YUMA COUNTY
Financial Services Deparment
History: Adopted by BOS on 10/17/05, Item No. 4
ID #: 0502

CAPITAL ASSET ACCOUNTING POLICIES

I Introduction

This policy is meant to ensure compliance with various accounting and financial reporting standards including general accepted accounting principles (GAAP) and applicable State and Federal capital asset regulatory and reporting requirements related to property (UAMAC and OMB).

Further, this policy is created to reflect Yuma County desire to meet the reporting requirements set forth in the Governmental Accounting Standard Board (GASB) *Statement No. 34 of the Governmental accounting Standards Board, Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments.* This accounting standard amends and established new financial reporting requirements, including significant new changes to report infrastructure assets and depreciate general governmental capital assets. The purpose of this policy is as follows:

- To safeguard the investments of the citizens of Yuma County
- To fix responsibility for the custody of equipment
- To provide a basis for formulating capital asset acquisition, maintenance, and retirement process.
- To establish definitive guidelines and general policies for the proper accountability of County's Capital Assets.

II Capitalization Policy

To establish accountability and control over the government's investment in property, which comprises a significant resource, the Board of Supervisors makes the following assertions:

<u>Capital Assets</u> are tangible or intangible assets used in operations and have initial useful lives extending beyond a single reporting period. Capital Assets shall include Land and land improvements, Buildings and buildings improvements, Machinery and equipment, Infrastructure, Construction in progress, and Improvements other than buildings.
(See Appendix A for more detailed information)

<u>Infrastructure Assets</u> are long-lived capital assets that normally are stationary in nature and can be preserved for a significant greater number of years than most capital assets. Infrastructure shall include Roads, Bridges, Street lights, Traffic signals, and Drain, Water and Sewer systems. (See Appendix A for more detailed information)

Improvement(s) should increase the capacity and/or efficiency of the asset and extend its useful life in order to be capitalized. If the expenditure only maintains the original condition of the asset it should be considered repair and maintenance.

II Capitalization Policy (Continued)

Repair and Maintenance is any project or expenditure which allows an asset to continue to be used during its originally established useful life or original condition. Such projects or expenditures would not be capitalized.

Valuation: Capital Assets are recorded at historical cost including any ancillary charges necessary to place the asset into its intended location and condition for use.
(See appendix A for samples of Ancillary charges)

Donated Capital Assets are recorded at their estimated market fair value at the time of acquisition.

Major expenditures for capital assets and improvements are initially reported in the Construction in Progress (CIP) account and capitalized upon completion. Interest incurred during the construction phase of capital assets and improvements in business-type activities are included as part of the historical cost of these capital assets.

Depreciation: all assets, with the exception of Construction in progress, Land, Land improvements, and Infrastructure using the modified approach (see Appendix B for more detailed information), shall be depreciated using the straight-line method with no allowance for salvage values. The estimated capital assets useful lives currently used follow:

Land	Non-Depreciable
Buildings	15-50 Years
Machinery and Equipment	5-25 Years
Infrastructure (as applicable)	10-50 Years
Improvements Other than Buildings	10-45 Years
Construction in Progress	Non-Depreciable

(See Appendix C for more detailed information)

Custody and Responsibility: Department heads shall be responsible for all resources in their care. Such responsibility requires control of capital assets and use of established procedures to safeguard assets from unauthorized use, theft and/or damage. Good stewardship requires prompt and accurate reporting of all acquisitions, transfers, and dispositions in detail to the Finance director.

Details include such data elements as asset description, location, make, model, serial number, date of acquisition, cost, estimated useful life, and other information deemed relevant.

The Finance director shall ensure that accounting for capital assets is being exercised by establishing a capital assets inventory, both initially and periodically in subsequent years. The Finance director will further ensure that the capital assets report will be updated

II Capitalization Policy (Concluded)

annually to reflect improvements, additions, retirements, and transfers. Also reflect the new annual capital asset balance for financial reporting purposes as well as the annual and accumulated depreciation calculation. To assist the Finance Director in this endeavor, a property control coordinator may be appointed.

III Capitalization Thresholds

To be considered a capital asset for financial reporting purposes an item must be at or above the capitalization threshold.

- Land: All land shall be capitalized at time of acquisition regardless of cost or fair market value if donated.
- Buildings: Buildings and/or related improvements costing ten thousand ($10,000) dollars or more shall be capitalized.
- Machinery and Equipment: Machinery and equipment with unit cost of five thousand ($5,000) dollars or more shall be capitalized.
- Infrastructure: Infrastructures costing ten thousand ($10,000) or more shall be capitalized at time of acquisition or construction.
- Improvements other than Buildings: Improvements other than buildings costing ten thousand ($10,000) dollars or more shall be capitalized.

Assets below the capitalization threshold but warranting "control" shall be inventoried and controlled at the department level and an appropriated list will be maintained. Data elements are to include asset description, location, make, model, serial number, and other information that assist control or deemed relevant. The Finance director reserves the right to request copies of the "controllable" items inventory when deemed pertinent.

IV Property Control Procedures

A.- Acquisitions and Constructions:

- Department heads shall acquire assets in compliance with the Yuma County's Purchasing Policy, the Arizona Revised Statures, and the Yuma County's Communication and Information Technology Equipment Acquisition Policy; or may accept a donation or bequest to be recorded at its estimated fair market value at time of acquisition after proper Board of Supervisors approval.

- Department heads shall use the Capital Assets Activity Report (CAAR) form to report the capital assets acquisition. Information should be provided to the Finance director within fifteen (15) days of the date of each acquisition. Form must be properly and fully completed.

- Department heads shall notify The Finance director of constructed and/or contracted infrastructure upon project approval or the first disbursement for services. Department heads shall identify each disbursement to its corresponding infrastructure project. Department head should notify The Finance director upon completion of each project.

IV Property Control Procedures (Continued)

B.- Interdepartmental Transfer:

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

- The Department receiving a transferred asset shall report the acquisition to the Finance director within fifteen (15) days of the transfer date using a CAAR form.

C.- Disposal of Capital Assets:

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

- Department heads are authorized to dispose of property with an estimated total current value of less than $250. (See Yuma County Purchasing Policies under "Policies-General" <u>Section N,</u> for proper disposal instructions.) Upon capital asset disposal, Department must notify the Finance director submitting a CAAR form.

- Destroyed assets should be reported on the CAAR form by the responsible Department head to the Finance director within fifteen (15) days of the loss.

- Damaged or obsolete assets should be reported to the Finance director when transferred to the Grounds & Maintenance department warehouse for surplus or obsolete property. Transferring department should use the CAAR form to notify Finance of transfer.

- Sale of capital assets shall be authorized by the Board of Supervisors as prescribed by Arizona Revised Statutes (ARS) 11-251.9. All sale proceeds shall be deposited, intact, with the Yuma County Treasurer no later than the first business day following the sale.

D.- Tagging Acquisitions:

- Upon receipt of the CAAR form, the Finance director shall verify the cost of purchased acquisitions through the County's encumbrance and/or cash disbursement system.

- The Finance Director shall return copy of processed CAAR form confirming the addition of the acquisition to the capital asset register along with the issued tag to the appropriate Department head within fifteen (15) days of receiving the acquisition reports (CAAR Form).

- The Department head shall verify the system information for accuracy before tagging the asset. Any discrepancies shall be reported to the Finance director

IV Property Control Procedures (Concluded)

within three (3) business days. The Finance director shall resolve all reported discrepancies to ensure that the system data is accurate and auditable.

- The responsible Department head shall affix the issued tag to the asset within three (3) business days in a place which will:

  a) Facilitate a physical inventory;
  b) Not damage or impede asset use; and
  c) Deter removal or tampering with the tag.

- If item to be tagged is in a difficult place to reach, inside another unit or can't be tagged, Department head shall maintain tag along with pertinent information on a secure place and shall make information available upon request.

- For practicability reasons land, land improvements, buildings, building improvements, and infrastructure will not be tagged. Instead a special numbering system will be kept in the Financial Services department. A CAAR form must be completed to notify Finance of acquisition or construction,

E.- Physical Inventory:

- The Finance director shall conduct a physical inventory of capital assets at least once every three (3) years.

- Grantor-Required physical inventories at frequencies other than once every three (3) years shall be the responsibility of the applicable Department head or special arrangements with finance for audit purposes.

F.- Verification of Capital Asset Register:

- The Finance director shall provide a list of all assets assigned to the responsible Department head at the close of each fiscal year. Each Department head shall verify the listing of assets for which he/she is responsible. All differences must be investigated and reported to the Finance director to ensure the auditability of the listing.

- The Finance director shall be responsible for proper accountability and financial statement presentation of all capitalized assets according to accounting principles for governmental units as promulgated by the Government Accounting Standard Board (GASB).

Policies adopted may not be changed, waived, added to or deleted except by action of the Board of Supervisors. Procedures may be modified, added to or deleted by the County Administrator and Finance Director as required to comply with the ARS's, UAMAC, GASB, and changes in internal control or processing procedures.

YUMA COUNTY
Financial Services Department
History: Adopted by BOS on 10/17/05, Item No. 4
ID #: 0502

CAPITAL ASSET ACCOUNTING POLICIES

Appendix A – Asset Definitions by Major Category and Ancillary Costs

It is important to the maintenance of accurate records that each asset category be precisely defined and that all persons responsible for records maintenance are fully aware of the categorization system. This appendix lists the descriptions for each category of capital assets. These categories are grouped into MAJOR categories for reporting in the County's Comprehensive Annual Financial Report (CAFR).

Previously, long-term physical assets were called fixed assets. General government fixed assets were accounted for in the General Fixed Assets Account Group, which was presented as a separate column on the Combined Balance Sheet within the General Purpose Financial Statements. Under new reporting requirements (GASB #34) these general government fixed assets are joined by infrastructure assets and are known as Capital Assets. These Capital Assets are part of the governmental activities column on the new Statement of Net Assets. Depreciation which previously was reported only in proprietary and certain trust funds types is now required to be recorded as an expense at the government-wide level in the new Statement of Activities.

By definition, Capital Assets are tangible or intangible assets used in operations and have initial useful lives extending beyond a single reporting period. The major classes of assets reported in the County's CAFR are the followings:

1. **Land-** is considered unimproved realty property and each "parcel" of land owned shall be recorded as a separate asset. Incorporated to this capital asset category are ***Land Improvements*** which consist of site preparations and site improvements which only intended use is to clear the land.

Land includes all real property owned by Yuma County, i.e., Right-of-Ways, special use parcels, and general land parcels on which facilities are located. Improvements to land may include, land excavation, leveling, filling, grading, and drainage.

Land and land improvements costs include, but are not limited to:

- Land's initial cost. Purchase price or if donated, fair market value at time of acquisition.
- Professional fees such as title searches, architect, legal, engineer, appraisal, survey, negotiation, and commissions fees.
- Assumption of liens, mortgages or encumbrances on the property.

- Removal, relocation or reconstruction of property of others, with the intention of using the cleared land.

1. Land (Concluded)

- Demolition of unwanted structures, at time of acquisition of the land, with the intention of using the cleared land.
- Site preparation. Excavation, clearing, leveling, grading, drainage, filling, and utility installation, with the intention of using cleared land.
- Right-of-Ways acquisition costs.
- Special use land cost. Parks, airports, etc.
- Other County General Purpose parcel cost.

2. **Buildings-** are structures permanently attached to the land, have a foundation and roof, are partially or complete enclosed with walls, and are not intended to be transportable or movable. Buildings are designed to house persons or County's property. Also, included in this major asset category are ***Building Improvements***, which materially extend the useful life of a building, increase its capacity and/or efficiency, and/or adapt building to a new use (leased building included).

Building and building improvements costs include, but are not limited to:

- Initial cost. Construction or purchase cost. If donated, fair market value at time of acquisition.
- Professional fees such as title searches, architect, legal, engineering, appraisal, inspections, negotiation, environmental compliance and commissions.
- Expenditures for remodeling, reconditioning or altering a purchased building to make it ready to use for the purpose for which it was acquired (in-house labor cost if applies).
- Cost of temporary buildings used during construction.
- Payments of unpaid or accrued taxed on the building to date of purchase.
- Cancellation or buyout of existing leases.
- Permanently attached fixtures or machinery that cannot be removed without damaging the building.
- Unanticipated costs such rock blasting, piling, etc.
- Installation or upgrade of heating and cooling, phone, and close circuit television systems, as well as, networks and fiber optic cables.
- Structural changes as reinforcements of floors or walls, or other interior framing.
- Internal labor directly chargeable to a capital project that would not have been incurred during the period in the absence of activity associated with the project.

Buildings & Infrastructure- certain buildings or structures that are ancillary part of infrastructure networks, such as rest area facilities and pumping stations should be reported as infrastructure rather than as a building.

2. Building (Concluded)

Building Components- a building shall be recorded as a number of "components" assets. Component Assets have significant and separately identifiable costs associated with them. The separate recording of building components helps facilitate the partial retirement of building due to renovations, resulting in a more accurate and useful capital assets valuation.

- **a) General Construction:** the basic construction components, such as foundation wall, interior foundations, slab on ground, framing, exterior wall, and structural floor.
- **b) Site Preparation:** cleaning, grading, demolitions, installing public utilities, and others ancillary charges.
- **c) Roof and Drainage:** roof covering materials and drainage
- **d) Interior Construction:** interior finish such as floor, ceiling, and wall partition materials and finishes.
- **e) Plumbing:** general plumbing; fixtures and installation of such items as sinks, lavatories, drinking fountains, bathtubs, showers, urinals, and water heaters.
- **f) Heating, Ventilation, and Air Conditioning (HVAC):** system for heating, ventilating, and cooling a building (furnace, boiler, and rooftop packaged units).
- **g) Electrical:** electrical services including wiring and lighting.
- **h) Fire Protection, Life Safety:** sprinkler systems, manual fire alarms systems, and automatic fire detection systems.
- **i) Elevators:** elevators and landings
- **j) Miscellaneous:** features such as emergency generators, intrusion alarm systems, electric doors, and fire escapes.

3. **Machinery and Equipment-** is typically any movable, non-consumable, tangible or intangible property used in the operations of the County. Fixtures attached to land or buildings in such way that removal alters the intended use of the facility or site are a part of the land, or building to which they are attached, and **consequently**, are not considered to be machinery and equipment. Examples are machinery, tools, vehicles, furniture, and computer and communications equipment. Each piece of machinery and equipment acquired that is determined to be a capital asset is recorded as a separate asset.

An asset with associated component parts that are necessary to the functioning of the asset is considered to be all one asset when the life and utility of the component parts are mainly dependent on that asset. For financial reporting purposes, the cost of the asset and its component parts are together subject to the $5,000 (five thousands) threshold. For example, a mainframe C.P.U. with a cost of $4,000 and its associated cables with a cost of $1,500 would qualify for financial reporting since their combined cost exceeds the $5,000 threshold.

3. Machinery and Equipment (Concluded)

For purchases made in which the aggregate price is greater than the capitalization threshold of $5,000 (five thousands), the unit price of each individual piece of equipment determines whether that piece of equipment will be capitalized. The aggregate purchase price is irrelevant. For example, the purchase of six identical chairs for $5,400 would not require capitalization, as the unit price for each chair would be only $900. However, if it is the department's policy to capitalize these chairs as "controllable" equipment they shall be recorded in their equipment records.

Computer Software developed internally or acquired for internal use shall be capitalized if it meets <u>both</u> of the following characteristics:

a) The software is acquired, internally developed, or modified solely to meet the departments' internal needs, **and**
b) During the software's development or modification, no substantive plan exists or is being developed to market the software externally.

Computer software costs that are incurred in the <u>preliminary projects stage</u> should be expensed. Computer software costs incurred to develop internal-use computer software during the <u>application development stage</u> should be capitalized if the total cost exceeds the capitalization threshold. Computer software costs that are incurred in the <u>post-implementation/operation stage</u> should be expensed. General administration costs and overhead costs should not be capitalized as costs of internal-use software.

For additional guidance on capitalization of software intended for internal use, reference to the AICPA statement of Position 98-1, "Accounting for the Cost of Computer Software Developed or Obtained for Internal Use".

Cost of machinery and equipment include the total purchase price after purchase discounts, plus any trade-in allowances, taxes, and any other cost required to prepare the asset for its intended use. Examples of these other costs include, but are not limited to:

- Freight or transportation charges,
- Handling and storage charges,
- Import duties,
- Installation, testing, and preparing for use charges,
- In-transit insurance charges, and
- Parts and internal labor directly chargeable to capital asset that would not have been incurred during the period in the absence of activity associated with the capital asset.

4. **Infrastructure**- are long-lived capital assets that normally are stationary in nature, of value only to the government unit, and can be preserved for a significant greater number of years than most capital assets. Examples include roads, bridges, tunnels, street lights, traffic signals, drain systems, and water and sewer systems.

Buildings, except those that are an ancillary part of a network of infrastructure assets, should not be considered infrastructure assets. Also, **Right-of-Way** is a capital asset separate from infrastructure that should be recorded under land. Right-of-Way acquisitions shall be valued and inventoried based upon the amount paid directly or indirectly to the property owners to acquire the land or easement thereto.
See Land section for more detail.

Network of assets are all assets that provide a particular type of service for a government. It may be only one infrastructure asset that is composed of many components. As an example, roads could be a network of assets; it might be further composed of the paved road, sidewalks, and traffic signs and signals.

The cost of infrastructure includes, but is not limited to:

- Materials and professional services to construct the asset,
- All internal labor and insurance directly chargeable to a capital project,
- Buildings cost only for those ancillary to a network of subsystem of infrastructure,
- All other indirect cost incurred during the period of construction, to place the asset into its intended use, and
- Interest incurred for proprietary funds only.

The amount of cost that should be capitalized depends on whether the modified approach is used to account for the respective network of infrastructure. For financial reporting purposes infrastructure has been divided in the following networks:

a) **Roads:** County highways, subdivision, public access, and Gravel roads.
b) **Bridges**: County owned bridges and large culvers are included only.
c) **Traffic Signals**: Mostly traffic signals and flashing lights.
d) **Drain Systems**: Retention and detentions basins, storm sewers and pipelines, major conveyance and outfalls systems, pump stations, drainage wells, and other miscellaneous flood control systems.

5. **Improvements Other than Buildings**- consist of betterments and site preparations and improvements, other than buildings, affixed to land that generally add to its value and functionality. These betterments or site preparations

have the intention to develop the land rather than just clearing it. Examples include: New parking lots, landscaping, fencing, gateways, retaining walls, sprinkler systems, septic systems, path and trails, golf courses, stadiums, and recreation and athletic areas.

5. Improvements Other Than Buildings (Concluded)

All cost incurred to prepare land to its intended use should include, but not limited to:

- Site improvements such as excavation, fill, grading, and utility installations, with the intention of using the developed land,
- Removal, relocation, or reconstruction of property of other, with the intention of using the developed land,
- Original expenditures associated with trees, shrubs, flowers, and landscaping in general. (These MUST occur at the time that the land is initially being readied for use.);
- Demolition of unwanted structures at time of acquisition of the land, with the intention of using the developed land, and
- Internal labor directly chargeable to a capital project that would not have been incurred during the period, in the absence of activity, associated with the project.

Expenditures made to maintain land in its original condition are generally considered repair and maintenance and should not be capitalized.

Land on Improvements is also recorded as separate asset. For example, a parking lot is recorded as a separate asset from the land upon which is built.

6. <u>Construction in Progress</u>- is the accumulation of cost incurred during the construction of an asset. The accumulated costs are held in Construction in Progress until such time as the project is determined to be "substantially complete" or ready for its intended use.

YUMA COUNTY
Financial Services Department
History: Adopted by BOS on 10/17/05, Item No. 4
ID #: 0502

CAPITAL ASSET ACCOUNTING POLICIES

Appendix B – The Modified Approach

GASB #34 offers an exception to depreciation reporting for eligible infrastructure assets that are part of a network or subsystem of a network. This is known as the Modified Approach. Eligible infrastructure are assets that are part of a network, or subsystem of a network,

A Network of assets is composed of all assets that provide a particular type of service for a government. A network of infrastructure assets may be only one infrastructure asset that is composed of many components. For example, a network of infrastructure assets may be a dam composed of a concrete dam, a concrete spillway, and a series of locks.

A Subsystem of a network of assets is composed of all asserts that make up a similar portion or segment of a network of assets. For example, all roads of a government could be considered a network of infrastructure assets. Interstate highways, state highways, and rural roads could each be a considered a subsystem of that network.

In order to a network or a subsystem of network could qualify for the modified approach, eligible infrastructure must meet **both** of the following two requirements:

a) Government must manage the eligible infrastructure assets using an Asset Management System. This assets management system must:
   - Have an up-to-date inventory of eligible infrastructure assets,
   - Perform condition assessments of eligible infrastructure assets and summarize the results using a measurement scale, **and**
   - Estimate the annual amount required by each year to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the government.

b) Government must document that the eligible infrastructure assets are being preserved approximately at (or above) a condition level established and disclosed by the government.
   - Complete condition assessments must be performed at least once every three years,
   - Condition levels should be established and documented by administrative or executive policy, or by legislative action, and
   - Adequate documentary evidence must show that the government is preserving eligible assets approximately at (or above) the condition level established and disclosed by the government.

The Modified Approach (Continued)

The following constitutes adequate documentary evidence:

- Complete condition assessments of eligible infrastructure assets are performed in a consistent manner at least every three (3) years, and
- Results of the three (3) most recent complete condition assessments provide reasonable assurance that the eligible infrastructure assets are being preserved approximately at (or above) the condition level.

A complete condition assessment measures the collective condition of assets within a network or subsystem. Condition assessments may be performed in a variety of ways. Statistical samples may be used for assessments purposes, or a cyclical basis may be used where only one third of the assets are assessed each year. One of the most important requirements is that they should be documented in such a manner that the result can be replicated.

If any of the conditions are not met, reporting must revert back to the depreciation method at the expense of reverting department. The assets in question must then be depreciated over their remaining useful lives and accumulated depreciation must be calculated.

GASB #34 allows governments to adopt the modified approach even though the three required condition assessments are not completed. This is possible only during the transition period and as long as at least one complete condition assessment is available and the government documents that the assets are being preserved approximately at or above the condition level.

When eligible infrastructure assets meet all the above requirements, and are reported using the modified approach, the following kinds of expenditures are expensed in the period incurred:

- <u>Preservation costs:</u> are any projects or expenditures which EXTENDS THE USEFUL LIFE of an asset beyond its original estimated useful life, but DOES NOT increases the capacity or efficiency of the asset. Such projects or expenditures would not be capitalized.
- <u>Maintenance costs:</u> are always expensed in the period incurred, regardless of the method of accounting used. Such projects or expenditures WOULD NOT be capitalized. These costs only maintain the assets.

Expenditures that need to be capitalized under the modified approach are additions and improvements to infrastructure assets which costs increase capacity and/or efficiency of the assets, instead of simply preserving their useful lives.

The Modified Approach (Concluded)

- Increase in Capacity: A change in capacity increases the level of service provided by the asset. For example, additional lanes to a road generally increase capacity.
- Increase in Efficiency: A change in efficiency maintains the same service level, but at a lower cost. For example, improvements made that allow speed limits to be raised on roads generally would constitute an increase in efficiency.

The schedules required from Asset Management Systems are the followings:

- The assessed condition, performed at least every three years, for at least the three most recent completed condition assessments, indicating the assessments dates.
- The estimated annual amount calculated at the beginning of the fiscal year to maintain and preserve at (or above) the condition level established compared with the amounts actually expensed for each of the past five reporting periods.

These disclosures should accompany the above schedules:

- The basis for the condition measurement and the measurement scale used to assess and report condition.
- The condition level at which the government intends to preserve its eligible infrastructure asserts using the modified approach.

Factors that significantly affect trends in the information reported in the required schedules, including any changes in the measurement scale, the basis for the condition measurement, or the condition assessment methods. If there is a change in the condition level at which the department intends to preserve eligible infrastructure assets, an estimate of the effect of the change on the estimated annual amount to maintain and preserve those assets for the current period also should be disclosed.

YUMA COUNTY
Financial Services Department
History: Adopted by BOS on 10/17/05, Item No. 4
ID #: 0502

CAPITAL ASSET ACCOUNTING POLICIES

Appendix C – Capital Assets Depreciation and Useful Lives

New to the governmental capital assets is the requirement to depreciate those capital assets over their estimated useful lives. This appendix will provide guidance on which capital assets to depreciate, which depreciation is method recommended, and information needed to calculate depreciation.

Depreciation: In accounting terms, depreciation is the process of allocating the cost of capital assets over their useful lives, rather than deducting the cost as an expense in the year of acquisition. 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, less salvage value.

Depreciation Method: As stated before, and following GASB #34 requirements, Yuma County should depreciate all capital assets, with the exception of land, land improvements, and infrastructure that utilize the modified approach (see Appendix B). For Financial reporting purposes, the strait-line method, with no allowance for salvage values, shall be used.

The strait-line method requires that the salvage value be subtracted from an assets' acquired value to determine its depreciable basis. The depreciable basis is then divided by the estimated useful life to calculate the amount of annual depreciation. Capital assets should be depreciated on an individual basis. As stated before Yuma County has no intention of allowing salvage value on capital assets, therefore, in order to calculate annual depreciation, total assets value will be divided by its estimated useful life.

Depreciable Capital Assets.

1. Land and Land Improvements: Land and certain land improvements are considered to be inexhaustible assets, therefore, are not depreciated. Most inexhaustible capital assets (assets which do not deteriorate with use or passage of time) are capitalized regardless of cost, but NOT DEPRECIATE.

2. Building and Building Improvements: Buildings and related improvements that materially extend the useful life and increase capacity and/or efficiency of the building, should be capitalized and depreciated over their useful lives. Buildings should be "componentized" to better reflect useful lives and depreciation cost.

3. Machinery and Equipment. Each unit of machinery and equipment should be capitalized and depreciated over the unit's useful life.

Depreciable Capital Assets (Continued)

4. Infrastructure: All infrastructures should be capitalized and depreciated over their estimated useful lives. Exempt from depreciation are eligible infrastructure assets using the modified approach.

For infrastructure assets that are not depreciated under the modified approach, expenditures for additions and improvements to eligible infrastructure assets (which increase the capacity or efficiency of assets, rather than preserve their useful lives) are capitalized regardless of cost. All other expenditures, even preservation costs, are expensed in the period incurred.

5. Improvements Other than Buildings: Improvements should be capitalized and depreciated over their useful lives.

6. Construction in Progress. Is not depreciated due to fact project is not completed.

One of the areas that have caused the greatest concerns is how to determine the useful life of a capital asset. While some guidance existed prior to GASB34 for buildings and equipment useful lives, establishing useful lives for infrastructure capital assets will be new experience for governmental entities.

Estimated Useful Life: Is an accounting estimate of the time period (in years) that an asset will be able to be used for the purpose for which it was purchased or constructed.

Following is a table of recommended useful lives for newly acquired or constructed Yuma County capital assets. This list should be followed when applicable, but for used or special capital assets, department should consider factors like present condition, construction type, maintenance policy, and climatic conditions when estimating useful life of a capital asset.

Yuma County
Recommended Useful Lives

Capital Assets Type:		Useful Life
LAND		
	Land	**Not Depreciated**
	Land Improvements- inexhaustible	**Not Depreciated**
BUILDINGS		
	Building Components	
	General Construction	50
	Site Preparation	50
	Roof and Drainage	10
	Interior Construction	15
	Plumbing	20
	Heating, Ventilation & A/C (HVAC)	20
	Electrical	20
	Fire Protection & Life Safety	25
	Elevators	20

Miscellaneous-Buildings	5-15
Building Improvements	15

Recommended Useful Lives (Continued)

MACHINERY AND EQUIPMENT

Business Machines	
Mail Machine	7
Copiers	5
Communication Equipment	
Phone Systems	10
Radio Systems	10
Audio Visual Equipment	7
Computer Equipment	
Desk Tops	5
Lap Tops	5
Servers	6
Hardware Eq & Peripherals	5
Customized Hardware	7
Software	5
Customized Software	7
Printers	5
Custodian & Maintenance Equipment	
Custodian & Maintenance Eq	15
Furniture	
Furniture General	20
Kitchen & Laundry Eq	
Appliances & Kitchen Eq.	10
Lab, Science Equipment	
Lab & Science Eq.	10
Miscellaneous Equipment	
Miscellaneous	5
Microfilm Equipment	5
Security/Alarm Systems	5
Mobile Fleet, Boat & Aircraft	
Automobiles	5
Motorcycles	7
School Buses	10
Truck – Pickups	7
Truck - Water	15
Truck – Dumps	15
Truck – Flatbeds	15
Tractors	15
Trailers	15
Motor-Construction Eq. (Graders, Loaders, Bulldozers)	25
Boats	15
Aircraft	15
Outdoors Recreational Equipment	
Recreational Eq.	15

Recommended Useful Lives (Concluded)

INFRASTRUCTURE		
	Roads	
	Roads- Modified Approach	**Not Depreciated**
	Concrete	30
	Aspartic concrete	20
	Brick or Stone	50
	Gravel Roads	50
	Bridges & Large Culverts	
	Steel W/truss & Concrete	50
	Precast Concrete	40
	Timber/Wood	30
	Culvert (Precast box)	40
	Culvert Steel	30
	Culvert Timber/wood	30
	Traffic Signals	
	Traffic Signals	20
	Flashing Lights	20
	Drain Systems	
	Major Conveyance and Outfall Systems	40
	Pump Stations	20
	Retention & Detention Basins	50
	Storm Sewers & Pipe lines	40
	Sewer Systems	40
	Water Systems	40
	Wells, Drainage	10
	Miscellaneous- Drain Systems	15-40
IMPROVEMENTS OTHER THAN BUILDINGS		
	Fencing, Gates	20
	Parking Lots- Aspartic concrete	15
	Parking Lots- Brick or Stone	45
	Parking Lots- Concrete	35
	Parking Lots- Gravel	10
	Landscaping	10
	Outside Sprinkler Systems	25
	Athletic Fields	15
	Golf Courses	20
	Swimming Pools	20
	Retaining Walls	20
	Miscellaneous- Other Improvements	20-40

This table was created with the expert assistant of the Yuma County Engineering, Flood Control District, and Public Works departments, with adherence to Government Finance Officers Association's (GFOA) recommended practices. Previously mentioned factors were considered when estimating useful lives.