



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:	12/26/24	APPROVED BY: <i>Ben J. Brait</i>

PURPOSE: To establish standard guidelines for County departments, agencies, and special districts and authorities 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 the 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 minimum standards.

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

Notice: *As of 01/01/2025 Capitalization thresholds have increased from \$5,000 to \$10,000*

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DEFINITION:

Capital assets are fixed or intangible assets of *significant value*, providing utility or use that *extends beyond the current year*. These assets fall into broad categories, including land, infrastructure, buildings and improvements, equipment, construction-in-progress (CIP), lease assets, and intangible assets.

All capital assets meeting the specified capitalization thresholds must be recorded in the PeopleSoft Asset Management (AM) Module. "Significant value" is defined as the asset's cost meeting or exceeding the thresholds outlined in this policy. These thresholds apply to all assets acquired by or donated to the County.

COST BASIS:

Capital assets must be recorded at their actual cost.

- a. The cost of a capital asset includes the purchase price or, in the case of constructed assets, the construction costs. Additionally, it includes all direct expenses incurred to prepare the asset for its intended use. These costs may consist of *shipping fees, setup charges, testing expenses, and other related costs* required to make the asset operational.
- b. For the cost basis of donated capital assets, refer to SPM 509.

CAPITALIZATION THRESHOLDS

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

Capital Asset:	Minimum Value for Capitalization:
Equipment	\$10,000
Real property:	
Buildings	\$1*
Structures (e.g., sheds, monuments)	\$1*
Land	\$1*
Land Improvements (e.g., walls, fences, landscaping)	\$10,000
Infrastructure (e.g., roads, bridges)	\$10,000/\$150,000
Improvements/betterments	\$10,000
Leases (Financed Purchase and Right-to-use assets)	Same as prescribed for the type of asset being leased
Construction-in-progress (CIP)	
Infrastructure ¹	\$10,000/\$150,000
Building (Structures)	\$10,000
Equipment	\$10,000
Intangible assets (<i>internally generated</i> : Software)	\$150,000
Intangible assets (<i>external</i> : Software)	\$10,000
Museum and art collections ²	\$10,000

* Holding value

¹ Project with an estimated budget cost of at least \$150,000 should have costs charged to CIP from 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 similar to capital assets in nature but are not considered *significant enough in value* to meet the capitalization thresholds. 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, portable, 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, PDAs, computer peripherals, printers, mobile phones, and power tools.

Items **or** equipment purchased with federal, state, or donated funds will follow the stricter capitalization requirements outlined in applicable statues, grant agreements and other relevant agreements. *For tracking purposes, these assets could be entered into the AM module.*

DEPARTMENT ROLES:

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

AUDITOR-CONTROLLER’S ROLES:

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

RECORDS MANAGEMENT ROLES:

Department

Retain all supporting documentation related to capital assets for a minimum of 7 years. This includes information reported on “Schedule Q – Construction in Progress” and any other records not submitted to the Auditor-Controller.

Auditor-Controller

The Auditor-Controller is the official repository for all AM Forms and corresponding supporting documentation. The documentation is retained in accordance with the County’s General Records Retention policy which at present is current year plus the preceding 7 years.

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SECURITY ROLES:

To perform the functions discussed above the following roles must be requested:

Department:

Capital Asset Processor – this role will allow you to:

- Add new capital asset information into the system
- Modify certain capital asset information

Auditor-Controller:

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

- Adjust, re-categorize, transfer, and dispose capital asset information
- Review and process transactions
- Generate reports on capital assets and leases.

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CAPITAL ASSETS FORM

Acquisition, Betterment & Leases

OFFICE OF THE AUDITOR-CONTROLLER

Complete and return to the Auditor-Controller's Office, Mail Stop #1050.

SPM FORM
AM-5
(POLICY #504)

"*" Indicates optional field

ASSET ID: _____

DEPARTMENT		BUSINESS UNIT		
FUND	DEPT ID	PROGRAM *	CLASS *	PROJ/GRANT *
CATEGORY	ACCOUNT	COST	Notes	
Select				
BOOK	FINANCING CODE	LOCATION	Require County issued tag?	
Select			<input type="checkbox"/> Yes <input type="checkbox"/> No	
ACQUISITION DATE		IN SERVICE DATE		
VENDOR CODE:		VENDOR NAME		
MANUFACTURER	SERIAL NUMBER	MODEL		
ASSET DESCRIPTION:				
DEPRECIATION METHOD	USEFUL LIFE (in months)	SALVAGE AMOUNT		
Straight Line				
PURCHASE AUTHORIZATION		VOUCHER		
For Betterments Only:				
BETTERMENT DESCRIPTION				
TOTAL BETTERMENT VALUE				
For Financed Purchases Only:				
LEASE ID#		LIABILITY AMOUNT (PRINT)		
ATTACH THE FOLLOWING AND CHECK THE BOX FOR EACH ATTACHMENT PROVIDED:				
<input type="checkbox"/> P.O. s <input type="checkbox"/> Property schedules <input type="checkbox"/> Amortization schedules <input type="checkbox"/> Financing agreements				

Prepared by: _____ Phone: _____

Date: _____ Dept: _____

Auditor-Controller's Use

System Updated By:	Initials	Date

June 2024

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