

**APACHE COUNTY**  
**FIXED ASSET POLICIES AND PROCEDURES**

Revised 11/16/2004

**INTRODUCTION**

Fixed assets consists of land, buildings, improvements other than buildings, machinery and equipment and construction in progress. These assets represent a major investment of Apache County funds. The Board of Supervisors will establish a property control system to ensure adequate control and accountability over these assets.

Managing fixed assets by department requires an assigned person in each department to act as a **property control officer** in order to protect fixed assets. Alternatively, the Board of Supervisors may choose to assign department heads and elected officials responsibility for fixed assets in their areas. To carry out this responsibility, a department head or elected official may appoint a departmental property control officer and notify the purchasing department of the appointment.

The purchasing department has established a property control system for all fixed assets to meet a variety of objectives. Internal accounting controls should be established to safeguard assets against theft, loss, misuse and to provide documentation for insurance purposes in the event of fire or other casualty loss. Other objectives of the fixed asset system include the accumulation of data for effective planning of acquisitions and the replacement and maintenance of equipment.

**LEGAL REQUIREMENTS:**

The Board of Supervisors may construct buildings necessary for Apache County purposes, and may purchase, lease, or lease – purchase real or personal property, including improvements to property, for public purposes (A.R.S. § title 34, chapter 2).

All Apache County buildings will be insured in the name of and for the benefit of the county (A.R.S. § 11-251(15)).

**SALE OF APACHE COUNTY PROPERTY**

Apache County may sell at **public auction** any property that the Board of Supervisors deems advantageous to sell or unnecessary for the use of the county. Notification as to the time and place of the auction must be published in a county newspaper 30 days before the auction. If the property for sale is real property, the county must have the property appraised by a qualified independent fee appraiser, who has an office in the state of Arizona. The appraiser must establish a minimum price of not less than 90 percent of the appraised value. Notification of the auction must include the appraised value, minimum acceptable sale price, and the common and legal description of the property.

All property sold at auction must be conveyed to the highest bidder for cash or by a contract extending not more than ten years from the date of sale, and upon such terms and conditions as Apache County may prescribe (A.R.S. § AA-251(9)).

Apache County may dispose of surplus materials and equipment that have little or no value or cannot be auctioned, in any manner authorized by the Board of Supervisors. Apache County may use personal property as a trade-in on the purchase of other personal property if it is in Apache County's best interest (A.R.S. § 11-251(9)).

## **LEASE OF APACHE COUNTY PROPERTY**

The Board of Supervisors may lease or sublease any land or buildings owned by, or under the control of Apache County. The lease terms shall not exceed twenty five years plus an option to renew for an additional term not to exceed twenty five years. (A.R.S. § 11-256).

Apache County shall have the land appraised by an experienced appraiser to determine the rental value of such property. The property shall be leased or subleased at a public auction to the highest responsible bidder, provided that the bid amount equals or exceeds the appraised rental value. Notice of the auction shall be published in the newspaper of general circulation in Apache County once each week for four consecutive weeks. The notice shall provide the term of the lease and all other material provisions of the lease, and shall state a date, not less than 30 days from the last publication of the notice, when the auction will be held.

Apache County may lease or sublease without a public auction any land or buildings owned or under its control to the state, a county fair association, a nonprofit corporation other than a municipal or public finance corporation or other political subdivision for use in any manner the Board of Supervisors determines to be in the best interest of the county. Such property may be leased for less than fair rental value (A.R.S. § 11-256.01).

Notice of the proposed lease shall be published in a newspaper of general circulation in the county once each week for four consecutive weeks. The notice shall state all conditions of the lease, including the required use of the property.

If a bid is received which meets or exceeds the fair rental value of the property from someone other than the state, a county fair association, a nonprofit corporation other than a municipal or public finance corporation, or a political subdivision, the lease shall be offered at a public auction as outlined in (A.R.S. § 11-251(9) and (41)).

## **SAFEGUARDING OF FIXED ASSETS**

### **CAPITALIZATION OF FIXED ASSETS**

The capitalization of machinery, equipment and vehicles with a useful life exceeding one year and costing \$5000.00 or more and land, buildings, improvements other than buildings and infrastructure projects costing \$10,000.00 or more will be capitalized. Apache County shall expense assets that cost less than these specified amounts. Assets under the specified amounts can be capitalized under the discretion of the purchasing manager or at the request of a Department Head or Elected Official if authorized by the County Manager. Departments should maintain a listing of assets costing between \$200.00 and \$5000.00 that have a useful life of more than one year for stewardship purposes.

**The categories of fixed assets are:**

#### **LAND**

Apache County land includes tracts and parcels of land owned and/or leased by the county. The fixed asset listing should include all land acquired through purchase, donation, bequest or other means and should reflect on the General Fixed Asset Listing.

#### **BUILDINGS**

This includes buildings and similar structures, permanently attached fixtures, machinery and other appurtenances that cannot be removed without cutting into wall, ceilings, floors or otherwise damaging the building if the items are removed, such as heating and air conditioning equipment or security systems.

### **IMPROVEMENTS OTHER THAN BUILDINGS:**

This account includes land improvements, leasehold improvements and other improvements except buildings. Improvements in this account include streets, bridges, landscaping, retaining walls, sewers, flag poles, fences, gateways and surfacing recreation areas, such as tennis courts.

### **MACHINERY AND EQUIPMENT**

Machinery and equipment includes all tangible personal property. Items that meet this criteria include, vehicles, equipment, furniture and office machines (computers are included.). If computer software is capitalized it should also be classified as data processing equipment.

### **CONSTRUCTION IN PROGRESS:**

Construction in progress includes uncompleted projects for construction of buildings and improvements. This account represents a temporary classification of capitalized interest, labor, materials, equipment and overhead costs of a construction project. Construction in progress expenditures should be accounted for in the applicable Governmental, Proprietary or Trust Fund. At the completion of a project or at year-end if the project is not complete the capitalized amount is recorded as an asset in the GFAAF, or applicable Proprietary or Trust Fund. An expenditure should be classified as a capital improvement if it increases the utility of the asset or significantly extends its useful life. If an expenditure maintains the original condition of an asset, it should be classified as a repair and maintenance expenditure.

Fixed assets may be acquired through grants, contracts, entitlements and shared revenues (programs). Title to such assets may transfer to the county, depending upon the terms of the program agreement, and should be capitalized and reported as county assets in the financial statements until such time as the agreement requires their return. Disposition of fixed assets under such programs should be handled in accordance with program requirements.

### **INFRASTRUCTURE**

This account includes long lived capital assets that are normally stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems. Buildings, except those that are an ancillary part of a network of infrastructure assets, should not be classified as infrastructure assets. This capitalization level is \$10,000.00 for one item or one project that is a new infrastructure item ( to which the county has title) or greatly changes the use of the item. Currently the county is using the per item straight line depreciation method for infrastructure.

The infrastructure depreciation method will be as follows:

Cost minus(-) Estimated Salvage Value = \$ divided (/) by Estimated Useful Life =Annual Depreciation charge.

## **PURCHASE**

Purchased fixed assets shall be recorded at actual cost. Actual cost includes all charges necessary to place the item in its intended location and condition for use, such as taxes, freight, title search fees and installation charges. When actual cost is unknown (for example, when the items were acquired years ago and Apache County has no documentation), the item should be recorded at estimated historical cost. The estimate should be based on vendor catalogs, price quotes or price lists, appraisals, or some other reasonable basis. Documentation will be retained to support estimated costs.

For acquisitions of land, costs that are capitalized as part of the total land cost should include legal title, survey fees and appraisals. Site preparation costs that are not directly connected with the construction of the buildings or other improvements, such as clearing, filling, grading and building demolition, are also included in the total cost. The cost of the building should include the contract purchase price; expenditures to ready it for serviceable condition; costs of alterations, improvements and remodeling; professional fees of architects, attorneys and appraisers directly related to the acquisition of the building and additional costs necessary to put a building or structure into its intended state of operation.

If the building and land are purchased together, the total purchase price shall be allocated proportionately among the building and land. The allocation is based on the fair market value of the new asset as of the date purchased.

## **TRADE-IN**

Fixed assets may also be acquired through transactions involving trade-ins. The basis of valuation for the new asset should be the fair market value of the new asset as of the date purchased. Cost plus (+) Trade-in Value.

## **DONATIONS**

All fixed assets acquired by donation, bequest or gift should be recorded at the fair market value at the date of acquisition.

## **PHYSICAL INVENTORY**

Apache County will conduct physical inventory of machinery and equipment at least every three years. Appropriate changes will be recorded on the property listings. A physical inventory may be taken more often if required by program agreements or contractual obligation. Purchasing will keep track of the date inventories are taken and send a current inventory sheet to the department with instructions to have two (2) people not involved in ordering or receiving to conduct the inventory and return it to purchasing for entering into the system. Purchasing should not conduct these inventories.

## **FIXED ASSET RECORDING**

Apache County maintains a fixed asset listing to safeguard fixed assets from misuse and for accountability. The fixed asset listing tracks each asset by the following information:

1. Location – department, county site.
2. Identification number – tag number, (for furniture, equipment and vehicles) serial number that specifically identifies the asset.
3. Description – name, model number, size, etc.
4. Method of acquisition- purchase, donation, etc.
5. Source of funding – the fund and program, from which the item was purchased.

6. Acquisition date – the date the asset was received.
7. Purchase document number –number that can be traced to source documents that support the information on the listing.
8. Cost- actual cost for purchased items and estimated fair market value at date of acquisition for donated assets. If actual cost for purchased items cannot be determined, estimated property supported historical cost will be used.

For management purposes, Apache County may wish to include additional information on the listing such as useful life, replacement cost, condition and vendor name. Current year additions should be reconciled with annual expenditure report.

### **DEPRECIATION:**

All capital assets, except land, land improvements, and infrastructure assets managed under the modified approach should be depreciated and reported in the government wide statements as net value. Inexhaustible capital assets such as land and land improvements should not be depreciated.

Depreciation is the allocation of the cost of property over its economic life. Therefore, depreciation does not affect a governmental fund's current financial resources. Compute depreciation annually at fiscal year-end and be consistent in the method and base used in computing depreciation. Apache County will compute depreciation on a straight-line method. The cost of an asset, less the estimated salvage value, is divided by the estimated useful life to arrive at an annual depreciation charge.

### **PROPERTY DISPOSAL**

Apache County Board of Supervisors shall approve disposal of fixed assets before removal from their assigned location. Apache County department heads/county officials should assign the property control officer responsibility for controlling the disposal process.

A "Request for Authorization to Dispose of Property/Equipment" form (see attached) should be submitted to the purchasing department with the signature of Department Head/Elected Official. Information describing the asset should include a description of the item for disposal, the department, accounting fund, whether it is a trade-in, sale, transfer, loss or other, tag number, serial number, date acquired and original cost.

The purchasing department will submit a listing of assets to be disposed of to the Board of Supervisors for approval to be written off. The asset is then deleted from the active fixed asset listing at the time of disposal, and placed on an inactive listing for year end closeout.

### **TRANSFERS**

If a fixed asset is no longer needed in a specific department but may be of use to another department, a request is made to transfer the item, a "Request for Authorization to Dispose of Property/Equipment" form will then be filled out and signed by the Department Head/Elected Official to authorize the transfer to the new department. The purchasing department will then transfer the item to the new department and place it on the new department's inventory for accountability.

### **LOSS OR THEFT**

Lost or stolen assets should be reported immediately to the property control officer, elected official or department head and the police. Insurance claims, if applicable, should be initiated promptly.

### **DAMAGE OR OBSOLESCENCE**

Fixed assets that are worn-out, obsolete or damaged beyond repair, including computer software that has become obsolete, should be reported first to the property control officer and then to the purchasing department in writing using a "Request to Dispose of Property" form. The asset is then physically transferred to the appropriate county storage facility, if available, assigned by Building and Maintenance until an auction takes place.

### **DESTRUCTION**

If an asset is vandalized, cannibalized or accidentally destroyed, the property control officer, elected official/department head and the purchasing department should be notified. Vandalism should be reported to the police department. If the asset is cannibalized, the inventory tag number should be removed from the asset or obliterated. A "Request to Dispose of Property" form should be used, and the Board of Supervisors will be asked to approve the action for write-off.

### **SALE**

For sale or trade-in of fixed assets a "Request to Dispose of Property" form should be filled out and signed by the department head. The amount of the sale or trade in shall be included on the form or forthcoming from the auction. The purchasing department will then send to the Board of Supervisors a fixed asset write off listing for approval. All Apache County departments must comply with sale and trade-in requirements prescribed in the Arizona Revised Statutes.

### **INVENTORY**

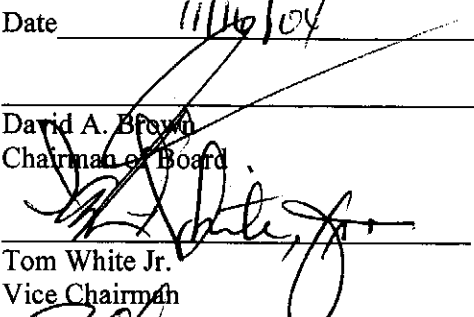
Each Department Head or Elected Official is responsible for all inventories in their department. Items over \$5000.00 that have a useful life of 1 year or more are listed on the Fixed Asset Inventory. These items carry an account code of 48xxx. We are required to do a 3 year physical inventory of these items. It is good practice to inventory assets that are valued under \$5000.00 at this same time to insure they are still in our custody. All assets under or over \$5000.00 shall carry Apache county property tags. When you acquire a new fixed asset contact purchasing with the description and appropriate #s serial, vin number, license etc...to obtain a property tag for this item.

Items that are assets under \$5000.00 (should have a code of 46xxx) such as furniture, computers, laptops, cell phones, digital cameras, cabinets, equipment, tools, etc.... assets that cost \$200 or more shall be kept track of for inventory purposes and to prevent theft of portable items. County property tags should be affixed to these items to insure they are not improperly disposed of. Each department head should establish their own procedures and keep this report on file for auditors to review. If an item on this list is disposed of it should be indicated when and how. If these items are checked out to an individual for the duration of their duty, a form should be filled out and a copy sent to Human Resources to be held to insure these items to be turned in before their termination. i.e....keys, vehicles, laptops, camera, cell phones, radios, uniforms, weapons, etc.

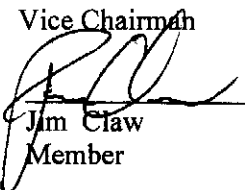
Nov.16, 2004

Revised policy:  
Approved by Apache County Board of Supervisors:

Date 11/16/04

  
\_\_\_\_\_  
David A. Brown  
Chairman of Board

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Tom White Jr.  
Vice Chairman

  
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Jim Claw  
Member