

BEFORE  
THE BOARD OF SUPERVISORS  
OF THE COUNTY OF MADERA  
STATE OF CALIFORNIA

In the Matter of ) Resolution No. 2010- 155  
 )  
AUDITOR-CONTROLLER ) A RESOLUTION ACCEPTING AND  
 ) APPROVING THE CAPITAL ASSETS  
 ) POLICY OF THE COUNTY OF MADERA  
\_\_\_\_\_ )

**WHEREAS**, the Office of the Auditor-Controller has prepared a Capital Assets Policy for use by all departments of the County of Madera, with regard to acquisition, recordkeeping, and disposal of capital assets; and

**WHEREAS**, the Capital Assets Policy has been reviewed as to form.

**NOW, THEREFORE**, the Board of Supervisors resolves as follows:

1. The Capital Assets Policy, attached hereto as Exhibit "A," is hereby accepted and approved for use by all departments of the County of Madera, and shall take effect immediately.

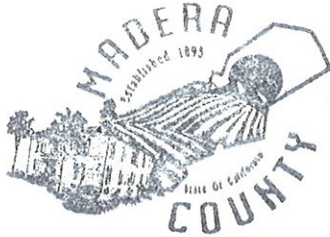
2. Copies of the Capital Assets Policy shall be distributed to all County departments forthwith.

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The foregoing Resolution was adopted this 29<sup>th</sup> day of JUNE,

2010, by the following vote:



Supervisor Bigelow voted:

yes

Supervisor Moss voted:

yes

Supervisor Dominici voted:

yes

Supervisor Rodriguez voted:

yes

Supervisor Wheeler voted:

ABSENT

Fred Bigelow  
Chairman, Board of Supervisors

ATTEST:

Vanna A. Boyd  
Clerk, Board of Supervisors

Approved as to Legal Form:  
COUNTY COUNSEL

By Kereche

ACCOUNT NUMBER(S):

\_\_\_\_\_  
\_\_\_\_\_

# EXHIBIT "A"

## Capital Assets Policy

### **General Purposes:**

Capital assets are items of significant value which have usefulness that extend beyond the year in which they are acquired. Capital assets include land, structures and improvements, infrastructure, and certain equipment. Capital asset accounting safeguards investments, fixes equipment custody, provides data for financial reporting and retirement policies, and assures compliance with State and Federal laws, budget requirements, and policies of the Board of Supervisors.

### **Definitions and Capitalization Policies:**

Capital assets are those that provide an economic benefit to the County and provide that benefit over a number of future periods. This does not include investment securities or other financial instruments.

An economic benefit has been determined to be that the County will realize either an increase in revenues or a decrease in expenditures through the use of the asset.

The terms long-lived asset, fixed asset, and capital asset may be used interchangeably.

Most capital assets have physical substance - these are tangible. Those assets that do not have physical substance (i. e., easements, rights-of-way, mineral rights) are called intangible capital assets.

Capitalization refers to the act of reporting outlays as capital assets based on certain criteria. The capitalization limit is the dollar amount below which capitalization does not occur even if the expenditure otherwise fits the definition of a capital asset.

If a lease agreement meets one or more of the following four criteria, the lease is classified as a capital lease-purchase:

- By the end of the lease term, ownership of the leased property is transferred to the County,
- The lease contains a bargain purchase option,
- The lease term is substantially (75% or more) equal to the estimated useful life of the leased property, or
- At the inception of the lease, the present value of the minimum lease payments is 90% or more of the fair value of the leased property.
- The cost records of physical property shall be established (capitalized) in accordance with the following policies:

### **Land:**

Land is the investment, held in fee title, in real estate, other than structures and improvements, including that acquired for infrastructure purposes. Land is capitalized

regardless of cost and should be reported at fair value at date of acquisition. Acquisition costs include the following:

- Appraisal negotiation, title search and surveying fees
- Cost of obtaining consents and payments for condemnation costs
- Filing costs
- Clearing land or demolishing or removing existing structures
- Relocation cost of landowner if land was acquired by condemnation

### **Structures and Improvements:**

Capital assets with physical properties of a permanent nature, such as buildings, structural attachments, storage tanks, reservoirs, parking areas are included in this category.

Structures and improvements are capitalized when the cost, including expenditures for acquisition, exceeds \$10,000. The costs included for capitalization are:

- Architect fees
- Permits and licenses
- Condemnation costs
- Insurance during construction
- Cost of fixtures attached to and forming a permanent part of the structure.
- Fixtures are permanent attachments to structures which are not intended to be removed. Examples:
  - Boilers
  - Lighting fixtures
  - Plumbing
  - Shelving - if attached
  - Air conditioners

### **New Construction:**

Newly constructed structures and improvements are capitalized when costs, including interest costs, site preparation, architect and other preparation fees, exceed \$10,000.

### **Additions:**

Additions are extensions of an existing unit which increases that units capacity (i. e. , a new wing on the health center). Costs should include the same items as new construction.

### **Betterments:**

Capitalized expenditures (betterments) are defined as expenditures which materially add to the value of property or appreciably extend its life. The cost of a replacement of an existing component with one of higher quality (i. e. , replacement of an asphalt roof with a tile roof) is to be added to the value of the asset when the original cost of the replaced component can be specifically identified. The original cost of the component is to be deleted and the new cost capitalized. If the original cost of the component being improved cannot be specifically identified, the expenditure is treated as maintenance. Replacing part of an existing asset with another of like quality is not a betterment, even though the useful life of an asset may be maintained or extended. All betterments are

capitalized when cost exceeds \$10,000.

**Maintenance:**

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 maintenance costs and shall not be capitalized. All new construction, additions, and betterments not qualifying for capitalization as prescribed above are charged to Maintenance in the department's budget.

**Exception:**

When the total cost of the project, including materials and labor, is such that the Chief Administrative Officer defines the project as "major", the project will be accounted for in the Capital Projects Fund as Major Maintenance. In this instance, the cost may or may not be transferred to an individual department's budget at the discretion of the Board of Supervisors.

**Infrastructure:**

Long-lived assets that normally are stationary in nature and can be preserved for a significantly greater number of years than other capital assets are infrastructure. The following is a list of long lived examples:

- Roads, highways, bridges and tunnels
- Curbs, sidewalks, fire hydrants, guardrails, landscaping and streetlight
- Drainage, irrigation and sewer systems
- Airport runways

Original historical cost may be estimated when records are unavailable or inadequate. Expenditures that are capital in nature (addition and improvements) should be capitalized as part of the infrastructure asset if they increase the capacity or efficiency of the related infrastructure asset and costs exceed \$10,000. Additions and improvements to historical costs include:

- Engineering fees
- Surveyor fees
- Architect fees
- Permits and licenses
- Appurtenances (i. e. , traffic signs, signals, street signs, and grade separations)

Exception: Parking meters and portable traffic signals are considered equipment.

**Equipment and Vehicles:**

Tangible personal property which is movable or, if attached, is readily detachable without appreciable impairment to the unit to which it is attached, and has a useful life of more than one (1) year and a value of \$5,000 (dollars) or more is included in this category. Equipment and vehicles should be recorded at historical cost which should include capitalized interest or ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include:

- Preparation costs
- Freight or other transportation charges
- Sales, use and transportation taxes
- Installation costs (professional fees)

Exception: Unless the following items exceed in costs, do not capitalize computer software (\$10,000), personal computers, partitions, work stations and library books.

**Land Acquisition and Disposal:**

The cost of land includes expenditures incurred for acquisition.

The department will advise the Auditor Controller or his/her designee by memorandum of any receipts from sale of salvage resulting from preparing a parcel of land for use, stating the dollar amount received, date of sale, Record of Deposit (Permit) number, and location of the land. The amount received is credited against the cost of the land. The amount received will be recognized using revenue source code 8010.

**Acquisition by Purchase:**

The department submits a Property Transfer Request form, including the parcel number of the property, to the Chief Administrative Officer. If the request to purchase is approved, the Property Transfer Request form will be submitted to the Auditor Controller or his/her designee for inclusion in the capital asset inventory.

**Acquisition by Lease-Purchase:**

When a lease agreement will result in the acquisition of land, the department submits a Property Transfer Request form to the Chief Administrative Office during the budget process or to the Board of Supervisors if not included in the adopted budget. When the lease-purchase is approved and the County has taken title to the property, the Property Transfer Request form will be submitted to the Auditor Controller or his/her designee for inclusion in the capital asset inventory.

**Acquisition by Gift (Donation):**

After property has been accepted by the Board of Supervisors, the department submits a Property Transfer Request form to the Auditor Controller or his/her designee for inclusion in the capital asset inventory, noting the property was acquired by donation. The estimated fair market value at the date of receipt, as determined by appraisal or from the Assessor's records, is stated in lieu of a purchase price. There is no charge to the department's budget unless there are related costs, such as appraisal fees.

**Acquisition by Condemnation or Eminent Domain:**

When land is acquired by condemnation or eminent domain, the department submits a Property Transfer Request form to the Auditor Controller or his/her designee for inclusion in the capital asset inventory, noting the property was acquired by condemnation or eminent domain. The estimated fair market value at the date of receipt

or the actual price paid, whichever is greater, is used in lieu of a purchase price.

**Disposal by Sale:**

The department submits a Property Transfer Request form to the Office of the Chief Administrator. If the disposal is approved, the Property Transfer Request form will be submitted to the Auditor Controller or his/her designee for deletion from the capital asset inventory. The sale date and price, property description including the parcel number, and Record of Deposit (CR) number must be reported.

**Disposal by Condemnation or Eminent Domain:**

When an agency disposes of land by condemnation or eminent domain, the department submits a Property Transfer Request form to the Auditor Controller or his/her designee for deletion from the capital asset inventory, noting the property was disposed of by condemnation or eminent domain. The “sale” date and price, property description and Record of Deposit (CR) number must be reported. The estimated fair market value at the date of receipt or the actual price paid, whichever is greater, is used in lieu of a sale price.

**Trade:**

When a parcel of County-owned land is traded for a parcel of land owned by another agency or private party, the department submits one Property Transfer Request form for the parcel being acquired, and a second Property Transfer Request form for the parcel being disposed of to the Chief Administrative Officer’s Office. If the request to trade is approved, both forms will be submitted to the Auditor Controller or his/her designee for appropriate entries to the capital asset inventory. These two forms must be annotated for cross-referencing purposes.

**Structures and Improvements Acquisition and Disposal:**

The cost of structures or improvements includes all expenditures in connection with its acquisition.

**Acquisition by Purchase:**

The department submits a Property Transfer Request form, including the parcel number of the land on which the structure is located, to the Office of the Chief Administrator. If the request to purchase is approved, the Property Transfer Request form will be submitted to the Auditor Controller or his/her designee for inclusion in the capital asset inventory.

**Acquisition by Construction-by-Contract.**

All contracts or purchase orders covering construction of structures and improvements are accounted for in the Capital Projects Fund. Costs should include capitalized interest costs and site preparation. All or a portion of the costs may be transferred to the individual department’s budget at the discretion of the Board of Supervisors. When a construction-by-contract project has been completed, a Notice of Completion will be submitted to the Auditor Controller or his/her designee for inclusion in the capital asset inventory.

If a construction-by-contract project is only partially completed at the end of a fiscal year,



a Notice of Construction in Progress listing all costs incurred through June 30 will be submitted to the Auditor-Controller's Office not later than July 31. When the project has been completed a Notice of Completion stating all costs, including those incurred in and reported for the prior fiscal year, is submitted to the Auditor Controller or his/her designee as above.

**Acquisition by Construction-by-Force-Account:**

When an improvement or structure is constructed by County employees, it is referred to as construction-by-force-account. The department which performs the work of constructing a structure or improvement by force account is responsible for and must maintain an accurate record of the costs of all materials, supplies, and any outside services attributable to the project, including maintaining time cards for the accumulation of the direct labor costs involved. Also to be included are employee benefit costs and other indirect costs related to those employees direct labor costs (i. e., vehicles used, phone charges, office supplies).

If some services are supplied by another County department, those costs are to be transferred to the department responsible for the construction-by-force-account. If more than one department will benefit from the construction-by-force-account, some charges may be transferred to other beneficiary departments. When the project has been completed a Notice of Completion will be submitted to the Auditor Controller or his/her designee for inclusion in the capital asset inventory.

If a construction-by-force-account is only partially completed at the end of a fiscal year, a Notice of Construction in Progress listing all costs incurred through June 30 will be submitted to the Auditor-Controller's Office not later than July 31. When the project has been completed a Notice of Completion stating all costs, including those incurred in and reported for the prior fiscal year, is submitted to the Auditor Controller or his/her designee as above.

**Acquisition by Lease-Purchase:**

When a lease agreement will result in the acquisition of structures or improvements, the department submits a Property Transfer Request form to the Chief Administrative Officer during the budget process or to the Board of Supervisors if not included in the adopted budget. When the lease-purchase is approved and the County has taken possession of the property, the Property Transfer Request form will be submitted to the Auditor Controller or his/her designee for inclusion in the capital asset inventory.

**Acquisition by Gift (Donation):**

After property has been accepted by the Board of Supervisors, the department submits a Property Transfer Request form to the Auditor Controller or his/her designee for inclusion in the capital asset inventory, noting the property was acquired by donation. The estimated fair market value at the date of receipt, as determined by appraisal or from the Assessor's records, is stated in lieu of a purchase price. There is no charge to the department's budget unless there are related costs, such as appraisal fees.

**Acquisition by Condemnation or Eminent Domain:**

When a structure is acquired by condemnation or eminent domain, the department submits a Property Transfer Request form, providing the same data as specified for an Acquisition by Purchase, to the Auditor Controller or his/her designee for inclusion in the capital asset inventory, noting the property was acquired by condemnation or eminent domain. The estimated fair market value at the date of receipt or the actual price paid, whichever is greater, is used in lieu of a purchase price.

**Replacement for Betterment:**

When a part of an existing structure or improvement is replaced by a betterment, the cost of the replaced part is deducted from the original structure and the betterment is added to the capital asset inventory as a new item. The department will submit a Property Transfer Request form to the Auditor Controller or his/her designee, an identification of the item being replaced, and an estimate of its original cost.

**Disposal by Sale:**

When an agency disposes of a structure or improvement, the department submits a Property Transfer Request form to the Auditor Controller or his/her designee. The sale date and price, property description and Record of Deposit (CR) number must be reported.

**Disposal by Condemnation or Eminent Domain:**

When an agency disposes of a structure by condemnation or eminent domain, the department submits a Property Transfer Request form to the Auditor Controller or his/her designee for removal from the capital asset inventory, noting the property was disposed of by condemnation or eminent domain. The "sale" date and price, property description and Record of Deposit (CR) number must be reported. The estimated fair market value at the date of disposal or the actual price received, whichever is greater, is used in lieu of a sale price.

**Trade:**

When a structure is traded for a parcel of land owned by another agency or private party, the department submits one Property Transfer Request form for the parcel being acquired, and a second Property Transfer Request form for the parcel being disposed of to the Office of the Chief Administrator. If the request to trade is approved, both forms will be submitted to the Auditor Controller or his/her designee for appropriate entries to the capital asset inventory. These two forms must be annotated for cross-referencing purposes.

**Infrastructure Acquisition and Disposal:**

All infrastructure acquisition and disposal are under the control of the Roads Department, with the exception of land and structure acquisitions and dispositions.

**Land and Structure Acquisition and Disposal:**

All acquisitions and dispositions of land and structures will be reported.

**Acquisition by Purchase:**

For infrastructure assets other than land and structures, the department submits a Property Transfer Request form to the Office of the Chief Administrator. If the request to purchase is approved, the acquisition will be recorded in infrastructure inventory.

**Acquisition by Lease-Purchase:**

When a lease agreement results in the acquisition of an infrastructure asset other than land and structures, the department will submit a Property Transfer Request form to the Office of the Chief Administrator. When the contract has been approved, the department submits a journal voucher (including the number of the Board of Supervisors resolution on which the contract was approved) to the Auditor Controller or his/her designee will record the item in infrastructure asset inventory.

**Acquisition by Gift (Donation):**

After property has been accepted by the Board of Supervisors, the department submits a Property Transfer Request form to Auditor Controller or his/her designee for inclusion in the infrastructure asset inventory. The estimated fair market value at the date of receipt, as determined by appraisal or other reasonable method, is stated in lieu of a purchase price. There is no charge to the department's budget unless there are related costs, such as appraisal fees.

**Acquisition by Construction-by-Contract:**

All contracts or purchase orders covering construction of infrastructure are accounted for in the Capital Projects, Roads, or other appropriate fund. Costs should include capitalized interest costs and site preparation. All or a portion of the costs may be transferred to the individual department's budget at the discretion of the Board of Supervisors. When a construction-by-contract project has been completed, a Notice of Completion will be submitted to the Auditor Controller or his/her designee for inclusion in the infrastructure asset inventory.

If a construction-by-contract project is only partially completed at the end of a fiscal year, a Notice of Construction in Progress listing all costs incurred through June 30 will be submitted to the Auditor-Controller's Office not later than July 31. When the project has been completed a Notice of Completion stating all costs, including those incurred in and reported for the prior fiscal year, is submitted to Auditor Controller or his/her designee as above.

**Acquisition by Construction-by-Force-Account:**

When infrastructure is constructed by County employees, it is referred to as construction-by-force-account. The department which performs the work of constructing the item by force account is responsible for and must maintain an accurate record of the costs of all materials, supplies, and any outside services attributable to the project, including maintaining time cards for the accumulation of the direct labor costs involved. Also to be included are employee benefit costs and other indirect related costs (i. e., vehicles used, phone charges, office supplies).

If some services are supplied by another County department, those costs are to be transferred to the department responsible for the construction-by-force-account. When the project has been completed a Notice of Completion will be submitted to Auditor Controller or his/her designee for inclusion in the infrastructure asset inventory.

If a construction-by-force-account is only partially completed at the end of a fiscal year, a Notice of Construction in Progress listing all costs incurred through June 30 will be submitted to the Auditor-Controller's Office not later than July 31. When the project has been completed a Notice of Completion stating all costs, including those incurred in and reported for the prior fiscal year, is submitted to Auditor Controller or his/her designee as above.

**Acquisition by Condemnation or Eminent Domain:**

When an infrastructure asset other than land or structures is acquired by condemnation or eminent domain, the department submits a Property Transfer Request form to the Auditor Controller or his/her designee, providing the same data as specified for an Acquisition by Purchase.

**Replacement for Betterment:**

When a part of an existing infrastructure asset is replaced by a betterment, the cost of the replaced part must be deducted from the infrastructure asset and the betterment is added to the infrastructure asset inventory as a new item. The department will include in the final Notice of Completion submitted to the Auditor Controller an identification of the item being replaced, and an estimate of its original cost.

**Disposal by Sale:**

When an agency disposes of infrastructure, the department submits a Property Transfer Request form to the Auditor Controller or his/her designee for removal from the infrastructure asset inventory. The sale date and price, property description and Record of Deposit (CR) number must be reported.

**Disposal by Condemnation or Eminent Domain:**

When an agency disposes of an infrastructure asset by condemnation or eminent domain, the department submits a Property Transfer Request form to Auditor Controller or his/her designee for removal from the infrastructure asset inventory, noting the property was disposed of by condemnation or eminent domain. The "sale" date and price, property description and Record of Deposit (CR) number must be reported. The estimated fair market value at the date of disposal or the actual price received, whichever is greater, is used in lieu of a sale price.

**Equipment and Vehicle Acquisition and Disposal:**

The cost of an item of equipment includes the purchase price or manufacture cost; freight or other transportation costs; sales, use or transportation taxes; and installation costs. Discounts taken in paying for equipment are deducted from the purchase price or manufacture cost. Credits for trade-ins or rent-purchase allowances are deducted from

total costs when charging equipment to department budgets, but are not deducted when recording the costs of equipment items in the capital asset accounts.

**Acquisition by Purchase:**

The department submits a Property Transfer Request form to the Office of the Chief Administrator during the budget process or to the Board, if not approved in the adopted budget. If the acquisition of equipment or vehicles is to replace a current asset, then a second Property Transfer Request form must be filled out and submitted to the Chief Administrative Officer. If the request to purchase is approved, both forms will be submitted to the Auditor Controller or his/her designee so the current asset can be disposed of in accordance with Government Code and County Ordinance. When the purchase is completed, the Auditor Controller or his/her designee will add the item to the capital asset inventory.

**Acquisition by Lease-Purchase:**

When lease agreement will result in the acquisition of equipment or vehicles, the department submits a Property Transfer Request form to the Office of the Chief Administrator during the budget process or to the Board, if not approved in the adopted budget. If the acquisition of equipment or vehicles is to replace a current asset, then a Property Transfer Request form must be completed. If the request to purchase is approved, the Property Transfer Request form will be submitted to the Chief Administrator so the current asset can be disposed of in accordance with Government Code and County Ordinance. When the equipment is delivered, the department submits a Property Transfer Request form to the Auditor-Controller's Office to record delivery and the Auditor Controller or his/her designee update the vehicle inventory.

**Acquisition by Gift (Donation):**

After property has been accepted by the Board of Supervisors, the department submits an Property Transfer Request form to the Auditor Controller or his/her designee for inclusion in the capital asset inventory, noting the property was acquired by donation. The estimated fair market value at the date of receipt, as determined by appraisal is stated in lieu of a purchase price. There is no charge to the department's budget unless there are related costs, such as appraisal fees or installation costs.

**Acquisition by Manufacture-by-Force-Account:**

All costs of manufacturing and/or installing equipment by force-account, including direct labor and indirect cost, shall be recorded by the department responsible for the manufacture.

If some services are supplied by another County department, those costs are to be transferred to the department responsible for the manufacture-by-force-account. A Notice of Completion will be submitted to the Auditor Controller or his/her designee for inclusion in the capital asset inventory.

If a manufacture-by-force-account is only partially completed at the end of a fiscal year, a Notice of Construction in Progress listing all costs incurred through June 30 will be

submitted to the Auditor-Controller's Office not later than July 31. When the project has been completed a Notice of Completion stating all costs, including those incurred in and reported for the prior fiscal year, is submitted to the Auditor Controller for inclusion in the capital asset inventory.

**Acquisition by "Discovery":**

At any time, such as during the equipment inventory, that a department finds equipment or vehicles in its custody that is not on the equipment inventory, the department must notify the Auditor Controller by written memorandum describing the item and the circumstances of its discovery. If, after investigation, it is found that the item is the property of the County, but not included in the County's capital asset inventory, the Auditor Controller or his/her designee will take appropriate action to record the item at its estimated current market value if its original cost is unknown.

**Disposal or Donation of Surplus Equipment:**

Surplus property is assets no longer needed for use by an office or department. These assets no longer needed can be declared as "surplus" by the using agency, but only the Chief Administrative Officer or his/her designee can actually transfer items to a surplus pool and dispose of said property. The Chief Administrative Officer or his/her designee decides whether the property should be disposed of as County surplus property or retained within the County. Upon transfer to the surplus pool inventory the Auditor Controller or his/her designee shall be notified with a Property Transfer Request form of the items to remove from the departmental inventory from which they have been transferred. The Auditor Controller shall maintain a perpetual inventory of all items contained in the surplus pool until disposed of.

**Lost/Stolen Equipment:**

When an item of equipment has been determined to have been lost or stolen, the department submits an Property Transfer Request form, giving a complete report of the loss to the Auditor Controller who will remove the item from the capital asset inventory.

**Interdepartmental Transfers:**

For those departments who wish to transfer responsibility for an item to another department, the department in possession of the item shall submit an Property Transfer Request form for transfers of equipment between departments to the Auditor Controller or his/her designee. The Property Transfer Request form must be completed and signed by both departments in order to transfer an asset from one department to another.

**Trade-in:**

When a department wishes to trade-in an existing item of equipment for credit against the purchase price of a new item of equipment, a Property Transfer Request form must be submitted to the Chief Administrative Officer or his/her designee together with the requisition for the purchase of the new item. The Chief Administrative Officer or his/her designee will arrange to pick up the traded-in item when the new item is delivered. The necessary adjustments to the fixed asset inventory will be recorded by the Auditor Controller from the Property Transfer Request form.

**Equipment Control:**

All County equipment (whether capitalized or not) shall be identified and controlled.

**Individual Records:**

An individual record of each item should be maintained.

**Tagging of Equipment:**

Some of the devices available for the tagging and /or numbering of assets include:

- Metal tags with pre-coated adhesive on the back
- Metal tags affixed with rivets or nails
- Decals
- Stenciled numbers
- Die-stamped numbers

Capital asset items with a value of \$5,000 or more shall be assigned tag numbers by the Purchasing Agent. All tag numbers are recorded in the appropriate log before the tag is sent to the department. This record should include:

- Tag number and date of issue
- Department and purchase order number
- Description of the item

There are some items for which a number may not be practical. Judgment must be exercised as to which equipment is best left unnumbered or if another numbering system for the asset type may be more appropriate or practical. In this situation, it will be the responsibility of the department to identify the property as County property in some other way. Whatever the decision, the asset is to be recorded on the fixed asset inventory.

Examples of items for which a number may not be practical are:

- Equipment habitually coated with dirt and grease.
- Certain medical and laboratory instruments.
- Unique items, readily identifiable.

**Vehicles:**

Automobiles, trucks, heavy equipment, and trailers, etc., will be marked by the department immediately upon receipt with serial / identification numbers, by decal, or other appropriate means. The department shall submit a Property Transfer Request form to the Auditor Controller or his/her designee to update the capital asset inventory. All motor vehicles owned or operated by the County of Madera for official business of the County shall display the number assigned to the vehicle and the following words: "Property of Madera County" in such a manner as to be plainly visible. Such markings may be in the form of a decal affixed to the vehicle. This shall not apply to private vehicles on mileage contracts nor to any vehicle rented for short-term use on County business.

**Unmarked Vehicles:**

Certain County vehicles assigned to those County officers, department heads or employees designated by Resolution of the Board of Supervisors are exempt from the above policy. Such designation of exemption shall be based upon the Board's determination that public identification as a County-owned vehicle in official use will impede the performance of duties by personnel operating such vehicles or that it would expose County officers or employees using such vehicles to an unreasonable risk of danger to personal safety. Applications for authorization to use unmarked vehicles shall be filed with the County Administrative Officer who shall review the same and present a recommendation to the Board of Supervisors. All exempt vehicles shall be inventoried.

**Equipment Under \$5,000:**

Departments are required to establish inventory control that will ensure that County assets valued at less than \$5,000 are safeguarded. The system will be reviewed as part of the departments audit to ensure that it provides proper control and information for the department head to certify the inventory. For the purposes of this section, equipment is defined as moveable personal property with a useful life of one year or longer.

**Department Audits:**

A review of the inventory control system will be performed as a part of the department's audit. The review will include a verification of a sample of items of both capitalized equipment (\$5,000 or more in cost) and on the Auditor Controller's capital asset inventory and non-capitalized equipment (less than \$5,000 in cost and on the department maintained equipment list). Verification that lease-purchases have been properly reported and recorded by the department will also be required.

**Inventory Filing :**

Between June 25<sup>th</sup> and July 1<sup>st</sup> preceding the month in which the inventories are to be certified, the Auditor Controller or his/her designee will furnish each department an inventory of capitalized equipment. The inventory of equipment costing less than \$5,000 must be furnished by the department. The complete inventory must be filed by the 10<sup>th</sup> of July each fiscal year with the Chief Administrative Officer and the County Auditor Controller.

Each department will conduct a physical inventory of all equipment in its possession, noting any exceptions on the Auditor Controller's capitalized equipment inventory or the department's list of equipment costing less than \$5,000. The Department's equipment list shall be signed and submitted to the Auditor Controller. The signed list of equipment costing less than \$5,000 shall be returned to the Chief Administrative Officer and the Auditor Controller.

**Inventory Adjustment Requests:**

A Property Transfer Request form will be submitted to the Purchasing Agent under the following circumstances:

- If any item cannot be located during the physical inventory



- If an item is to be deleted due to sale, trade-in, donation, or discard.
- If a change in the information regarding an item is required, such a Change of location code, serial number, or description
- Change error in original cost (must have documentation to validate change)
- Correct data entry errors

Accurate budgeting for the acquisition of new capital assets is the first important step to appropriate accounting for capital assets. A clear understanding of what is included in a capital asset inventory is essential.

Departments will budget for capital assets in the 740100, 740200, or 740301 object codes.

DO NOT pay, or budget for capital assets out of the 720000 expenditure accounts.

DO NOT pay, or budget for non-capital assets in 740100, 740200, or 740301 object codes.

See the Summary Guidelines for Budgeting of Capital Assets (Appendix A).

## Appendix A

### Summary Guidelines for Budgeting of Capital Assets

Capital (fixed) assets are items of property of significant value which have a useful life of more than one year. Capital assets include land, land improvements, buildings, building improvements, additions, betterments, equipment and vehicles.

Land is real estate other than buildings and improvements. Land is recorded regardless of cost and is purchased from a 740100 object code. The cost of land should include:

- Appraisal negotiation, title search and surveying fees,
- Cost of obtaining consents and payments for condemnation costs,
- Filing costs
- Cost of demolishing or relocating structures.

Buildings are structures of a somewhat permanent nature. Buildings are recorded regardless of cost and are purchased from a 740200 object code. The cost of purchased building would include:

- All cost indicated on escrow documents (except property taxes),
- Remodeling prior to occupancy, and any other costs necessary to prepare the building for occupancy.

The cost of a constructed building should include:

- Architect or planning fees,
- Costs of permits and license,
- Construction costs and
- Insurance costs during construction.

Building Improvements are fixtures attached to and forming a permanent part of the building. Examples would include boilers, lighting fixtures, plumbing, attached shelving, and air conditioners. Building improvements included during construction or purchased as part of an existing structure are included in the cost of the building as discussed above. Building improvements added after occupancy of the building are recorded as building improvements if the cost exceeds \$10,000 and if the item is not a replacement (see Maintenance). Building improvements are purchased from a 740200 object code.

Additions are extensions of existing units like a new wing on a building. Additions are recorded regardless of cost and should be purchased from a 740200 object code.

Betterments are items which materially add to the value of property or appreciably extend it's life. A betterment is the replacement of an existing component with one of higher quality. For example the replacement of an asphalt roof with a tile roof, or the replacement of an old swamp cooler with a modern climate control system. Betterments should be recorded if the cost exceeds \$10,000. If the betterment pertains to a building, it should be purchased from a 740200 object code. If the betterment pertains to equipment or vehicles, it should be purchased from a 740301 object code.

Equipment and vehicles are tangible personal property which is movable and has a useful life of more than one year. Equipment and vehicles are recorded if the cost exceed \$5,000 per item. The purchase of a group of like items that, individually, do not exceed \$5,000 is not recorded even though the cost of the group is over \$5,000. For example, the purchase of three copy machines at \$4,000 each would not be recorded because each copy machine is less than \$5,000. On the other hand, the purchase of components of equipment should be added together to form one capital asset if that combined total exceeds \$5,000, even if each component is under \$5,000. For example, the purchase of a copy machine and a extra capacity feed tray would be combined to one asset because the sum of the components exceeds \$5,000, even though the copy machine was \$4,000 and the extra capacity feed tray was \$1,500. If components are designed to be used together, like a new phone system, then the cost of the components should be combined to determine if the item is a fixed asset. Equipments and vehicles should be purchased from a 740301 object code. The cost of equipment and vehicles should include:

- Preparation costs and installation costs,
- Freight or other transportation costs, and
- Sales, use or transportation taxes.

Lease-Purchase Agreements are used to acquire capital assets over an extended period of time. Each year in which payments against the agreement are to be made, budgets will be established in object codes 730302 and 730502 to account for the payments of principal and interest, respectively. If the contract does not distinguish between principal and interest portions, object code 730302 will be used. A copy of any new lease-purchase agreement entered into must be sent to the Auditor - Controller's Office.

Maintenance does not add material value or extends the life of an item. Maintenance keeps an item in ordinary efficient operating condition. Replacing part of an existing asset with another of like quality is maintenance even if the cost exceeds \$5,000. Examples would include replacement of an existing air conditioner or boiler, or the replacement of an existing asphalt roof with a new asphalt roof. Maintenance is purchased in a 720800 or 720900 object code.

It is County policy not to record as capital assets any of the following regardless of cost:

- Personal computers,
- Software, unless cost exceeds \$10,000
- Partitions and work stations,
- Library books, or Works of art, historical treasures, and similar assets described as a "collection".

Appendix B  
Procedures for Surplus Property

Surplus property is assets no longer needed for use by an office or department. These assets no longer needed can be declared as “surplus” by the using agency, but only the, Chief Administrative Officer or his/her designee, can actually transfer items to a surplus pool and dispose of said property. Thereafter, and upon such transfer, said items or articles shall be carried on the inventory of such office, department or institution to which the equipment has been transferred. All items or articles transferred from any county Department to the surplus pool referred to in this paragraph shall be removed from the departmental inventory from which the same has been transferred, and the Auditor Controller or his/her designee shall maintain a perpetual inventory of all items contained in said “surplus pool” until disposed of. The Purchasing Agent (Chief Administrative Officer) decides whether the property should be disposed of as County surplus property or retained within the County.

The Purchasing agent (Chief Administrative Officer) shall supply a Property Transfer Request form to the declaring department. The appropriate box at the top of the form must be marked to indicate the nature of the request. The form shall contain the quantity, description, serial number, date of the purchase and such other pertinent information as may be required by the Purchasing Agent (Chief Administrative Officer), and shall be filed with the Auditor Controller or his/her designee.

Government code 25504 provides: The County Purchasing Agent (Chief Administrative Officer) may by direct sale or otherwise, sell, lease, or dispose of any personal property belonging to the County not required for public use. The action is subject to regulations as may be provided by the Board of Supervisors. The Purchasing Agent (Chief Administrative Officer) shall deposit the proceeds from the sale, etc., into the County treasury for use by the County.

## Appendix C Recording Capital Asset Transactions

Capital Asset, Land, Structure, Equipment and Vehicle inventories are maintained in the Auditor Controller's Office. The inventory of Infrastructure is maintained by the Roads Division of the Resource Management Agency which is involved in the acquisition, maintenance, and disposition of all County infrastructure.

Individual records will be maintained for all Capital Assets and will include:

- Date of acquisition or completion
- Date placed into service, if different from above
- Asset number
- Asset Description, including parcel numbers for land or model numbers
- Serial numbers, vehicle ID numbers or other manufacturer's identification
- Cost
- Expected life and salvage value, if any
- Department acquiring item, including agency, organization, and activity codes
- Funding Source, if by grant or donation or lease purchase
- Current fiscal year depreciation, where applicable
- Accumulated depreciation from acquisition to date

If an individual item is disposed of during a given fiscal year, additional information is needed;

- Date of disposition
- Sale price

At each fiscal year end, current inventories as of June 30 will be supplied to the Auditor's office on or before July 31, of the subsequent fiscal year. Each inventory listing will identify beginning balances, additions, dispositions, and ending balances for both the inventory and the depreciation of inventory, where applicable.

BLUE - BOARD OF SUPERVISORS COPY  
 PINK - AUDITOR COPY  
 WHITE - TRANSFERRING DEPT. COPY  
 GREEN - RECEIVING DEPT. COPY  
 CANARY - ADMIN. OFFICE COPY

### COUNTY OF MADERA

**INSTRUCTIONS**  
 Complete and forward all  
 5 Parts of this Set to:  
 County Purchasing

# PROPERTY TRANSFER REQUEST

#### Nature of Request

- Inter-departmental Transfer
- Trade-in. If so, to be replaced by item No. \_\_\_\_\_ on Purchase Order No. \_\_\_\_\_
- No longer useful to Dept. —To be disposed of by Purchasing Agent.
- Acquisition of Property other than by Purchase Order or Work Order.
- Other.

Property No.	Description	Ending Mileage or Serial or Mtg. No.	Date Purchased	Inventory Value
Transfer from (Dept. Name)		Dept. No.	Transfer to (Dept. Name)	
Approved (Dept. Head)		Date	Approved (Dept. Head)	

If Dept. is acquiring property by gifts or donation, State Circumstances briefly

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Remarks or Reason for Transfer

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Inventory Records Adjusted By Purchasing Department  By _____	Approved  Administration Office  _____	Action of Board of Supervisors <input type="checkbox"/> Approved    Date _____ <input type="checkbox"/> Denied        Date _____ <input type="checkbox"/> Other _____ _____ _____
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