



County of Riverside
OFFICE OF THE AUDITOR-CONTROLLER
 STANDARD PRACTICE MANUAL

		SUBJECT:	COST BASIS FOR CAPITAL ASSETS AND CAPITALIZATION THRESHOLDS
SECTION:	5	CATEGORY:	CAPITAL ASSET POLICIES
POLICY NUMBER:	501		
REVISED DATE:	07/01/17	APPROVED BY:	<i>Paul Angulo</i>

PURPOSE: To establish standard guidelines for County departments, agencies, and special districts for determining the cost basis and the thresholds for capital assets.

SCOPE: Applies to County departments, agencies, special districts and authorities that are governed by Riverside County Board of Supervisors.

POLICY: The capitalization thresholds described in this policy must be applied when accounting for capital assets. This policy sets forth the minimum standards.

PROCEDURES: This policy includes guidelines to be used to determine the cost basis for capital assets and the capitalization thresholds.

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DEFINITION:

Capital assets are fixed assets and intangible assets of *significant value* having a utility/use which *extends beyond the current year* that are broadly classified as land, infrastructure, buildings and improvements, equipment, livestock, and intangible assets. All capital assets must be entered into the PeopleSoft Asset Management (AM) Module.

Significant value means that the cost of the asset meets or exceeds the threshold amounts as described in this policy. The capitalization thresholds provided below applies to all assets acquired by, or donated to, the County.

COST BASIS:

1. Capital assets should be accounted for at cost.
 - a. Capital asset costs includes: purchase price or construction cost (*for certain capital assets*) as well as any other direct costs attributed to have the capital asset in place/service (*e.g. shipping, set-up, testing, and other ancillary costs*).
 - b. For donated capital assets basis see SPM 509.

CAPITALIZATION THRESHOLDS

Assets should be capitalized when they meet the following minimum values:

Capital Asset:	Minimum Value for Capitalization:
Equipment	\$5,000
Real property:	
Buildings	\$1*
Structures (sheds, monuments)	\$1*
Land	\$1*
Land Improvements (walls, fences, landscaping)	\$5,000
Infrastructure (roads, bridges...)	\$5,000/\$150,000
Improvements/betterments	\$5,000
Capital Leases	The same as prescribed for the type of asset being leased
Construction-in-progress (CIP)	
Infrastructure ¹	\$5,000/\$150,000
Building (Structures)	\$5,000
Equipment	\$5,000
Intangible assets (<i>internally generated: Software</i>)	\$150,000
Intangible assets (<i>external: Software</i>)	\$5,000
Museum and art collections ²	\$5,000

* Holding value

¹ If the project has an estimated budget cost of at least \$150,000, its costs should be charged to CIP from the project inception.

² Generally, if museum and art collection assets meet all of the following criteria, they are not required to be capitalized:

- Held for public exhibition, education, or research in furtherance of public service, rather than financial gain,
- Protected, kept unencumbered, cared for, and preserved, and
- Subject to an organizational policy that requires the proceeds from sales of the items to be used to acquire other items for collections.

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INTERNAL CONTROL:

Non-capitalized assets are identical to capital assets, though not meeting the *significant value* criteria. Examples may include, but are not limited to telephones, personal digital assistants (PDAs), adding machines and some printers per Board of Supervisors Policy H-26.

Walk-away items are non-capitalized assets (i.e. do not meet significant value criteria) that are generally small, mobile, and easily converted to personal use, having a street value or fair market value of at least \$200. Examples include, but are not limited to, firearms, video equipment, two-way radios, cameras, GPS units, cellular phones, facsimile machines, PDAs, computer peripherals, printers, mobile phones, and power tools.

All departments are encouraged to use the AM module to manage and maintain all *non-capitalized assets*, however, if that is not a feasible option due to an existing system already in place, then the Auditor-Controller must be contacted for approval. The system must be equipped to add, remove, manage and provide a tracking mechanism for all non-capitalized assets and to provide a listing in the event of an announced or unannounced internal or external audit.

Items of equipment purchased with non-County monies (Federal/State/Donations) will follow the capitalization requirements if stricter by statutorily or defined in grant requirements or other agreement. For capitalization purpose these assets may be entered in the AM module as capital or non-capital assets.

DEPARTMENT ROLES:

- 1) Complete AM-5 Capital Assets Form - Acquisition, Betterment & Capital Leases Form. If using the Accounts Payable Module, the Department should add the voucher as an asset and once it is approved through the interface or manually, the Asset ID number is assigned and the Department can then complete the AM-5.
 - a. Make sure it contains the correct cost basis
 - b. Make sure it meets the minimum value for capitalization purpose
 - c. Make sure it contains the correct account
- 2) Record capital asset in the AM module

AUDITOR-CONTROLLER’S ROLES:

- 1) Review and verify AM-5 form and transaction recorded in the AM module
- 2) Review capital asset basis
- 3) Review capital asset to verify it meets minimum value for capitalization threshold

RECORDS MANAGEMENT ROLES:

Department

Retain all capital asset supporting documentation for at least 7 years as it relates to capital assets information reported on “Schedule Q – Construction in Progress” and any other records that are not submitted to the Auditor-Controller.

Auditor-Controller

The Auditor-Controller is the official Department of Record for all AM Forms and its supporting documentation. The documentation is filed in accordance with the County’s General Records Retention policy which states to keep the current year plus the 7 past years.

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SECURITY ROLES:

In order to perform the functions discussed above the following roles must be requested:

Department:

Capital Asset Processor – this role will allow you to:

- Add capital/noncapital asset information
- Update certain capital asset information

Auditor Controller:

Asset Reviewer Auditor-Controller Only – this role will allow you to:

- Adjust, re-categorize, transfer, and dispose capital assets/noncapital asset information
- Review and process transactions
- Run capital and lease asset reports

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