

Yuma County Financial Services



Capital Asset Training

CAPITAL ASSET ACCOUNTANT I
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INTRODUCTION

Definition

★ The term *capital assets* includes land, improvements to land, easements and right-of-ways, buildings, building improvements, machinery and equipment, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful life greater than one year. (GASB S34, par. 19)

- ★ Tangible – property that has physical substance and can be touched
- ★ Intangible – not physical in nature

INDIVIDUAL MAJOR COUNTY ASSETS

- ★ Land
- ★ Buildings
- ★ Building Improvements
- ★ Improvements other than buildings
- ★ Machinery and Equipment
- ★ Construction-In-Progress
- ★ Infrastructure

Sources used in developing the capital asset training include :

- ★ Legal requirements pertaining to capital assets are derived from Arizona Revised Statutes (A.R.S.) and federal regulations.
 - General Accounting Principles (GAAP)
 - Government Accounting Standard Board (GASB)
 - Auditor General Uniform Accounting Manual for Arizona Counties (UAMAC)
- ★ Yuma County Purchasing Policy
- ★ Yuma County Information Technology Equipment Acquisition Policy
- ★ Yuma County Capital Asset Accounting Policy

Yuma County Capital Asset Definitions

Thresholds (Limits)
And
Oracle “Object” Codes

Land



- ✦ Not only Includes the land under infrastructure or building
- ✦ Legal, title, closing cost, survey and appraisal fees
- ✦ Preparation cost
 - Basic site improvements
 - (Clearing, filling, grading)
 - Building demolition
- ✦ Includes related rights (unless acquired separately)
 - Mineral and Water rights
 - Easements and right-of-ways
- ✦ Threshold – All Land acquisitions regardless of cost should be coded to (45110)

- ✦ Include parcel number & square foot of property

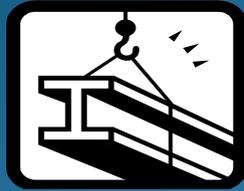
Buildings



- * All acquisition cost of permanent Structures
- * Expenditures to ready building for serviceable condition
 - Alterations fees, materials & services
 - Remodeling fees, materials & services
 - Professional fees directly related to acquisition (Purchase of new building)
 - Building permits & licenses
- * New Building construction (See Construction in Progress until complete 45510)
 - Architectural and Engineering
 - Other Purchased Services
 - Design
 - Construction Material
 - Professional Services
 - Building Permits & Licenses

* Threshold – All Building acquisitions and construction regardless of cost should be coded to (45210)

Building Improvements and Fixtures



- ★ Building Improvements are : Alterations or additions to existing building, remodeling, building materials, professional fees directly related to improvement, building permits & licenses
- ★ Building Fixtures are : Permanently attached fixtures that can't be removed from building without damaging it or the items that are removed
- ★ Threshold – All improvements with a cost of \$10,000 or more should be coded to (45210)

Building Improvements

Improvements should either :

- increase usefulness
- increase function
- increase service capacity (effectiveness or efficiency)

Examples

Creating new office space
Building Room Addition
Restroom Addition
Service Counter or window
Handicap access doors or ramps
Relocating entrance / exit for better public access

- significantly extend the buildings useful life

Examples

Adding exterior siding or stucco
Adding additional insulation materials to increase energy efficiency

Building Fixtures

Examples

Permanently attached fixtures such as;

- heaters, duct work, building modifications and installation fees
- air conditioners, duct work, building modifications and installation fees
- security systems, cameras, recording system, power supply, wiring, labor and installation fees
- phone system, labor and installation fees
- television systems, wiring, labor and installation fees



** anything that can't be removed from building without damaging it or the items that are removed **

Building Improvements and Fixtures Threshold



If improvements are under the \$10,000 threshold or only maintains the original condition of the building it should be expensed to :

- Building Supplies (41310)
- Plumbing Supplies (41340)
- Electrical Supplies (41350)
- Architectural and Engineering (42171)
- Other Purchased Services (42191)
- Building repair and maintenance (43060)



If removable- consider Machinery & Equipment with a threshold of \$5,000.

Improvements other than buildings

- ★ The improvement must add value to land but have a limited useful life
- ★ The Improvement must be permanent and non-moveable
- ★ Threshold
 - Other Improvements with a cost of \$10,000 or more should be coded to (45390)
 - Parking Lots with a cost of \$10,000 or more should be coded to (45310)
 - Fences with a cost of \$10,000 or more should be coded to (45340)



Improvements other than buildings

Examples

- fences
- retaining walls
- parking lots
- sprinkler system
- flag pole
- monument or sign



Improvements other than buildings - Threshold

If improvements are under the \$10,000 threshold or only maintains the original condition of the asset it should be expensed to:

- Grounds Supplies (41311)
- Grounds repair and maintenance (43070)
- Architectural and Engineering (42171)
- Other Purchased Services (42191)

Machinery and Equipment

- * Motorcycles (45410)
- * Automobiles (45411)
Cars, Trucks, SUV's and Vans
- * Boats (45412)
- * Communication Equipment (45420)
Radio's, phones
- * Furniture (45430)
- * Office Machines (45440)
Printers
- * Duplicating Equipment (45445)
Copiers
- * Data Processing & Computer Equipment (45450)
includes Software
- * Construction Equipment (45460)
- * Kitchen and Laundry Equipment (45480)
- * Engineering & Scientific Equipment (45490)
- * Other Machinery and Equipment (45495)
- * Threshold – A cost of \$5,000.00 or more per *individual item or unit*



What would be considered a “Unit”

Component or assembly of components permanently attached together that perform a specific function



- Shelving Unit
- Work station
- Emergency backup system



Example

Purchase
items billed by individual piece
Spent a total of (\$19,836.40) 45430



24 Chairs	208.26 each	4,998.25
Design & Labor		1,135.14
Taxes		<u>464.84</u>
Total spent on chairs		6,598.23
		274.93 ea.

Not a capital asset "under threshold"



12 Tables	389.88 each	4,678.56
12 Brackets	26.64 each	319.68
Design & Labor		1,135.14
Taxes		<u>464.84</u>
Total spent on tables		6,598.22
		549.86 ea.

Not a capital asset "under threshold"

Set Panels	403.98
Set Panel mounts	61.68
Tack able Tiles	510.50
Tile Tool	133.50
Tile attachment kit	135.64
Tile segment kit	70.50
Trim	77.98
Wire manager	62.48
Task Light	302.24
Flapper Doors	506.72
Wall mount	64.08
Stride wall track	139.92
Lock core kit	54.46
Corner cove	303.32
Personnel tower	1,627.92
Mobile Ped	259.52
Brackets,gussets,grommets	261.41
Design & Labor	1,142.32
Taxes	<u>467.78</u>
Total spent on workstation	6,639.95



This workstation would be considered a "unit" and would be a capital asset under furniture

Machinery and Equipment Threshold

If machinery and/or equipment is under the asset threshold of \$5,000 per item or unit it should be expensed to:



- Small tools less than \$2,000.00 (41502)
- Capital Outlay \$2,000.00 - \$4,999.99 (41503)

Construction in Progress

- * Construction in Progress is the accumulation of cost incurred during the construction of an asset that extends multiple budget years. The accumulated costs are held in Construction in Progress until the project is determined to be “substantially complete” or ready for its intended use.
- * When do you start accumulating cost;
 - A cost should be accumulated only if it is directly identifiable with a specific project
 - Incurred after related project has come to be considered probable (likely to occur)
 - Funding has been approved
 - Studies or Survey’s are not included in CIP projects
- * What happens once the CIP project has been completed ; the expense are moved to the proper asset type
 - Buildings
 - New Construction
 - Expenditures to ready a newly purchased building for serviceable condition
 - Building Improvements
 - Improvements other than building
 - Infrastructure
- * Construction in Progress (45510)
- * Threshold
 - All Buildings ; new construction or acquisition cost regardless of amount
 - All Infrastructure acquisitions regardless of cost
 - Building Improvements over \$10,000
 - Improvements other than building over \$10,000



Acquisition “Purchase” Cost

Examples – Land

- Legal and title fees
- Closing cost
- Appraisal fees
- Surveying fees
- Land preparation cost
- Demolition cost

Examples – Building

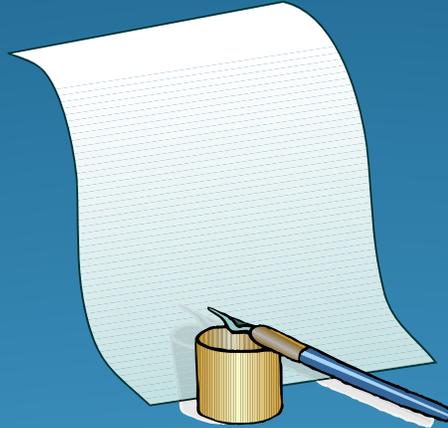
- Legal and title fees
- Closing cost
- Transportation charges - Modular
- Expenditures to ready building for serviceable condition

New Construction Cost

Examples

- Architectural and Engineering
- Other Purchased Services (Geotechnical or Environmental)
- Design
- Construction Material
- Professional Services (Contractor)
- Building Permits & Licenses

Consumables



Note: Office supplies don't typically last more than one year. Under section 179 of the IRS code, office supplies are considered current operating expenses (ordinary day-to-day operating expenses cannot be capitalized)

Training cost (not capitalized)

- ★ “The cost of a capital asset should include charges necessary to place the asset into its intended location and condition for use”
 - Training affects neither
- ★ A cost needs to provide benefit throughout the useful life of a capital asset to justify being depreciated over that same period
 - Not true of training costs (e.g., employee turnover)

Improvements

- ★ General rule
 - Capitalize improvements
 - Expense repairs and maintenance
- ★ Combined with repairs
 - Separate and treat accordingly

Improvements should increase the usefulness: function, service provided for public use or significantly extend its useful life.

Infrastructure

- ★ Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets

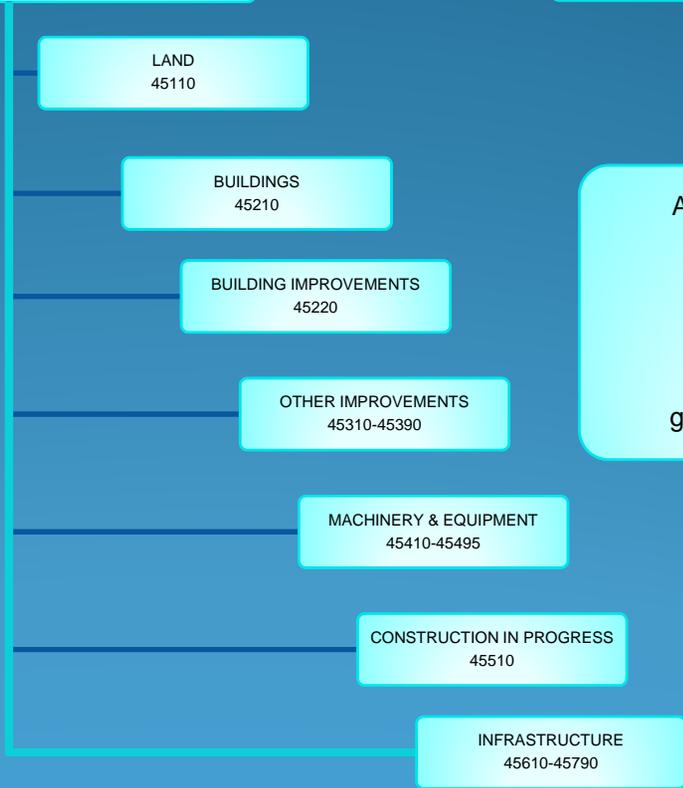
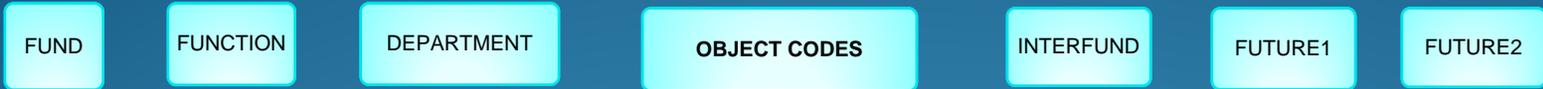


- ★ Threshold – All Infrastructure acquisitions regardless of cost

Yuma County Infrastructure Types

- Traffic Signals (45610)
- Paved Roads (45620)
- Gravel Roads (45630)
- Bridges & Large Culverts (45640)
- Street Lights (45650)
- Flood Control Drain Wells (45710)
- Flood Control MAJ Conveyances & Outfalls (45720)
- Flood Control Pump Stations (45730)
- Flood Control Retention & Detention Basins (45740)
- Flood Control Storm Sewers & Pipelines (45750)
- Miscellaneous Flood Control (45790)

ORACLE ASSET CODING



Any item under the Asset
“object code”
must qualify as a
Capital Asset
under
Yuma County’s
guidelines and thresholds

Examples

Roofing Projects

\$44,224

1-168 South 2 nd Avenue	\$23,194.29
2-250 South 2 nd Avenue	\$15,330.00
3-3005 Pacific Avenue	\$ 1,296.00
4-198 South Main Street	\$ 904.00
5-307 Pacific Avenue	<u>\$ 3,500.00</u>
	\$44,224.29

What was done – a layer of protective coating was added to existing roof's at various locations

Which are Assets

1,2

What Type of Asset

Building Improvement

Why

Will increase the life of the building & meets threshold

Which are building repair and maintenance

3,4,5

(43060)

Why

Under the \$10,000 thresholds

You can not add multiple buildings together

CAPITAL ASSET POLICY & PROCEDURES

INTRODUCTION

- ★ Capital assets consist of assets of a relatively permanent nature, including land, land improvements, buildings, building improvements, vehicles, machinery, equipment, infrastructure assets, and construction in progress. These assets are a major investment of county monies and must be adequately accounted for and controlled.
- ★ Yuma County has established a property control system for capital assets to meet a variety of objectives.

OBJECTIVES

Accountability & Audit ability

- ★ Properly value and classify assets
- ★ To Safeguard the investments of the citizens of Yuma County
- ★ To assign custodial responsibility for assets on the department level
- ★ To provide a basis for formulating capital asset acquisition, maintenance and retirement process
- ★ To establish definitive guidelines and general policies for proper accountability of County's Assets
- ★ Meet financial statement reporting requirements
 - Annual Expenditure Limitation Report (Independent Auditor)
 - Popular Annual Financial Reporting (Government Finance Officers Association)

CAPITAL ASSET PROCEDURES

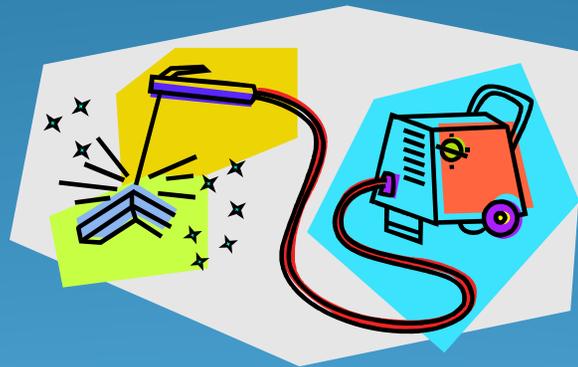
PHYSICAL CONTROLS

- ★ Tagging- All machinery and equipment with a unit cost of \$5,000 or more should have a Yuma County Asset Tag placed on them 
- ★ Verification of Capital Asset Register
 - Finance provides a list of capital assets assigned to the responsible Department head at the close of each fiscal year.
 - Each Department head verifies the listing of assets for which he/she is responsible
 - All differences must be investigated and reported to the Finance director to ensure the audit ability of the listing
- ★ Physical Inventory
 - Every three (3) years
 - Items purchased from Grant Funds are every two (2) years
- ★ Assets below the capitalization threshold but warranting “control” shall be inventoried, controlled and maintained at the department level by employee assigned custodial and recordkeeping duties by the Department head

What would be considered an Asset below the capitalization threshold but warranting “control” on department level

Machinery & Equipment with a cost below \$5,000 that still has significant value

- Desktop computers
- Laptop computers
- iPad
- Mobile computers
- Vehicles
- Specialty Tools
- Cell or Smart phone



- Welders
- Copiers
- Printers
- Scanners
- Trailers
- Hand held radio's
- Heavy equipment

The Finance director reserves the right to request copies of the “controllable” items inventory when deemed pertinent

CAPITAL ASSET PROCEDURES

Acquisitions / Disposals Require Capital Asset Activity Reports (CAAR)

*Purchase

- Department heads shall acquire assets in compliance with the Yuma County's Purchasing Policy, the Arizona Revised Statutes, and the Yuma County's Communication and Information Technology Equipment Acquisition Policy
- CAAR form must be attached to demands with object codes between "45410-45495" (one form per Asset). Exception "pre-pay"
- Vehicle Titles must be sent to the Capital Asset Accountant for safe keeping as soon as they are received

*Transfer of assets between departments

- The Department head transferring a capital asset to another department within the County organization shall report the asset transfer within fifteen (15) days of the transfer date using a CAAR form

*Trade-In

- CAAR form must be attached to demand submitted to Accounts Payable for payment of new equipment that shows the asset traded

*Loss or Theft

- Lost or stolen assets should be immediately reported to the appropriate law enforcement agency and to the Finance director. Within thirty (30) days of date of loss, the responsible Department head shall submit a CAAR form describing the asset

*Damaged / Obsolete / Destroyed

- The Department head shall report within fifteen (15) days using a CAAR form

*Donation

- Accepted; The Department head shall record at its estimated fair market value at time of acquisition using a CAAR form
- Given; The Department head shall report within fifteen (15) days using a CAAR form (includes land annexation & buildings)

*Sale of capital asset

- Surplus Inventory ,land or building must be submitted and approved by the Board
- Once assets have been approved for sale submit the CAAR form
- Proceeds of sale and Treasurer's Receipt number will be completed by finance



CAPITAL ASSET ACTIVITY REPORT (CAAR) YUMA COUNTY, ARIZONA

FINANCE USE ONLY

Asset Tag # _____
 Date Issued _____
 Asset Class _____
 Account Code _____
 Finance Director Approval _____

Date Form Prepared: _____ Prepared By: _____

Reporting Department: _____ Title: _____

TYPE OF ACTIVITY:

_____ Acquisition
 _____ Purchase New _____
 Used _____
 Lease _____

_____ Interdepartmental Transfer
 From: _____
 (Complete lines 1, 2, 10, 11, 12)
 To: _____
 (Complete lines 1, 2, 3, 9, 10, 11)

_____ Disposal
 _____ Lost/Stolen (Lines 1, 2, 10, 12, 15)
 _____ Damaged/Obsolete (Same as Transfer + 15)
 _____ Destroyed (Lines 1, 5, 6, 12, 15)
 _____ Sale/Auction (Lines 1, 3, 10, 12, 13, 15)

(Complete lines 1 through 11)

FIXED ASSET INFORMATION:

General Description: 1. _____
 Manufacturer's ID Number: 2. _____
 Primary Location of Asset: 3. _____
 Vendor/Donor: 4. _____
 Acquisition Cost: 5. _____
 Source of Funding: 6. _____
 Method of Procurement: 7. _____

Purchase Order/Requisition No.: 8. _____
 Acquisition/Transfer in Date: 9. _____
 Asset Tag Identification No.: 10. _____
 General Condition of Asset: 11. _____
 Disposal/Transfer-out Date: 12. _____
 Total Proceeds of Sale: 13. _____
 Treasure's Receipt No. (Printed): 14. _____

ADDITIONAL INFORMATION: 15. _____

APPROVAL BY AGENCY HEAD:

Signature: _____ Date: _____

Oracle & Capital Assets



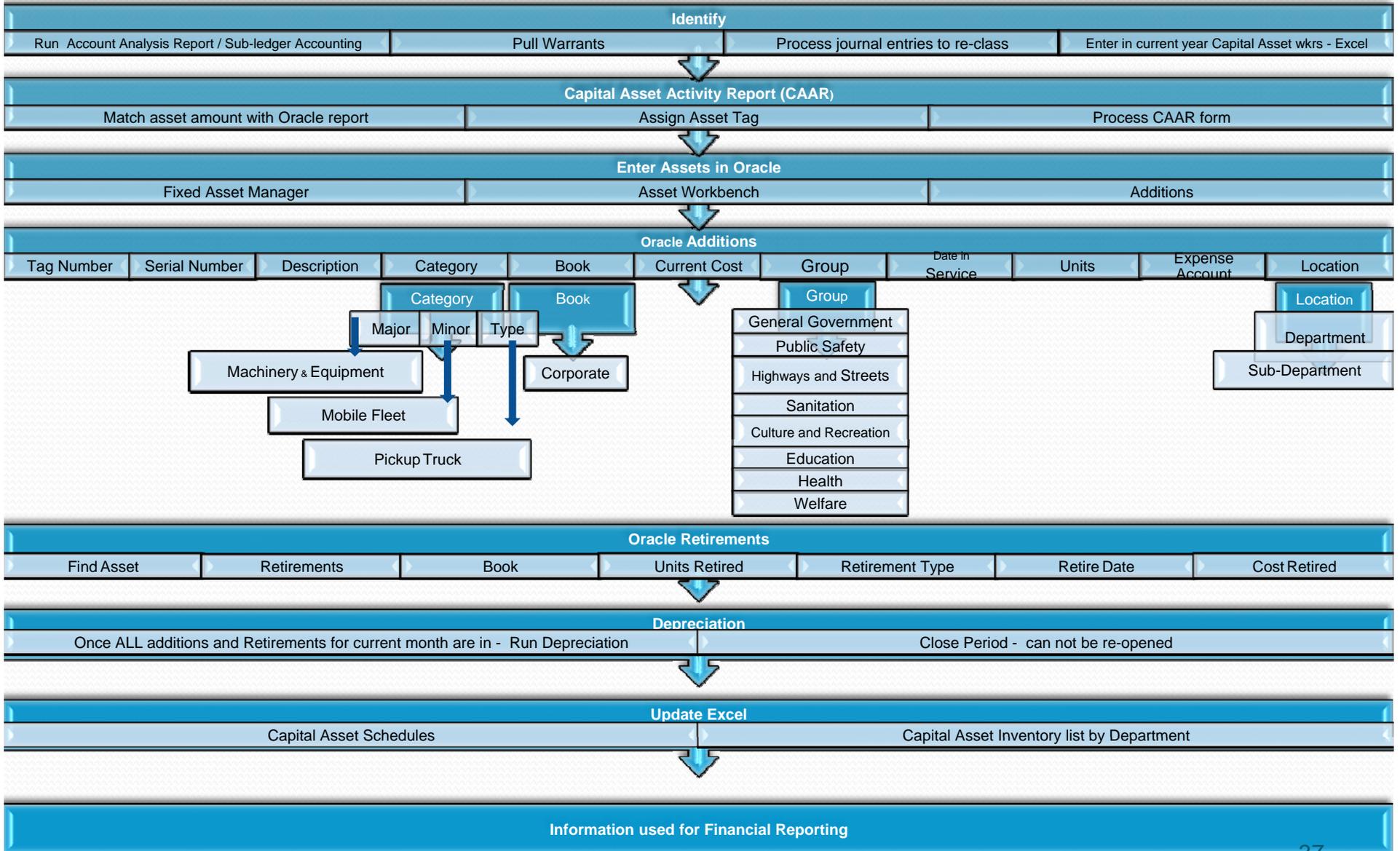
Capital Assets are not currently linked to Oracle A/P or the General Ledger

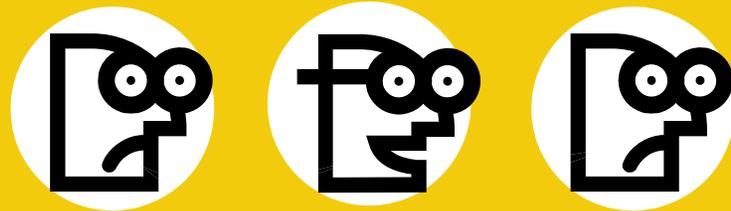
They are added thru a Manual Additions / Retirement Process Monthly

Once all asset transactions for a current month are entered in Oracle :
depreciation is ran and the period is closed and *can not* be re-opened

Depreciation is reported in our Financials

Capital Assets Manual Additions Process





It's QUESTION TIME!!

Thank You All For Coming

*We appreciate your feedback
Please let us know how we are doing
and what information on
the department level
is needed in order
to better serve you*

