

RULE 4.2 – CAPITAL AND CONTROLLED ASSETS

Adopted Date: 04/24/2006

Revised Date: 08/01/2019

PURPOSE

The City and County of Denver (city) has a significant investment in capital and controlled assets, such as land, buildings, equipment, and infrastructure. The purpose of this fiscal accountability rule is to ensure that the city's capital and controlled assets are acquired, safeguarded, controlled, disposed of, and accounted for properly.

This fiscal accountability rule, and the associated [Capital and Controlled Assets Procedure](#), shall be read in conjunction with, and users shall comply with, all applicable provisions of the following Denver Revised Municipal Codes, Fiscal Accountability Rules, and Executive Order, to ensure compliance and understanding:

- [Denver Revised Municipal Code – Chapter 20 – Finance, Article I. – In General, Sec. 20](#)
- [Denver Revised Municipal Code – Chapter 20 – Finance, Article II. – Fiscal Code, Sec. 20-16](#)
- [Fiscal Accountability Rule 1.2 – System of Record](#)
- [Fiscal Accountability Rule 2.1 – Expending Authority Delegation](#)
- [Fiscal Accountability Rule 4.3 – Capital Projects](#)
- [Fiscal Accountability Rule 9.2 – Grant Management](#)
- [Executive Order 24 – Surplus and Unclaimed Property Control and Disposition](#)

DEFINITIONS

Asset Type Table – A table that provides an asset type and the city's tracking threshold.

Book Value – The value at which an asset is carried on the balance sheet. The book value is calculated by taking the cost of an asset minus the accumulated depreciation.

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Capital Asset – Assets that are used in operations and have an initial useful life greater than one year. Capital assets are acquired through outright purchase, construction, lease purchase agreements, installment purchase contracts, tax or special assessment foreclosure, eminent domain, donations or gifts. Examples of capital tangible and intangible assets include:

- **Tangible Assets** – Land, buildings, improvements, machinery, equipment, works of art, historical treasures, and infrastructure.
- **Intangible Assets** – Easements, software, and water rights.

Controlled Asset – Assets that are used in operations, have a low cost, and require tracking and periodic inventory.

Depreciation (straight line) – A non-cash expense that allocates the cost of a capital asset evenly over its useful life.

High-Risk Controlled Asset – Controlled assets that are considered high-risk because of liability, susceptibility to theft or loss, insurance, licensing, or other factors.

Historical Cost – The original cost of an asset at time of acquisition. This includes both the purchase price and any other necessary and reasonable costs incurred to place the asset in service in its intended location and condition for use.

Infrastructure – Long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets and are stationary in nature. Examples include, but are not limited to, roads, streets, alleys, bridges, curbs, gutters, drainage systems, traffic signals, fiber optic cables, paved trails, electronic message boards, and similar assets. Not included in infrastructure are sidewalks, street signs, lighting systems, medians, traffic islands, unpaved trails, and bike lanes.

Useful Life – The estimated life of an asset for financial reporting purposes.

RULES

General Rules

1. Every department and agency is responsible for managing and protecting the capital and controlled assets (assets) of the city for which they have been entrusted; furthermore, each employee has the responsibility to protect and conserve the city's assets that have been delegated to them.
2. Executive directors and agency heads may have additional internal policies and procedures to support capital asset processes.
 - A. The internal policies and/or procedures may be more restrictive, but not more generous than this fiscal accountability rule and the associated procedure, as long as the more restrictive internal policies and/or procedures are consistently applied.

- B. The internal policy and/or procedure shall be reviewed at least annually to ensure compliance with this fiscal accountability rule.
- 3. The Expending Authority shall designate Asset Custodians who are responsible for ensuring that records regarding asset additions, transfers, disposals, and asset inventory are complete and accurate (refer to [Fiscal Accountability Rule 2.1 – Expending Authority Delegation](#) and [Procedure 4.2 – Capital and Controlled Assets](#)).
- 4. The city has a significant investment in capital and controlled assets. In order to ensure assets are recorded, safeguarded, maintained, and disposed of properly, Asset Custodians shall conduct an annual physical inventory of all assets.
- 5. Capital assets over \$50,000 require ordinance approval from City Council prior to purchase.

Asset Types and Classification

- 1. The **Asset Type Table** shall be used to determine applicable thresholds by asset type and the designated method of tracking.

Asset Type	Tracking Threshold																					
Controlled Asset	Controlled assets with an initial cost of \$2,500.00 - \$4,999.99. Controlled assets shall be recorded in the city's system of record. Examples: <ul style="list-style-type: none"> • Exercise Equipment • Golf Cart 																					
High-Risk Controlled Asset	Controlled assets are considered high-risk because of liability, susceptibility to theft or loss, insurance, licensing, or other factors. Since these high-risk assets are sensitive in nature they have a threshold below other controlled assets and shall be tracked in the city's system of record or by the department or agency.																					
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Asset Type Table continued on next page.

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Asset Type	Tracking Threshold		
Capital Assets	Tangible and intangible assets that are used in operations and have an initial useful life greater than one year. Capital assets shall be recorded in the city's system of record.		
	Tracking Requirement / Example	Department or Agency	City's System of Record
	<ul style="list-style-type: none"> • Tangible: <ul style="list-style-type: none"> ○ Buildings, improvements, machinery and equipment, works of art, historical treasures, and infrastructure ○ Land • Intangible: <ul style="list-style-type: none"> ○ Software ○ Temporary easements and water rights ○ Permanent easements 	<p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p>	<p>\$5,000.00 and above</p> <p>\$0.00 and above</p> <p>\$50,000.00 and above</p> <p>\$5,000.00 and above</p> <p>\$5,000.00 and above</p>

Asset Capitalization and Valuation

1. Capital assets shall be capitalized and recorded in the city's system of record.
2. Controlled assets shall be expensed when purchased.
3. Capital assets shall be recorded at historical cost, or if not available, at estimated historical cost. If neither is obtainable, the asset shall be recorded at estimated fair market value.
4. Assets acquired for the purpose of sale or investment are not accounted for as capital assets.
5. Additional costs required to place a capital asset in its intended state of operation shall be added to the cost of the asset; refer to the settlement statement for costs that may be unique to the property. Cost of asset shall include, but is not limited to:
 - A. Land – Title search cost, attorney fees, liens assumed, taxes assumed, grading costs, building demolition, land improvements with an indefinite life;
 - B. Buildings – Attorney fees, architect fees, inspection, and building permits;
 - C. Equipment – Freight charges, sales tax, installation costs, setup costs, book value of trade-ins; and
 - D. Construction – Debt related interest accrued during construction for enterprise funds only.
6. Repair and maintenance costs that retain the value of an existing asset, but do not add useful life, or productive capability of the asset, shall be expensed at the time of occurrence and not capitalized.

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7. Donated assets shall be recorded at estimated fair market value at the time received. The value of the asset shall be determined by actual costs, if available, otherwise the value can be determined by an independent appraisal.
8. Assets that are purchased with grant funds are only entered into the system of record for tracking if the city retains ownership right to the asset.
9. Capital projects resulting in a capital asset shall be accounted for in a capital projects fund per [Fiscal Accountability Rule 4.3 – Capital Projects](#).
10. Capital assets shall be depreciated using the straight-line method. The estimated useful lives of assets shall be determined by the average life for the group of assets; not individual assets.
11. Art and historical treasure collections that retain or increase in value with age and are preserved and maintained to have an unlimited useful life shall not be subject to depreciation.
12. A gain or loss shall be recorded in the city's system of record when a capital asset is sold or traded for an amount different from its net book value.
13. The Controller's Office shall be notified by the executive director or agency head when a capital asset has been impaired. This shall include, but is not limited to:
 - A. Physical damage where action would be needed to restore lost utility;
 - B. Changes in laws, regulations, or other environmental factors that negatively affect service utility;
 - C. Technology developments that negatively affect service utility, or evidence of obsolescence;
 - D. A change in the manner of duration of use of a capital asset that negatively affects its service utility (e.g. putting an asset to a suboptimal use rather than the use for which it was originally intended);
 - E. Stoppage of construction; and/or
 - F. Stoppage of development (for internally generated intangible assets).

Additionally, there must be significant and unexpected decrease in service utility of a capital asset in order for it to be impaired.

Inventory

1. A department or agency shall establish, maintain, and monitor internal capital and controlled asset policies and procedures for inventory.

2. By September 30 of each year, a physical inventory of all capital assets, controlled assets, and high-risk controlled assets shall be performed and documented.
 - A. The Controller's Office shall distribute an asset inventory report, inventory certification, and instructions to the department or agency, or Asset Custodian for items tracked in the system of record.
 - B. The Asset Custodian is responsible for conducting a physical inventory which conforms to [Capital and Controlled Assets Procedure](#) as well as their internal capital and controlled policies and procedures and submitting the results to the Controller's Office via the inventory certification.

AUTHORITY AND ACCOUNTABILITY

The **Controller's Office** is responsible for this fiscal accountability rule and any procedures, guides, job aids, forms, and one-page summaries associated with this rule.