



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

		SUBJECT:	BETTERMENTS AND IMPROVEMENTS RELATING TO CAPITAL ASSETS
SECTION:	5	CATEGORY:	CAPITAL ASSET POLICIES
POLICY NUMBER:	504		
REVISED DATE:	12/1/24	APPROVED BY:	<i>Ben J. Brait</i>

PURPOSE: To establish standard guidelines for County departments, agencies, and special districts for properly recording expenditures for betterments/improvements that relate to owned capital assets.

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

POLICY: County departments, agencies, special districts and authorities should capitalize betterments/improvements that meet the criteria under this policy.

PROCEDURE: This policy includes guidelines to be used for betterments and improvements relating to capital assets and the process to record the transaction(s) in the PeopleSoft Asset Management module (AM module).

SECTION	5
POLICY NUMBER	504
REVISED DATE	12/1/24

GENERAL INFORMATION:

Betterments result in a more productive, efficient, or longer-lived capital asset. Significant betterments are considered capital assets *if they meet the capitalization thresholds* noted in this policy and therefore are added to the value of the asset improved.

Building improvements may consist of *additions*, *improvements* and *replacements* made to existing buildings.

- *Additions* consist of extensions to buildings.
- *Improvements* generally make the capital asset better than its previous condition by extending its useful life.
- *Replacements* make the capital asset better than its previous condition by extending its useful life, increasing its capacity, or lowering its operating costs.

Examples of expenditures to be capitalized as building improvements include:

- Structures attached to the building such as covered patios, sunrooms, garages, carports, enclosed stairwells, etc.
- Installation or upgrade of heating and cooling systems, including ceiling fans and attic vents
- Original installation/upgrade of floor, wall, or ceiling covering such as carpeting, tiles, paneling, or parquet
- Structural changes such as reinforcement of floors or walls, installation or replacement of beams, rafters, joists, steel grids, or other interior framing
- Installation or upgrade of window or door frame, upgrading of windows or doors, built-in closet and cabinets
- Interior renovation associated with casings, baseboards, light fixtures, ceiling trim, etc.
- Exterior renovation such as installation or replacement of siding, roofing, masonry, etc. that extends the life of the building
- Installation or upgrade of plumbing and electrical wiring
- Installation or upgrade of phone or closed-circuit television systems, networks, fiber optic cable, wiring required in the installation of equipment (that will remain in the building)
- Other costs associated with the above improvements

Building maintenance expenditures **should not be** capitalized as improvements. Instead, the following items should be recorded as maintenance expenses:

- Adding, removing, and/or moving of walls relating to renovation projects that are not considered major rehabilitation projects and do not increase the value of the building
- Improvement projects of minimal or no added life expectancy and/or value to the building
- Plumbing or electrical repairs
- Cleaning, pest extermination, or other periodic maintenance
- Interior decoration, such as draperies, blinds, curtain rods, wallpaper
- Exterior decoration, such as detachable awnings, uncovered porches, decorative fences, etc.
- Maintenance-type interior renovations, such as repainting, touch-up plastering, replacement of carpet, tile or panel sections, sink and fixture refurnishing, etc.
- Maintenance-type exterior renovations, such as repainting, replacement of sections of deteriorated siding, roof, or masonry sections that does not extend the useful life of the building
- Replacement of a part or component of a building with a new part of the same type and performance capabilities, such as replacement of an old boiler with a new one of the same type and performance capabilities
- Any other maintenance-related expenditure which does not increase the value of the building

SECTION	5
POLICY NUMBER	504
REVISED DATE	12/1/24

Land improvements that meet the minimum capitalization policy; such as, private driveways, walkways, fences, most landscaping, retaining walls and parking lots, are to be recorded separately as land improvements and are depreciable over their useful lives.

Equipment improvements make the capital asset better than its previous condition.

Infrastructure improvements are capital events that materially extend the useful life or increase the value of the infrastructure, or both. Infrastructure improvements should be capitalized as betterments and recorded as an addition of value to the infrastructure if the improvement or addition of value meets the capitalization threshold and materially increases the life or value of the asset relative to the original cost or life period.

SIGNIFICANT BETTERMENTS/IMPROVEMENTS THRESHOLDS:

The following are threshold values used to determine a significant betterment to major asset groups:

Capital Asset:	Minimum Value Threshold:
Equipment Improvements	\$5,000
Land Improvements/Leasehold Improvements	\$5,000
Building Improvements/Building Leasehold Improvements	\$150,000
Infrastructure	\$5,000/\$150,000

DEPARTMENT ROLES:

- Record all betterments and improvements to capital asset in the AM module immediately once all supporting documentation is available and has been received by the department.
 - Ensure that the proper capital asset account is selected
 - If an incorrect account is used, the department is responsible of making the correction.
- Complete AM-5 Form and submit it to the Auditor-Controller with all supporting documentation, within 15 days after it has been entered in the AM module, **except** at year end it should be submitted within 24 hours.
 - Attach the notice of completion/Form 11 for CIP projects once they are completed.
- Complete form AM-7 and notify the ACO when the lease is terminated at which time the lease improvements will be retired from the AM module.

CAPITAL BUDGET EXPENSE CODES

The acquiring department is responsible for assigning the appropriate account number when conducting betterments and improvements to capital assets or under an operating lease. Individuals should be certain to use the correct account number in all circumstances. The capital expense codes tied to asset codes are:

County of Riverside Expenditure Accounts as of March 1, 2023	
New Code	Description
540000	Capital Assets
	Land
540060	Improvements-Land
540061	Improvements-Environmentl Liner
	Buildings and Improvements
542060	Improvements-Building
542080	Improvements-Leasehold Blds
542120	Improvements-Infrastructure

SECTION	5
POLICY NUMBER	504
REVISED DATE	12/1/24

AUDITOR-CONTROLLER'S ROLES:

- 1) Review and verify AM-5 form and transactions recorded in system
- 2) Process transactions in PeopleSoft Financial System
- 3) Review and process AM-7 form

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 that are submitted. 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.

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 betterments/improvements 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 asset information
- Review and process transactions

SECTION	5
POLICY NUMBER	504
REVISED DATE	12/1/24



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

SECTION	5
POLICY NUMBER	504
REVISED DATE	12/1/24



CAPITAL ASSET DISPOSITION

OFFICE OF THE AUDITOR-CONTROLLER

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

SPM FORM
AM - 7

(POLICY #514)

PAGE ____ OF ____

Department	Business Unit	FY
Contact Name		Phone

Disposition Codes							
Abandonment	AB	Disposal Due to Theft	DPO	Missing Asset	MIS	Scrapped Asset	SCR
Cannibalize	CAN	Donated to External Group	DON	Retirement by Sale	RTR	Traded in for Other Asset	TRD
Casualty Loss	CAS	Leases / SBITAs Termination	LSE	Returned to Inventory	RET		

	Category Code	Asset Number	Disposition Code	Quantity	Retire Amount	Proceeds	Removal Costs	Disposition Date
1			Select ▾					
Other Information (Description of equipment, serial number, etc.)								
2			Select ▾					
Other Information (Description of equipment, serial number, etc.)								
3			Select ▾					
Other Information (Description of equipment, serial number, etc.)								
4			Select ▾					
Other Information (Description of equipment, serial number, etc.)								
5			Select ▾					
Other Information (Description of equipment, serial number, etc.)								

Authorized Signature for Deposition (Department Head or Designee)

Date

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SECTION	5
POLICY NUMBER	504
REVISED DATE	12/1/24