

Walton County Board of County Commissioners

Capital Asset Policy

Overview

The Walton County Board of County Commissioners Capital Asset Policy has been developed in accordance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) Statement Number 34, to set forth the parameters of the government accounting for capital assets. Included in this policy are asset class definitions, capitalization thresholds, and methods of depreciation and amortization.

Part I – Definitions

Capital Asset: Land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. (GASB S34, par. 19) (GASB Codification Section 1400.103)

Part II - Capital Asset Valuation

Capital assets are reported at historical costs. This cost should include any charges that will be necessary to get the capital asset to usable condition and to its intended location. Items to be included in cost of capital asset:

- Original contract or invoice price
- Legal and title fees
- Closing costs
- Appraisal and negotiation fees
- Surveying fees
- Land preparation costs
- Demolition costs
- Freight and handling costs

In the absence of the historical cost, the asset's estimated cost may be used to value the asset.

Costs of extended warranties and/or maintenance agreements, which can be separately identified from the cost of the equipment, should not be capitalized. Donated capital assets should be reported at the fair market value.

Part III – Depreciation

Depreciation and amortization are expenditures recorded to allocate an asset's cost over its useful life. Capital assets should be depreciated or amortized over their estimated useful lives unless they are:

- Inexhaustible (e.g. land)

- Construction in progress
- Considered to have an indefinite useful life

Walton County uses straight-line depreciation (historical cost divided by the useful life and expensed evenly over the useful life). It is the County's policy that capital assets have no residual value at the end of their useful life. Depreciation does not affect the removal of a capital asset from inventory. A capital asset will remain on inventory until the end of useful life and disposed of.

Part IV – Land

It is the County's policy to capitalize all acquired land. Land will never be depreciated unless evaluating is needed in the rare case of depletion of resources in the land purchased.

Items to be capitalized with the land will be:

- Purchase price or the determined fair market value if land is donated
- Preparation costs (if indefinite useful life) of basic site improvements
- Land excavation, fill, grading, drainage
- Demolition of existing buildings and improvements (less salvage)
- Removal, relocation, or reconstruction of other property on the land
- Includes related rights (unless acquired separately)
- Commissions, professional fees (title searches, architect, legal, engineering, appraisal, surveying, environmental assessments, etc.)

Part V - Buildings and Building Improvements

It is the County's policy to capitalize all acquired buildings and depreciate over forty years.

Items to be capitalized as part of the building will be:

- Original purchase price and any other costs associated with getting the building ready for use
- All costs associated with the original construction of a building

Walton County requires that any improvements over \$50,000 will be added to the cost of the building it is improving and depreciated over forty years. Improvements are defined as an additional value adding to the length of the useful life or increasing the service capabilities. Repairs and maintenance are not capitalized, as they only serve to retain value and as such will be expensed in the period it occurs.

Part VI – Improvements Other Than Buildings

The capitalization minimum levels for Improvements Other Than Buildings will be \$50,000 and depreciated over twenty years. Improvements related specifically to buildings will be evaluated under the building improvements section of capital assets and will be added to the basis of the building asset class.

Items to be capitalized with the improvements other than buildings will be:

- Fences and gates
- Parking lots
- Landscaping
- Retaining walls

- Park peripherals
- Paths and trails
- Pavilions
- Recreation areas and athletic fields
- Basketball courts, playground equipment, swimming pools and tennis courts
- Shade structures
- Signals and signage
- Boat docks and ramps

Part VII – Machinery, Vehicle, and Equipment

Equipment with a value or cost of \$5,000 or more and having a projected useful life for one year or more will be recorded on the General Property List and capitalized. Equipment will be depreciated over the life of the asset, three to five years.

All laptops and computers are to be recorded on the general property list and expensed in the year of purchase for tracking purposes. Homemade trailers requiring a title and vehicle license plate will be recorded on the general property list for insurance tracking purposes.

Items to be capitalized with the machinery, vehicle, and equipment will be, but not limited to:

- Machinery
- Computers
- Printers
- Vehicles
- Furniture

Part VIII – Infrastructure

Infrastructure is defined by GASB 34 as a long-lived capital asset that is normally stationary in nature and can be preserved for a significantly greater number of years than most capital assets (paragraph 19). Walton County is not going to use the modified approach and as such will be depreciating the infrastructure assets over its useful life. The capitalization minimum levels for infrastructure will be \$50,000 per project and depreciated over twenty years. Any land that is associated with infrastructure will be recorded separately under the land section of capital assets.

Items to be capitalized with the infrastructure will include, but not limited to:

- Roads and streets including peripherals such as landscaping, curbs, gutters, sidewalks and streetlights, when incorporated into the construction project
- Bridges
- Driveways and parking barriers
- Stormwater drainage improvements
- Water and sewer utility plant, piping equipment

Part IX – Construction in Progress

Construction in Progress will be used as a placeholder for future asset items that have not yet been completed such as buildings, infrastructure, additions, alterations, reconstruction, and installation.

Assets to be capitalized with the Construction in Progress will be determined by their asset classifications listed in this policy and will be considered capitalizable upon meeting one of the following requirements:

- The asset is placed into service
- Final acceptance from the contractor (defined below)

Final Acceptance from the Contractor: After a project has been completed, tested, and inspected in accordance with contract requirement, the contract has been completed by the contractor and maintenance of the asset has switched from contractor to Walton County.

Part X – Summary of Asset Classification and Threshold

Asset	Threshold	Useful Life
Land	Capitalize All	Indefinite
Buildings	Capitalize All	40 Years
Building Improvements (Will be Capitalized as Part of Buildings)	\$50,000	40 Years
Improvements Other Than Buildings	\$50,000	20 Years
Machinery, Vehicles, and Equipment	\$5,000	3 to 5 Years
Infrastructure	\$50,000	20 Years
Construction in Progress	Use Final Intended Asset Class Threshold	Use Final Intended Asset Class Useful Life