



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

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| | | SUBJECT: LAND, INFRASTRUCTURE AND BUILDINGS |
| SECTION: | 5 | CATEGORY: CAPITAL ASSET POLICIES |
| POLICY NUMBER: | 503 | |
| REVISED DATE: | 07/01/17 | APPROVED BY: <i>Paul Angulo</i> |

PURPOSE: To establish standard guidelines for County departments, agencies, and special districts for properly accounting for land, infrastructure and buildings in accordance with Generally Accepted Accounting Principles (GAAP).

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

POLICY: To report land, infrastructure and buildings in compliance with GAAP and Governmental Accounting Standards Board (GASB).

PROCEDURES: This policy includes guidelines to be used for land, infrastructure, and building as well as the documentation required and the process to record the transaction(s) in PeopleSoft Asset Management module (AM module).

| | |
|----------------------|-----------------|
| SECTION | 5 |
| POLICY NUMBER | 503 |
| REVISED DATE | 07/01/17 |

LAND

Valuation

1. The valuation of land includes all expenditures relevant to the acquisition and preparation for use of the land, such as:
 - a. Purchase price
 - b. Appraisal and negotiation fees
 - c. Surveying fees
 - d. Condemnation costs
 - e. Clearing the land for use
 - f. Demolishing or removing structures
 - g. Filing costs
 - h. Relocation costs
 - i. Legal and title fees
2. Land donated to the County of Riverside should be recorded at the fair market value as of the date of the donation, see SPM 509 for additional information on donated capital assets.

Recording

1. Acquisitions are to be coordinated through the Facilities Management Real Estate Division.
2. The Assessor's Parcel Number must be documented when recording the land in the AM module.
3. The Assessor's Parcel Number must be updated any time a piece of land is split or assigned a new number. Make sure to contact the Auditor Controller's Office before performing this task.

Treatment of Costs Subsequent to Acquisitions

1. *Maintenance costs/expenditures* subsequent to the acquisition of land are not capitalized as they do not add value to the land, nor prolong its life. They include costs that merely keep capital assets in orderly efficient operating condition.
2. Land betterments/improvements refer to SPM 504.

INFRASTRUCTURE

Infrastructure refers to such immovable, long-lived assets such as sidewalks, lighting systems, bridges, roads, tunnels, drainage system, water and sewer systems, dams, basins, traffic signals, communication towers, and flood control channels.

Valuation

1. The cost of infrastructure includes all expenditures relevant to the acquisition and preparation for use of the infrastructure, such as:
 - a. Purchase price or construction costs
 - b. Broker and architect fees
 - c. Permits and licenses
 - d. Insurance during construction
 - e. Accident or injury costs and payment of damages
 - f. Net interest costs during construction
 - g. Appraisal and negotiation fees
 - h. Surveying fees
 - i. Condemnation costs
 - j. Clearing land for use
 - k. Demolishing or removing structures
 - l. Relocation costs

| | |
|----------------------|-----------------|
| SECTION | 5 |
| POLICY NUMBER | 503 |
| REVISED DATE | 07/01/17 |

2. Costs should be **reduced** by:
 - a. Sale of salvage from materials charged against the construction
 - b. Discounts, allowances and rebates received
 - c. Amounts recovered through surrender of liability and casualty insurance
3. Infrastructure donated to the County will be recorded at the fair market value as of the date of the donation (see SPM 509 for additional information).

Recording

1. Acquisitions are to be recorded in the AM module by the department.

Treatment of Costs Subsequent to Acquisitions

1. *Maintenance costs/expenditures* subsequent to the acquisition of the infrastructure are not capitalized as they do not add value to the infrastructure, nor prolong its life. They include costs that merely keep capital assets in orderly efficient operating condition.
2. Infrastructure betterments/improvements refer to SPM 504.

BUILDING

Valuation

1. Buildings should be accounted for at cost incurred/purchase price. Building costs include:
 - a. Purchase price of building
 - b. Construction costs
 - c. Fixtures costs attached to the building
 - d. Broker and architect fees
 - e. Permits and licenses
 - f. Insurance during construction
 - g. Net Interest costs during construction
 - h. Escrow closing costs
2. Costs should be **reduced** by:
 - a. Sale of salvage from materials charged against the construction
 - b. Discounts, allowances and rebates received
 - c. Amounts recovered through surrender of liability and casualty insurance
3. Buildings donated to the County will be recorded at the fair market value as of the date of the donation (see SPM 509 for additional information).
4. Buildings acquired under capital lease purchase agreements should be capitalized at either the fair market value (cost before interest) of the building or the present value of the minimum lease payments which are available in the lease agreement. For additional information see SPM 511.

Recording

1. Acquisitions are to be coordinated through the Facilities Management Real Estate Division.

| | |
|----------------------|-----------------|
| SECTION | 5 |
| POLICY NUMBER | 503 |
| REVISED DATE | 07/01/17 |

Treatment of Costs Subsequent to Acquisitions

1. *Maintenance costs* are not capitalized
2. Fixtures and items of equipment which are permanently installed or attached to a structure and are not intended to be removed, and which function as part of the structure, **are not considered** capital asset equipment. These items are added to the overall cost of the structure, and are coded to the appropriate expense account for buildings.
3. Building betterments/improvements refer to SPM 504.

DEPARTMENT ROLES:

- 1) Land, infrastructures and buildings should be recorded in the AM module immediately once all supporting documentation is available and has been received by the department.
- 2) Complete AM-5 Capital Assets Form - Acquisition, Betterment & Capital Leases 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.
- 3) During the annual asset certification, all infrastructure and buildings must be certified; land does not need to be certified.

CAPITAL BUDGET EXPENSE CODES

The acquiring department is responsible for assigning the appropriate account number when acquiring land, infrastructure, or a building. Individuals should be certain to use the correct account number in all circumstances. The capital asset expense codes tied to land, infrastructure and building codes are:

County of Riverside Expenditure Accounts as of June 1, 2017

| New Code | Description |
|----------|--|
| 540000 | Capital Assets |
| | <i>Land</i> |
| 540020 | PY-Land |
| 540040 | Land |
| 540041 | Misc. Land Acq Filing Fees |
| 540060 | Improvements-Land |
| | <i>Buildings and Improvements</i> |
| 542000 | PY-Buildings |
| 542020 | Buildings |
| 542040 | Buildings-Capital Projects |
| 542100 | Parks Buildings |

| | |
|----------------------|-----------------|
| SECTION | 5 |
| POLICY NUMBER | 503 |
| REVISED DATE | 07/01/17 |

County of Riverside Asset Accounts as of June 1, 2017

| Account | Description |
|---------|--------------------------------|
| | Land |
| 190100 | Land |
| 190150 | Land-Infrastructure |
| 190102 | Parking Lots Improvements |
| 190200 | Real Property Held In Escrow |
| 190300 | Real Property Held For Dev |
| 190400 | Leasehold Interest - Land |
| | Buildings & systems |
| 191100 | Buildings & Improvements |
| 191101 | Fixed Equipment |
| 191200 | Leasehold Interest-Buildings |
| 191300 | Improvements-Landfill Liners |
| 191400 | Structures |
| 191500 | Gas Systems |
| 191600 | Parking Lots Improvements |

AUDITOR-CONTROLLER ROLES:

- 1) Review and verify AM-5 Form and transactions recorded in system.
- 2) Process transactions in PeopleSoft Financial System.
- 3) Review and post depreciation through the AM module on a monthly basis.

| | |
|----------------------|-----------------|
| SECTION | 5 |
| POLICY NUMBER | 503 |
| REVISED DATE | 07/01/17 |

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” 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 to us. 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 capital/noncapital asset information
- Update some 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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|----------------------|-----------------|
| SECTION | 5 |
| POLICY NUMBER | 503 |
| REVISED DATE | 07/01/17 |



CAPITAL ASSETS FORM

Acquisition, Betterment & Capital Leases

OFFICE OF THE AUDITOR-CONTROLLER
 Complete and return to the Auditor-Controller's Office, Mail Stop #1050.

**SPM FORM
AM - 5**

"*" Indicates optional field **ASSET ID:** _____

| | | | | | |
|--|-------------------------|-------------------------|--------------------------|-------------------------|--------------|
| DEPARTMENT | | | BUSINESS UNIT | | |
| FUND | DEPT ID | PROGRAM * | CLASS * | BGT PER | PROJ/GRANT * |
| CATEGORY | ACCOUNT | COST | | | |
| BOOK | FINANCING CODE | LOCATION | | | |
| ACQUISITION DATE | | | IN SERVICE DATE | | |
| VENDOR CODE: | | | VENDOR NAME | | |
| MANUFACTURER | SERIAL NUMBER | MODEL | | | |
| ASSET DESCRIPTION: | | | | | |
| DEPRECIATION METHOD | | USEFUL LIFE (in months) | SALVAGE AMOUNT | | |
| PURCHASE AUTHORIZATION | | | VOUCHER | | |
| For Betterments Only: | | | | | |
| BETTERMENT DESCRIPTION | | | | | |
| TOTAL BETTERMNT VALUE | | | | | |
| For Capital Leases Only: | | | | | |
| LEASE ID# | | | | LIABILITY AMOUNT (PRIN) | |
| 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, | |
| <input type="checkbox"/> | CAPITAL LEASE TEST.XLS | | | | |

Prepared by: _____ Phone: _____

Date: _____ Dept: _____

Distribution: Department and Capital Asset Section of the ACO

Standard Practice Manual – AM-5

January 2006 (This form replaces GEN FORM 34)
 Capital Assets Form (pending approval)

| | |
|----------------------|-----------------|
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