

Maricopa County Policy Capital Asset Policy		Number: A2507 Revision: #
Category: Asset Management		Issued: 04/6/05
Initiated by: Department of Finance	Approved by: Maricopa County Board of Supervisors and Special District Board of Directors	Revised:

A. Purpose

The purpose of the Capital Asset Policy is to establish policies and procedures governing the capital asset activities for Elected Officials and employees to ensure consistent management of all capital asset activity.

Specific information regarding Arizona Revised Statutes can be viewed at the following Internet site: <http://www.azleg.state.az.us/ArizonaRevisedStatutes.asp>

This policy defines the overall responsibility for capital asset expenditures. Specific information and detailed procedures are contained in the Capital Asset Manual, which is located at <http://ebcstg.maricopa.gov/library/finance/>

This policy is a new comprehensive policy for all county departments and Special Districts. Therefore, all department/Special District policies regarding capital assets are revoked except where noted.

B. Definitions

The following terms are used throughout the Capital Asset Policy (A2507):

Acquisition: A newly acquired capital asset.

Betterment: An increase in the value of an asset due to an improvement made to the asset. The valid entries are between 01 and 99. The original asset acquisition will be assigned betterment number 00. A betterment must have a cost of \$5,000.00 or more.

Capital Asset: Assets of a relatively fixed or permanent nature owned by the County/Special District. This includes: equipment, machinery, and vehicles with an estimated useful life of over one year costing more than \$5,000.00, improvements other than buildings exceeding \$5,000.00 in cost, and all buildings and land parcels regardless of value. Upgrades and/or enhancements of existing capital assets are also considered a capital asset.

Capital Projects Funds: A fund which accounts for the proceeds of bond issues and other resources expended for the acquisition, construction or reconstruction of major capital facilities. Capital Projects Funds' purchases are accounted for in the Government Wide Statement of Net Assets.

Department: A department is a specialized division within a large organization. As an example, the Department of Finance, Environmental Services, and Office of Management & Budget.

Department Head: The Elected Official, Presiding Judge, or Appointed Department Director serving as the responsible party for conducting business on behalf of the County/Special District.

Depreciation: The allocation of the cost of property over its economic (useful) life.

Depreciation Method: The method used to allocate the cost of property over its economic (useful) life. The County/Special Districts use the Straight Line Method (SL) for all depreciable assets.

Disposition: The process of eliminating an asset from the on-line financial system due to sale, destruction, obsolescence, loss/theft, etc. This is the process initiated by the owner department. *When a department disposes of an asset due to loss, theft or damage, the responsible department must comply with Administrative Policy A2230 Self Insured Property Coverage and Deductible Policy, found at: <http://ebc.maricopa.gov/pp/admin>.* See Capital Asset Manual for a listing of valid Disposition codes.

Disposition Authority: An additional field of information used to identify the method of disposal. This will be the Auction Date, the Trade-in Date, the Journal Voucher Number (for an Internal Sale), or any other relevant information about the asset disposal.

Disposition Method: A code identifying the way in which an asset was retired. See the Capital Asset Manual for a complete listing of valid Disposition codes.

Elected Official: A person who is chosen by ballot to an office or post of authority by eligible voters to represent them in a public capacity and perform the duties for which they were elected.

Historical Value: The original cost of a capital asset. If the original cost of a capital asset is unavailable, the estimated value is to be utilized.

Infrastructure Assets: 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. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems.

Salvage Value: The estimated amount that can be realized from the disposition of a retired asset at the end of its estimated useful life. Salvage value for all County/Special District assets is zero.

Special District: Flood Control District of Maricopa County, Maricopa County Library District, or Maricopa County Stadium District.

Useful Life: The time period, in years, over which a capital asset is expected to remain valuable to the County/Special District. See the Capital Asset Manual for a complete list of valid useful lives of assets.

C. Policy

- A. Each Department/Special District will designate a Capital Asset Manager (See Section D for Responsibilities.).
- B. The Department of Finance will utilize an on-line financial system to capture and report the data associated with capital assets and expenditures.
- C. All items to be capitalized and entered into the on-line financial system by the Department of Finance must be expended out of a capital asset object code. For further clarification of the specific capital asset object codes to utilize, please review the Capital Asset Manual.
- D. Amounts paid for items not considered general or medical supplies, that have a useful life of one year or more but cost less than \$5,000.00 per item will be expended out of a non-capital equipment object code. For further clarification of the specific non-capital equipment object code to utilize, please review the Capital Asset Manual.

- E. Capital assets will be recorded at actual cost. Actual cost includes all charges necessary to place the item in its intended location and condition for use, such as taxes, freight, title search fees and installation charges. The following capitalization levels are utilized by the County/Special Districts:

1. Land Parcels

All land parcels (regardless of value) shall be capitalized and entered into the on-line financial system by the Department of Finance. Land is capitalized at its original purchase price plus any costs incurred to put the land in the condition necessary for its intended use, such as legal fees and excavation costs. The items included in this section are tracts and parcels of land, rights-of-way and easements owned by the County/Special District. Please review the Capital Asset Manual for the correct object code to utilize when purchasing land parcels.

2. Improvements Other Than Buildings

Assets in this category that are equal to or exceed \$5,000.00 in original cost shall be capitalized and entered into the on-line financial system by the Department of Finance. The capitalized cost will be the actual dollar cost of installation or acquisition of these assets at the date of acquisition, including any fees for services related thereto. Items included in this section are: land improvements, leasehold improvements, retaining walls, flagpoles, fences, gateways and surfacing recreation areas such as tennis courts. Please review the Capital Asset Manual for the correct object code to utilize when purchasing items associated with the improvement to areas other than buildings.

3. Buildings

All buildings (regardless of value) shall be capitalized and entered into the on-line financial system by the Department of Finance. The capitalized cost will include the cost to build or the purchased cost at the time of acquisition, architect and engineer's fees, permits, insurance during construction, interest during construction and other administrative (indirect) costs and appraisals. Costs such as land acquisition and demolition are not included as part of building costs. They are included as costs of the land as indicated above. Please review the Capital Asset Manual for the correct object code to utilize when purchasing buildings.

4. Machinery and Equipment

All moveable assets that are equal to or exceed \$5,000.00 in original cost and a useful life greater than one year shall be capitalized and entered into the on-line financial system by the Department of Finance. These items must be tagged with numbered property tags. Please review the Capital Asset Manual for the correct object code to utilize when purchasing machinery and equipment.

Generally, this classification includes tangible personal property. Items that meet these criteria include computer servers, large copiers, large office machines, major machinery and construction equipment, audio-visual equipment, communications equipment, medical equipment and recreational equipment. Please review item H. below regarding the specific instructions when purchasing technology items as defined in the Capital Asset Manual.

Software that is purchased for a “main frame” system will be capitalized under this category. The initial purchase will be capitalized only; the annual maintenance costs **will not** be capitalized.

5. Vehicles

All vehicles that are equal to or exceed \$5,000.00 in original cost and a useful life greater than one year shall be capitalized and entered into the on-line financial system. Generally, this classification includes construction vehicles, passenger vehicles, trucks, trailers, aircraft and other mechanized vehicles. Please review the Capital Asset Manual for the correct object code to utilize when purchasing vehicles. Please review the specific instructions when purchasing vehicles as defined in the Capital Asset Manual.

- F. The Board of Supervisors/Board of Directors must approve and accept **all** donations via the agenda process. Donated assets should be recorded at the estimated fair market value at the date of the gift. These items are to be included in the on-line financial system or the Department/Special District Inventory Control Listing depending upon the value of the asset.

It is the responsibility of each individual department/Special District to report all donations that are equal to or exceed the capitalization level of \$5,000.00 to the Department of Finance. The individual must submit the appropriate acquisition form with a copy of the approved agenda item to the Department of Finance to ensure donated assets are included in the on-line financial system and appropriately recorded in the financial records. This includes all Land and Buildings (regardless of value), Improvements Other Than Buildings (value of \$5,000.00 or more), Machinery, Equipment and Vehicles (value of \$5,000.00 or more).

- G. Capital Assets acquired through a capital lease agreement will be recorded in the on-line financial system. The Department of Finance will coordinate all capital lease agreements and maintain a copy of all capital lease documentation to ensure effective record keeping and financial reporting. (It is the responsibility of each department to ensure those items that meet the capitalization policy are included in the on-line financial system).
- H. The Technology Financing Program (TFP) is a comprehensive program that provides a mechanism for financing technology equipment purchases and spreading the payments for the equipment over a three-year (36-month) period. All new technology equipment that includes but is not limited to: desktops, laptops, servers, printers, etc., must be financed through the TFP – including capital and non-capital assets. All assets meeting the criteria of a capital asset (equal to or exceeding \$5,000.00 in original cost and a useful life greater than one year) must be capitalized and entered into the on-line financial system using a capital asset acquisition form by the Department of Finance.
- I. All capital assets that are recorded into the on-line financial system must have a unique asset number assigned.
- J. The Straight-Line (SL) method of depreciation shall be utilized for all assets (except Land assets as this type of asset is not depreciated). Straight-Line depreciation is calculated as follows: the cost of an asset less the estimated salvage value (zero for Maricopa County/Special Districts as defined in “K” below) is divided by the estimated useful life to arrive at an annual depreciation charge.

- K. Maricopa County/Special Districts will fully exhaust the utility of an asset (to use an asset for spare parts or until it becomes functionally obsolete). The cost to dispose of an asset generally exceeds the proceeds that may be received. Therefore, salvage value of all assets is zero.
- L. Capital Improvement Projects (CIP) include those projects that are not completed at fiscal year-end for construction of buildings, improvements and other projects meeting the capitalization level. This account represents a temporary classification of capitalized interest, labor, materials, equipment and overhead costs of a construction project. The expenditures associated with CIP are tracked and reported utilizing Function Codes within the on-line financial system. At year-end, if the project is not complete, the amount is recorded as Work In Process (WIP) and represented in the appropriate financial statements. At the completion of a project, the amount is capitalized and an asset is entered into the on-line financial system. Each department/Special District must inform the Department of Finance of all completed projects to ensure they are included in the on-line financial system and accurately reported in the financial statements.
- M. A complete physical validation (inventory) of all capitalized assets must be taken on an annual basis as outlined in the Capital Asset Manual.
- N. A complete physical validation (inventory) of all assets financed through the TFP – including capital and non-capital assets must be taken on an annual basis as outlined in the Capital Asset Manual.
- O. The Department of Finance – Capital Assets Division, may conduct random reviews to ensure compliance with the established Capital Asset Manual. The Department of Finance will coordinate all review activities with the Departmental Capital Asset Manager as not to disrupt the routine of the department. The review will determine the adequacy and effectiveness of the County/Special District's Capital Asset Program by evaluating the reliability and integrity of asset information and the means used to identify the value, classify the asset and record the information. It will further identify the Department's compliance with the Capital Asset Manual.
- P. To ensure that correct and accurate Capital Asset information is available to County/Special District management, the Department of Finance will complete a monthly reconciliation of capital asset expenditures (utilizing capital asset object codes) against Capital Asset Acquisitions and/or Betterments entered into the on-line financial system. Upon completion of the reconciliation, the Department of Finance will prepare and submit to the Departmental Capital Asset Manager a report that delineates the findings. It is the responsibility of each department/Special District to review and complete the reconciliation within ten (10) working days from the date of distribution. This will ensure all actions are taken prior to the next "month-end" close. Any discrepancies identified on this report must be communicated to the Department of Finance – Capital Asset personnel immediately to ensure corrective action is taken.
- Q. It is the responsibility of each individual department/Special District to process all Capital Asset transactions including dispositions, transfers, and change/modifications within 15 working days of occurrence.
- R. Department/Special District Capital Asset Managers who knowingly and willfully submit falsified capital asset information shall be referred to the appropriate departmental authority for any necessary action.

D. Authority and Responsibilities:

The County/Special Districts (Department Directors):

- Responsible to ensure the safety of all Capital Assets procured or donated within their respective department(s).
- Responsible to manage the overall Capital Asset Program within their respective department(s).
- Responsible to ensure the Annual Capital Asset Validation is completed accurately as defined in the Capital Asset Manual.
- Responsible to review and certify the annual Capital Asset Validation as defined in Capital Asset Manual.
- Responsible to review and authorize all Capital Asset Disposition(s) within their respective department(s).
- Responsible to review all Capital Asset reports distributed by the Department of Finance
- Responsible to define a specific individual within their respective department(s) as the Department Capital Asset Manager. In addition, they are responsible to inform the Department of Finance of any change in Capital Asset Manager assignment within 30 days of occurrence.

The Department of Finance:

- Responsible to provide each department with a monthly reconciliation of the capital expenditures.
- Responsible to provide at minimum a quarterly Reconciliation Status Report (RSR) to Department Directors, Chief Officers and Elected Officials to provide awareness regarding their specific department(s) compliance with the monthly reconciliation process.
- Responsible to provide numbered asset tags.
- Responsible to provide a complete listing of capital assets on a quarterly basis, or upon request.
- Responsible to provide training and guidance to departmental staff regarding capital asset management.
- Responsible to maintain the on-line financial system to ensure accurate and timely financial reporting.

Departmental Capital Asset Manager:

- Responsible to complete the monthly reconciliation (as defined in the Capital Asset Manual) of the capital asset expenditures and capital asset acquisition and/or betterment forms and return that information to the Department of Finance within 10 working days.
- Responsible to process all capital asset transactions within 15 days of occurrence. This includes dispositions, transfers, change/modifications and journal vouchers.
- Responsible to affix a capital asset tag on all capital assets as defined in the Capital Asset Manual.

Internal Audit Department:

- Responsible to review the department/Special District compliance with the Capital Asset Policy and Capital Asset Manual.