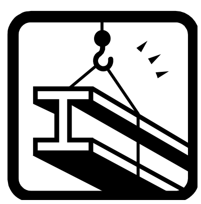
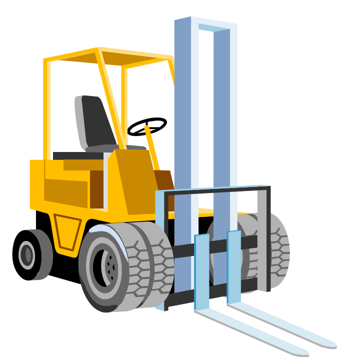
IMPERIAL COUNTY FIXED ASSET ACCOUNTING STANDARD PRACTICE MANUAL

Adopted by Board of Supervisors December 23, 2008





Prepared by the Imperial County Auditor-Controller

December, 2008

COUNTY OF IMPERIAL
FIXED ASSET ACCOUNTING
STANDARD PRACTICE MANUAL

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FIXED ASSET ACCOUNTING
STANDARD PRACTICE MANUAL

Chapter 1

FIXED ASSET INVENTORY

PURPOSE

Define accounting policy for the following types of transactions regarding fixed asset inventory:

- Original Acquisitions
- Betterments (Improvements)
- Structures and Improvements
- Repairs
- Land
- Infrastructure
- Retirements
- Sales and Involuntary Conversions

POLICY

General

- General equipment purchases with a life of more than one year, and a unit value of $7,500 or greater are to be capitalized and approved by the Board. General equipment purchases less than $7,500 are considered to be office supplies.
- Items having an individual unit cost of less than $7,500 are not to be capitalized, except for weapons which are capitalized regardless of cost.
- Groups of like designated assets individually less than $7,500, the cost of which in the aggregate exceeds $50,000 and are purchased under a program for installation over a period of time, are to be capitalized.
- In the case of grant programs that purchase Fixed Assets, the capitalization rules in the grant document override this policy, unless this policy has a lower amount.
- Additions or betterments to existing buildings that are not readily removable should be capitalized. Minimum cost to be capitalized in this respect is $50,000.
- All equipment purchases must have Board of Supervisors approval prior to purchase.
- Computer equipment such as CPU's, router's, etc. that interact with the County network must be approved by Information Systems prior to purchase. Monitors and non-network printers are deemed to be office supplies and follow the capitalization limits.

Original Acquisitions

- For purchased items, the capitalized amount includes the sum of the purchase price or construction cost less discounts, freight or other carriage charges, sale, use or transportation taxes, and installation costs. (State of California, Accounting Standards and Procedures for Counties, Section 15.11) Installation costs include internal costs billed by a County department or internal service fund. If equipment is being installed by a County department or internal service fund, an estimate of the installation costs should be included in determining whether the item should be capitalized and approved by the Board. An adjustment to the actual cost will be made after the actual billing has been issued.

- For assets donated to the County, the asset will be capitalized at the fair market value as of the date of acceptance by the Board of Supervisors. The Board action requesting acceptance should include the FMV and the rationale for the valuation.

- Fixed assets constructed by the County are recorded in the same manner as those acquired by purchase or construction contract. Costs included are direct labor, materials, equipment usage, and overhead. Overhead is limited to those items which can be distributed on the basis of direct labor such as worker's compensation, employee group insurance premiums, retirement costs, sick leave, and vacation allowances.

Structures and Improvements

- The capitalized cost of structures and improvements will include the purchase price of construction costs, fixtures attached to the structure, architect's fees, accident or injury costs, payment of damages, insurance during construction, costs of permits and licenses, and net interest cost during construction. The capitalized cost should be reduced for sale of salvage, discounts, allowance and rebates, and amounts recovered through surrender of liability and casualty insurance.

- Interest paid during the construction period is considered a part of the cost of the asset in accordance with Statement of Financial Accounting Standards No. 34. The amount of the interest to be capitalized shall be determined in consultation with the Auditor-Controller's Office.

Betterments (Improvements)

- A betterment (improvement) is defined as an expenditure having the effect of upgrading an existing asset, increasing its normal rate of output, lowering its operating cost or otherwise adding to the worth or benefits it can yield.

- The total cost of a major betterment project should be accumulated until the project is completed. At that time the cost should then be added to the original cost of the asset which has been improved, so that the asset records reflect the cost of the complete asset in its improved condition.

- Minor betterments will be expensed as a repair.

Repairs

- Repairs constitute expenditures made to place and/or maintain a fixed asset in good economic condition. In general, repairs properly chargeable to expense will include:
    - Minor replacements or betterment to assets where no retirement is recorded.
    - Major repairs which are incurred infrequently but are made to sustain the assets in normal operating condition.
    - Minor recurring repairs which keep the asset in normal operating condition.
    - Preventative maintenance costs.

Land

- The capitalized cost of land will include the purchase price, appraisal and negotiation fees, title search fees, surveying fees, cost of consents, relocation costs, condemnation costs, clearing land for use, demolishing or removing structures, and filing costs.

Infrastructure

- Public domain assets such as roads, bridges, and sidewalks are examples of infrastructure and according to Government Accounting Standards Board Statement 34 (GASB 34) the reporting of these as capital assets is required.

Retirements, Sales. and Involuntary Conversions

- Regardless of how an asset is disposed of, the asset must be removed from the Fixed Asset Inventory at its recorded value.

- Involuntary conversions such as theft, loss by fire etc. should be documented by submitting a copy of the Sheriff’s or police report and a loss declaration statement.

- A Property Transfer Request (PTR) must be submitted anytime an asset is disposed or transferred. See Appendix A.

- Surplus equipment should be listed on a PTR if in a department's inventory and forwarded to Purchasing. If the items are not in inventory provide a simple listing of the items to Purchasing. If items need to be transported it is the departments responsibility to contact County Facilities Management for removal or some other option.

Chapter 2

DEPRECIATION OF FIXED ASSETS

PURPOSE

Set forth the method and regulations governing depreciation of County Fixed Assets.

DEFINITION

Depreciation is defined as an allocation of the entire cost of tangible capital assets to the operating expenses of a series of accounting periods comprising the service life of the asset, thus achieving the basic principle of matching revenue and costs. Because of the nature of governmental financing and the absence of profit determination, capital outlays are recorded as current expenditures and depreciation is not recognized.

However, fixed assets utilized by Enterprise Funds, Internal Service Funds, and Nonexpendable Trust Funds are reported as fixed assets of each of these respective funds and are accounted for in the same manner as a commercial enterprise and should be depreciated. The depreciation would be recorded as a reduction in the general ledger account, Contribution from the General Fund.

DEPRECIABLE BASE

The depreciable base for all assets will be the total capitalized acquisition cost as defined previously.

RATES AND METHOD OF DEPRECIATION

General

Depreciation rates are based on the estimated useful life of the asset. The useful life is determined by the estimated number of years the asset will remain in operating condition.

Method

Unless otherwise specified by special instructions, all assets will be depreciated by the Straight Line method of depreciation. In the fiscal year that an asset is placed in service, depreciation for the full fiscal year will be taken.

DEPRECIABLE LIVES OF SPECIFIED ASSET CATEGORIES

	Life
Automobiles	See Appendix B
Buildings	40 years
Improvements	over remaining useful life
Radios Communication Equipment	10 years
Furniture, Fixtures, and Office Equipment	5 years
Computer Hardware	5 years
Computer Software ($25,000 min)	5 years
Heavy Equipment	See Appendix C
Bridges	50 years
Road Systems – Paved	20 years
Road Systems – Unpaved	50 years

The County does not establish a salvage value for fixed assets being depreciated.

DEPRECIATION OF ASSETS PURCHASED UNDER A CAPITAL LEASE:

For assets capitalized under a capital lease, depreciation will be recorded under the County's normal depreciation policy if the lease transfers ownership of the property to the lessee by the end of the lease term or the lease contains a bargain purchase option. However, if the capitalized lease does not meet either criterion, the County's normal depreciation policies should be followed, but the amortization period should be the lease term and not the economic life of the leased property.

For further information regarding capital leases, please see Chapter 3, Accounting for Capital Leases.

Chapter 3

ACCOUNTING FOR CAPITAL LEASES

PURPOSE

This section sets forth the standards of accounting and reporting for leases in accordance with Statement of Financial Accounting Standards No. 13.

POLICY

The Auditor-Controller's Office will review all equipment leases to evaluate whether the lease should be treated as a capital or operating lease as defined under FAS No. 13. Assets valued at $7,500 or more, purchased through a capital lease, will be included in the fixed asset inventory at the time the lease is entered into.

BACKGROUND

FASB No. 13 specifies the classification, accounting and reporting of leases by both lessors and lessees. The statement takes the view that a lease that transfers substantially all of the benefits and risks of ownership should be accounted for as the acquisition of an asset and the incurrence of an obligation by the lessee (a capital lease) and as a sale or financing by the lessor (a sales type, direct financing or leveraged lease). All other leases should be accounted for as operating leases, that is, the rental of property.

If a lease meets one of the following four (4) classification criteria, it is a capital lease:

1. The lease transfers ownership of the property to the lessee by the end of the lease term.

2. The lease contains an option to purchase the leased property at a bargain price.

3. The lease term is equal to or greater than 75% of the estimated economic life of the leased property.

4. The present value of rental and other minimum lease payments equals or exceeds 90% of the fair value of the lease property less any investment tax that is retained by the lessor.

Criteria 3 and 4 are not applicable when the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased property.

When a lease is determined to be a capital lease because it meets one of the above criteria, the amount to be recorded is the lesser of the present value of the minimum lease payments or the fair value of the leased property.

Chapter 4

CAPITALIZATION OF INTEREST COSTS

PURPOSE

To define the County's policy for capitalization of interest cost as provided in Statement of Financial Accounting Standards No. 34.

POLICY

FASB-34 states that interest costs should be capitalized as part of the acquisition cost of an asset. Interest cost must be capitalized for all assets that require an acquisition period to get them ready for their intended use. Acquisition period is defined as the period commencing with the first expenditure for a qualifying asset and ending when the asset is substantially complete and ready for its intended use. The average interest rate to be used will be applied to the average amount of accumulated expenditures on a monthly basis. It should be noted that the calculation is made only on cash spent excluding any necessary accruals. The amount of interest cost to be capitalized is limited to the actual amount of interest cost incurred for the period, i.e. capitalizing interest cost may not create a credit balance in the interest expense account.

FASB-62 discusses the amount of capitalized interest cost related to tax exempt borrowings.

The amount of capitalized interest cost allowable is equal to the net of total actual interest cost on the tax exempt borrowing, less any interest income earned on temporary investments of the tax exempt funds.

FASB-62 applies only when an external restriction (i.e. law or contract) is imposed requiring that the borrowed funds must be directly used to acquire the assets.

Property Transfer Request Form
Preparation and Routing Instructions

I. Originating Department:

The originating department is responsible for completing the property transfer request form. (PTR). For each item transferred, list all the information requested. Any surplus items should be transferred to the Purchasing Office. Surplus items should use the following letters in the-"surplus code" column:

Code

A. Operating, no longer required.
B. Non-operating, not economical to repair.
C. Damaged/destroyed
D. Traded-in
E. Stolen; copy of sheriff's report and a loss declaration statement required.
F. Other; explanation memo required.

Forward all copies of the signed PTR and any other required documents (see E & F) to the receiving department for their approval signature.

II Receiving Department:

The receiving department is responsible for reviewing the PTR and approving the items transferred. After signing the PTR, forward the last copy (goldenrod) to Buildings and Grounds to schedule the move of the item(s). Forward all the other copies and any other attached documents to the Auditor-Controller.

III Auditor-Controller

The Auditor's office will review the PTR data for--completeness and accuracy, assign a PTR number, obtain the Administrative Office's approval and revise the internal property records to reflect the transfer.

After the PTR has been approved by the Administrative Office, the Auditor-Controller will distribute copies of the completed PTR as follows:

Original	Auditor-Controller
Green	Originating department (transfer from)
Canary	Receiving department (transfer to)
Pink	Administrative Office

Appendix A

APPROVED:

ADMINISTRATIVE OFFICE

DATE ____________

COUNTY OF IMPERIAL

PROPERTY TRANSFER REQUEST

PREPARATION INSTRUCTIONS ON REVERSE

THE ITEMS LISTED HAVE BEEN COMPARED WITH THE COUNTY PROPERTY INVENTORY CONTROL RECORDS MAINTAINED BY THE AUDITOR – CONTROLLER, AND AGREE WITH SAID RECORDS EXCEPT AS NOTED HEREON.

AUDITOR – CONTROLLER

BY ____________ DEPUTY

DATE ____________ No. ____________

[illegible]	
DEPARTMENT	DEPT. NO.
DEPARTMENT HEAD APPROVAL	DATE
FORWARD ALL COPIES TO RECEIVING DEPARTMENT	

[illegible]	
DEPARTMENT	DEPT. NO.
DEPARTMENT HEAD APPROVAL	DATE
FORWARD GOLDENROD COPY TO BUILDINGS AND GROUNDS ALL OTHER COPIES TO AUDITOR – CONTROLLER	

ITEMS TRANSFERRED

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DISTRIBUTION:
FORM AC-185

ORIGINAL – AUDITOR – CONTROLLER

GREEN – ORIGINATING DEPARTMENT
PINK – ADMINISTRATIVE OFFICE

CANARY – RECEIVING DEPARTMENT
GOLDENROD – BUILDINGS AND GROUNDS

☐ ACQUISITION OF PROPERTY OTHER THAN BY PURCHASE ORDER OR WORK PLAN.

Memorandum

To: Teresa Perez, Accountant – Auditors Office

From: Ted Turner, Fleet Superintendent – County Garage

Date: 3/23/01

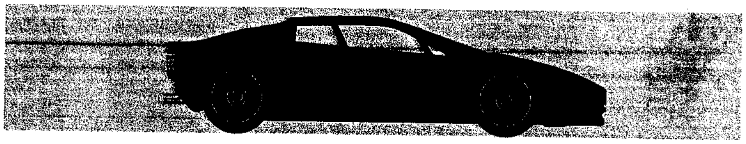
Re: Vehicle Classifications

Attached is a list of the vehicles that were in the fleet this fiscal year. As we process new vehicles, we will inform you in which class that vehicle belongs. In addition, below is a chart showing the classifications of the vehicles and the lifecycle mileages as passed by the Board of Supervisors on April 1. 2000.

CLASS	TYPE OF VEHICLE	LIFECYCLE MILEAGE
1	MIDSIZE SEDAN	80,000
2	FULLSIZE SEDAN	95,000
3	POLICE SEDAN	95,000
4	MIDSIZE PICKUP	80,000
5	FULLSIZE PICKUP	95,000
6	1 TON TRUCKS	100,000
7	MIDSIZE SUV	95,000
8	MIDSIZE VANS	80,000
9	FULLSIZE VANS	95,000
10	FULLSIZE SUV	95,000
11	OTHER MISC	100,000
12	2 TON & UP	100,000

If you have any questions about the above chart, please feel free to call me at 336-2270.

Imperial County Garage



EQUIPMENT DEPRECIATION CATEGORY
METHOD – STRAIGHT LINE

EQUIPMENT TYPE	USEFUL LIFE	SALVAGE VALUE
BACKHOE	10	500
BELLY DUMP TRUCK	10	1,500
CUTTER, ASPHALT	10	0
DOLLY, CONVERTER	15	0
DOZER	10	2,000
DRAGLINE	20	1,000
FLATRACK, FLATBED	10	300
FORKLIFT	10	800
GRADER	15	2,000
JEEP	10	25
LINE REMOVER	10	50
LOADER, ASPLT TAILGATE	12	25
LOADER, FRONT END	6	800
LOADER, TRACK	10	1,200
PICKUP (1/2 TO 1 TON)	9	300
RECLAIMER	12	2,000
ROLLER, SELF PROPELLED	10	400
ROLLER, RUBBER TIRED	10	400
SCRAPER	10	2,000
SEDAN	3	300
SKIPLOADER	6	800
SPREADER, AGGREGATE	10	92
SPREADER, BITUMUL	15	50
STREET CLEANER (EMULSION SPRAYER)	10	500
STRIPPING MACHINE	10	500
SWEEPER, PULLTYPE	10	100
TRACTOR, RUBBER TIRED	10	500
TRAILER, 8YD DUMP	7	500
TRAILER, BOTTOM DUMP	8	1,000
TRAILER, LOWBED	10	500
TRUCK, ROLL BACK	10	1,500
TRUCK, 8YD DUMP	8	800
TRUCK, WATER	10	1,000
TRUCK TRACTOR	10	1,500
UTILITY TRAILER	10	200

REVISED: JUNE 30, 2001
SV: WORD/DEPRECLIST