INTRODUCTION

The needs and interests of Arizona Government are complex; accounting for the variety of long-lived resources is equally complex. SAAM strives to reconcile modern, professional accounting standards with practical fiscal management considerations.

The term “resource” is generally used for discussing items before a determination has been made whether to either capitalize or expense them; it is also used in connection with resources which are expensed, but nonetheless subject to special custodial obligations. Consistent with this, terms such as “non-capital asset” have, depending upon context, been replaced with such terms as “expensed tangible,” “expensed intangible,” “IT resources,” “stewardship resource,” etc.

To capitalize a resource means to record it as an asset. Assets appear on an entity’s balance sheet, its statement of assets, liabilities and fund balance, or similar financial statement. With certain exceptions (such as land or collections of artwork), the costs of assets are depreciated or amortized (i.e., the investments in them are written off) over their useful lives. To expense a resource means to treat the investment made in that resource as extinguished or used up in the period in which it is acquired.

AFIS also permits the recording of a Memo Asset and its corresponding Offset for Memo Fixed Asset, both of which will appear on the balance sheet.

For the purposes at hand, the term “resource” does not include cash, accounts or notes receivable, stocks or bonds held for investment, commercial paper and other monetary or monetized assets. Moreover, the term “resource” does not include human labor, talent, knowledge, skills or abilities, but only the products of human attributes and endeavors.

“Long-lived resources” include, but are not limited to: land, improvements, rights of way, easements, infrastructure assets, buildings, building improvements, construction in progress, development in progress, leasehold improvements, vehicles and other transportation equipment, machinery, equipment of any description, furniture, fixtures, betterments, works of art, historical treasures, software, patents, copyrights, firearms, computers, software, and any or all other tangible or intangible resources that have initial useful lives extending beyond a single reporting period.

For clarity and ease of reading, all long-lived resources, including capital assets, IT resources (as defined in SAAM 2515), infrastructure assets and stewardship resources are referred to as “fixed assets” in this policy statement and the module of the AFIS
system in which they are to be recorded is referred to as the Fixed Asset Module or, more simply, FAM.

This policy statement does not replace a thorough reading and understanding of the manuals and training materials relating to the State’s accounting and procurement systems, through which appropriate entries to record long-lived resources must be made. The reader is referred to the Glossary, SAAM 9505, for a definition of any term that may not be familiar.

POLICY & PROCEDURES

1. These policies go into effect for assets placed in service on or after July 1, 2015. Except as otherwise herein specifically provided, no adjustment of cost, method, useful life, depreciation, amortization, accumulated depreciation or accumulated amortization need be made for assets acquired before July 1, 2015.

2. Unless a specific exception exists, all agencies must use FAM to record fixed assets, a term which collectively refers to capital assets and, whether capitalized or expensed, IT and stewardship resources. Though not required to do so, to facilitate recordkeeping, an agency may record other items in FAM.

2.1. Fixed assets are to be recorded in FAM within one (1) calendar month of their acquisition.

2.2. The disposal of fixed assets should be recorded in FAM within ten (10) business days of their disposal. More information on the disposal of fixed assets is contained in SAAM Sections 2560 and 2561.

3. Stewardship resources that do not meet the State’s capitalization threshold must be entered into FAM for identification and tracking purposes.

4. IT resources that do not meet the State’s capitalization threshold must be entered into FAM for identification and tracking purposes.

5. Each agency director must designate an agency property control officer whose duties include: accounting for capital assets, stewardship resources, IT resources and other tangible and intangible resources; safeguarding agency resources; and ensuring the agency comply with the requirements outlined in SAAM.

6. All agencies must use the capitalization, depreciation, and amortization guidelines established by the GAO.

7. All acquisitions and disposals of capital assets, stewardship resources, and IT resources must be properly authorized by the agency director or the agency director's designee.
8. All agencies must maintain lists of the following, which are collectively referred to as fixed assets:

8.1. Tangible capital assets, recording, at a minimum, the property identification number, description and location of the asset, as well as the method of acquisition, funding source, date of acquisition, date of disposal, purchase document number and cost. In the case of infrastructure assets, records appropriate to the identification and cost of such assets should be maintained.

8.2. Intangible capital assets with details appropriate to the type of asset (e.g., the right of way agreement or the location of the backup disc holding code).

8.3. All stewardship resources.

8.4. All IT resources.

9. Tangible fixed assets must, to the extent practicable, be tagged or otherwise identified as State property. The assigned property tag identification number must be recorded in FAM.

10. Except with a written exception granted by the GAO, a physical inventory of fixed assets must be taken no less than annually by the agency property control officer. To enable the GAO to compile the statewide capital asset listing, all additions and/or deletions of capital assets must be properly recorded in FAM no later than the date specified in the annual Closing Instructions.

11. All agencies must report lost, stolen or destroyed fixed assets or other non-expendable materials (accompanied by police reports, if applicable) through the SPMO to the State Comptroller, allowing adequate time for the report to reach the State Comptroller within ten (10) days after discovery of the loss, as required by Arizona Administrative Code R2-15-503. Such losses are to be reported to the Risk Management Section of the ADOA, as well, within the timeframes and in the manner prescribed by Arizona Administrative Code R2-10-102.

12. Agencies must maintain all documentation relating to the acquisition and disposal of a capital asset throughout the life of the capital asset and for the time prescribed by LAPR.

13. An expenditure that:

13.1. Maintains the original condition of an asset should be classified as a maintenance expenditure.

13.2. Returns an asset to the condition it enjoyed before having been damaged should be classified as a repair.

13.3. Extends the useful life, increases the value, augments the functionality, or enhances the level of service or efficiency of an underlying capital asset should:
13.3.1. If it meets capitalization thresholds and other requirements appropriate to the asset, be treated as a betterment.

13.3.2. If it does not meet capitalization thresholds or other requirements appropriate to the asset, be treated as a repair or maintenance expenditure, whichever seems most appropriate to the situation.

14. For most tangible long-lived resources, the capitalization threshold is five thousand dollars ($5,000). However, many other thresholds apply to the capitalization of intangible resources and other requirements may apply for recording a resource in SAAM. It is recommended that the appropriate section of SAAM be consulted for the type of long-lived resource under consideration.

15. Agencies are to use the straight-line method of depreciation or amortization.

16. Agencies are to use the whole-month convention in computing depreciation or amortization.

17. Inexhaustible assets (e.g., land) should not be depreciated or amortized.

18. Unless otherwise approved by the GAO, agencies are to use the useful lives prescribed by SAAM.

19. When the ancillary costs associated with acquiring, constructing or developing a long-lived resource spans multiple fiscal years, those costs should be accumulated as construction-in-progress or development-in-progress until the acquisition is accomplished or abandoned. If the resource is ultimately acquired, the ancillary costs should be added to the cost of the resource. If the resource is ultimately not acquired, the ancillary costs should be expensed at the time the acquisition, construction or development is abandoned.

20. Except as they pertain to the Arizona Board of Regents, the Arizona Department of Transportation and the Arizona Department of Administration, progress payments on all major capital projects shall be reviewed and approved by the Arizona Department of Administration, General Services Division. Acquisition of land or a building by purchase or condemnation requires the approval of the Joint Legislative Committee on Capital Review.