PUTNAM COUNTY BOARD OF COUNTY COMMISSIONERS
CAPITAL ASSETS- CAPITALIZATION POLICY

INTRODUCTION

Putnam County has a significant investment in fixed assets such as land, land improvements, buildings, machinery & equipment and infrastructure. In a major effort to improve financial reporting and meet the current reporting requirements of Governmental Accounting Standard No. 34, improve accountability and operational efficiencies in managing these assets, the Board of County Commissioners hereby establishes the Fixed Asset Capitalization Policy effective October 1, 2024 and run concurrently with statute as changes are made.

DEFINITIONS as defined in the Florida Statues 274.01

Capitalization Policy is the criteria used by a business or governmental entity to determine which expenditures or cash outlays should be reported as capital (fixed) assets.

Capital (or Fixed) Assets are those tangible (something that can be touched or felt) property items that meet the capitalization policy requirements. Capital assets include the following items:

Element/Object #	Asset Category	Description
61-01	Land	Includes land acquisition costs, land improvements, surveys, etc.
61-02	Easements	Actual cost or if donated, fair market value or estimated cost.
61-03	Right-of-Ways	Actual cost of if donated, fair market value or estimated cost.
62-01	Buildings & Building Improvements	Office buildings, firehouses, garages, jails, zoos, parks and recreation buildings.
63-01	Improvements other than Buildings	Structures and facilities other than buildings such as roads, bridges, curbs, gutters, docks, fences, landscaping, lighting systems, parking areas, storm drains, and athletic fields.
64-01	Machinery & Equipment- Cash Purchases	Includes motor vehicles, heavy equipment, office furniture and equipment, court recording, duplicating and transcribing equipment purchased with cash.
64-02	Machinery & Equipment- Lease Purchase	Includes the same description as 64-01 but are financed with a Lease Purchase
64-04	Machinery & Equipment- Computer Hardware	Equipment that is computer related hardware purchases.

Infrastructure Assets are defined by "GASB-34" as long-lived capital assets that normally are stationary in nature and usually can be preserved for a significantly greater number of years than most other capital assets. Examples of infrastructure are roads & bridges, tunnels, dams, water & sewer systems, drainage systems and lighting systems. Buildings are generally not considered infrastructure assets unless they "are an ancillary part of a network of infrastructure assets."

POLICY GUIDELINES

The following types of expenditures must be capitalized and set up in the fixed asset accounting system:

1. All equipment, fixtures and other tangible personal property of a non-consumable nature, the value of which is $5,000.00 or more and the normal expected life of which is 1 year or more. *(Note: All equipment, fixtures and other tangible personal property of a non-consumable nature, the value of which is $5,000.00 or more and the normal expected life of which is more than one year must be tagged, physically inventoried annually and controlled according to Florida Statutes; however, only assets $5,000.00 or considered "attractive" will be capitalized and depreciated)*

2. All buildings the value of which is $15,000 or more.

3. Building improvements not of a repair or replacement nature the value of which is the greater of $15,000 or 10% of the original value of the building. This would include major renovations.

4. Improvements to land other than buildings, costing $10,000 or more.

5. The following infrastructure should be capitalized as follows (Use the lesser of grantor threshold, if grant funded asset, or the thresholds below):

a)	Roads	$25,000
b)	Boat Ramps and Docks	$15,000
c)	Bridges	$50,000
d)	Sidewalks	$5,000
e)	Street light systems (includes traffic)	$5,000
f)	Utilities	$25,000

Additions and improvements to eligible infrastructure should be capitalized if the improvements and/or additions increase the capacity or efficiency of infrastructure rather than preserve the useful life of the asset. The capitalization of such improvement or addition is $25,000 or 10% of the original cost of the original asset, whichever is greater.

6. Donated assets (other than easements) should be recorded at estimated cost or fair value. *Estimated fair value may be provided by the Department of Procurement or other appropriate department depending on the asset.* Information needed:

a) All donations (gifts) will be presented to BOCC and *will include as estimated cost or fair market value.*
b) Invoices must separate any right-of-way purchases and any other asset codes we establish.
c) General ledger account code (including element-object).

d) Other information as required by Procurement and/or Finance.

PUTNAM COUNTY BOARD OF COUNTY COMMISSIONERS
ADMINISTRATIVE POLICY

PROCEDURES FOR ACCUMULATING COSTS AND RECORDING NEW INFRASTRUCTURE

PURPOSE: The purpose of the guidelines is to establish a procedure for accumulating and recording the costs of new infrastructure within Putnam County in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34.

PROCEDURE:

A. Each project should have it's own project number/code and that number should appear on all invoices, checks, and other related documents.

B. All costs associated with a particular road should be under one location code; within that location code, each segment should have it's own property number, which will equal the segment number. Each property number should have an "asset type" of designation assigned to it. The structure should appear as follows:

Location Code (Street name, or Subdivision)	Property Number (each road will have its own property # which will correspond to road segment numbers)	Asset Type (Right-of-Way, Roads, Bridges, others)

C. Right-of-way, if material, should be recorded separately as land in its own category. The element-object is 61-30.

D. Donated assets should be recorded at estimated cost or fair value. *Estimated cost or fair value may be provided by Procurement or other appropriate department.*

E. Capitalizable costs are defined as expenditures that will benefit both present and future fiscal periods. Following is a listing of expenditures and the way they will.be accounted for:

Purpose of Expenditure	Capitalize	Expense
Adding a Turn Lane	X	
Adding Drainage	X	
Patch Crack		X
Patch Pothole		X
Adding a Bike Lane	X	
Resealing		X
Adding Medians	X	
Original Landscaping	X	

Adding Traffic Lights	X	
Adding Traffic Signs	X	
Adding Roundabouts	X	
Studies for Drainage		X
Traffic Studies		X
Studies for Long Term Transportation Needs		X
Adding Bridges	X	
Adding Culverts		X
Limerock/Dirt Road		X
Right-of-Way	X	
Soil testing		X
Striping		X
Adding Pedestrian Lanes	X	
Resurfacing without Removing Old Surface		X
Resurfacing after Removing Old Surface		X

PROCEDURES FOR ACCUMULATING COSTS AND RECORDING CAPITAL (FIXED) ASSETS

PURPOSE: The purpose of the guidelines is to establish a procedure for accumulating and recording the costs of new capital assets within Putnam County in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34.

PROCEDURE: The following policies and procedures shall be incorporated into this accounting system:

1. It shall be the duty of the Board of County Commissioners, through the Clerk of the Circuit Court, to insure that all custodians comply with the adopted accounting requirements.

2. The Clerk of the Circuit Court shall establish the procedures deemed necessary for proper implementation and maintenance of the system.

3. Property custodians (department managers or directors) must be directly responsible for the land, buildings, and equipment in their charge, and the related accounting functions. A custodian's delegate may be appointed to carry out this responsibility.

4. All equipment, fixtures and other tangible personal property of a non-consumable nature the value of which is $5,000.00 or more and the normal expected life of which is one year or more must be capitalized. Tangible personal property with values between $5,000.00 and greater will be required to be tagged (identified as the "non-capital asset tagging system"), physically inventoried annually and controlled in a manner similar to the capital assets system.

5. All acquisitions shall be recorded at original cost. Cost will include all incidental charges necessary to place the items in service. Such charges include taxes, freight, title search fees, and installation charges. When cost is unknown, as in the case of an initial listing for which original cost of some items cannot be determined, estimated historical cost or a "deflated" replacement cost must be used. Gifts should be listed at fair market value at date of acquisition. All capital assets must be tracked by source of funding.

6. All acquisitions and transfers must be authorized; related documents must be retained on file. Authority for the disposal (including external transfers or sales of property to outside agencies) shall be recorded in official minutes of the Board of County Commissioners pursuant to Chapter 274 Florida Statutes.

7. All capitalized (and non-capitalized equipment items with values $5000.00 and greater equipment items must be assigned individual identification tags. The Procurement Department shall assign, deliver and/or affix tags to all equipment items requiring inventory controls. Assets $4999.99 and below deemed "attractive" as defined in FAC 69I 72-73 by the Department head will be tagged and inventoried per request. All computer equipment will receive a red tag from the Information Technology Department and will be able to be tracked on an as needed basis.

8. Identification tags should be uniformly located on similar types of property as prescribed by the Procurement Department and in a manner consistent with "the Auditor General's standards.

9. Motor vehicles (automobiles, trucks, graders, etc.) may have a separate unique identification numbering system stenciled with paint or decal applied.

10. A physical inventory of equipment must be taken annually, in accordance with Section 274.02 Florida Statutes. This requirement applies to both capital and non-capital assets if values are $5,000.00or greater. The Procurement Department will produce and distribute a listing of assets by department for use in conducting the physical inventory. (See paragraph I below).

11. An updated list of equipment of each department, signed by the custodian, must be submitted to the Finance Department annually.

<u>SYSTEM OPERATION</u>

The following procedures must be followed on a regular basis to insure the proper operation of the equipment accounting system. Section 274, Florida Statutes are incorporated into these procedures by reference.

1. Annually, each custodian will receive from Procurement a computer listing of equipment showing assets in his/her custody. The custodian or his delegate will take a physical inventory of the assets, listing all additions, deletions, changes in location, and other corrections which should be made. For additions and deletions cite the applicable reason and attach the Report of Acquisition or Disposition of Property if it has not previously been submitted. The original inventory listing must be signed by the custodian, and returned to the Procurement Department in compliance with the deadline indicated.

2. Staff of the Clerk of Circuit Court with the assistance of Board personnel will select and count a sampling of the inventory each year to test the accuracy of departmental physical inventories.

   If an item is not located during the physical inventory, the custodian shall be notified and an investigation shall be made to explain or locate the property. If found, the item must be returned to the custodian or a transfer of property must be completed by filing an "Application for Fixed Asset Accountability" Report (Exhibit A). If it is determined to have been stolen, a law enforcement agency having jurisdiction must be notified and a report filed. A copy of the report must be submitted with a properly completed Report of Disposition of Property (Exhibit B).

3. Department Directors/Managers are encouraged to delegate to an individual department member the authority to maintain proper control of assigned equipment.

4. When a custodian change takes place, a physical inventory of equipment must be taken. Such an inventory will relieve the departing custodian of (and assign to the new custodian) the responsibility for County property.

5. If property is moved from one building or department to another and remains under control of the same custodian, Finance (Procurement and MIS if computers) should be notified in writing (using the Application for Fixed Asset Accountability form) of the new location of the property, and the description and identification numbers of the items moved. **(NOTE: Do not move computer equipment without the approval of MIS. Unless otherwise instructed, MIS will move and reinstall all computer-related equipment).**

6. When custodial accountability of equipment is transferred an "Application for Fixed Asset Accountability" Report (Exhibit A) is required to be initiated by the transferring custodian. It is then sent to the receiving department for signature. I n order to complete the transfer, the signed original must be submitted to the County Administrator (or his designee) for approval and signature. The equipment remains on the inventory of the transferring department and the responsibility for that equipment continues with the transferring custodian until such time as the original executed report is received by Finance properly executed.

7. When County property is traded in on new acquisitions, the requisition and subsequent purchase order must contain the following information on the item traded:

    a) Description
    b) Manufacturer's Name
    c) Model
    d) Serial Number
    e) Date Acquired
    f) Condition
    g) Property Number
    h) Location
    i) Odometer Reading
    j) Source of Funding, if known

    This information may be obtained from the inventory of the department having custody of the trade-in. If the inventory listing is not available, please call Finance before preparing the requisition.

8. All property numbers or other County identification should be removed or marked out before disposing of the item.

9. All property purchased with funds controlled by the County, regardless of source, is considered to be County property. This includes property purchased on contract, or grant accounts, or equipment which is donated to the County. No such property may be removed or disposed of (other than an inter-departmental transfer) without first obtaining the approval of the Board of County Commissioners. Property acquired with grant funds must be disposed of in accordance with grant requirements and with the approval of the grantor if required.

The property custodian shall initiate a Report of Disposition of Property (Exhibit B) in order to request release of accountability whenever an item of property is:

a) Traded In
b) Sold
c) Lost or Stolen
d) Worn out or Obsolete
e) No Longer needed by Department, but operative
f) Usable only for Cannibalization

The County Administrator or his designee shall investigate the request, and authorize any justified release from accountability, and determine what disposition of the property is to be made.

10. The following methods of disposition of property may be used by the Board of County These procedures are governed by Chapter 274, Florida Statutes.

    a) Transfer to another political subdivision(s) or a private non-profit agency
    b) Disposal including cannibalization, scrap, or destruction
    c) Disposal by public sale
    d) Disposal by trade

Prior to an item being declared surplus by the Board of County Commissioners, The Deputy County Administrator and the Asset Specialist will notify other departments of "pre-surplus" property being available if in working condition. The property may then be transferred to another department of the County. Once the Board declares County property "surplus", the property must be disposed of by one of the methods listed above.

11. When theft or vandal ism is discovered, the custodian should notify the proper law enforcement agency, the County Administrator's Office, Procurement, Risk Management, M IS if computer equipment and the Finance Department. When it is determined that the property will not be recovered, the custodian should submit a Report of Disposition of Property (Exhibit B) in order to be relieved of accountability for the item.

12. Purchases:

    a) The custodian shall notify Procurement, MIS if computer related, and Finance of all acquisitions of equipment. The Application for Fixed Asset Accountability Form (Exhibit All new vehicles are to be delivered to the Putnam County Fleet Management Department for acceptance.

    b) The related purchase order, requisition, vendor's invoice, and receiving report shall be provided in support of the acquisitions. After payment, Finance will review the invoices for equipment items, Procurement will assign a number to each new item, and Finance will input the data.

13. Donations:

For all equipment items (gifts) given to the County, the County Administrator or his designee shall prepare a written notification of the donation which would include; donor, description, date, estimated fair market value, condition, and property number (to be assigned by Clerk of the Circuit Court). Also include any information concerning the item's intended use and disposition, and a release of ownership from donor. This information must be recorded in the BOCC Minutes by the Clerk of the Circuit Court.

14. Vehicle License Plates:

All new vehicles are to be delivered to the Putnam County Fleet Management Department for acceptance.

a) Upon receipt of documentation, which is submitted at the time of delivery by the vendor, the following must be forwarded to the Finance Department; Manufacturer's Statement of Origin, Application for Title, and the odometer statement. New vehicles will receive new plates unless a tag transfer is made.

b) In the case of a vehicle being a replacement, the Finance Department, must be notified of the mileage of the vehicle being replaced.

c) When all documentation is received, Finance will submit all application forms for the vehicle title and registration with appropriate fees. Upon receipt of registration, a Putnam County property number will be assigned, and Fleet Maintenance will notify Risk Management.

d) No new vehicle may be driven off County property until released by Fleet Management and Risk Management.

DEPRECIATION:

As stated in the American Institute of Certified Public Accountants' Industry Audit Gide for Audits of State and Local Government Units, "There are four basic reasons for computing depreciation for governmental units: (1) Profit measurement for enterprise and internal service funds, (2) Cost accounting for services and programs, (3) As a cost to be included in the basis for reimbursements or grants, and (4) Systematic amortization of cost to recognize use or obsolescence."

Depreciation will be computed on _a "straight-line" basis (i.e., depreciated in equal amounts over the estimated service life of the asset). The basic formula to be used for determining the amount of each year's charge under straight-line depreciation is as follows:

Cost Less Salvage Value
Estimated Service Life (In Years)

Depreciation will be computed at least annually. Generally, the following service lives will be used:

Service Life Years
Building-30
Land Improvements- 10
Leasehold Improvements- 10 (or lease term)

Motor Vehicles- 5
Furniture and Equipment- 5
Heavy Equipment- 10
Land is not Depreciated

EXPLANATION OF CODES

The codes for classifying ·the condition of assets are:

a. New
b. Good
c. Fair
d. Poor
e. Unusable (Repairable)
f. Junk

Intangible Capital Assets:

An intangible capital asset must possess all of the following characteristics as described in GASB S51, par. 2:

- Lack of physical substance
- Nonfinancial nature: not in a monetary form nor a claim or right to assets in a monetary form
- Initial useful life extending beyond a single reporting period

An intangible asset should be recognized only if it is identifiable. An intangible asset is considered identifiable when either of the following characteristics are met as described in GASB S51, par. 6:

- The asset is capable of being separated or divided from the government and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract, asset, or liability.
- The asset arises from contractual or other legal rights, regardless of whether those right are transferable or separable from the entity or from other rights and obligations.

Examples of intangible assets include easements, land use rights (i.e. water rights, timber rights and mineral rights), patents, trademarks and copyrights**. In addition, intangible assets include computer software that is purchased, licensed or internally generated (including websites) as well as outlays associated with an internally generated modification of computer software.**

Intangible assets can be purchased or licensed, acquired through nonexchange transactions or internally generated

All intangible assets subject to the provisions of GASB Statement 51 should be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets (i.e. recognition, measurement, presentation, disclosure, etc.) should be applied to intangible assets as applicable.

Exclusions

GASB Statement 51 applies to all intangible assets except: (a) assets acquired or created primarily for purposes of directly obtaining income or profit (these intangible assets should be considered investments), (b) assets from capital lease transactions reported by lessees, except licensing agreements to lease commercially available computer software, and (c) goodwill created through the combination of a government and another entity.

Threshold for Capitalization:

All intangible assets at or above a specified dollar amount must be reported for the Annual Comprehensive Financial Report (ACFR), all other intangible assets are excluded. The following capitalization thresholds are hereby established for both proprietary and governmental intangible assets:

Easements and Rights of Way	$50,000Per Identifiable Asset
Computer Software	$50,000Per Identifiable Asset
Water Rights	$50,000Per Identifiable Asset
Timber Rights	$50,000Per Identifiable Asset
Mineral Rights	$50,000Per Identifiable Asset
Patents and Copy Rights	$50,000Per Identifiable Asset
Trademarks	$50,000Per Identifiable Asset
Other Intangible Assets	$50,000Per Identifiable Asset

Measurement/Recognition:

Intangible assets exceeding the County's threshold should be recorded at actual historical cost. For business-type activities and enterprise funds capitalized interest and ancillary charges, if any, should be included in the historical cost.

Only direct costs will be capitalized (indirect costs will not be included).

Intangible assets received in a nonexchange transaction (i.e. donated) are to be recorded at their estimated fair value at the time of acquisition.

- The fair value of an asset is the amount at which the asset could be exchanged in a current transaction between willing parties, other than in forced or liquidation sale. Therefore, it would be inappropriate to arbitrarily assign a nominal value to a donated intangible asset without applying a rational technique to estimate its fair value.

The threshold for intangible assets applies to individual assets and it is not acceptable to account for items in aggregate to meet the threshold limitations.

For internally generated intangible assets (see below), outlays incurred by the government's personnel, or by a third-party contractor on behalf of the government, for development of internally generated intangible assets should be capitalized.

For internally generated computer software, outlays incurred during the application development stage (see below) will be capitalized if they exceed the threshold. These outlays include the initial purchase of the computer software/license and modifications made to the software before it is placed into operation. The initial purchase of the software/license and modifications made should be analyzed separately for capitalization purposes (do not aggregate).

- Costs incurred prior to October 1, 2009, for internally generated computer software projects in the application development stage will not be capitalized. However, costs incurred October 1, 2009 and beyond, for these projects will be capitalized if exceeding the County's threshold.

Computer software licenses purchased/renewed will not be aggregated. Each individual license purchased/renewed will be measured against the County's threshold and the useful life must extend beyond a single reporting period in order for the license to be capitalized.

INTERNALLY GENERATED INTANGIBLE ASSETS:
Internally generated intangible assets are created or produced by the government or an entity contracted by the government, or they are acquired from a third party but require more than minimal incremental effort on the part of the government to begin to achieve their expected level of service capacity.

Outlays related to the development of an internally generated intangible asset that is identifiable should be capitalized only upon the occurrence of all three of the following:

Specified-Conditions Criteria
a) Determination of the specific objective of the project and the nature of the service capacity that is expected to be provided by the intangible asset upon completion of the project.

b) Demonstration of the technical or technological feasibility for completing the project so that the intangible asset will provide its expected service capacity.

c) Demonstration of the current intention, ability, and presence of effort to complete or, in the case of a multiyear project, continue development of the intangible asset.

Only outlays incurred subsequent to meeting the above criteria should be capitalized; outlays incurred prior to this point should be expensed.

Internally Generated Computer Software:

Computer software is considered internally generated if it is developed in-house by the government's personnel or by a third-party contractor on behalf of the government.

Commercially available software that is purchased or licensed by the government and modified using *more than minimal incremental effort* before being put into operation should be considered internally generated.

The development and installation of internally generated computer software can be grouped into three stages:

1) **Preliminary Project Stage**: involves conceptual formulation and evaluation of alternatives, determination of the existence of needed technology and final selection of alternatives for development of the software. *Expense* all outlays in this stage.

2) **Application Development Stage**: includes the design of the chosen path (i.e. software configuration, software interfaces), coding, installation to hardware, and testing. Data conversion activities could be included in this phase if those activities are deemed necessary to make the software operational. *Capitalize* all outlays incurred during this stage once the *Specified-Conditions Criteria* are met. (Note: the *Specified-Conditions Criteria* are considered met when the Preliminary Project Stage is complete and management authorizes/commits to funding the project.) Capitalization should cease when the computer software is substantially complete and operational.

3) **Post-Implementation/Operation Stage**: includes application training and software

maintenance. Data conversion activities would be included in this stage if not deemed necessary to make the software operational. *Expense* all outlays in this stage.

Outlays associated with an internally generated modification of computer software that is already in operation should be capitalized if the modification results in any of the following:

a) increase in functionality of the software (able to perform tasks that it was previously incapable of performing),

b) increase in efficiency of the software (increase in level of service provided without the ability to perform additional tasks) or

c) extension of the estimated useful life.

If the modification does not result in any of the three outcomes, the modification should be considered maintenance and expensed accordingly.

<u>Amortization (Use Straight-Line Method)</u>
The useful life of an intangible asset that arises from contractual or other legal rights should not exceed the period to which the service capacity of the asset is limited by those contractual or legal provisions. Contract renewal periods may be considered in determining the useful life of the intangible asset if there is evidence the government will seek and be able to achieve renewal and the anticipated outlay for renewal is nominal in relation to the level of service capacity obtained.

If there are no legal, contractual, regulatory, technological or other factors that limit the useful life of an intangible asset, then the intangible asset should be considered to have an indefinite useful life and no amortization should be recorded.

A useful life that must be estimated does not mean indefinite useful life.

<u>Impairment</u>
If changes in factors and conditions result in the useful life of an intangible asset no longer being indefinite, the asset should be tested for impairment because a change in the expected duration of use of the asset has occurred. The carrying value of the intangible asset, if any, following the recognition of any impairment loss should be amortized in subsequent reporting periods over the remaining estimated useful life of the asset.

A common indicator of impairment for internally generated intangible assets is development stoppage, such as stoppage of development of computer software due to changes in the priorities of management.

<u>Miscellaneous</u>

This policy must be applied to all intangible assets. If an intangible asset that meets the threshold criteria is fully amortized, the asset must be reported at the historical cost and the applicable accumulated amortization must also be reported. It is not appropriate to “net” the intangible asset and amortization to avoid reporting.

When intangible assets are sold or disposed of, it is necessary to calculate and report a gain or loss in the statement of activities. The gain/loss is calculated by subtracting the net book value (historical cost less any accumulated amortization) from the net amount realized on the sale or disposal.