



FISCAL POLICY MANUAL

POLICY FA-1 Accounting for Capital Assets
APPROVED: Auditor-Controller-Treasurer-Tax Collector (ACTTC)
AUTHORITY: Auditor-Controller-Treasurer-Tax Collector
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I. INTRODUCTION

A. Purpose

The purpose of this policy is to present a uniform method of maintaining Sonoma County's capital asset records and to apply a consistent method of accounting for capital assets. This policy does not address existing budget procedures related to capital assets. This policy is intended to be in accordance with Generally Accepted Accounting Principles (GAAP), GASB No. 34, No. 35, and No. 51, and follow the best practices established for the maintenance of capital asset records.

In addition to providing a point of reference to Sonoma County officials and others relative to capital assets accounting, the objective of this policy is to provide guidance for proper and consistent capital asset accounting, which will enhance the ability of the County to:

- Prepare financial reports (Comprehensive Annual Financial Report).
- Safeguard sizable public investments.
- Establish responsibility and accountability for custody of assets.
- Ensure risk management has an accurate list of assets to ensure proper insurance coverage.
- Formulate future acquisition and retirement policies.
- Recover eligible costs from Federal and State programs or fee reimbursement programs.

B. Overview

Capital assets are defined as tangible and intangible assets of significant value that are used in operations and have a useful life beyond one year. Capital assets include:

- Land and land improvements
- Buildings and building improvements
- Equipment, furniture & vehicles

- Infrastructure
- Software
- Intangibles
- Leasehold improvements
- Capital leases
- Easements
- Construction in progress
- Other Capital Assets

This policy defines capital assets under each classification, identifies useful life ranges, sets minimum capitalization thresholds, provides examples of assets that would be properly includable within categories, and examples of costs to include in the value of the capital asset. Additionally, this policy discusses the treatment of unique items such as Capital Leases, Self-Constructed Assets, Works of Art, Weapons, Library Books and Equipment, Donated Assets, Construction in Progress, Costs incurred Subsequent to Acquisition, and Transfers of Assets between Funds.

C. Auditor-Controller Responsibilities

California Government Code §26881 states that the Auditor-Controller “...shall prescribe, and shall exercise a general supervision over the accounting forms and the method of keeping the accounts of all offices, departments and institutions under the control of the board of supervisors...”. Accordingly, the Auditor-Controller-Treasurer-Tax Collector (ACTTC) has produced this Policy for Accounting for Capital Assets. The ACTTC will make revisions to this policy as required by law, generally accepted accounting principles, or practical necessity. Final determination as to definitions, valuations, and proper accounting entries required to record capital asset transactions rests with the ACTTC. The ACTTC shall maintain a Capital Asset system to be used for tracking the County’s capital assets. The ACTTC may verify the integrity of capital asset records by conducting periodic physical inventory counts of capital assets, and make any necessary adjustments to the capital asset system and financial records. The ACTTC is required to provide an inventory under oath, showing in detail all county property in his or her possession or charge at the close of business on the preceding June 30th. The date for submission of the inventory of County property to the Board of Supervisors is to be no later than December 15th of the year of inventory.

D. Department Responsibilities

California Government Code §24051 states that “...each county officer or person in charge of any office, department, service, or institution of the county, ...shall file with the county clerk, or with the county auditor, according to the procedure prescribed by the board, an inventory under oath, showing in detail all county property in his possession or in his charge...”. To facilitate the fulfillment of the requirements of this section and in order to prepare accurate

financial reports, each department shall appoint a Liaison to work with the ACTTC's Office to maintain accurate and up-to-date capital asset accounting records. Responsibilities of the Liaison are stated in this policy. County Departments are also responsible for safeguarding assets that are not defined as capital assets by this policy. Capital assets will be recorded and maintained in the capital asset system. County Departments are required to complete a certification of their capital assets to be submitted to the ACTTC no less than every two years.

For additional information regarding asset responsibility please see Administrative Policy 5-2 Policy for Capital Project and Asset Responsibility at http://sc-intranet/cao/admin_policy_5-2.htm.

II. CAPITAL ASSET DEFINITIONS AND GUIDELINES

A. Characteristics of a Capital Asset

When purchasing certain items a decision must be made whether to record the item as a capital asset (item will be used in operations for the benefit of multiple periods) or as a current period expenditure. There are certain criteria which distinguish whether an item should be a capitalized asset and reported on the Statement of Net Position (Government-Wide financial statement, including both governmental and business type) or recorded as a current period expenditure on the Statement of Revenues, Expenditures and Changes in Net Position (Proprietary Funds financial statement). The criteria for capital assets are:

- Nature of the Asset – By its nature, the asset is intended to be used in the ordinary course of business and falls within one of the categories of capital assets including: Tangible Assets (Land, Land Improvements, Buildings, Building Improvements, Equipment, Furniture, Vehicles, Infrastructure, Leasehold Improvements, Capital Leases and certain Other Capital Assets), or; Intangible Assets (including Internally Created Software, Purchased Software, Patents, Copyrights and Rights of Usage or Way, and Easements).
- Useful Life – The benefit provided by the asset is reasonably expected to last beyond one year.
- Cost Basis – The cost basis, including purchase price and other costs incurred in acquiring and placing the asset in service, must surpass a minimum level (Capitalization Threshold) for the asset class. This Capitalization Threshold might be thought of as the level at which an asset's materiality justifies continued bookkeeping expense and attention.
- Ownership – The County is identified as either the titled owner or legally responsible party (leased items) for the asset. In cases where the entity which receives the "use and enjoyment" of the asset is not the titled owner, the asset is considered a capital lease and recorded on the non-owners books and records. Jointly funded capital assets paid for by two governmental entities should be capitalized by the entity responsible for managing the asset or future maintenance. Please contact the ACTTC's office for further information.

B. Characteristics of an Expenditure (Repairs and Maintenance)

Repairs and maintenance are current period expenditures/expenses incurred in connection with existing capital assets that neither lengthens the originally estimated useful life nor increase the service capacity of the asset.

Examples of expenditures/expenses which are appropriately classified as repairs and maintenance include:

- Plumbing or electrical repair
- Cleaning, pest extermination or other periodic maintenance
- Interior decorations such as draperies, blinds, curtain rods, wallpaper, paint, etc.
- Exterior decorations such as detachable awnings, decorative fences, etc.
- Maintenance type interior renovations such as repainting, touch-up plastering, replacement of existing flooring with similar material, fixture refinishing, etc.
- Maintenance type exterior renovations such as repainting, replacement of sections of deteriorated siding, roof, or masonry, etc.
- Adding, removing and/or moving walls relating to renovation projects that are not considered major rehabilitation projects and do not increase the value of the building
- Improvement projects of minimal or no added life expectancy and/or value to the building
- Any other maintenance-related expenditure/expense which does not increase the value of the asset
- General equipment repairs to bring asset to original condition. (replacing a broken component)

C. Capitalization Chart

The below chart contains the capitalization thresholds for asset classes:

Class	Capitalization Threshold
Land	\$ 0
Land Improvements	\$ 25,000
Buildings and Building Improvements	
Shell	\$ 25,000
Service System	\$ 25,000
Fixed Equipment	\$ 25,000
Temporary buildings	\$ 25,000
Equipment	\$ 5,000
Furniture	\$ 25,000
Vehicles	\$ 15,000
Infrastructure and Infrastructure Improvements:	
Pavement	\$ 100,000
Bridges	\$ 100,000
Water & wastewater systems	\$ 100,000
All Other	\$ 100,000
Internally Created Software	\$ 25,000
Intangibles	\$ 25,000
Leasehold Improvements	\$ 25,000
Capital Leases	Varies
Easements	\$0
Construction In Progress for Year End Reporting	Projects expected to exceed Capitalization Threshold based on applicable Class at completion
Other Capital Assets	
Works of Art or Historical Treasures	\$ 5,000
Library Books and Equipment	\$ 5,000

D. Examples and suggested useful lives

Asset Class	Asset Description	Examples	Depreciable Lives
Buildings & Improvements	Building Improvements	HVAC systems (Air-conditioners, heating, ventilation systems); Signage; Roofing, electrical & lighting systems	15 years
Buildings & Improvements	Building Safety Improvements	Environmental, health and safety; Fire suppression systems	20 years
Buildings & Improvements	Buildings	Airports, convention centers, healthcare facilities, jails, libraries, offices, parking garages, recreation centers, Radio Tower and housing of radio components.	50 years
Equipment	Audio/Visual	Projectors, cameras (still or digital)	5 years
Equipment	Computer Hardware	CPU, printers, monitors, laptops	5 years
Equipment	Custodial Equipment	Floor scrubbers, vacuums, etc.	15 years
Equipment	Equipment	Forklifts, appliances, etc.	5 years
Equipment	Equipment	Pumps, lab equipment, trailers	10 years
Equipment	Equipment	Printing, bindery, inserting equipment	15 years
Equipment	Furniture, Office Equipment	Desks, tables, chairs, copiers	5 years
Equipment	Grounds Equipment	Mowers, tractors and attachments	15 years
Equipment	Heavy Construction Equipment	Backhoes, trucks, dozers, front-end loaders, large tractors, earth movers	15 years
Equipment	Outdoor Equipment	Playground, scoreboards, bleachers	15-20 years
Equipment	Marine and Fuel	Docks, finger floats, fuel tanks (above and below ground), pumps	20 years
Equipment	Radio, Communications	Mobile, portable radios	5 years
Equipment	Weapons	Firearms, tactical gear, etc.	7 years
Land Improvements	Land Improvements	Parking lots, sidewalks, bus ramps, fencing, running track, flagpole	15-25 years
Land Improvements	Land Improvements – Ground Work	Golf Course, Ball fields, park landscaping	15 years
Land Improvements	Other structures and Improvements	Reservoirs	50 years
Land & Land Improvements	Non-Exhaustible Land & Land Improvements	Land excavation, fill, grading, drainage, demolition, removal & relocation of property of others, certain initial cost of water wells	Indefinite Life
Vehicles	Cars & Light Trucks		5 years
Vehicles	Fire Trucks & Boats	Fire trucks, fire boats, sheriff patrol boats	10 years
Vehicles	Heavy Duty Trucks	½ Ton, 350	7 years
Vehicles	Buses	Life based on funding source	5-15 years
Infrastructure	Roads	Pavement, etc..	25 years
Infrastructure	Bridges		50 years
Infrastructure	Water, Light, Sewer Systems	Network of systems that perform operations	25 years
Infrastructure	Storm Drains		35 years
Infrastructure	Channels and Basins		75 years
Infrastructure	Small Water Systems		50 years
Intangibles	Purchased Software	Off-the-Shelf Purchased software (ready to use)	3 years
Software	Internally Created Software	Software created internally or purchased software requiring significant modifications	10 years
Library	Library Books & Equipment	books, journals, periodicals, audio/visual media, computer based information, manuscripts, maps, documents	10 years

E. Budget

Capital asset acquisitions are included in the County budget. For additional information regarding the capital asset budget process, please refer to the Instructions for Budget Request Submittals, County Fiscal Policy Manual A-1 Policy for Budget Changes During Year Process or contact the ACTTC for additional information.

F. Acquisition of Capital Assets

Acquisition of a capital asset is determined when an expenditure would be more properly recorded as a capital asset as it meets the capitalization criteria described in section [II.A. Characteristics of a Capital Asset](#). Once it has been determined that the expenditure meets the criteria and applicable capitalization threshold, the asset should be recorded in the general ledger as a capital asset.

If a capital asset is acquired using state or federal funding, or another restrictive source, the funding source must be noted in the asset documentation.

G. Capital Asset Cost Basis

1. Capital Asset Cost Basis

Capital assets should be reported at historical cost and should include applicable additional costs. If something other than cash is used to pay for an asset, then the fair-market value of the non-cash payment or consideration determines the asset's cost or acquisition value. When the value of the consideration paid can't be determined, the asset's fair-market value determines its cost basis. Fair-market value is what the entity would normally spend on a like asset purchase.

With few exceptions, an asset's cost basis should also include necessary costs incurred to place the asset into service. Costs include invoice price plus incidental costs (ex. - insurance during transit, freight, capitalized interest, duties, title search, registration fees, site preparation, architect and engineering fees, sales tax, installation costs and legal fees). Exceptions to this rule include interest expense associated with deferred payments and current real estate taxes paid, if any, in the acquisition of property.

Certain assets require training for the end-user to properly operate and maintain the asset. Costs for end-user training are not eligible to be capitalized. Training provided during the development and configuration phase of certain projects are to be capitalized. If you have questions regarding capitalization of training please contact the ACTTC.

All capital asset acquisitions require a **Fixed Asset Additions Form** (Appendix A) that supports the capital asset cost.

2. Contributed Capital Assets (Donated or Gifted)

Contributed assets are defined as voluntary contributions of resources to a governmental entity by an unrelated person or entity. All contributed assets are to be valued at the fair-market value of the asset at the date of donation or gift, plus ancillary

charges, if any. Contributed assets should be depreciated based on the asset class and useful life (or estimated remaining useful life based on age of contributed asset)

According to GASB 33, recipients of contributed (donated) capital assets must recognize fixed asset contributions as revenues and not as contributed capital. The contributed asset and related revenue are to be recognized when the asset is received. To qualify as a capital asset, the fair-market value of the contributed asset must exceed the County's capitalization threshold for the applicable asset class.

3. Capital Assets Acquired with Federal or State Grants

An asset acquired with Federal or State Grants or other funding sources often have limitations or restrictions enforced by the granting agency. The major authoritative sources for federal rules and regulations include the Common Rule issued by a number of major federal agencies and numerous Office of Management and Budget (OMB) Circulars that are organization and topic specific. Please refer to the grant for specific guidelines and rules regarding purchasing capital assets with these funds.

Since Federal and State Grants can often times have very specific guidelines which may not always coincide with this policy, please contact the ACTTC so that we can evaluate the purchase of capital assets with Grant funds.

4. Capitalized Interest

For proprietary funds only (this includes enterprise and internal service funds), if the construction of a project meets the requirements prescribed under Accounting Standards Codification (ASC) 835-20 Capitalization of Interest, actual or imputed interest (capitalized interest) costs associated with the project should be calculated and added to the project costs included in construction-in-progress and in the final asset.

H. Depreciating/Amortizing Capital Assets

Depreciation is the process of allocating the cost of a tangible capital asset over the period of time, referred to as the "useful life," during which the owner receives benefit from the use of the asset, rather than deducting the cost as an expenditure in the year of acquisition. Amortization is the same as depreciation, but for intangible capital assets. Generally, at the end of an asset's life, the sum of the amounts charged for depreciation in each accounting period (accumulated depreciation) will equal original cost basis. The straight-line depreciation method (historical cost divided by useful life) and straight-line amortization (historical cost divided by useful life) will be used by the County.

Starting July 1, 2014, the County will use the following-month method for calculating the depreciation/amortization of assets placed into service. All assets placed into service on or after July 1, 2014 will be depreciated on a following-month convention. All assets placed into service prior to July 1, 2014 will continue to be depreciated using the following-year method.

All proprietary funds (enterprise and internal service fund) will require available appropriations prior to recording depreciation and amortization expense on a monthly basis.

1. Capital Assets with Non-Exhaustible Useful Lives

Certain capital assets are considered to be “non-exhaustible assets,” where their useful life is unlimited and therefore are not depreciated. Examples of non-exhaustible assets include land, certain works of art and certain intangible assets.

I. Disposal of Capital Assets

Disposal of a capital asset is when the asset is abandoned, sold, traded-in, scrapped, or otherwise removed from service during any given reporting period. Disposals must be processed on a timely basis throughout the fiscal year to ensure the accurate calculation of depreciation and amortization expense. Dispositions are not budgeted; however, replacement of equipment or purchases of new equipment are included in the annual budget or are part of the ACO/Replacement Fund Program discussed in [I.I.O., Accumulated Capital Outlay \(ACO\) or Replacement Fund](#). For proprietary funds, should a capital asset disposal result in a loss on fixed asset, it will be necessary to ensure there are adequate appropriations available to record the loss.

When an asset is *retired/abandoned*, it is possible that a loss may be recognized for any remaining net book value. Net book value is the difference between the historical cost of the asset and the accumulated depreciation. If the net book value of the asset being disposed is zero, no loss is recorded.

When an asset is *sold*, a gain or loss must be recognized when the proceeds do not equal the net book value of the asset. If proceeds exceed the net book value, then a gain is recorded and reported as Other Financing Sources for Governmental Funds or Gain on Sale of Capital Asset for Proprietary Funds. If proceeds do not exceed the net book value, then a loss is recorded and reported as Other Financing Uses for Governmental Funds or Loss on Sale of Capital Asset for Proprietary Funds.

When an asset is *exchanged or traded-in*, for example trading in a truck for a truck, the original assets net book value should be added to any consideration (additional cash outlay) resulting in the asset’s cost basis. When the assets are not similar in nature, exchange a truck for a tractor, the fair-value of the truck exchanged for the fair-value of the tractor received should be recorded, with any additional consideration (additional cash outlay) paid added to the fair-value of the asset received.

For assets that are listed as *missing* (lost/stolen), the accounting personnel responsible for capital assets will prepare a report listing the missing items. The personnel will document all efforts made to locate the missing assets. This missing capital asset report listing will be reviewed by the department head annually. Items will remain on the listing for a period of two years, at which point the assets will be retired as missing.

All capital asset disposals require a **Fixed Asset Adjustments Form** (Appendix B) that supports the capital asset change in status.

1. Disposal of Capital Assets Acquired with Federal or State Grants

For all disposals involving an asset funded with federal or state funds, the finance personnel for the grant project must first ascertain if there are any grant requirements surrounding the disposal of capital assets. Typically, in the event that an asset to be sold/disposed of has a fair-market value in excess of \$5,000, the department must report the sale/disposal to the granting agency that provided the initial funding. In some instances, departments may be required to remit some or all cash proceeds received from the sale of the asset acquired with federal or state funding to the agency involved.

Please refer to the original funding documentation for specific criteria related to asset disposal.

J. Assets Held For Sale

Assets held for sale are items which are not used in the ordinary course of business. The economic benefit of the asset is obtained through the asset's sale rather than through its continued use in operations of earning rental income or capital appreciation. The asset must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sale of such assets, and its sale must be highly probable.

For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset, and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, unless circumstances beyond the County's control extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset from being classified as held for sale.

If an existing asset's status is changed from a Capital Asset (active status) to Asset Held For Sale, the asset should no longer be depreciated as it is no longer used in the ordinary course of business. The value of the asset should be transferred from Capital Assets to Asset Held For Sale with a cost basis at the lower of: 1) Assets net carrying value or 2) the asset's fair value less the selling costs. These Assets Held For Sale should be shown separately on the face of the balance sheet, above Capital Assets, as they are both non-current assets. These items are recorded in Enterprise, Internal Service Funds, Private Purpose Trust Funds and the Government-Wide Statement of Net Position (not recorded in governmental funds).

If you have a situation where a capital asset is removed from service and is intended to be sold, please contact the ACTTC.

K. Asset Grouping

Asset Grouping is defined as the grouping of several components which are used in conjunction with one another to form an asset to be used in operations. Though asset grouping is to be used in limited circumstances, asset grouping can provide an accurate representation of the costs of an asset which under other circumstances would not be capitalized. When determining the composition of the asset, please keep in mind the following:

When should individually insignificant components be combined into one fixed asset or components of a system?

- If individually insignificant items are a part of placing a major asset into service then those items should be included with the main asset. An example; a 10 gig network module to upgrade the speed of a switch should be included in the cost basis of the switch as a part of the whole fixed asset.
- Insignificant component parts of a system or network should be capitalized together. For example if there were multiple switches that individually did not meet the capitalization threshold, however they work in conjunction with other switches as part of an overall network and have long useful lives, they should be capitalized.
- If it is expected that certain components will need to be replaced either together or are anticipated to be replaced at roughly the same time, consider grouping those assets together. By grouping assets with similar characteristics or life spans together, it will be easier to dispose of the old asset when the new one is placed into service.

L. Transfer of Asset Between Departments/Funds

Transfers are defined as the physical relocation of a capital asset either by department and/or Fund. When an asset is being transferred with no other consideration involved, the asset will be transferred with the current net book value and will continue to be depreciated or amortized over the remaining useful life. It is necessary for the respective departments/funds to complete the necessary asset acquisition/sale documentation so that the asset can be properly transferred within the financial system

If a department sells a capital asset to another department, the value of the asset will be the net book value. If the asset transferred was fully depreciated Please contact the ACTTC's Office for assistance.

M. Impairment

Impairment is a significant or unexpected decrease in the service utility or abrupt decrease in its fair value due to a capital asset that will continue to be used in operations. Because impaired assets are continued to be used in operations, rather than be sold, their book value needs to be reduced to reflect the loss in service utility resulting from the impairment. However, a temporary decline in service utility would not constitute impairment (ex. – using a school building as a warehouse for one year). Impairment is assumed to be permanent unless there is sufficient evidence to demonstrate that it is not, in which case the capital asset should not be written down.

Indicators of impairment are:

- Physical damage where action would be needed to restore lost service utility
- Changes in laws, regulations, or other environmental factors that negatively affect service utility (beyond the control of County's Management)

- Technological developments that negatively affect service utility or evidence of obsolescence
- A change in the manner or duration of use of a capital asset that negatively affects service utility (under employing the asset from its originally intended use)
- Stoppage of construction or development

The cost of the impaired asset must be adjusted to reflect the impairment using one of the following three methods:

- Restoration Cost Approach
- Service Units Approach
- Deflated Depreciation Replacement Cost Approach

For impairments resulting from stoppage of construction or development, the lower of carrying value or fair value would be utilized.

Annually, the ACTTC conducts a Capital Asset Impairment survey requiring departments to identify impairments. If you believe that an asset is impaired or have identified an impaired asset prior to this survey, please contact the ACTTC.

N. Replacement of Capital Assets

For accounting purposes, replacement of equipment has the same procedure as retiring or disposing of the old asset and adding the new asset. When the new asset is added, new asset numbers/tags are to be assigned. There does not need to be a one to one replacement of equipment. If minor components of a fixed asset, such as power cable cords or incidental parts are replaced prior to the main asset being replaced, these costs should be recorded as an expenditure in the period incurred.

O. Accumulated Capital Outlay (ACO) or Replacement Fund

The Accumulated Capital Outlay (ACO) or Replacement Fund is designed to record the accumulation of funds to be spent on future capital projects. In an effort to avoid years with large spikes in expenditures for capital purchases or replacement of equipment, sponsoring departments (ex. – Fleet, ISD, etc.) identify assets, based on asset use and functionality, then anticipate the cost to replace the asset with a like model at pre-determined replacement date. These costs are billed to participating departments monthly and the funds are retained by the sponsoring department until the replacement is purchased. In some circumstances, if the cost of a new asset is greater than the amounts contributed to the replacement fund, the department will be invoiced for the remainder of the cost upon acquisition.

III. CAPITAL ASSET CLASSIFICATIONS

A. Land

1. Land Definition

Land is the investment in the surface of the earth, which can be used to support structures, construct roads and highways, or may be used to grow crops, grass, shrubs, and trees.

Land is characterized as having a non-exhaustible life (unlimited life).

2. Land Capitalization Threshold

All land, regardless of cost, is capitalized.

In the case of acquiring a parcel of land with an existing structure/improvement, the purchase price must be allocated between the land and structure/improvement. This is necessary as the structure/improvement may qualify as a depreciable asset(s).

3. Land Depreciation Methodology

Land is a non-exhaustible asset and is not depreciated over time.

4. Examples of Expenditures to be Capitalized as Part of Land Costs

- Purchase price or fair-market value at time of gift
- Professional fees (ex. - title searches, consents, condemnation, legal, appraisal, surveying, environmental assessments, commissions, etc.)
- Land excavation, fill, clearing, and grading land for use
- Demolition costs of existing buildings and improvements (less salvage) on land purchased with the intent to demolish and rebuild will be included in the cost of the land. (Please note that demolition costs related to assets already placed in service should be expensed)
- Removal, relocation, or reconstruction of property of others (ex. - railroad, telephone, and power lines)
- Hazardous waste clean-up
- Interest on mortgages accrued at date of purchase
- Accrued and unpaid taxes at date of purchase
- Other costs incurred in acquiring the land

NOTE: Receipts from sales of salvage should be credited against the land cost (ex. - selling material from demolished structures, rock or dirt, etc.).

B. Land Improvements

1. Land Improvements Definition

Land improvements are non-building assets which enhance the quality or facilitate the use of land.

Land improvements include:

- Betterments
- Excavation
- Fencing and gates
- Parking lots, driveways, parking barriers, sidewalks not associated with infrastructure (roadways, bridges, etc.)
- Retaining walls, certain lighting, landscaping and irrigation systems,
- Site preparation
- Landscaping, fountains, paths and trails
- Outside sprinkler system
- Golf courses, recreation areas and athletic fields (including bleachers)
- Landscaping of non-temporary nature
- Septic systems
- Water impoundment structures or attachments (dam, liner, other water control structure)
- Swimming pools, tennis courts, basketball courts, etc.

Land improvements do not include roads, bridges, pipelines, etc., as these are classified as infrastructure.

Land improvements can be further categorized as non-exhaustible or exhaustible.

- **Non-Exhaustible** – Expenditures for improvements that do not require maintenance or replacement; expenditures to bring land into condition to commence erection of structures; expenditures for improvements not identified with structures; and expenditures for land improvements that do not deteriorate with use or passage of

time are additions to the cost of land, are generally not exhaustible, and therefore, not depreciable.

- **Exhaustible** – Other improvements that are part of a site, such as parking lots, landscaping, and fencing, are usually exhaustible and are therefore depreciable. Depreciation of site improvements is necessary if the improvement is exhaustible.

2. Land Improvement Capitalization Threshold

Land improvements with a project costs which reaches or surpasses \$25,000 must be capitalized.

3. Land Improvement Depreciation Methodology

Land improvements must be classified as either non-exhaustible (not depreciable) or exhaustible (depreciable). For exhaustible land improvements, the asset will be depreciated using the straight-line method of depreciation (historical cost / useful life). In the event a land asset and the accompanying land improvements are disposed, all land improvements should reference the land asset it is affiliated with for easy identification.

4. Examples of Expenditures to be Capitalized as Part of Land Improvement Costs

- Professional fees (ex. - architect, legal, engineering, surveying, environmental assessments, inspections, permits, licenses, etc.)
- Land excavation, fill, clearing, and grading of existing land to ready for use
- Removal, relocation, or reconstruction of property of others (ex. - railroad, telephone, and power lines) on existing property to ready for use
- Water wells (initial cost for drilling, the pump and its casing)
- Accident or injury costs and payment of damages
- Insurance during construction

NOTE: Receipts from sales of salvage should be credited against the land improvement cost (ex. - selling material from demolished structures, rock or dirt, etc.).

C. **Building and Building Improvements**

1. Building Definition

A building is a structure that is permanently attached to the land, has a roof, is partially or completely enclosed by walls, and is not intended to be transportable or moveable.

Buildings should be recorded at either their acquisition cost or construction cost. The cost of new construction should be carefully evaluated. Usually projects consist of major components such as land, land improvements, building construction (including

professional fees and permits), furniture, fixtures, and equipment. In addition, buildings include components (ex. - roof, air conditioner system, boilers, elevators, etc.) that should be recorded as a separate asset within the building classification. These building components typically have shorter useful lives than the building structure and are likely to be replaced during the useful life of the building. The value of each component group needs to be determined and given an appropriate useful life.

2. Building Improvement Definition

Building improvements are capital events that materially increase the buildings value either by 1) lengthening its estimated useful life or 2) increasing the asset's ability to provide service (by increasing its effectiveness or efficiency). A building improvement is identified as an expenditure which materially increases the life or value of the building, an expenditure that meets or exceeds the capitalization threshold and increases the useful life of the building by more than 1 year, beyond the original useful life or historical cost. The improvement which reaches or exceeds the capitalization threshold should be capitalized and recorded as an addition, referencing the existing building to which the improvement is applied.

For a replacement to be capitalized, it must be a part of a major repair or rehabilitation project, which increases the value, and/or useful life of the building, such as the renovation of a health center. A replacement may also be capitalized if the new item/part is of significantly improved quality and higher value compared to the old item/part, such as replacement of an old shingle roof with a new fireproof tile roof. Replacement or restoration to original working condition would not qualify.

Determinations must be made on a case-by-case basis. Please contact the ACTTC for assistance.

3. Building and Building Improvement Capitalization Threshold

All buildings and building improvements with a cost which reaches or surpasses \$25,000 must be capitalized. Improvements must also extend the useful life by more than 1 year.

In the case of acquiring a parcel with land and buildings, a value should be assigned to both land and building, recorded and depreciated appropriately based on the asset class.

4. Building and Building Improvements Depreciation Methodology

Building and building improvements will be depreciated using the straight-line method of depreciation (historical cost / useful life).

Assets should be broken into components based on estimated useful lives including, but not limited to the following examples:

- Shell – structure of building
- Service systems – electrical & lighting systems, heating, ventilation, air conditioning, HVAC, plumbing, fire protection system, elevator

- Fixed equipment – sterilizers, casework, fume hoods, cold rooms.

5. Examples of Expenditures to be Capitalized as Part of Building and Building Improvement Costs

- All costs associated with the construction of a new building (including excavation, grading, filling land for specific building) or purchase of an existing building
- Costs associated with remodeling, reconditioning or altering a purchased building to make it ready to use for the purpose for which it was acquired, should be capitalized as building costs
- Professional fees (ex. - legal, architect, inspections, title searches, etc.)
- Payment of unpaid or accrued taxes on buildings to date of purchase
- Costs of temporary buildings used during construction

6. Building and Building Improvements to be Capitalized Include

- Construction or Purchase of Building (see above)
- Remodeling, reconditioning or altering a building for its intended use (see above)
- New Roofing, roof replacement with different material to enhance useful life and service capacity (ex – replace a shingle roof with a tile roof) or replacement of roof which has exceed its useful life
- Major energy conservation projects or environmental compliance (ex. - asbestos abatement)
- Remodeling or replacing major building components
- Conversion of attics, basements, etc., into usable office, clinic or research space
- Structures attached to the building such as covered garages, enclosed stairwells, etc.
- Installation or upgrade of heating and cooling systems, including ceiling fans and attic vents
- Original installation of wall or ceiling covering such as carpeting, tiles, paneling or parquet
- Structural changes such as reinforcement of floors or walls, installation or replacement of beams, rafters, joists, steel grids, or other interior framing
- Interior renovation associated with a large scale project (including casings, light fixtures, etc.)

- Exterior renovation such as installation or upgrade of siding, roofing, masonry, etc.
- Installation or upgrade of: window or door frame, built-in closets or cabinets, plumbing, electrical wiring, phone or closed circuit television systems, networks, fiber optic cable, wiring required in the installation of equipment
- Stadiums, plazas and pavilions

D. Equipment, Furniture and Vehicles

1. Equipment Definition

Equipment is defined as fixed or movable tangible assets to be used for operations. Improvements or additions to existing equipment that constitute capital outlay or increase the value or life of the asset should be capitalized and recorded as an addition, referencing the existing asset.

Examples of equipment include:

- Computers (ex. - desktops, laptops, servers, etc., including software required for operation)
- Shop tools, machinery, trailers, forklifts
- Office trailers/mobile homes
- Desks, tables, chairs, copiers
- Appliances, televisions
- Voting equipment, lab equipment
- Firearms, weapons, tactical gear
- Cameras, camera equipment, audio equipment, projectors
- Tape recorders and dictating equipment
- Mobile, portable and two-way radio equipment
- Playground equipment, scoreboards, bleachers, marine equipment, fuel tanks
- Backhoes, heavy duty trucks, dozers, front-end loaders, large tractors, earth movers
- Mowers, tractors and attachments, grounds maintenance equipment

NOTE: Equipment does not include major systems integrated into a building or structure such as elevators, boilers, roofs or HVAC.

2. Furniture Definition

Furniture is defined as certain types of equipment to be used for operations.

Examples of furniture include:

- Filing equipment
- Office equipment
- Desks, modular units, tables, etc.

Examples of furniture projects to be capitalized include:

- Furnishing a new building or office space necessary to conduct business
- Large or significant in size improvements or additions

3. Vehicle Definition

A vehicle is defined as an asset that can move itself under its own power. Cars, trucks, fire trucks, boats and busses should be classified as vehicles. Travel trailers, horse trailers, equipment trailers, ATV's (All Terrain Vehicles), etc., should be classified as equipment. Careful consideration should be given as to whether an asset is a vehicle or equipment.

Busses can range in size and utility and their useful life is often dictated based on the funding source. Consult funding source for any useful life requirements.

4. Equipment, Furniture and Vehicles Capitalization Threshold

All equipment with project costs which reach or surpass \$5,000 must be capitalized.

All furniture with project costs which reach or surpass \$25,000 must be capitalized.

Vehicles with project costs which reach or surpass \$15,000 must be capitalized.

In limited circumstances, the asset grouping method of capitalization may be used. Typically, these assets work in conjunction with one another and replacement of the assets is intended to be done at approximately the same time. Please see [II.K, Asset Grouping](#) for more details or consult the ACTTC when considering the asset grouping method.

5. Equipment, Furniture and Vehicle Depreciation Methodology

Equipment, furniture and vehicles will be depreciated using the straight-line method of depreciation (historical cost / useful life). These asset types are to be depreciated over a 5 year useful life, unless otherwise noted in [II.D, Examples and suggested useful lives](#).

Vehicles are considered ready to be placed into service when all necessary add-on components are installed in/onto the vehicle.

6. Examples of Expenditures to be Capitalized as Part of Equipment

- Original contract or invoice price, less any discounts
- Freight, handling, storage, in-transit insurance charges and import duties
- Sales, use or other taxes imposed on the acquisition
- Installation charges to place asset in service
- Charges for testing and preparation for use
- Costs of reconditioning when a used item is purchased
- Parts and labor associated with the construction of equipment or installation
- Parts and labor associated with additional components necessary to bring asset into service condition (light bars, radios, security, paint/branding, etc.)

NOTE: If incidental items, such as extended warranties or maintenance agreements, are included on the invoice as a separate line item, those charges should be expensed when purchased. If extended warranties or maintenance agreements are bundled with the cost of the asset, then the incidental charges are considered a part of the asset cost.

E. Infrastructure

1. Infrastructure Definition

Infrastructure is defined as long-lived capital assets that normally are: 1) stationary in nature and 2) can be preserved for a significantly greater number of years than most capital assets. Examples include:

- Pavements
- Curbs, gutters, tunnels, canals, dams, wharfs, sea walls, rest areas, fire hydrants
- Sidewalks associated with roadways, bridges, sewer systems, water distribution systems and water drainage systems.
- Traffic light system
- Signage
- Airport runway, strip, taxiway or apron
- Electric, water, and gas (ex. - main lines and distribution lines, tunnels, etc.)

- Fiber optic and telephone distribution systems (between buildings)

Infrastructure acquired by the County must have a value for capitalization. Historical costs or estimated values should be available in reports required from the original developer within the permit process. Land must be capitalized as a separate non-depreciable asset within the Land account at fair market value as of the date of acceptance.

2. Infrastructure Capitalization Threshold

All infrastructure projects with total costs to reach or surpass \$100,000 must be capitalized.

3. Infrastructure Depreciation Methodology

Infrastructure will be depreciated using the straight-line method of depreciation (historical cost / useful life). The asset should be broken into components based on estimated useful lives, if applicable.

4. Examples of Expenditures to be Capitalized as Part of Infrastructure Costs

- Construction costs (ex. - contract amounts, payroll, fringe benefits, rental value of equipment, insurance, etc.)
- Legal and engineering fees
- Materials
- Payment of damage claims connected with construction
- Conservation or environmental easement required as part of construction.

F. Intangible Assets:

1. Intangible Asset Definition

As defined by GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets," an intangible asset is defined based on the following:

- Lack Physical Substance – An asset that may be contained IN or ON an item with physical substance, such as computer software on a compact disk, land use rights, patents, trademarks, computer software, websites, etc.
- Nonfinancial In Nature – Cannot be receivables or prepayments of goods, an asset that is not in monetary form or represents neither a claim or right to.
- Initial Useful Life – Extends beyond a single reporting period.

2. Intangible Asset Capitalization Threshold

Intangible assets with a project cost which reaches or surpasses \$25,000 must be capitalized.

3. Intangible Asset Depreciation Methodology

Intangible assets are amortized using the straight-line method (historical cost / useful life). If the intangible asset is determined to have an indefinite life, then it will not be depreciated.

4. Examples of Expenditures to be Capitalized as Intangible Assets

- Off-the-Shelf Software (ready to use with no significant modifications necessary)
- Patents, copyrights, trademarks, franchises, goodwill
- Timber rights
- Land rights (including minerals, etc.)

G. Easements (Intangible Asset)

1. Easements Definition

An easement is defined as an interest in land owned by another individual or entity that entitles the easement holder to a specific limited use or enjoyment (right to use land). Easements are typically used to access another property.

2. Easements Capitalization Threshold

All easements, regardless of cost, are to be capitalized.

3. Easements Deprecation Methodology

Easements are depreciated using the useful life determined by the easement contract in place. If the easement has a limited life beyond one year, then it will be depreciated using the straight-line method of depreciation (historical cost / useful life). If the easement has a non-exhaustible life (indefinite life), then it will not be depreciated.

4. Temporary Easements as Part of Construction Projects

Temporary easements acquired during the construction phase of a project will be capitalized as part of the overall capital asset project and not as a standalone easement.

As an example, when certain infrastructure projects are constructed, it is necessary to obtain easements for the use of neighboring land during the project. The costs of these temporary easements are immaterial to the overall infrastructure project and are included in the cost of the infrastructure project.

H. Capital Leases

1. Capital Lease Definition

Capital leases are defined as a lease that transfers substantially all benefits and risks of ownership of property during the term of the lease. Leases which meet one of the four requirements below, as defined by ASC 840-10, are considered capital leases and shall be accounted for as a capital asset if the cost of the property reaches or surpasses the class's capitalization threshold.

- The lease transfers ownership of the property to the lessee by the end of the lease term (ex. – the title of the leased car transfers at end of lease term).
- The lease contains a bargain purchase option (ex. - you can purchase the car for \$5,000 which is a bargain compared to the remaining value of \$15,000).
- The lease term equals 75% or more of the estimated useful life of the leased property (ex. - you lease a car for 4 years and the car has a useful life of 5 years).
- The present value of the minimum lease payments exceeds 90% of the fair market value of the leased property at the date of the lease agreement (ex. – you will make 60 monthly lease payments of \$450 equaling \$27,000 on a car with a purchase price of \$30,000).

2. Capital Lease Capitalization Threshold

Assets classified as capital leases are deemed or estimated to meet or exceed the capitalization threshold based on their applicable asset class. The asset costs should be depreciated in accordance with the standard useful lives for the applicable asset class.

3. Capital Lease Depreciation Methodology

Costs associated with capital leases are depreciated in accordance with the particular asset class' depreciation methodology.

I. Leasehold Improvements

1. Leasehold Improvements Definition

Leasehold improvements are defined as improvements to increase the service capacity of a leased property that will revert to the lessor at the expiration of the lease. Leasehold improvements include construction of new buildings or improvements made to existing structures by the lessee, who has the right to use the leasehold improvements over the term of the lease (ex. – if you make improvements to a leased building that you would normally capitalize if those same improvements were made to a County owned building, then it should be classified as a leasehold improvement and capitalized).

2. Leasehold Improvement Capitalization Threshold

The capitalization threshold for leasehold improvements is the same as buildings and building improvements of \$25,000.

Please refer to Buildings and Building Improvement sections [III.C.5, Examples of Expenditures to be Capitalized as Part of Building and Building Improvement Costs](#) and [III.C.6., Building and Building Improvements to be Capitalized Include](#) for additional information of what costs to capitalize or expense.

3. Leasehold Improvement Depreciation Methodology

Leasehold Improvements will be depreciated using the straight-line method of depreciation (historical cost / useful life). The useful life is determined to be the shorter of the asset class useful life or lease term. Asset should be broken into components based on estimated useful lives including (same as buildings and building improvements):

- Shell – structure of building
- Service systems – electrical & lighting systems, heating, ventilation, air conditioning, HVAC, plumbing, fire protection system, elevator
- Fixed equipment – sterilizers, casework, fume hoods, cold rooms.

J. Internally Created Software

1. Internally Created Software Definition

Internally Created Software is defined as either internally developed software or purchased software which is significantly modified to meet the County's internal needs. See GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, for additional guidance.

2. Internally Created Software Capitalization Threshold

The capitalization threshold for software with a project cost which reaches or surpasses \$25,000 must be capitalized.

3. Internally Created Software Depreciation Methodology

Software is amortized using the straight-line method (historical cost / useful life). Capitalization should cease no later than the time at which substantial testing is complete and the software is ready for its intended purpose or rendered in service.

4. Examples of Expenditures to be Capitalized as Part of Internally Created Software

- Costs of internally developed software are to be capitalized based on:

- *Preliminary Project Stage* – Activities in this stage include the conceptual formulation and evaluation of alternatives, the determination of the existence of needed technology, and the final selection of alternatives for the development of the software. These costs are **Not Capitalized**.
 - *Application Development Stage* - Activities in this stage include the design of the chosen path, including software configuration, software development and configuration training, software interfaces, third-party service fees, coding, installation to hardware, and testing, travel costs incurred by employees, and parallel processing phase. These costs are **Capitalized**.
 - *Post-Implementation/Operation Stage* - Activities in this stage include end-user training and software maintenance. These costs are **Not Capitalized**.
 - Costs related to the significant modification of purchased software for use by the County.
 - Costs to develop or obtain software that allows for access or conversion of old data by new information systems should also be capitalized.
5. Accumulating and Tracking Costs During the Work-In-Progress Stage of Internally Created Software

Internally Created Software project costs should be updated as costs are incurred. Once the project is completed for its intended purpose and ready to be placed into active service, all costs associated with the development phase should be evaluated and capitalized. For discussion on whether it is necessary to capitalize interest during the construction phase, please see [II.G.4., Capitalized Interest](#). Any costs associated with end-user training or maintenance should be recorded as an expenditure in the period incurred.

K. Other Capital Assets

1. Works of Art and Historical Treasures Definition

Works of Art and Historical Treasures are defined as collections or significant individual items that are owned by a county agency and are not held for financial gain, but rather for public exhibition, education or research as part of a public service.

2. Works of Art and Historical Treasures Capitalization Threshold

The capitalization threshold of works of art and historical treasures is \$5,000 for either a collection or individual item.

Governments are encouraged, but not required, to capitalize a collection (and all additions to that collection) whether donated or purchased that meets all of the following conditions. The collection is:

- Held for public exhibition, education, or research in furtherance of public service, rather than financial gain;
- Protected, kept unencumbered, cared for, and preserved; and
- Subject to an organization policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

3. Works of Art and Historical Treasures Depreciation Methodology

If a collection or item is held for financial gain and is not capitalized, disclosures must be made in the notes to the financial statements that describe the collection or item and the reasons these asset are not capitalized.

Some collections or items are considered exhaustible (diminished by display, educational or research applications) and should be depreciated over their estimated useful life.

Collections or items which are non-exhaustible are items whose economic benefit or service is used up so slowly that the estimated useful lives are extraordinarily long. Because of their cultural, aesthetic or historical value, holders protect and preserve these assets more than similar assets without such value. Depreciation is not required for collections which are non-exhaustible.

For further information please see GASB 34.

4. Examples of Expenditures to be Capitalized as Part of Works of Art and Historical Treasures

All costs of acquiring works of art and historical treasures should be recorded.

Collections and items acquired by gift or donation should be recorded using the following acceptable valuation methods: Fair Market Value (FMV), historical cost, or the cost may be determined by the gifting artist upon donation to the County.

5. Library Books and Equipment Definition

Library books and equipment include information resources that are circulated to students or the general public such as books, journals, periodicals, audio/visual media, computer based information, manuscripts, maps, documents, and similar items which provide information essential to the learning process or which enhance the quality of academic, professional or research libraries.

6. Library Books and Equipment Capitalization Threshold

The capitalization threshold of library books and equipment is \$5,000. Purchases of library books and certain equipment should be grouped by year to determine the amount capitalized rather than individual purchases.

7. Library Books and Equipment Depreciation Methodology

Library books and equipment are depreciated using the straight-line method of depreciation (historical cost / useful life).

8. Examples of Expenditures to be Capitalized as Part of Library Books and Equipment

- Invoice price
- Handling and freight/shipping charges
- In-transit insurance charges
- Electronic access charges
- Reproduction and like costs required to place assets in service, with the exception of library salaries

L. Construction-In-Progress

1. Construction-In-Progress Definition

Construction-in-progress is defined as the accumulation of all costs incurred on uncompleted land improvements, buildings, building improvements, infrastructure, or other capital construction projects.

2. Construction-In-Progress Capitalization Threshold

Projects classified as construction-in-progress are deemed or estimated to meet or exceed the capitalization threshold for the applicable asset class upon the earlier occurrence of filing of Notice of Completion documents, occupancy, or when the asset is placed into service. At the time of completion, the asset costs should be transferred to the applicable asset class and depreciated in accordance with the standard useful lives.

3. Construction-In-Progress Depreciation Methodology

Costs associated with Construction-in-progress are not to be depreciated until the finished asset is placed into service. The asset should be depreciated based on the depreciation methodology of the particular asset class. While it is considered construction-in-progress, the cost should be reported with land and other non-depreciable assets.

4. Construction-In-Progress Accumulating and Tracking Costs

Construction project costs should be updated as costs are incurred. Once the project is completed for its intended purpose and placed into active service (ex. - filing of notice of completion, occupancy, etc.), all costs associated with the construction phase should be evaluated and capitalized. All costs incurred subsequent to the project being placed in service needs to be addressed with ACTTC. For discussion on whether it is necessary to

capitalize interest during the construction phase, please see [II.G.4. Capitalized Interest](#) . Any costs associated with end-user training or maintenance should be recorded as an expenditure in the period incurred.

IV. SPECIFIC SITUATIONS

A. Bus Shelter Capitalization

1. Bus Shelter Definition

A bus shelter is a structure with three panels and a roof.

2. Bus Shelter Capitalization Threshold

During the fiscal year, the Transit department will track all shelters and installation costs associated with shelters placed into service during the year. If those expenses reach or exceed \$25,000, in aggregate, the shelters will be placed into service as either separate assets, noting the stop number, or as one asset for all shelters, noting all stop numbers included in the asset.

3. Bus Shelter Depreciation Methodology

Bus shelters are depreciated using the straight-line method (historical cost / useful life) over a useful life of five years.

4. Examples of Current Period Expenses Related to Bus Shelters

- Repair/replacement of panels on existing shelters
- Garbage cans
- Poles and signage
- Stand alone benches
- Other small bus stop amenities

5. Bus Shelter Reporting

Claims for shelters being placed into service are to include:

- All applicable costs associated with placing the shelter into service (including delivery charges, installation labor, concrete pads/footings, etc.)
- Bus Stop numbers to facilitate coordination of data between Transit asset and County fixed asset system

Before the end of the fiscal year, Transit management is to provide a listing of all bus stop locations, noting the following information, in order to certify shelters are in good working condition:

- Sites /Stops with Shelters only
- Year Shelter was acquired and installed
- Type of Shelter
- Manufacturer of Shelter

B. Landfills and Pollution Remediation

1. Landfills and Pollution Remediation Defined

Pollution Remediation is the obligation to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. Once a specified event occurs, a government is required to estimate the components of expected pollution remediation outlays and determine whether outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired.

2. Landfill and Pollution Remediation Identification and Reporting

Annually, the Risk Management division of the Human Resources department prepares and distributes a GASB 49 Pollution Remediation survey to all County Departments, inquiring of identified or potential landfill and pollution remediation activities (ex. – obligations to remove contaminations, such as asbestos removal, water pollution, leaking underground storage tanks, etc.).

If you have any further questions about landfill and pollution remediation please contact either the ACTTC or Risk Management.

V. CONTROLS OVER CAPITAL ASSETS

A. Capital Asset Controls Overview

Departments, districts and agencies are responsible for maintaining a system of control over their capital assets and to minimize risk of loss and/or misuse of their property. The controls in place include:

- Capital Asset Tagging
- Capital Asset Inventory Controls

B. Capital Asset Tagging

1. Capital Asset Tagging Overview

All capital assets held by the County are assigned an identification number. Of those, most will receive an asset identification tag, though due to the nature and location of some assets, tagging is not practical for all assets. Tags will be issued upon receipt and approval of Fixed Asset Additions form by the ACTTC. This must be completed prior to receiving the asset in EFS.

2. Placement of Asset Identification Tags

Capital asset tags should be placed on assets in a manner which ensures ease of identification when capital asset inventory is performed, without defacing or reducing the functionality of the asset. The following are recommended locations to place asset identification tags:

- Computers and Office Equipment - should be tagged on the front:
- Appliances - should be tagged on the top right corner on either the face or side, depending on accessibility
- Shop Equipment, Other Heavy Machinery, Grounds and Maintenance Equipment - should be tagged where minimum grease, oil, vibration or heat will be encountered. Tags are intended to last the useful life of the asset, so care should be taken when selecting the area the tag is to be placed. Ideally, the tag should be placed on the front of the asset or next to the manufacturer's plate.
- Engineering/Scientific Equipment - should be tagged near the manufacturer's identification plate or on the upper right hand corner of the asset.
- Audiovisual Equipment - should be tagged near the manufacturer's identification plate or on the upper right hand corner of the asset.

3. Replacement of Defaced Asset Tags

If an asset is observed to have a tag defaced to the point where number recognition is impossible, the asset should have a replacement capital asset identification tag assigned and affixed to it. Upon receipt of notification that the asset tag needs replacement, the ACTTC will issue a new tag or asset number if needed.

4. Untaggable Capital Assets

The majority of capital assets will be able to have an identification tag applied to the asset. However, there are several instances where a capital asset identification tag is not functional. Below is a list of assets which require a capital asset number, but do not require a physical identification tag.

- New Construction - New construction, which is completed within one fiscal year, should be entered into PeopleSoft at the time of completion. Often, the final contractor's cost summary will supply the proper original cost figures; however, special care must be taken when analyzing these summaries as they occasionally include costs for the purchases of equipment, land, and/or the construction of land (site) improvements. These costs must be extracted and entered separately under their respective asset categories. In addition, a contractor's cost summary may not reflect fees associated with the design, engineering, and legal aspects of the project. These fees should be accounted for to reflect the total capitalized cost of the project.
- Purchased Construction - Frequently, properties are purchased with existing structures, which will be modified for use. In these cases, the total purchase price must be allocated to the appropriate capital asset categories such as land, land improvements and construction. It is common to engage a local real estate appraiser when negotiating the purchase of such property. These appraisals will usually indicate separate values for the above accounts and are probably the best tool available for allocation of the total purchase price.
- Infrastructure - See new or purchased construction.
- Construction In Progress (CIP) - The CIP account can be viewed as a "holding" account for accrued construction project costs where the duration of the project will extend to more than one fiscal year and the completed project will meet the capitalization criterion outlined in [III.L.2., Capitalization Thresholds](#). Once such projects are completed and have been accepted by the County, the total cost will be transferred out of CIP and into the appropriate capital asset account.
- Land - Land is recorded in PeopleSoft based on original cost and date of purchase. When the information is not readily available, it can be researched through the County records maintained in the Assessor's office. Occasionally, verifiable cost records will simply not exist. In such cases, land should be included based on a reasonable estimate of fair market value at the time of acquisition.
- Land Improvements - Land improvements consist of items such as paving, fencing, flag poles, outdoor lighting, etc. If these assets are part of a new construction project, they can be entered into PeopleSoft based on contractor supplied information as discussed in "New Construction" above.
- Licensed Vehicles - Licensed vehicles consist of all mobile assets requiring licensing by the State of California. Fleet and the Roads divisions assign their own numbers. These numbers are recorded in PeopleSoft.
- Intangibles - An intangible asset that lacks physical substance therefore it cannot be tagged. This includes software.

C. Capital Asset Inventory Controls

1. Capital Asset Inventory Controls Overview

A certification inventory of all County capital assets is performed annually. This inventory is based on all County capital assets placed in service as of March 31st of each year. Inventory is required to be completed, and turned into the ACTTC, by May 31st of that year.

An inventory of all County capital assets acquired with grant funds is performed annually. This inventory is based on all grant funded capital assets placed in service as of March 31st. Inventory is required to be completed, and turned into the ACTTC, by May 31st of that year.

2. Capital Asset Inventory Procedures

- During the month of April, each department will receive a listing of the applicable assets to be observed in the inventory. The Department Head or applicable manager, who assumes the responsibility of capital assets within the department, will facilitate the scheduling and taking of capital asset inventory.
- Inventory counts shall be performed by two individuals: a locator (the person to identify the asset and read asset tag number or serial number) and a recorder (person to locate asset on inventory sheet and confirm whether the asset exists).
- During the inventory count, note any capital asset tags which require replacement.
- Inventory counts are based on the asset listing received from the ACTTC. The actual date and time of inventory count should be noted on the inventory count sheet. As assets can be kept at various locations or used during the course of business, this count may take several days to accurately inventory all assets.
- If during the inventory count, additional assets are identified (assets not included on the inventory asset listing), the vital data (serial number, year, make, model, color, style, etc.) of the asset must be noted and forwarded to the ACTTC.
- After the inventory count is completed, the results should be reconciled with the Department Head or applicable manager. All original count sheets, reconciliation notes and outcome of any reconciliation are to be provided to the ACTTC to the attention of the Capital Assets Accountant.
- Any assets identified as missing must be reviewed by the Department Head or applicable manager. Document all steps taken to locate the asset. Provide the listing of missing assets, steps performed to locate the asset(s) and outcome to the Capital Assets Accountant at the ACTTC. If at any point after the inventory count is completed, the missing asset(s) are located, the Department Head or applicable manager is to notify the Capital Assets Accountant at the ACTTC immediately.
- Request replacement tags as needed.

Auditor-Controller-Treasurer-Tax Collector

Fixed Asset Additions Form

(Equipment/Vehicles)

This form is to be included with any Fixed Asset addition that will either establish or add value to an existing fixed asset. Please refer to the County's Capital Asset Policy and Manual for reference about Capital Assets.

Contact Person/Custodian _____ Phone Number _____

Business Unit _____ Asset Class _____ Asset Type _____

Acquisition Type Purchased Leased (please attach lease/financing agreement)
 Donated Constructed Financed

Asset Tag No. Assigned¹ _____

Asset Title/ Description _____

Asset Profile _____ Estimates Asset Useful Life _____

Date of Purchase/ Received _____ Date placed in Service² _____

Current Claim and Use Tax amount _____ Cumulative Cost _____

Location of Asset _____

Custodian Department _____

Fund ID _____ Department ID _____

VIN/Serial Number _____

Model/Version _____

Class Code Assigned³ _____ Project number⁴ _____

Grant Funded Yes No (if yes, Federal State Other)

If Grant funded define disposition requirements _____

New or Addition New Addition Replacement⁵

If an addition to or replacement⁵ of an existing asset provide the existing Asset's no or tag. _____

If this asset is a Parent/Child relationship exiting Parent's ID number _____

EFS Document No. (if known) _____

Should you have any questions or concerns regarding how to fill out this form please contact:

Eric Ritz at Eric.Ritz@sonoma-county.org or 707-565-3280.

Melissa Estrella-Lee at Melissa.Estrella@sonoma-county.org or 707-565-3291

For SCWA assets please contact Marcus Desideri at Marcus.Desideri@sonoma-county or 565-3653

1. Applies to Fleet assigned nos. (vehicles), ISD, and Transit.
2. If different than date of purchase. In most cases this date would be the same.
3. Applies to ISD only.

4. Please include any project number assigned by department, ie. General Services-Architect and Transit.
5. If this is a replacement item, complete the Fixed Asset Adjustments Form to dispose replaced item.

Auditor-Controller-Treasurer-Tax Collector

Fixed Asset Adjustments Form

(Transfers/Retirements/Disposals)

This form is to be utilized for the disposal of fixed assets, transfer of fixed assets between departments, or request new Tag Decal.

Contact/Custodian Person _____ Phone Number _____

Business Unit _____ Fund ID _____ Department ID _____

Asset EFS ID # _____ Asset Tag # Assigned _____

Asset Title/ Description _____

VIN or Serial number _____

Location of Asset _____

Grant Funded Yes No (if yes, Federal State Other)

If Grant funded define disposition requirements _____

Dispose: Date of Event _____ Include Documentation

Sell Sale Price _____

Auction (please include Auction report)

Surpluses to GS or ISD Scraped

Traded-in (EFS #) _____

Stolen (If stolen include copy of Police Report or explanation)

Donated to _____

Transfer of Asset:

Current Custodian/Certifying Department _____

New Custodian/Certifying Department _____

New Business Unit _____ Fund ID _____ Department ID _____

New Location of Asset _____ Date of Transfer _____

Furnish New Decal to Replace Lost Decal

Current Custodian/Certifying Department _____ Date _____

Authorized Signature

New Custodian/Certifying Department if Transfer _____ Date _____

Authorized Signature

Surplus Accepted _____ Date _____

Authorized Signature

Should you have any questions or concerns regarding how to fill out this form please contact either:

Eric Ritz at Eric.Ritz@sonoma-county.org or 707-565-3280. Melissa Estrella-Lee at Melissa.Estrella@sonoma-county.org

For SCWA assets please contact Marcus Desideri at Marcus.Desideri@sonoma-county or 565-3653