



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

SECTION:		5	SUBJECT: ACCOUNTING FOR: EQUIPMENT	
POLICY NUMBER:		505	CATEGORY: CAPITAL ASSET POLICIES	
REVISED DATE:		07/01/17	APPROVED BY: <i>Paul Angelo</i>	

PURPOSE: To establish standard guidelines for County departments, agencies, and special districts for the accounting of Capital Assets – Equipment in accordance with Generally Accepted Accounting Principles (GAAP). Because each department, agency and special district engages in the acquisition, transfer, disposal and use of capital equipment, this policy sets forth the roles and responsibilities associated with those activities.

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

POLICY: This policy is intended to provide steps to assist County departments, agencies, special districts and authorities in the safeguarding, accounting for and disposing of County equipment. This policy is written in compliance with GAAP and Governmental Accounting Standards Board (GASB) Statement No. 34 - *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* in recording Capital Asset – Equipment.

PROCEDURE: This policy includes information on the criteria for equipment to become capitalized and the process and documentation needed to record the asset in the PeopleSoft Asset Management module.

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EQUIPMENT CAPITALIZATION CRITERIA:

For equipment to be classified as a capital asset the following criteria must be met:

- 1) The equipment must be moveable personal property of a relatively permanent nature and of significant value such as furniture, machines, office equipment (such as computer, server, software, etc.) tools, and vehicles.
- 2) It must have an expected useful life of more than one year.
- 3) It must have a minimum value of \$5,000 as established by the County Auditor-Controller.

EQUIPMENT: Consists of property that does not lose its identity when removed from its location and is not changed materially or expended in use. Subclasses in the account include Computer Equipment, Shop and Yard Equipment, Construction Equipment, Fire Equipment, Aircraft Equipment, etc.

- 1) Movable Equipment is not permanently affixed to or part of a building. Some movable equipment consists of more than one component (e.g., a computer, keyboard, mouse, and monitor). The assembled components may be considered one item and be recorded as a single capital asset. Component items that form one working equipment system are combined for capitalization purposes. Additions to equipment that become either component parts or permanently connected to existing equipment items are also defined as equipment and should be capitalized, regardless of cost.
- 2) Fixed Equipment is permanently affixed to a building but is separate from the building itself. Examples of fixed equipment are light fixtures, wall to wall carpeting, water fountains, fire control apparatus, fume hoods and built-in display cabinets.
- 3) Equipment Purchased During New Construction / Renovations – the equipment must be non-expendable, tangible personal property having an economic useful life of more than one year. During the normal course of business, these items would be expensed solely because they did not meet the County’s \$5,000 threshold.

DEPARTMENT ROLES:

Acquisition of Capital Equipment:

- 1) The acquisition of movable equipment starts with the creation of the purchase order and should itemize the equipment being purchased.
- 2) Department asset processors must review the purchase order, vendor invoice and the accounts payable voucher to ensure that the above criteria have been met.
 - a. Ensure that the proper capital asset account is used.
 - b. If an incorrect account is used, the department is responsible for making the correction.
- 3) Record the capital asset in the PeopleSoft Asset Management module.
 - a. All assets should be recorded in the AM module within 30 days from receipt of the asset.
- 4) Equipment should be accounted for at cost in the PeopleSoft Asset Management module and posted to the appropriate subsidiary ledger.
 - a. Equipment cost includes: purchase price or construction cost, sales tax, use tax, freight, other carrier charges and installation costs as well as any cost attributed to putting the equipment in place.
 - b. Maintenance, extended warranties, insurances, and training **cannot** be capitalized.
- 5) Equipment purchased with non-County monies will follow the capitalization requirements specified statutorily or defined in grant requirements.
- 6) Equipment acquired under a capital lease purchase must be entered as a capital lease and capitalized in the PeopleSoft AM module. For more instructions on Capital Leases you may refer to SPM 511.
- 7) Complete AM-5 Capital Assets Form - Acquisition, Betterment & Capital Leases Form.

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- 8) Submit completed AM-5 and supporting documentation to Auditor-Controller: Attention - Capital Asset Team.
 - a. Asset documentation should be submitted within 30 days of acquisition. ***At year-end documentation should be submitted immediately.***
- 9) Each department is responsible for preparing an annual listing of all movable equipment and certifying the existence of such equipment.

CAPITAL BUDGET EXPENSE CODES:

The acquiring department is responsible for assigning the appropriate account number when making capital assets purchases. 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	
New Code	Description
	<i>Equipment</i>
546000	PY-Equipment
546020	Equipment-Automotive
546040	Equipment-Aircraft
546060	Equipment-Communications
546070	Equip. - Vehicle Communication
546080	Equipment-Computer
546100	Equipment-Construction
546110	Equipment-Elderly and Handicap
546120	Equipment-Fire
546130	Equipment-Livestock
546140	Equipment-Office
546160	Equipment-Other
546180	Equipment-Photography
546200	Equipment-Shop and Yard
546220	Equipment-Storage Tanks
546240	Equipment-Survey & Mapping
546260	Equipment-Training
546280	Capitalized Software
546300	Vehicles-Buses/Heavy Trucks
546320	Vehicles-Cars/Light Trucks
546340	Vehicles-Fire Trucks
546360	Vehicles-Heavy Equipment
546380	Vehicles Other

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TAGGING MOVABLE EQUIPMENT:

Maintaining a positive identification of assets is the primary purpose of tagging. Tagging is important to:

- Provide an accurate method of identifying individual assets
- Aid in the annual physical inventory
- Control the location of all physical assets
- Aid in the maintenance of capital assets and

Generally, all capital assets meeting the capitalization criteria are tagged once the ACO receives the completed Form AM-5 and distributes tags to the department. Once received, the tag should immediately be placed on the capitalized equipment. Tags should be consistently placed in the same location on each similar type of asset. Place the tag where the number can be seen easily and identified without disturbing the operation of the item, which will assist during the annual physical inventory count.

Caution: Do not tag sensitive technical equipment or other items where tagging will affect its function, value or the ability to return it if under warranty. A file for all untaggable capital assets must be maintained by the Department capital asset coordinator.

For more information on Capital Asset Tags, review SPM 513.

DEPRECIATION POLICY:

Depreciation is the allocation of the total acquisition cost of the capital asset over its estimated useful life. Depreciation of capital assets is computed on a straight-line basis over their estimated useful lives (capitalized cost divided by useful life).

The department is responsible for assigning the useful life of assets based on usage. The estimated useful life of capitalized equipment is the period over which services are expected to be rendered by the asset. Depreciation is then calculated and recorded on a monthly basis for financial reporting purposes. For more guidance on useful lives, please review SPM 502.

PHYSICAL INVENTORY OF EQUIPMENT:

The Department capital asset coordinator will provide their Department Head with a listing of all reportable property at the end of each fiscal year and each time there is a change in Department Head. The purpose of a physical inventory is to verify the existence and condition and ensure the accuracy of county inventory records.

Discrepancies will be noted and investigated by the Department’s capital asset coordinator. The results of the inventory, including unresolved discrepancies will be reported to the Auditor-Controller’s Office.

Lost or stolen property must be reported as soon as the loss or theft is known. In the case of a known or suspected theft, the Department capital asset coordinator and the Department Head must send a written report along with Form AM-7 to the Auditor-Controller’s Department.

DISPOSITION OF MOVABLE EQUIPMENT:

The Department capital asset coordinator is responsible for completing Form AM-7 to dispose of an asset. In general, surplus or obsolete equipment may be disposed of by transferring to another department, discarding/scraping, trading-in, donating or selling the assets. When selling, donating or disposing of assets in case of electronic equipment, the department must ensure that all hard drives are wiped clean to completely erase the drive of all information, and all County stickers and identification must be removed.

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Certain disposals require special authorization and that must be received prior to disposition of equipment.

MOVEMENT OF EQUIPMENT:

In the event an asset is to be moved from one location to another or from one department to another, Form AM-6 must be completed. Once the asset has been moved, the location change must be noted in the PeopleSoft Asset Management Module.

AUDITOR-CONTROLLER’S ROLES:

- 1) Review and verify AM-5 Form and transactions recorded in system.
- 2) Issue capital asset tags.
- 3) Process transactions in PeopleSoft Financial System.
- 4) Review and post depreciation through the PeopleSoft Asset Management module on a monthly basis.
- 5) The Auditor-Controller’s Office will provide to External Auditors a reconciliation of all capital asset additions in the capital Asset Module to the general ledger.

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 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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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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CAPITAL ASSET TRANSFER

OFFICE OF THE AUDITOR-CONTROLLER

For intra-departmental and inter-departmental use. Both signatures are required when transferring an asset from one department to another. Submit completed form to the Auditor-Controller, Mail Stop #1050.

**SPM FORM
AM - 6**
(Policy #000)

TRANSFER AUTHORIZATION		TRANSFER OUT	
<input type="text"/>	Effective Date	Asset Number	<input type="text"/>
Department Name	<input type="text"/>	Business Unit	<input type="text"/>
Department Head or Authorized Designee Signature	<i>Provide the information above, authorized signature, and forward to the department receiving the asset.</i>		
Date			

ACKNOWLEDGEMENT OF RECEIPT		TRANSFER IN	
<input type="text"/>	Acquisition Date	Asset Number	<input type="text"/>
Department	<input type="text"/>	Business Unit	<input type="text"/>
Department Head or Authorized Designee Signature	Description		
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Date	<input type="text"/>	<input type="text"/>	<input type="text"/>

Asset Class/Category	Acquisition Code	New Financing Code	New Class/Location	Serial Number
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Model Number	Amount	Purchasing Authority No.
<input type="text"/>	<input type="text"/>	<input type="text"/>

New Fund	New Dept ID	New Account	New Program	Fiscal Year
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

New Project/Grant	Profile ID	New Book
<input type="text"/>	<input type="text"/>	<input type="text"/>

New Salvage Value	New Service Date	New Useful Life	New DEPR Method
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

_____ _____ _____
Prepared By (Print Name) **Date** **Phone**

Auditor-Controller's Use

System Updated By:	Initials	Date
<input type="text"/>	<input type="text"/>	<input type="text"/>

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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 #XXX)

PAGE ___ OF ___

Department	Business Unit	FY

Name of Contact

Phone

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

1	Category Code	Asset Number	Disposition Code	Quantity	Retire Amount	Proceeds	Removal Costs	Disposition Date

Other Information (Description of equipment, serial number, etc.)

2	Category Code	Asset Number	Disposition Code	Quantity	Retire Amount	Proceeds	Removal Costs	Disposition Date

Other Information (Description of equipment, serial number, etc.)

3	Category Code	Asset Number	Disposition Code	Quantity	Retire Amount	Proceeds	Removal Costs	Disposition Date

Other Information (Description of equipment, serial number, etc.)

4	Category Code	Asset Number	Disposition Code	Quantity	Retire Amount	Proceeds	Removal Costs	Disposition Date

Other Information (Description of equipment, serial number, etc.)

5	Category Code	Asset Number	Disposition Code	Quantity	Retire Amount	Proceeds	Removal Costs	Disposition Date

Other Information (Description of equipment, serial number, etc.)

Authorized Signature for Deposition (Department Head or Designee)

Date

To Be Completed By the Auditor-Controller's Office

Central Asset Management Reviewer/Approver

Date

Distribution: **Original:** Auditor-Controller **Copy:** Originating Department

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