

Yellow Medicine County
Capital Assets
Narrative
FYE 12-31-10

The capitalization policy adopted by the county is \$5,000. All items purchased above this amount are capitalized as assets. All land is capitalized.

When an item is purchased in a department, they must complete a “Yellow Medicine County Capital Asset Input Form-Purchase of Capital Assets valued at \$300 or more”. This sheet requests the asset description, the serial or other ID number, the purchase date, cost, vendor and location of asset in the County. The sheet is sent to the Finance & Administration (F&A) Deputy responsible for maintaining capital assets for Revenue and Ditch Fund; and the Road & Bridge Accountant for Road & Bridge. They mark the date received, determine the asset tag number and include that on the sheet. They maintain a list of all asset numbers issued. The Capital Asset System allows for a five digit index (asset) number. Each Department is assigned their own group of numbers. The numbers are assigned consecutively within each department. The Capital Asset System does not allow duplication of numbers. Once the asset (index) number is assigned, the accountant adds it to the Capital Asset Input Form and files it for future reference. They also enter it into the Capital Assets System (CAS). The system requires the department it is maintained in, asset type, serial number if one is available, description, date purchased, cost, the estimated life, depreciation method, and salvage value.

Periodically the F&A Deputy responsible for maintaining capital assets for the Revenue and Ditch Funds, the Human Services Fiscal Supervisor, and the Road & Bridge Accountant will run an account activity report for accounts with object codes #6600-6690, which are the expense accounts used for capital assets. They review the accounts to determine if any assets have been purchased but not reported.

When an item is disposed of in a department, a “Yellow Medicine County Capital Asset Input Form-Capital Asset Adjustments” must be completed. If the asset is sold or traded the form requires the date sold or traded—if traded a description of the asset purchased and the trade-in allowance—if sold the name of the purchaser and the sales price, a description of the asset. Other types of disposition, such as, moved to another department or disposed of also require date moved or disposed of and how. The form used by the Revenue and Ditch Fund is sent to the F&A Deputy responsible for maintaining capital assets for all Revenue and Ditch Fund purchases, sales, trade-ins or disposals. If the item was discarded, the accountant brings up that asset on the CAS system and marks it as discarded and includes the date. If the item was sold, they note the date the asset was sold, who it was sold to and the amount received. If money was received for the asset, they also give the County Finance Manager a copy of the form so that the gain or loss can be recorded in the IFS system.

A physical inventory is taken each year.

Revenue and Ditch Funds

To complete the inventory, the F&A Deputy responsible for maintaining capital assets prints out a list of the assets valued at \$300 or more for every department in the Revenue and Ditch Funds of Yellow Medicine County. They give each department head a copy of their departmental assets. The department head can designate someone to physically view each item on the list. If they find any items that weren't on the list, they complete a “Capital Asset Input Form-Purchase of Capital Assets valued at \$300 or more”. If they find items were disposed of but not reported to the F&A Deputy responsible for maintaining capital assets, they complete a “Capital Asset Input Form-Capital Asset Adjustments”. Once the inventory is completed, the individual taking the inventory signs and dates the list. The department head responsible for the capital assets also signs the list. The signed inventory list is returned to the F&A

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Deputy responsible for maintaining capital assets where the signed list are maintained until the next physical inventory is taken.

Human Services Fund

The Fiscal Supervisor codes capital assets purchased to the account codes as follows: 11-420-600-0010-6603, 11-420-640-0010-6603, 11-420-700-0010-6603, 11-430-700-0010-6603 and 11-420-700-0030-6603. An account activity report is run for those codes to determine what capital assets have been purchased.

When computers have been purchased, the IT staff provides a list of the employee and the serial number of the computer. The IT staff also places a tag on the computer with YMFS. The IT staff is also responsible for reporting disposals of the computers to the Fiscal Supervisor.

The Fiscal Supervisor is responsible for entering the asset type, serial number, description, date purchased, cost, estimated life, depreciation method and the salvage value of the asset in the County Capital Asset System. The Fiscal Supervisor also records sale and disposals of capital assets in the system.

The Fiscal Supervisor completes a physical inventory each year.

Road & Bridges Fund

The Road & Bridge Highway Accountant enters capital assets purchased into the Cost Accounting purchasing program. The cost codes for these assets translate to the 6600 to 6900 range in the IFS system when interfaced for payment. The Highway Department follows a Designated Equipment Fund and Designated Building Fund which lists long range plans of replacing or purchasing major pieces of equipment or other large scale assets; Board approval is generally given prior to the actual purchase of these assets. The County Engineer, Maintenance Foremen, Shop Mechanic, Engineering staff, and accountant meet periodically to review and update the Designated Funds for Equipment, Building, and County Road Projects and relevant account reports. These designated listings are followed in replacing or purchasing major assets so any estimates must be as close to actual purchase costs as possible. The Highway Accountant is responsible for keeping the Designated Funds accurate and ensuring that all new capital assets, sale, and disposals are recorded in the Capital Asset system.

The Accountant uses the actual invoice which details pertinent information (date, vendor, serial/VIN number, trade-in, price, etc.) when entering in the cost account program. When a new asset is purchased, the information is also entered into the program's Equipment Files which keeps a historical account of all activity related to that particular piece of equipment. This information is used at year end when the Highway Accountant reviews cost account and account activity reports for preparing necessary reports for MnDOT (State Aid Finance), and ultimately updating manually the county's Capital Asset System which is not integrated with IFS. Hard copy equipment files are also kept by the Maintenance Foreman in a separate file cabinet in the Highway Department office. Manual journal entries are made by the Highway Accountant for the Designated Funds transfers for the Costing program's balance sheet which may differ from the county-wide balance sheet. The Highway Accountant also maintains a manual ledger for separating GASB 34 costs (permanent R.O.W., bridges, CSAH Regular & Municipal roads, and county roads) associated with construction projects for year end entries to update the county's infrastructure portion of the Capital Asset System.

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The cost accounting program used by the R&B Fund has individual equipment files which are maintained by the Highway Accountant. Similar to the Capital Asset program, the costing program keeps pertinent information in its equipment file records which are initially set up by the Highway Accountant when a new piece of equipment is purchased. As other purchases are made, these files are automatically updated and keep a running total of expenditures for that piece of equipment or department. This is also reviewed periodically and at year end by the Highway Accountant, the Maintenance Foremen, and the County Engineer. Assets valued at \$300 or more are entered into the Capital Asset Program for insurance purposes; capital assets purchased or retired are also entered by the Highway Accountant after reviewing the cost account reports for fixed assets which list items purchased, sold or traded in, in addition to repair expenditures and rental hours for each particular piece. The costing program also calculates depreciation automatically from the information entered initially into that file record. The total depreciation amount is a journal entry at year end which reduces the total value in the Road & Bridge Fixed Asset account. This may vary from the method used in the County wide Balance sheet and in the IFS program.

The Highway Accountant runs a cost account report for projects and land easements, which is reviewed by the Highway Accountant and the Engineering Department. Total project costs (including preliminary years if any, but excluding permanent easements) are entered into the Capital Asset program by the Highway Accountant in the year the project is let. Permanent Easements are entered separately showing the total acreage involved. If a project continues into the following year, those additional costs are entered into the Capital Asset program at that year's end as current year's cost only. The project costs are separated out into distinct groupings relevant to the type of funding that project received. These Infrastructure groups are CSAH Regular or Municipal Roads, County Roads, Bridges, and Easements.

Each department in the Road & Bridge does a physical inventory of tools, equipment, and furniture. The tools, furniture, survey equipment, radios, and computers are grouped items and updated in the Capital Asset program for insurance purposes and assets over \$5,000 are capitalized and depreciated for financial statement purposes.

Intangible Assets

Intangible assets are grouped with similar assets being depreciated and are reported as if depreciated.

Depreciation and Amortization

The depreciation and amortization are automatically calculated by the system once the persons responsible for maintaining capital assets enters the asset, the asset life and the salvage value.

The F&A Deputy responsible for maintaining capital assets for the Revenue and Ditch Funds, Finance Manager, the Human Services Fiscal Supervisor, and the Road & Bridge Accountant are the only staff who have access to the CAS program.

The Capital Asset System does not link to the IFS system. When the financial statements are completed, the capital assets have to be added by a journal entry.