ADMINISTRATIVE PROCEDURES

Procedure Number: 22-8

Effective Date: 06/04/1984
Revision Date: 07/20/2017

County Administrator

SUBJECT: **CAPITAL ASSETS**

DEPARTMENT RESPONSIBLE: **Finance and Risk Management**

1. STATEMENT

The following apply to all County departments.

The investment of public funds in land, buildings and equipment must be adequately safeguarded. To safeguard this investment, physical and internal accounting controls must be established and maintained within the framework of a complete capital asset accounting system. The objectives of internal accounting control are to provide reasonable assurance that transactions are properly executed in accordance with management's authorizations, assets are protected from unauthorized use or disposition, and financial records are reliable for preparing financial statements and maintaining accountability. Basic characteristics of sound internal accounting control include segregation of accounting duties, approvals of accounting transactions, and regular reconciliations of detailed and control records.

Capital assets are property of the County which include land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art, historical treasures, infrastructure and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

Capital assets may be acquired by outright purchase, construction, lease-purchase agreement, installment purchase contract, eminent domain, tax or special assessment foreclosure, or gift.

Lease-purchase agreements are contractual agreements which are termed "leases" but which, in substance, amount to purchase contracts. General capital assets acquired via lease-purchase agreement are capitalized at the inception of the agreement in the amount of the discounted present value of total stipulated payments. Multiple-year installment purchase contracts are accounted for in the same manner as lease-purchase agreements. For any fund other than a proprietary fund, such as the enterprise funds of Regional Wastewater Reclamation, Parking Garages, and Development Services or the internal service funds, the full amount capitalized is also expensed in the first year of the lease-purchase.

2. CAPITALIZABLE THRESHOLDS

2.1. Assets are capitalized based on thresholds determined by the Department of Finance and Risk Management Director in conjunction with the Financial Reporting & Control Division Manager.

2.2. Capitalizable thresholds for the various asset classifications are as follows:

2.2.1. Land and Land Improvements

Capitalize regardless of cost.

2.2.2. Buildings

Capitalize if valued at $100,000 or above.

2.2.3. Infrastructure, Rights of Way (easements), Works of Art, Historical Treasures, and Intangible Assets.

Capitalize if valued at $100,000 or above with the exception of software projects, which must be valued at $5,000,000 or above.

2.2.4. Equipment

Capitalize if valued at $5,000 and above with a useful life greater that one year.

3. DONATED ASSETS

3.1. Donated assets are assets transferred to the County by a third party at no cost.

3.2. The Acquisition Value of a donated asset is "the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at acquisition date." (Government Accounting Standards Board Statement 72, §79.)

3.3. If the Acquisition Value is at or above the capitalizable threshold of an asset classification, it is to be capitalized.

4. NON-CAPITALIZED PROPERTY MANAGEMENT

4.1. Pima County is required by the Arizona Auditor General to provide stewardship for all assets over $1,000 (see the Uniform Account Manual for Arizona Counties, Section VI-E, Procedures section).

4.2. The Asset module of Advantage (AMS) should be used by the individual departments, to enter and track all assets valued from $1,000 to $5,000. Information indicating the Type, Class, Description, Value, Custodian, Serial Number, Location, PC Tag number, and Account Number of the asset must be

entered in the appropriate fields.

Note: Equipment valued at less than $1,000, particularly assets susceptible to theft, such as cameras and laptops, are not required to be tracked, but may be tracked at the Department's discretion.

5. ASSET TAGGING

5.1. Every capital asset that is recorded in AMS must have a unique asset number assigned to it.

5.2. Those equipment assets valued at less than $5,000 may be tagged at the department's discretion. If an asset is tagged, the asset must be inventoried.

5.3. The Capital Asset Section, Financial Control & Reporting Division, Department of Finance and Risk Management assigns the asset number and tag to all equipment valued at $5,000 or above. The individual departments will attach the tags to the appropriate equipment.

5.4. Departments are responsible to attaching a unique asset number tag to all non-capitalized assets, those valued between $1,000 and $4,999, and to any asset valued at less than $1,000 if it is being tracked by the department.

5.5. Asset number tags are to be procured from the Capital Asset Section, Financial Control & Reporting Division, Department of Finance and Risk Management. The cost will be allocated to the department.

5.6. Departments are to complete a monthly Asset Tag Report for department non-capital asset tag use. The report will include the asset tag number, name of the department owning the asset, the purchase order or delivery order number, and a brief description of the asset.

5.7. Asset tags should be placed adjacent to the manufacturer's ID plate. If the equipment does not have a manufacturer's ID plate, place the tag so that it does not detract from the appearance of the asset, is not exposed to heavy wear, and does not interfere with the use of the unit.

5.8. Financial Control & Reporting Division, on a sample basis, will validate the tagging of assets to ensure assets are appropriately tagged.

6. ASSET INVENTORY

6.1. Annually, as part of the fiscal year-end process, all of a Department's assets must be inventoried.

6.1.1. For those assets under $5,000, the Departments shall prepare the inventory listing of its assets.

6.1.2. For those assets above $5,000, a Property Inventory Report will be provided by the Capital Asset Section, Financial Control & Reporting Division or may be printed from InfoAdvantage.

6.1.3. Any variance between the inventory listings and the physical inventory must be reconciled and AMS must be adjusted.

6.2. The detailed capital asset listing will be provided to each department, to be used to verify that (1) the capital assets exist and (2) to gather any missing information for the system.

6.3. If a capital asset should have been retired, transferred or changed, a Fixed Asset Input Form is to be completed. The form can be found on the Pima County intranet at Finance and Risk Management, Forms, Misc. Financial Systems tab. The url to reach the form directly is http://intranet.pima.gov/Finance/PDFs/Fixed Asset Input Form.pdf.

6.4. Any capital asset found to be untagged is to be noted so that an appropriate tag is issued and attached.

6.5. The detailed inventory listing is to be signed by the personnel completing the inventory and the departmental authorized signer.

6.6. The signed detailed inventory listing is to be forwarded to the Capital Asset Section, Financial Control & Reporting Division, Department of Finance and Risk Management on or before the specified date on the Fiscal Year-End Calendar.

7. ASSET DISPOSAL

7.1. Disposal of surplus personal property is controlled by Board of Supervisors' Policy D 29.11, Surplus Personal Property. See the Procurement Department's intranet site, Surplus Property section for all pertinent disposal details.

7.2. The Procurement Department is responsible for informing the Financial Control & Reporting Division, Department of Finance and Risk Management of all pertinent information regarding any capital asset that is reported to them on the Pima County Surplus Disposal Notification Form.

7.3. Fleet Services is responsible for informing the Financial Control & Reporting Division, Department of Finance and Risk Management of all pertinent information regarding any capital asset that is disposed of by the Fleet Services Department.

7.4. Any Department that disposes of any capital asset is responsible for ensuring that the appropriate Fixed Asset documentation is completed within Advantage.