITAL ASSET POLICY**

**I. POLICY**

In order to provide services to the public, the County must procure certain capital assets. Capital assets provide convenient access to County services to the public and enhance the efficiency and effectiveness of Ottawa County employees.

The intent of this policy is to define capital assets, identify the capital project selection process, identify the capital asset financing, and assign responsibility for property planning, control, budgeting and recording.

**II. STATUTORY REFERENCES**

**III. COUNTY LEGISLATION OR HISTORICAL REFERENCES**

The original Board policy on this subject matter was adopted 9/23/97 per BC 97-340. A revised policy was adopted 1/25/2000 per BC 00-041.

Board of Commissioners Policy Adoption Date and Resolution Number: \_\_\_\_\_

Board of Commissioners Review Date and Resolution Number: \_\_\_\_\_

Name and Date of Last Committee Review: \_\_\_\_\_

Related Policies: \_\_\_\_\_

## CAPITAL ASSET POLICY

### PROCEDURE

#### 1. Capital Assets Defined:

Capital assets fall in two categories: (a) Capital Outlays which includes furniture and equipment purchases with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years and (b) Capital Projects which generally refer to building construction. Infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are the responsibility of the County's component units (the Ottawa County Road Commission, Ottawa County Public Utilities, and the Ottawa County Office of the Drain Commissioner). Accordingly, the County Board is not directly involved in the development, analysis and funding requirements for infrastructure assets (see separate policy on infrastructure). All capital assets are recorded in the County's financial statements in accordance with generally accepted accounting principles.

##### a. Capital Outlays:

Capital outlays are usually budgeted out of the Equipment Pool fund (an Internal Service Fund) and rented back to departments over a period of three to five years. The Equipment Pool is used to fund these purchases in order to minimize the impact of these expenditures on the County's budget. Most capital outlay projects are approved in conjunction with the County's annual budget process. Requests for new and replacement equipment (including equipment costing less than \$5,000) are reviewed with the budgets and are included in the budget proposal approved by the Board of Commissioners. Equipment purchases costing less than \$5,000 is expensed wholly in the department budgets.

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exists. Donated capital assets are valued at their estimated fair market value on the date received. The amount reported for infrastructure includes assets acquired or constructed since 1980. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on the capital assets is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	25
Office furniture and equipment	5 – 20
Vehicles	3 – 10

The Fiscal Services Department is responsible for maintaining the records, affixing tag numbers, and periodic physical inventories of County capital assets.

b. Capital Projects:

Capital projects non-recurring costs related to the acquisition, expansion or major rehabilitation of a physical County structure. Capital projects exceed \$50,000 and have an estimated useful life of at least ten years, or, if part of an existing structure, an estimated useful life of at least the remaining life of the original structure. The Board of Commissioners must grant approval to all capital projects. To assist the Board in the capital improvement decision making, County administrative staff will:

1. Develop and maintain a capital improvement plan
2. Identify estimated costs and potential funding sources for all capital improvement projects
3. Identify additional operational costs (including debt service) that will result from the project
4. Ensure that all County projects will be constructed and expenditures incurred for the purpose approved by the Board of Commissioners

Depreciation on the capital assets is computed using the straight-line method over 25-30 years.

2. Financial Planning and Budgeting for Capital Assets:

The nature and amount of capital projects as well as the County's financial resources and market conditions determine the financing method for capital projects. Specifically, care must be exercised to ensure that the payment stream for the project does not exceed the expected life of the project. Although the County has paid for several projects with cash, each project must be analyzed separately to determine if it is in the County's financial interest to pay cash, borrow or bond. The County's cash balances and the ability of the operating budget to absorb debt service payments will also influence the financing method selection process.

Because the County has experienced exceptional growth over the last 20 years, previous Boards have established funding mechanisms to help meet the County's capital needs. Capital Outlay needs are met through the Duplicating,

Telecommunications, and Equipment Pool funds (Internal Service Funds) and provide a dependable and on-going funding source for routine capital outlay.

To assist with capital projects, the Board established the Public Improvement Fund in 1981 to account for funds set aside for public improvements. In addition, the Board may authorize a fund balance designation in the General Fund to help finance future building projects.

Once the Board of Commissioners has approved a capital project, the Fiscal Services department will incorporate the approved sources and uses of funds applicable to the County's fiscal year into the annual operating budget. This may be a part of the annual budget process or a separate budget adjustment during the year. The Fiscal Services Department is also responsible for monitoring the projects for conformance with approved spending levels.

### **REVIEW PERIOD**

The County Administrator will review this Policy at least once every two years, and will make recommendations for changes to the Planning & Policy Committee.