

10. FIXED ASSET POLICY

A. SCOPE

This policy applies to all County Departments under the supervision and control of the Board of Supervisors or for which the Board is the ex-Officio governing body.

B. RESPONSIBILITIES

It is the responsibility of the Office of the Auditor-Controller and the County Administrative Office to Administer and oversee the provisions of this policy.

C. PURPOSE

The purpose of this policy is to safeguard, maintain, and provide uniform guidelines and procedures for classifying, valuing, and accounting for fixed assets owned by the County of Lake.

D. BACKGROUND

Governmental Accounting Standards Board Statement 34 (GASB 34) requires governments to provide basic financial statements that include government-wide and fund financial statements. Capital assets are not reported as assets in the individual governmental funds, but are reported in the governmental activities in the government-wide statements. Capital assets are reported as assets on the balance sheet in the individual proprietary funds. Although the reporting of capital assets is different for governmental and proprietary funds, the procedures outlined in this policy are generally intended to apply to both fund types.

In order for the County to comply with GASB 34, it must depreciate all capital assets, implement an acceptable method of infrastructure reporting, and establish an acceptable depreciation method. Depreciation may be based on the estimated useful life of a class of assets, a network of assets, a subsystem of a network, or individual assets. The County has chosen the straight-line depreciation method.

E. CAPITALIZATION THRESHOLD

- Asset inventory listings shall be maintained for the following assets:
- Land
- Structures and Improvements
- Equipment with a unit cost greater than \$300
- Assets required to be accounted for by Federal or State reporting requirements
- Assets which are easily movable and vulnerable to theft

Fixed assets meeting the following criteria are considered to be capital assets under GASB 34 and will be maintained in the County Capital Asset Management System:

Classification	Useful Life	Capitalization Threshold
Land	n/a	\$ --
Structures and Improvements	at least one year	\$25,000
Equipment	at least one year	\$ 5,000

Infrastructure	At least one year	\$25,000
----------------	-------------------	----------

Except for land, only fixed assets meeting the above threshold criteria are depreciated.

F. GENERAL VALUATION

Capital assets are generally acquired by purchase, transfer, or donation. Capital assets acquired by purchase or transfer (i.e. from another department) shall be accounted for at historical cost, or if historical cost is not practically determinable, an estimated cost at the time of acquisition should be used. Historical cost includes original purchase price plus all ancillary charges necessary to place the asset into its intended location and condition for use. Charges for freight and transportation, site preparation, and sales and use taxes are considered to be ancillary charges. Donated assets should be recorded at their estimated fair market value on the date of the donation.

G. CAPITAL ASSET DEFINITION

Capital assets can be described as tangible or intangible assets that are used in governmental operations and have initial useful lives of at least one year.

Intangible assets: Assets that typically have no physical substances, such as water rights, copyrights, trademarks, patents, or goodwill. Intangible assets must be able to be identifiable, either because the asset is separable or because the asset arose from contractual or other legal rights. The asset is separable if it can be sold, transferred, licensed, rented, or exchanged.

Tangible assets: Assets with physical substance, such as land, improvements to land, easements, buildings, vehicles, machinery, equipment, and infrastructure and having significant value and are of a permanent nature.

The criteria for determining capital assets will be based on estimated useful life and a "capitalization threshold." The capitalization threshold is the monetary value established for classifying a capital asset. Capital assets are generally classified in four categories, which include land, structures and improvements, equipment, and infrastructure. Each classification has its own capitalization criteria.

(1) LAND

Land is defined as real property that is purchased or acquired by gift or bequest for operating purposes regardless of value. Other definitions of land are rights-of-way, easements, and forest preserves and real estate purchased for street or road construction purposes.

Land shall be capitalized without regard for significance of cost, except for right-of-ways and easements which should only be capitalized if they are not of inconsequential value. The acquisition cost of land should include but not be limited to the purchase price, appraisal and negotiation fees, all closing costs, survey fees, title search fees, filing costs, costs of consents, relocation costs, condemnation costs, costs to clear land for use, and any demolition or removal of

structures. Land acquired by gift or bequest is recorded at the fair market value at the date of acquisition.

The cost of the land shall be reduced by the sale of salvage materials.

(2) STRUCTURES AND IMPROVEMENTS

Structures are defined as physical property which is permanent in nature or immovable and is used for operating purposes and have an initial cost of **at least \$25,000**. The cost of structures includes the cost of improvements, permanently attached fixtures, machinery, and other components that cannot be removed without damage or that function as part of the structure, such as furnaces, air conditioners, elevators, wiring, and lighting fixtures. When buildings are constructed, all identifiable costs are included, such as contract costs, architects' fees, costs of permits and licenses, accident or injury costs, payment of damages, and insurance.

Improvements like structural remodels, renovation, alterations, and repairs to existing structures that increase the value of the property, or lengthen its life, shall be capitalized. The capitalized cost of improvements should be **at least \$25,000**. Improvements may also include any other costs, as determined by the Board of Supervisors.

Improvements with limited lives made to existing parcels of land, such as fences, driveways, parking lots, pavement, landscaping, and sidewalks, should be considered land improvements, and shall be depreciated over their estimated useful lives.

The capitalized cost of land improvements should be **at least \$25,000**. Land improvements may also include any other costs, as determined by the Board of Supervisors.

Donated structures and improvements are capitalized at the fair market value at the date the assets are received.

(3) EQUIPMENT

Equipment includes moveable personal property of a relatively permanent nature and a unit cost of **at least \$5,000** and a useful life of at least one year. Some examples of moveable equipment are computers, vehicles, furniture, fixtures, and telecommunications.

Equipment acquired at a value of at least \$5,000 is capitalized. Cost of equipment should include purchase price; construction costs; freight, shipping and handling charges; sales, use, or other transportation taxes; and installation costs. Warranty contracts purchased in conjunction with an asset should also be included in the cost of the asset.

A unit of equipment is defined for purposes of this policy as an individual item, or group of items, which is usable for its intended function and which cannot be separated without a diminishment in the usability of the item for its intended purpose. A group of smaller items that would not individually meet the

capitalization threshold (for example, office chairs) should not be capitalized. The following are examples of units:

Upgrading personal computers: Enhancements to an existing system will be capitalized if the upgrade meets the \$5,000 threshold. Should the upgrade exceed \$5,000, the existing system will be written off at book value and the new processor added as equipment in the capital asset account group.

Replacement furniture or furniture for department remodels will be considered equipment and capitalized by unit if the cost exceeds \$5,000.

Modular furniture that is not part of a structure will not be capitalized, unless the cost is \$5,000 or greater.

Labor costs, which are included in the purchase price of an item at the point of purchase, are included in the cost of the equipment and shall be capitalized. Labor cost that is necessary for the assembly or installation of the original item, but ordered separately from the equipment, should be included in the cost of the equipment. Incidental labor costs incurred for installing non-moveable equipment to other equipment (e.g., installing a utility bed on a truck, or installation of a light bar on a police vehicle) are not capitalized. The moveable equipment would be capitalized as a separate asset if it has met the capitalization threshold of \$5,000.

Equipment purchases between \$300 and \$5,000 shall be identified as "Inventory Items." These items should be included in the Departmental Fixed Asset Listing. They will not be included in the County Capitalization Listing and will not be depreciated.

Fixed assets that are required to be accounted for by virtue of Federal or State reporting requirements, i.e. grants, and awards with capital asset criteria otherwise in conflict with County policy, shall also be included in the County Capitalization Listing. Other exceptions to the \$5,000 and one year useful life capitalization threshold which shall be included in the Departmental Fixed Asset Listing include such items as weapons; small items vulnerable to theft, misuse, or loss; and any other items as designated by the Auditor-Controller or the Board of Supervisors shall be included in the County Capitalization Listing.

Expenditures which neither materially add to the value of property nor appreciably prolong its life, but merely keep it in an ordinary, efficient operating condition are considered to be maintenance costs and are not capitalized.

(4) INFRASTRUCTURE

Infrastructure assets include public domain general capital assets that are immovable and of value only to the County and have a much greater useful life expectancy than most capital assets. This includes land and structures used for networks and systems and subsystems not classified as land or structures and improvements. Common examples of infrastructure systems and subsystems include roads, bridges, streets, sidewalks, dams, water and sewer systems, drainage, and lighting systems.

Infrastructure with a value of \$25,000 or greater will be capitalized. Infrastructure includes highways, guard rails, tunnels, sidewalks and curbs, culverts, dams and dikes, landscaping, docks and piers, storm piping, gas distribution piping, sea walls, head wall systems, electrical systems, and airport runways. The cost of infrastructure includes all expenditures in connection with their acquisition, such as the value of construction cost, grading of land, fixtures attached to the structure: (i.e., lighting, heating & air equipment) architect, engineering, payment for damages, and permits and licenses.

Reductions should apply to the costs of infrastructure for the sales of salvage from materials charged against construction or for any discounts, rebates, or allowances.

H. CAPITAL LEASES/LEASE PURCHASE ARRANGEMENTS

Capital leases include all arrangements to lease land, buildings and structures, or equipment which the County acquires substantially all of the benefits and risks inherent in the ownership of the asset and which the County intends to assume ownership rights when the lease is paid off. Lease purchases of capital assets are to be accounted for in a manner similar to purchases of capital assets with long-term credit terms. The cost of the asset should be recorded at the time the asset is placed in service and should be equal to the total principal to be paid over the life of the lease, plus any down payments at the beginning of the lease.

I. CONSTRUCTION BY FORCE ACCOUNT

This method of construction or maintenance of capital assets is whereby a government utilizes its own personnel instead of an outside contractor. Construction performed by County staff is recorded in the same manner as if acquired by an outside contractor.

These costs are initially charged to the cost accounts of the department performing the construction. Project costs include direct labor, materials, equipment usage, and overhead. Overhead of the department should be limited to those items that can be distributed on the basis of direct labor. Administrative overhead may be capitalized when clearly related to the construction outside of the cost center.

J. CAPITAL PROJECTS

Capital project expenditures are typically for the acquisition or construction of major facilities (other than those financed by proprietary funds).

A capital project can include the combination of several different assets, such as a purchase of land and construction of a building, complete with furniture and fixtures. When fixtures are included with original construction costs they shall be capitalized as part of the structure. Fixtures that are added after the original construction, regardless of purchase date, will be capitalized based on the individual item or unit value.

A capital asset account reflecting the cost of construction work for projects not yet completed will be used to record construction in progress. These recorded costs shall include any retentions being withheld by the County and to be paid after

completion of the construction projects. Upon completion of a project, all previously recorded costs associated with the project are transferred from the construction in progress account to the appropriate capital asset account, usually Structures and Improvements or Infrastructure.

The Auditor-Controller shall be notified of any construction projects and significant repair projects. Departments shall track costs associated with these projects and provide these totals with supporting documentation to the Auditor-Controller to record the amounts as construction in progress, as appropriate. Departments shall notify the Auditor-Controller upon completion of the projects so that the proper asset can be charged with the total completed costs.

K. INVENTORY OF CAPITAL ASSETS

Each elected and appointed County Department Head in charge of any office/department and the Executive Officer of each special district whose affairs and funds are under the control of the Board of Supervisors shall be held responsible for recording, maintaining, safeguarding, and properly utilizing all capital assets under their respective areas of responsibility in conduct of County business. Department Heads who are provided or use County-owned capital assets may be held pecuniary liable for misuse, damage, or loss from inadequate security and/or shown to be reckless towards procedures as set forth in this Policy. The Auditor-Controller will monitor compliance with appropriate property accounting requirements as delineated in Section 24051 of the California Government Code.

The Office of the Auditor-Controller will maintain the County Capitalized Asset Management System database, establish depreciation life schedules for classes of assets for department use, and monitor compliance of the County's Capital Asset Policy. The Auditor-Controller's Office shall assign all capitalized assets an asset identification number. This number shall be assigned and entered into the County Asset Management System. In addition, departments shall assign an inventory control number to all assets purchased. This identification number shall be in tag form, or similar type of system, and placed on said equipment/asset and be prominently displayed for easy identification. Department Heads shall notify the Auditor-Controller's Office upon the discovery of needed replacement of worn, removed, or defaced asset tags and provide the new number assigned.

The Auditor-Controller shall submit the capitalized fixed asset listing to each department by July 15th of each year to be verified, updated, and signed by the Department Head. The updated and signed departmental listings are due back to the Auditor-Controller by August 15th of each year. The capital asset records and listings shall be maintained by the Auditor-Controller for a period of at least five years and shall be provided to the external auditors for review and be used for financial reporting purposes.

Land will be recorded using the Assessor's parcel numbers. Buildings will be identified or numbered in a consistent manner as prescribed by the Auditor-Controller. The Auditor-Controller will periodically conduct on-site asset inventory audits at his/her discretion or as requested by the Board of Supervisors.

L. ACCOUNTABILITY OF CAPITAL ASSETS

Lost or missing inventory shall be reported to the Auditor-Controller either on the annual capitalized fixed asset listing or on a Property Transfer Form. Any presumed stolen inventory shall be reported to the Sheriff, County Administrative Officer, and the Auditor-Controller immediately upon discovery of such suspected theft.

The County Administrative Officer shall notify the Auditor-Controller of the need to conduct a departmental physical inventory prior to the permanent departure or change in area of responsibility of a Department Head. Department Heads are expected to be cognizant of this requirement. The Auditor-Controller, in cooperation with outgoing and incoming Department Heads, will conduct a physical inventory. The Auditor-Controller's Office will provide asset listings and certification forms for this transfer. Any missing inventory will be immediately reported to the County Administrative Officer and the District Attorney for investigation. Upon approval of the Administrative Officer, final payroll remuneration shall be made directly following review and reconciliation of the departing Department Head's Capital Asset Inventory Affidavit by the Auditor-Controller's Office.

Budgets for fixed asset items should be as follows:

- Fixed assets meeting the capitalization threshold: Fixed asset account group xxx.60-00 through xxx.62-79 – Fixed Assets.
- Construction projects: Fixed asset account group xxx.63-00 through xxx.63-99 - Fixed Assets - Construction in Progress. Note: Depending on type, may be reclassified to Land or Buildings and Improvements upon completion of project.
- Maintenance to fixed assets: Account xxx.17-00 through xxx.18-00 - Maintenance-Equipment or Maintenance-Buildings & Improvements.

Capitalized fixed assets shall be submitted for payment with a Fixed Asset Control Form. If this form is not attached, the claim process will be delayed. Fixed assets falling under the capitalization threshold do not require a Fixed Asset Control Form to be submitted; however, departments must set up a mechanism for documenting their inventory listing add/changes/deletes. This mechanism must be approved by the Auditor-Controller.

All inventory items will be accounted for on a departmental fixed asset inventory list. This listing shall contain, at a minimum, the data maintained on the capitalized fixed asset listing maintained by the Auditor-Controller.

Whenever a capital asset is transferred, retired, sold, or otherwise abandoned, the department which owned the asset must submit a Property Transfer Form to the Auditor-Controller.

M. PURCHASING CAPITAL ASSETS

The Board of Supervisors approves the purchase of capital assets as part of the adoption of the annual County budget or during the budget year by action at a regular or special meeting. Approval of capital assets as part of the normal budget adoption process is the preferred method for obtaining capital assets. Capital asset purchases not previously approved by the Board of Supervisors during the budget adoption process must be approved as a budget transfer.

All purchases of capital assets are to be submitted with a Fixed Asset Control Form to the Auditor-Controller's Office. After verification of available funds, that the purchase is in compliance with County policy, and includes all required forms, the Auditor-Controller's Office will process the payment request through accounts payable.

N. DISPOSITION OF PROPERTY

Department Heads will comply with the following procedures for capital assets that are lost, stolen, surplused, or transferred.

The responsible Department Head shall immediately file a Property Transfer Record with the County Auditor-Controller for capital assets that are lost, stolen, destroyed, or otherwise unaccounted for. If burglary or theft is suspected, the Department Head shall immediately notify the Sheriff and County Administrative Officer.

Capital assets are to be surplused once determination indicates that serviceable use has expired and cost effective repairability is unobtainable. A Property Transfer Record shall be submitted to the Auditor-Controller's Office, which will then notify the County Administrative Officer. The Auditor-Controller's Office shall provide the Administrative Office with a list of surplus inventory upon request. The Administrative Office will submit the list of surplus inventory to the County Board of Supervisors for their approval prior to disposition.

A Property Transfer Record must be submitted to the Administrative Office and the Auditor-Controller's Office, prior to the replacement of capital assets transferred between Departments.

O. DEPRECIATION

Depreciation represents the recognition of the cost of an asset over time, by calculating its estimated loss in value during each accounting period in its useful life. Depreciation expense will be recorded in the County Asset Management System, and reported in the government-wide financial statements.

Land is not depreciated. All other capital assets will be depreciated over their estimated useful lives using the straight-line method of allocation at the beginning of the second year the assets are placed in service. In determining an estimated useful life, consideration should be given to an asset's present condition and how long it is expected to meet service demands. For calculating depreciation, all depreciable property is considered to have no salvage value.

P. FORM DESCRIPTION AND USAGE

The Auditor-Controller's Office will provide a Fixed Asset Control Form or Property Transfer Form for all requested acquisitions, transfers, deletions, or surplus inventory change requests. These forms are available on the County intranet site.

Questions concerning inventory procedures may be directed to the Auditor-Controller's Office at 263-2311. All County Department Heads should be aware of their responsibility for the proper care and reporting of County-owned assets.

EXHIBIT A

COUNTY OF LAKE-CAPITAL ASSET USEFUL LIVES

By Class:

Computer Equipment = 5 years
Miscellaneous Equipment = 15 years
Non Depreciating Equipment = 5 years
Office Equipment = 7 years
Vehicle Equipment = 5 years

Heavy Miscellaneous Equipment = 12 years
Heavy Office Equipment = 10 years
Heavy Vehicle Equipment = 5 years

Buildings & Improvements = 50 years
Buildings & Improvements 10 yrs. = 10 years
Buildings & Improvements 15 yrs. = 15 years
Buildings & Improvements 20 yrs. = 20 years

Heavy Buildings = 30 years
Heavy Improvements = 50 years

Infrastructure-Airport = 20 years
Infrastructure-Bridges = 100 years
Infrastructure-Curbs/Sidewalks = 50 years
Infrastructure-Dams = 40 years
Infrastructure-Irrigation systems = 40 years
Infrastructure-Lights = 50 years
Infrastructure-Parks = 50 years
Infrastructure-Piers/Docks = 40 years
Infrastructure-Roads = 100 years
Infrastructure-Water/Sewer = 50 years

Examples:

Computer Equipment:

	Useful Life
GPS Mapping Equipment	5
Software	5
Network Equipment	5
Servers	5

Misc. Equipment:

Addressing equipment	15
Animal trapping equipment	15
Appliances household, not part of a building	15
Audio-visual equipment	15
Automobiles, light trucks, and motorcycles	15

Boats and motors	15
Buildings, movable	15
Cameras, picture taking equipment	15
Communications equipment, radio equipment, fax	15
Data processing equipment (computer, Software, glareguard)	15
Dictating machines	15
Duplicating machines, memo and spirit (not Xerox type)	15
Election equipment	15
Equipment and trucks (contractor type, forklifts	15
Farm equipment, special purpose	15
Firefighting equipment	15
Food handling equipment, furniture	15
Garage equipment	15
Household furnishings, exercise equipment, Game room, etc.	15
Janitorial/housekeeping equipment/laundry/ladders	15
Laboratory equipment	15
Landscaping equipment	15
Law enforcement equipment	15
Mail handling equipment	15
Maintenance/installation equipment	15
Medical/surgical equipment	15
Microfilm equipment	15
Park equipment (bench, slide, outdoors furniture)	15
Photo processing equipment	15
Printing equipment	15
Scales, weighing devices	15
Shop equipment, tools	15
Surveying/engineering equipment	15
Time/date stamps, check protectors, Number machines	15
Tools, power/portable/hand	15
Trailers, without permanently mounted equipment	15
Warehouse handling/storage equipment, lockers	15
Office Equipment:	
Accounting machines	7
Adders and calculators	7
Copy machines	7
Office furniture, easels, not machines	7
Office equipment (not listed under any other code)	7
Phone systems	7
Typewriters, electric/manual	7
Workstations	7

Non Depreciating Equipment:

Law enforcement weapons 5

Vehicle Equipment:

Passenger vehicles 5

Trucks 5

Vans 5

Buildings and Improvements:

Basic structure See by class listing

Ventilation and heating systems See by class listing

Air conditioning See by class listing

Electrical and lighting systems See by class listing

Elevators/escalators See by class listing

Plumbing, pipes, and fixtures See by class listing

Sidewalks, parking, and landscaping See by class listing

Fire alarms, sprinkler systems See by class listing

Reservoirs See by class listing

All other improvements See by class listing

Infrastructure:

Airport runways 20

Bridges 100

Curbs/Sidewalks 50

Culverts 20

Dams 40

Drainage systems 50

Irrigation systems 40

Landscaping 40

Piers/Docks 40

Roads – asphalt 100

Sewer systems 50

Water systems 50

Waterways 50

(Adopted by the Board of Supervisors 12/19/00; Update approved by Board of Supervisors 8/21/07)