

Carter County, Tennessee
Financial Policies and Procedures Manual
Chapter 11 – Non-Capital Assets
(Revised 2.1.2021)

Section 11.1 General

Carter County expends a substantial amount of public funds to acquire and maintain various non-capital assets necessary for the efficient and effective operation of county government. Inventory and related records must be maintained for machinery, equipment, vehicles, and other assets having a useful life in excess of one year and a cost or fair value of at least \$100, but less than \$10,000 as established in **Table 11.1** below.

Non-capital assets include Equipment, Vehicles, and Other Assets. These assets are not depreciated; costs are recognized as current year expenditures in the accounting records.

Accountability for County owned assets must be properly established and communicated. Ultimate responsibility lies with officeholders. County employees are responsible for the proper use and care of assets assigned to/used by them.

Section 11.2 Definitions

Fair value – the price that would be received to sell an asset in an orderly transaction between market participants at the donation date.

Personal Property - any county-owned asset other than real property.

Maintenance and Repair Expense – Costs that essentially return the non-capital asset to its original condition/preserve the asset’s utility. These costs are to be expensed in the period incurred and *not* recorded as an asset.

Physical Inventory – at least an annual inspection of assets and verification of details (existence, item description, VIN, serial number, model #, location, condition, etc.) to inventory control records. This process also includes verifying items on the inventory listing with actual assets.

Detailed Trial Balance – a report generated from Skyward for a certain time period which provides details for each disbursement posted to a specified expenditure account number. Details include payment date and amount, vendor, and brief description of the item purchased.

Expenditure Report – a summary report generated from Skyward for a specified time period (normally on a monthly and year-to-date basis) which provides amounts posted to line items within major categories (e.g. County Mayor, Sheriff, Animal Shelter, Landfill Operation and Maintenance) in County Funds, (e.g. Administration, Highway and Bridge Maintenance) in the Highway/Public Works Fund, and (e.g. Regular Instruction Program, Special Education, Transportation) in School Funds. NOTE – these reports are included in the monthly County

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Commission packets, are available on the County’s website, can be obtained from Skyward by each officeholder, and may be provided by the Finance Department upon request.

Section 11.3 Non-Capital Asset Categories

Expenditures for non-capital assets are primarily charged to line items 700-799 in the Governmental Funds. **See Table 11.1** for criteria necessary for determining and recording Non-Capital Assets. Carter County will account for these assets as follows:

1. Equipment – amount recorded shall include actual costs plus installation charges and the value received for any item(s) traded-in. Equipment types include Highway (furniture, copiers, snow blades, shop equipment, etc.), Law Enforcement (weapons, radios, towers, etc.), Health Department (office equipment, computers, medical equipment, etc.), Solid Waste (shop equipment, Bob Cat, forklift, etc.), and School Department (vocational equipment, computers, athletic equipment, office equipment, special education, maintenance and shop equipment, etc.)
2. Vehicles – vehicles are to be recorded at actual cost plus the value received for any item(s) traded-in. The cost of any add-on equipment (for police cruisers, emergency vehicles, etc.) necessary for preparing the vehicle for its intended use shall be recorded separately from the vehicle.
3. Other Non-Capital Assets - actual cost plus the value received for any item(s) traded-in. Items in this category include software.

Proper records must be maintained for all applicable asset purchases to ensure that the items are tracked from acquisition through proper disposition. A comprehensive inventory of all assets must be retained for at least five years.

All non-capital asset acquisitions are reported as current year line item expenditures on the County’s financial statements (*Expenditure Reports*) for the Governmental Funds (General, Solid Waste/Sanitation, Health Department, Drug Control, Sports and Recreation, Highway/Public Works, General Purpose School, School Federal Projects, Central Cafeteria, Head Start, and Capital Projects) in accordance with the modified accrual basis of accounting.

Criteria for determining and reporting non-capital assets is presented below.

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Table 11-1

	Inventory Threshold \$	Recorded \$ Value	
		Purchase	Donation
Equipment:			
New	\$100-\$9,999.99	Cost	Fair
Used	\$100-\$9,999.99	Cost	Fair
Vehicles:			
New	\$100-\$9,999.99	Cost	Fair
Used	\$100-\$9,999.99	Cost	Fair
Other Non-Capital Assets	\$100-\$9,999.99	Cost	Fair

Section 11.4 Records

Various records required are noted throughout the remaining sections of these policies and procedures. It is essential that these records are complete, accurate, and current, in order to facilitate the preparation and monitoring of reliable replacement schedules and realistic budgets, and properly insure against damage and theft (see Chapter __ *Risk Management*).

Section 11.5 Accountability

Each officeholder is responsible for all county owned assets purchased for or transferred to their office. They must ensure that applicable assets are clearly identified as county property, inventoried/reported, used safely and appropriately, properly secured, and used only by employees for the conduct of county business. The officeholder may assign responsibility for controlling and accounting for non-capital assets to an employee; however, this action must be documented in writing and be submitted to the Finance Department prior to assignment. The condition of each non-capital asset should be assessed and documented at least annually (**Form 11.3**). This practice will assist in developing a sound plan and budget for non-capital asset maintenance and replacement.

In order to track and maintain control of county assets, accurate and up-to-date records must be properly maintained. Officeholders should generate or submit a request to the Finance Department for a *Detailed Trial Balance Report* at least once per fiscal year. These reports should be reviewed to help ensure that all applicable asset purchases and donations are

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properly reported (**Form 11.1**) and added to their inventory (**Form 11.8**). Transfers, sales, disposals, loss, or theft of tagged assets must be documented and communicated promptly to the Finance Department for proper asset accounting.

Equipment and vehicle acquisitions must be tagged and recorded on the proper Forms. Asset identification numbers are necessary for tracking and control purposes. Prenumbered adhesive property tags will be available in the Finance Department. Property tags shall be attached (*at the time of possession*) to assets where practical (stencil/engraving may be used in other instances). A semi-permanent (removed only when the vehicle is properly disposed of) decal at least 100 sq. inches in size and at a minimum clearly displays the county name and department shall be attached to both front or rear doors of all vehicles (with limited exceptions including vehicles used for undercover law enforcement operations). Clear identification helps ensure that County assets are used only for government business and suspected misuse can be reported by the public

A physical inventory must be performed at least annually by all County officeholders, the Highway Department, and the School Department. Each officeholder is responsible for confirming the completeness and accuracy of their inventory listing. Any item that cannot be located shall be reported to the Finance Department, Budget Committee, and County Commission as a stolen, lost, or unaccounted for county asset (**Form 11.4**). The required Form must be filed with the Finance Department no later than noon on the Tuesday which precedes the second Monday of each month to ensure its inclusion in the Budget Committee packet. Theft of county assets meeting inventory and reporting requirements must be reported to local law enforcement upon discovery.

Officeholders should complete a physical inventory of their equipment and vehicles any time they suspect that assets are missing, stolen, being used for non-county purposes, or are not at their normal location as recorded on inventory reports.

The Finance Department shall conduct a periodic independent review/physical inventory of each officeholder's non-capital asset inventory (at least one office/departments per fiscal year). Primarily, this will consist of verifying equipment, vehicles, and other non-capital assets. Verification may consist of selecting a test or sample of items using a random-number generator or other systematic selection method; however, the lesser of 10 items or 50% of total items must be selected. Any discrepancies shall be reviewed, and appropriate actions taken and reported (**Form 11.4**). Periodic verification helps ensure adequate control and accuracy of the County's inventory.

All equipment and vehicles must be properly maintained (regular scheduled maintenance and repairs, cleaning, correct usage). All scheduled maintenance and periodic repairs should be performed (and logged on **Form 11.7**) on all equipment and vehicles. These logs must be filed with any applicable request for disposition (**Form 11.2**) submitted to the Finance Department.

Proper training and supervision necessary for the safe and proper operation of all equipment and vehicles must be provided to all employees. Injuries and damages may be avoided or

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minimized by ensuring equipment and vehicles are properly maintained and only trained employees use these assets. All incidents involving injuries or property damage must be reported to the Deputy Finance Director immediately (**Chapter ____**).

A physical inventory should be performed whenever there is a change in officeholders. The outgoing and incoming office holder must sign and date the inventory report or related document to indicate the transfer of accountability for County owned assets.

Separate reports/inventory schedules must be maintained for each of the following: inventory on hand as of July 1 (**Form 11.3**), current year additions (**Form 11.8**), current year deletions/dispositions (**Form 11.9**), and inventory on hand as of June 30 (**Form 11.3**).

Section 11.6 Disposition of County Assets

Disposition methods include, but are not limited to, surplus sale (including GovDeals.com), salvage and scrap sale, donation, transfer, recycling, discarding, and destruction.

When an officeholder determines that property is no longer needed or useful, they should notify other offices of the property's availability. Transfers between offices must be documented with *Asset Transfer Form (Number 11-6)*. If no other office claims the property, the accountable office must submit a properly completed *Request for Disposition of County Asset Form (Number 11.2)* and a *Request to Declare County Property as Surplus Form (Number 11.5)* to the Finance Director. The Finance Director shall review and forward the Forms to the Budget Committee and County Commission for approval.

County property tags and other identifying information (county seal/decal, stenciling, property sticker, etc.) must be removed by the officeholder prior to the disposing of any county asset. Pre-numbered property tags shall be submitted to the Finance Department upon removal.

Surplus non-capital assets shall be sold at public sale or public auction (including internet auctions) to the highest bidder by the Purchasing Agent (Finance Director). The Deputy Finance Director shall identify and organize surplus items until such sale or auction is held. Websites, such as GovDeals.com, may be utilized for listing surplus items for auction (TCA 5-1-128).

Surplus items such as vehicles and large equipment stored outside must be listed for public sale within 30 days of being declared surplus. However, equipment and vehicles may be retained if it is probable that the County will benefit financially from using the asset as a "trade-in" on upcoming purchases of other equipment and vehicles.

Equipment and vehicles that are not sold at auction after three attempts may be recycled or discarded with the approval of the Budget Committee and County Commission.

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School Department – The Board of Education (BOE) has the authority to declare school assets as surplus and determine that assets should be sold. Per TCA 49-6-2007, all local school systems that receive any state funds shall sell all surplus property within ninety (90) days of its being declared surplus, to the highest bidder after advertising in a newspaper of general circulation at least seven (7) days prior to the sale. The purchasing agent (finance director) should conduct sales of surplus real property according to the direction of the BOE and sales of other asset types in accordance with TCA 49-6-2007. The property may be sold by internet auction, which may be through a web site maintained by the BOE or the County. For items valued at \$500 or more, TCA 49-6-2006(c)(2), requires the board to advertise the sale in a newspaper of general circulation, and include in the advertisement the Internet website address and other necessary information concerning the sale, and may advertise the sale and information on a web site maintained by the LEA or the local government. If the board believes that a negotiated sale will realize the best price obtainable for any property, the board shall advertise in a newspaper of general circulation in the county that the property is for sale and a negotiated sale shall not be completed until thirty (30) days after the publication of the legal notice. The board shall then approve and record the price and name of the purchaser of any property so sold.

The board of education may also transfer surplus school personal property to the county or to any municipality within the county for public use, without the requirement of competitive bidding or sale.

When equipment that was purchased with federal dollars is no longer needed for the original project or program or for other activities currently or previously supported by a federal agency, disposition of the equipment shall be made as follows:

1. Items of equipment with a current per-unit fair market value of less than \$5,000 may be retained, sold, or otherwise disposed of with no further obligation to the awarding agency; or,
2. Items of equipment with a current per unit fair market value in excess of \$5,000 may be retained or sold, and the awarding agency shall have a right to an amount calculated by multiplying the current market value or proceeds from sale by the awarding agency's share of the equipment.

Section 11.7 Donation and Transfer of County Assets

Asset transfers between the BOE and the County must be approved by County Commission and the BOE.

Transfer or donation from the County to a governmental or non-profit entity outside of Carter County Government requires Budget Committee and County Commission approval.