

Chapter: **DIRECTLY-OPERATED PROGRAM MANAGEMENT**
Title: **STANDARDS FOR DEPRECIABLE ASSETS**

Prior Approval Date: N/A
Current Approval Date: 9/27/07

Approved by:

 9/27/07
Executive Director Date

I. ABSTRACT

This policy establishes the standards for recording depreciable assets and computing depreciation expense for capital assets purchased by the Macomb County Community Mental Health (MCCMH) Board for the MCCMH administrative offices and directly-operated network providers of the MCCMH Board.

II. APPLICATION

This policy shall apply to all capital assets purchased by the MCCMH Board for the MCCMH administrative offices and directly-operated network providers of the MCCMH Board.

II. POLICY

It is the policy of the MCCMH Board that all capital assets purchased by the MCCMH Board for the MCCMH administrative offices and directly-operated network providers of the MCCMH Board be recorded and depreciated by the MCCMH Board, in conjunction with the Macomb County Finance Department, according to the standards set forth below.

III. DEFINITIONS

A. Capital Asset

An asset which has met the standards for initial cost and useful life set forth below and which will have the expense associated with its initial cost spread out over the useful life of the asset (depreciated).

B. Straight Line Basis of Depreciation

The method of depreciation where the initial cost of the capitalized asset is spread out evenly over the useful life of the capitalized asset.

V. STANDARDS

- A. The following are the standards for recording capital assets and their depreciable base.
1. Assets, other than leasehold improvements for the Administration building, with a purchase price equal to or greater than \$5,000.00 and a useful life greater than one year, will be capitalized and depreciated.
 2. Depreciation will be calculated on a straight line basis over the useful life of the capitalized asset.
 3. Useful lives are defined as follows:

Computer equipment - three to five years
Equipment (other) - three to ten years
Furniture and Fixtures - five to fifteen years
Machinery - five to fifteen years
Vehicles - five years
 4. Capital assets purchased on or before the fifteenth day of the month will be depreciated starting with that month. Capital assets purchased after the fifteenth day of the month will be depreciated starting with the following month.
 5. All repairs and maintenance will be expensed in the year incurred.
 6. Leasehold improvements for the Administration building will be expensed in the year incurred.

VI. PROCEDURES

- A. The MCCMH Board, in conjunction with the Macomb County Finance Department, will record and depreciate all capital assets purchased by the MCCMH Board for the MCCMH administrative offices and directly-operated network providers of the MCCMH Board according to the standards set forth above.

VII. REFERENCES / LEGAL AUTHORITY

- A. American Hospital Association Health Data Management Group (2004) *Estimated Useful Lives of Depreciable hospital Assets*. Chicago: AHA Press.
- B. Macomb County 2006 Annual Financial Report, page B-26

VIII. EXHIBITS

- A. Macomb County 2006 Annual Financial Report, page B-26

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2006

Note 1 - Summary of Significant Accounting Policies (continued)

Capital Assets - Capital assets of the primary government, including land, land improvements, buildings, equipment and vehicles, are reported in the government-wide financial statements and the applicable proprietary fund financial statements. Capital assets utilized for governmental activities are only capitalized in the government-wide financial statements and are fully expended in the governmental funds. Capital assets of the component units, including infrastructure assets such as roads, bridges and drains, are reported in the Public Works and Road Commission Component Units. The County capitalizes assets whose initial purchase price equals or exceeds \$5,000 and whose estimated useful life exceeds one year. The Road Commission capitalizes assets whose initial cost equals or exceeds \$1,000 and estimated useful life exceeds one year. Capital assets are valued at historical cost or estimated historical cost. Donated properties are recorded at fair market value at the date of donation.

Depreciation of all exhaustible capital assets is allocated against the various functions in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets. Depreciation has been provided over the following estimated useful lives using the straight-line method: land improvements - 10-20 years, buildings and improvements - 25-50 years, equipment - 3-20 years, vehicles - 5 years and infrastructure - 8-50 years.

Compensated Absences - County employees earn vacation and sick leave benefits based on length of service. Both fully vest upon completion of a probationary period of six months. Upon separation from service, employees are paid accumulated vacation and sick pay based upon the nature of separation (death, retirement or termination). Certain limitations have been placed on the number of hours of vacation and sick leave that may be accumulated and carried over for payment at separation of service. Unused hours exceeding these limitations are forfeited. Accumulated unpaid vacation, sick pay and other employee benefit liabilities have been accrued in the Compensated Absences Internal Service Fund.

Encumbrances - Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. Encumbrances outstanding at year-end are reported as reserves of fund balances since they do not constitute expenditures or liabilities. In addition, the encumbrances outstanding at year-end are re-appropriated and spent under authorization of a new budget.

Property Taxes - The County property tax is levied each December 1 based on the taxable value of property as of the preceding December 31. Taxes are billed and collected for the County by the local units within the County and are payable in one installment no later than February 28 of the following year, at which time they become delinquent and subject to penalty. Taxable value is established annually by the local units, accepted by the County and equalized by the State of Michigan to approximate 50% of market value (SEV). The annual increase in taxable value is limited by State statute to the rate of inflation or 5%, whichever is less. Taxable value reverts to SEV when a property is sold or when SEV drops below taxable value. The taxable value of real and personal property in Macomb County for the December 1, 2005 levy (calendar 2006 revenue) was \$28,602,726,523. The County operating tax rate for the 2005 levy was 4.20 mills.