

Deschutes County Administrative Finance Policy No. F-4 (replaces prior policies F-4, F-5, F-6)
Effective Date: TBD

CAPITAL ASSET POLICY

STATEMENT OF POLICY

It is the policy of Deschutes County to establish guidelines to account for capital assets and non-capital assets to achieve multiple compliance objectives. These objectives include:

- Budgetary classification of capital outlay expenditures
- Capital asset financial statement reporting
- Physical control over both capital and non-capital items that may be sensitive to theft or loss
- Other Federal, State, and local regulations where applicable

APPLICABILITY

This policy applies to all County departments, offices, and County service districts under the governance of the Board of County Commissioners.

DEFINITIONS

- Capital Outlay Expenditures (Budget) – Expenditures are classified by character based on the fiscal period when the benefits for those expenditures are realized. Accordingly, capital outlay is classified separately from current expenditures because they are presumed to benefit both present and future fiscal periods.
- Capital Asset (GAAP) – With regard to financial statement reporting, the County aligns with the Governmental Accounting Standards Board (GASB) definition from GASB Statement No. 34, “The term capital assets includes land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.”
- Non-Capital Asset – A capital-type item acquired for use in the conduct of County business which does not qualify as a capital asset because it falls below the cost or useful life thresholds for capital assets.
- Capitalization Threshold – For financial statement reporting in accordance with GAAP, and for budgeting or other internal reporting purposes, Deschutes County establishes a threshold of \$5,000 as the minimum individual item cost, and an estimated useful life of more than one (1) year for items accounted for as capital assets (GAAP) and capital outlay expenditures (budget).

POLICY

1. Capital Outlay Expenditures

Budgetary and purchasing policies for capital outlay items:

- a. Budget – The estimated cost of an item must be appropriated in the capital outlay category of the department or fund for the fiscal year in which the item will be

purchased. In addition, a description of the item must be included in the capital request section of the budget document explaining the need for the item.

- b. Acquisition – County purchasing rules must be followed in the purchase of the capital item. Purchasing requirements are dependent on the amount and type of purchase. Documentation must be maintained in the County accounting/ procurement system as evidence that all applicable compliance related to purchasing rules have been met.
- c. Departments must contact the Central Budget Office for a budget adjustment if:
 - i. The department unintentionally budgeted capital items within the personnel services or the material and services roll up category.
 - ii. The department requests to transfer budget appropriation from the personnel services or the material and services roll up category for the purchase of a non-budgeted additional capital item.
 - iii. The department requests to substitute a budgeted capital item with a different non-budgeted capital item of equal or lesser expense.
- d. Departments must contact the Central Budget Office for a budget resolution presented before the Board of County Commissioners if:
 - i. The department requests the purchase of a non-budgeted additional capital item that cannot be funded through appropriation savings within the personnel services or materials and services roll up category.
 - ii. The department requests to recognize increased revenue to cover the purchase of a non-budgeted additional capital item.
 - iii. The department requests to substitute a budgeted capital item with a non-budgeted additional capital item of greater expense and cannot cover the expense with appropriation savings within the personnel services or material and services roll up category.
- e. Additional capital items and capital substitutions are subject to the County's purchasing rules.

2. Capital Assets

Capital assets meeting the definition in this policy will be tracked by the County Finance Department in the centralized accounting and control system to protect such assets from the danger of theft or misuse. This control system includes tracking asset serial numbers (or other identifying asset numbers), and recording information pertinent to the asset (cost, date of acquisition, manufacturer, location, and other information as required). To validate the accuracy and completeness of the database, the County Finance Department will coordinate with departments to perform a physical inspection of its capital assets, either simultaneously or on a rotating basis, so that all of the County's capital assets are physically accounted for at least once every two years, and to ensure the asset's continued value, condition and location, and to update any other information required for the asset.

Assets subject to cost recovery will be depreciated (or amortized) through the accounting system and will be appropriately reported on the County's annual financial statements. The County aligns financial reporting for specific capital asset classes with pronouncements from the Governmental Accounting Standards Board (GASB). This includes accounting for leases, internally developed software, and subscription-based information technology arrangements.

A capital asset disposal/transfer form must be completed when a capital asset is disposed of, taken out of service, or transferred to another location or department. The department initiating the disposal, removal from service or transfer is responsible for completing the disposal/transfer form and submitting it to the Finance Department.

Lost or stolen items - If a department is unable to locate an item, or if an item has been stolen, the department will give written notice to Risk Management. The notice will include a description of the effort to locate the item and the determination of the loss. Stolen assets should also be reported to the proper authority and a copy of the report forwarded to Risk Management. A capital asset disposal form must be completed and submitted to the Finance Department.

3. Non-Capital Assets

In addition to the Capital Assets for external reporting purposes and Capital Outlay for budgetary and internal reporting purposes, the County will also exercise control over its non-capital assets to ensure accountability, protect property, or to comply with regulatory or granting agencies.

At the department's discretion, non-capital assets and theft-sensitive items may be tracked at the department level. The determination of which items must be tracked may vary between County departments based on the risk and compliance environment in which the department operates. For example, a granting agency may require accountability for purchased items below the County's dollar threshold for capitalization.

Non-Capital Asset Control - Departments may maintain inventory control systems for non-capital assets and theft-sensitive items which are designed to meet departmental compliance and reporting needs.

Capital Asset Accounting - Capital Assets meeting the definition in this policy will be tracked by the Finance Department in the accounting system. **Moved to Item #2**