SECTION 11
CAPITAL ASSETS

11.1 PURPOSE

A. Capital assets consist of assets of a relatively permanent nature, including land, land improvements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure assets, and construction in progress.

B. Capital assets are reported at historical cost. The cost of a capital asset includes ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include costs that are directly attributable to asset acquisition, i.e. sales tax, freight, transportation charges, site preparation costs, and professional fees.

11.2 CAPITALIZATION POLICY

A. Machinery and equipment with unit costs of $5,000 or more and useful lives greater than one year will be capitalized and maintained on a capital asset list. The asset will be tagged, inventoried and depreciated.

B. Assets costing between $1,000 and $4,999.99 may be numerically tagged for stewardship purposes. Stewardship lists are maintained jointly by the Asset Manager and the department.

C. Any purchase or acquisition of an asset with a unit cost of less than $1,000 will not be tagged, inventoried or depreciated, even if purchased with capital funds.

D. Title to state and federally owned equipment costing $5,000 or more with useful lives over one year remains vested in the state or federal government. Equipment must be managed in accordance with the state or federal agency’s rules and procedures.

E. An inventory of all infrastructure $10,000 and over will be maintained. Infrastructure is capitalized as a network, subsystem or as an individual asset.

F. Improvements other than buildings having a total project cost of $10,000 or more are capitalized. Improvement projects having a total project cost of less than $10,000 are properly classified as maintenance and/or repair items.

G. Capital Leases are recorded as an acquisition of a capital asset and the incurrence of a liability. If the lease involves the acquisition of more than one asset, each asset is capitalized if its fair value is $5,000 or more.

H. Buildings costing $10,000 or more are capitalized.

I. Land costing $10,000 or more is capitalized.

11.3 DEPRECIATION POLICY

A. Depreciation is the allocation of the total acquisition cost of a capital asset over its estimated useful life.

B. Land, certain land improvements, construction-in-progress and non-exhaustible works of art, historical treasures and similar assets are not depreciated. Land is considered to have an unlimited useful life and its salvage value is unlikely to be less than its acquisition cost. Certain land improvements are considered to have an unlimited useful life and therefore not depreciated. An example of a non-depreciable land improvement would include the movement or grading of dirt to prepare the land for its intended use. A non-depreciable land improvement should have permanent benefits.

C. The straight-line depreciation method, with an assumed salvage value of zero is used to calculate depreciation on at least an annual basis. For any asset acquired (or placed into service) during the year, depreciation will be based on the full month convention, beginning with the first full month following the date of acquisition.

D. Depreciation expense is recognized for financial statement purposes only. For budgetary purposes, the full acquisition cost of a capital asset is recognized at the time of acquisition.

E. Total asset costs include purchase price or cost of construction plus any other charges incurred to place the asset in its intended location and condition for use. Donated assets are valued at their fair market value at date of acquisition.

F. The estimated useful life of a depreciable asset is the period over which services are expected to be rendered by the asset.

G. Depreciation is calculated on individual assets for buildings, equipment, vehicles, and heavy equipment, computer hardware and software. Infrastructure is depreciated based on the classification of the asset.

11.4 DEFINITIONS

A. Land. This includes all land purchased or otherwise acquired by the county. The land account includes the cost of preparing the land for its intended use.

B. Buildings. This include acquisition cost of permanent structures and related improvements. Permanently attached fixtures that cannot be removed without damaging the building or the item removed, such as heating and air conditioning equipment or security systems are classified with the related building.

C. Improvements Other than Building. This includes the cost of permanent land improvements, leasehold improvements, and other improvements except buildings. Improvements in this account may include fences, retaining walls, sidewalks, and parking lots.

D. Machinery and Equipment. This includes all tangible personal property. Examples include machinery, tools, vehicles, equipment, and furniture.

E. Construction in Progress. This includes the cost of construction projects undertaken but not yet completed.

F. Infrastructure. This 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.

11.5 ASSETS ESTIMATED USEFUL LIFE

Land Improvements	480 Months
Constructed Buildings	480 Months
Manufactured Buildings	300 Months
Infrastructure Assets	420 Months
Improvements Other Than Buildings	180 Months
Aircraft	180 Months
Heavy Trucks	84 Months
Light General Purpose Trucks	60 Months
Automobiles	60 Months
Computer Hardware – Mainframe	60 Months
Computer Hardware – Midrange	60 Months
Computer Hardware – PC	36 Months
Telecommunications Equipment	60 Months
Manufacturing Equipment	96 Months
Office Equipment	60 Months
Computer Software – Mainframe	*
Computer Software – Midrange	*
Computer Software – PC	*
Telecommunications Software	*
Books	120 Months
Service Animals	36 Months
Intangible Capital Assets	**
Leasehold Improvements	**

***** If capitalized, useful life determined by the County.
** Life determined by the governing County.

11.6 REPLACEMENT SCHEDULE

Navajo County recognizes that capital assets have a life cycle that assets should be replaced in order to maintain county facilities and allow for efficient operations. The following table is a general guideline of the life cycle of capital assets. These guidelines are in no way intended to recommend or authorize replacement for assets.

All capital asset replacements are subject to funding availability and approval, and must be properly authorized by the Board of Supervisors.

Asset Type	Planning Life Cycle		
Non-Infrastructure	Years	Miles/Hours	Type
Motor Vehicles			
Automobiles	5	140,000	Gas
Pickups	10		
Other Vehicles	5		
Buildings			
Maintenance Facilities	30		
Storage Shed/Shelters	30		
Concrete Buildings	50		
Wood Framed Construction	20		
Building Improvements – determined on a case by case basis	20-50		
HVAC Systems – heating, air conditioning	10-20		
Electrical/Plumbing	30		
Roofing	10-20		
Office Equipment – copiers, fax, etc	5-10		
Computers	3-5		
Kitchen Equipment - appliances	10		
Radio, Communications Equipment – mobile	5-20		
Custodial Equipment – sweepers, vacuums	12		
Grounds Equipment – mowers, tractors, etc	7-10		
Boats	12		
Heavy Equipment - Other	8-15		
Motor Grader	15	8000 hrs	
Snowplow Trucks	15	150,000 miles	
Bulldozer	15	3000 hrs	
Loader	15	4000 hrs	
Backhoe	15	4000 hrs	
Crawler Dozer	15	2000-3000 hrs	
Excavator	15	3000 hrs	
Skidder	15	2000 hrs	
Mowing Tractor	15	3000 hrs	