1. **PURPOSE**

   The purpose of this procedure is to detail the management of capital assets owned by Pima County. This policy applies to all County departments.

2. **BACKGROUND**

   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 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 Developmental Services or the internal
service funds, the full amount capitalized is also expensed in the first year of the lease-purchase.

3. **DEFINITIONS**

**Capital Assets:** Capital assets are property of the County which includes: 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.

**Lease-purchase Agreements:** Lease-purchase agreements are contractual agreements which are termed “leases” but which in substance, amount to purchase contracts.

**Donated Assets:** Donated assets are assets transferred to the County by a third party at no cost.

**Acquisition Value:** 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.

4. **PROCEDURE**

A. **Capitalization Thresholds**

1. Assets are capitalized based on thresholds determined by the Director of Finance and Risk Management in conjunction with the Financial Control & Reporting (FC&R) Division Manager.

2. Capitalization thresholds for the various asset classifications are as follows:

   a. **Land**

      (1) Capitalize regardless of cost.

   b. **Buildings, Land Improvements and Other Improvements**

      (1) Capitalize if valued at $100,000 or above.

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

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

(1) Capitalize if valued at $5,000 and above with a useful life greater than one year.

B. Donated Assets

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

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. If the acquisition value is at or above the capitalization threshold of an asset classification, it is to be capitalized.

C. Non-Capitalized Property Management (Memo Asset)

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).

2. The Asset module of the financial system 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.

3. Non-capitalized memo assets will have a unique identification code in the financial system different than the capital assets.

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.

D. Asset Tagging

1. Every capital asset that is recorded in the financial system must have a unique pre-numbered asset tag assigned to it.

2. Those equipment assets valued at less than $5,000 may be tagged at the department’s discretion. If an asset is tagged, it should be recorded in the financial system by the department and the asset must be inventoried.

3. The Capital Asset section of the FC&R division, Department of Finance and Risk Management, assigns the pre-numbered asset tag to all equipment valued at $5,000 or above. The individual departments will attach the asset tags to the appropriate equipment.
4. Departments are responsible for attaching a unique pre-numbered asset tag to all non-capitalized assets and for recording in the financial system 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. Pre-numbered asset tags are to be procured from the Capital Asset section of the FC&R division, Department of Finance and Risk Management. The cost will be allocated to the department.

6. Departments are to complete a monthly Asset Tag Report for all department capital and memo 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.

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.

E. Asset Inventory

1. Annually, as part of the fiscal year-end process, all of a department’s assets must be inventoried.
   a. For those memo assets under $5,000, the departments shall prepare the inventory listing of its assets or may print this directly from Pima Insights. The link to reach the form directly is: Pima Insights
   b. For those capital assets above $5,000, a Fixed Asset Listing Report will be provided by the Capital Asset section, FC&R division or may be printed from Pima Insights.
   c. Any variance between the inventory listings and the physical inventory must be reconciled and the financial system must be adjusted.
   d. Any capital asset found to be untagged by the department, is to be noted and the department will be responsible for notifying FC&R so that an appropriate asset tag can be issued by FC&R.

2. The detailed capital asset listing and the current year activity 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 financial system.

3. The department, together with a Finance representative, on a sample basis, will validate tagging of assets to ensure assets are appropriately tagged and relevant information like tag number, serial number, make, model, etc. matches with the reports.
4. 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 link to reach the form directly is: Finance Forms (pima.gov)

   a. If there are multiple assets (minimum 12 assets) to be retired, transferred or changed, a summary listing of these assets together with one FA Input form signed by the authorized signer of the department, can be used as an attachment into the financial system as support for inventory listing changes.

   NOTE: Other forms of supporting documentation may be used by FC&R to make changes, if requested by the department.

F. Inventory Listing Approvals

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

   2. The department’s authorized signer(s) must approve the last page of the inventory listing or if preferred by the department, approve the inventory listing via email. This email confirmation will be used by FC&R as approval for the inventory listing that will be sent via email or interoffice mail by the specified date on the Fiscal Year-End Calendar.

G. Asset Disposal

   1. Disposal of surplus personal property is controlled by the 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.

   2. The Procurement Department is responsible for informing the FC&R 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.

   3. Fleet Services is responsible for informing the FC&R division, Department of Finance and Risk Management, of all pertinent information regarding any capital asset that is disposed of by the Fleet Services Department.

   4. Any department that disposes of any capital asset is responsible for ensuring that the appropriate Fixed Asset documentation is completed within the financial system.