

PURPOSE: Nassau County has a significant investment in capital assets such as land, land improvements, buildings, machinery & equipment, and infrastructure. In a continuing effort to present meaningful financial reporting, accountability, and operational efficiencies in managing these assets and to comply with the established guidelines of GASB 34, Chapter 274, Florida Statutes, and 69I-73, Florida Administrative Code, the Board of County Commissioners hereby establishes the following asset capitalization policy. This policy includes asset class definitions, capitalization thresholds, and depreciation methods.

POLICY:

1. Capital Asset Definition

The term capital asset describes assets used in operations with initial lives extending beyond a single reporting period. Capital assets may be either intangible (e.g., easements, water rights, licenses, leases) or tangible (e.g., land, improvements to land, buildings, building improvements, vehicles, machinery, equipment, and infrastructure).

2. Capital Asset Improvements Definition

Improvements are defined as additional value that materially extends the useful life or increases the service capabilities of an asset beyond one year. Repairs and maintenance are not capitalized, as they only serve to retain value and will be expensed in the period it occurs.

3. Property Supervision and Control

Per Section 274.03, Florida Statute, the Board of County Commissioners, as the governmental unit, shall be primarily responsible for the supervision and control of its assets. Per statutory provisions and by approval of this policy, the Board of County Commissioners delegates its use and immediate control of tangible personal property to department heads and constitutional officers. These delegates are named as follows:

1. Custodian - Department Heads/Constitutional Officers, by virtue of their position, have immediate control and are delegated the authority and responsibility as Property Custodians.
2. Custodial Delegate - Department Heads/Constitutional Officers may appoint a person to serve as their custodial delegate to carry out the duties of the Property Custodian. However, this does not relieve the Department Head/Constitutional Officer of their responsibility and accountability as the Property Custodian.

The Clerk of the Circuit Court and Comptroller shall establish procedures for the proper recording, reporting, management, and inventory of capital assets in the accounting system to ensure that all custodians comply with the statutory provisions and accounting requirements for capital assets.

4. Capital Asset Valuation and Reporting

Capital assets are reported at historical costs, which can include: (1) all charges to place the asset in its intended location (e.g. freight); (2) all charges to place the asset in its intended condition for use (e.g. installation or site preparation); and, (3) subsequent additions or improvements that enhance a capital asset's functionality or extends its useful life. Examples of items to be included in the cost of a capital asset may include, but are not limited to:

- Original contract or invoice price
- Legal and title fees

- Closing costs
- Appraisal and negotiation fees
- Surveying fees
- Land preparation costs
- Demolition costs
- Developer costs
- Transportation charges
- Freight and handling costs
- Storage costs necessary to transport an asset to the intended location
- Costs associated with putting a vehicle or other equipment into service

When the historical cost of a capital asset is not practicably determinable, the asset's estimated cost may be used to value and record the asset. The estimated historical cost should be determined by appropriate methods and recorded. Estimated historical costs should be identified in the record and the basis of determination established in the records. The basis of valuation for capital assets constructed by County personnel should include the costs of material, direct labor, and overhead costs identifiable to the project.

Costs of extended warranties or maintenance agreements that can be separately identified from the equipment cost should not be capitalized.

Donated capital assets shall be reported at their fair market value on the date the donation is accepted.

5. Depreciation Method

Depreciation is recorded to allocate an asset's cost over its useful life. Capital assets shall be depreciated over their estimated useful lives unless they are:

- Inexhaustible (e.g., land)
- Construction in progress
- Considered to have an indefinite useful life

Nassau County uses straight-line depreciation. Capital assets should generally have no residual value at the end of their useful life.

Depreciation does not affect the removal of a capital asset from inventory.

6. Capitalization Categories and Thresholds

A. Land

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

Items to be capitalized with the land will be:

- The purchase price or the determined fair market value (if the 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.)

B. Buildings and Building Improvements

A building is a structure that is permanently attached to the land, has a roof, is partially or completely enclosed by walls, and is not intended to be transportable or moveable.

The county's policy is to capitalize buildings with a value of \$50,000 or greater and depreciate them for ten to fifty years.

Examples of items to be capitalized as part of the building will be:

- Original purchase price and any other costs associated with preparing the building for use
- All costs related to the original construction of a building
- Environmental Compliance
- Professional fees (i.e., legal, architect, inspections, title searches, etc.)
- Cost of building permits
- Cancellation or buyout of existing leases
- Expenses for remodeling, reconditioning or altering a purchased building to make it ready to use for the purpose for which it was acquired

Any building improvement of \$25,000 or more will be added to the cost of improving the building and depreciated over ten to fifty years.

Examples of items to be capitalized as building improvements are:

- Additions to buildings (i.e., expansions, extensions, or enlargements)
- Installation or upgrade of heating and cooling systems
- Structural changes such as reinforcement of floors or walls, installation or replacement of beams, rafters, joists, steel grids, or other interior framings
- Exterior renovation, such as installing or replacing siding, roofing, masonry, etc.

Examples of items to be considered maintenance and repairs and not capitalized as buildings are:

- Adding, removing, or moving walls relating to renovation projects that are not considered significant rehabilitation projects and do not increase the value of the building
- Improvement projects of minimal or no added life expectancy or value to the building
- Plumbing or electrical repairs
- Cleaning, pest extermination, or other periodic maintenance
- Interior decorations such as draperies, blinds, curtain rods, wallpaper, etc.
- Exterior decorations such as detachable awnings, uncovered porches, decorative fences, etc.
- Maintenance-type interior renovation such as repainting, touch-up plastering, replacement of carpet, tile, or panel sections, sink and fixture refinishing, etc.
- Maintenance-type exterior renovation such as repainting, replacement of sections of deteriorated siding, roof, or masonry, etc.

C. Improvements to Land Other Than Buildings

The capitalization threshold for Improvements to Land Other Than Buildings will be \$25,000 or greater and depreciate from ten to thirty years, depending on the improvement. Each improvement project will be evaluated for the appropriate useful life.

Items to be capitalized as Improvements to Land Other Than Buildings will include, but are not limited to:

- Fences and gates
- Parking lots
- Landscaping
- Retaining walls
- Park peripherals
- Paths and trails
- Gazebos
- Pavilions
- Recreation areas and athletic fields
- Basketball courts, playground equipment, swimming pools, and tennis courts
- Shade structures
- Signals and signage
- Boat docks and ramps

D. Machinery, Vehicles, and Equipment

Machinery, Vehicles, and Equipment will be capitalized at \$5,000 or greater and depreciated over the asset's useful life, from three to twenty years.

Items to be capitalized as machinery, vehicle, and equipment will include, but are not limited to:

- Machinery
- Technology Equipment
- Vehicles
- Furniture
- Library books (capitalized as a collection, annually)

E. Works of Art, Historical Treasures, and Similar Assets

Acquired works of art, historical treasures, or similar assets shall be capitalized regardless of value.

Departments acquiring items in this class must notify the Clerk of Court and Comptroller about the asset's value and estimated useful life (along with a description). If this information is unavailable, the Clerk must still be informed.

Works of art, historical treasures, or similar assets will be depreciated unless it is determined that the item has an inexhaustible life. The useful life for art should range from twenty to fifty years. For donated assets, fair market value will be used to determine the asset value.

F. Infrastructure and Improvements

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. The capitalization threshold for infrastructure will be \$50,000 or greater per project and depreciate over ten to fifty years. Items costing less than \$50,000 will be expensed in the year of purchase. Any land associated with infrastructure will be recorded separately under the land section of capital assets.

Items to be capitalized as infrastructure will include, but are 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
- Water and wastewater transmission and distribution systems

Improvements made to infrastructure assets that extend the useful lives, increase the value, or increase the service capabilities of the asset beyond one year should also be capitalized.

G. Construction in Progress

Construction in Progress is 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 as Construction in Progress will be determined by their asset classifications listed in this policy. They 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 (per the contract requirements) and ownership and maintenance of the asset have switched from the contractor to Nassau County.

H. Software

Software, in general, is a computer program used to perform tasks and specific functions. The costs included in the software will be the acquisition cost of software purchased or created by the government (internally generated) or by a contracting party acting on the government's behalf.

The process of developing and installing internally generated computer software can be grouped into the following stages:

1. Preliminary Stage – This stage includes such things as making decisions about the allocation of resources, determining performance requirements, conducting supplier demonstrations, evaluating technology, and supplier selection. All outlays associated with the preliminary stage should be expensed as incurred.
2. Application Development – Includes materials and services consumed in the development effort, such as third-party development fees, software purchase costs, coding, installation of hardware, and testing, including data conversion needed to make the software operational. All outlays related to the activities in the application development stage should be capitalized. Capitalization should cease once the software is substantially complete and operational (i.e., ready for use).
3. Post-Implementation/Operation Stage – Activities in this stage include application training, data conversion that is beyond what is strictly necessary to make the software operational, licensing, and software maintenance. All outlays associated with the activities in the post-implementation (operation stage) should be expensed as incurred.

The activities within the three stages of development may occur in a different sequence. The recognition for outlays associated with internally generated software should be applied based on the nature of the activity, not the timing of its occurrence.

The minimum capitalization level for software will be \$50,000, with each software purchase individually evaluated for a useful life.

I. Easements or Right-of-Way

Easements or Right-of-Ways are defined as a right to cross or otherwise use someone else's land for a specified purpose. For example, easements are used for roads or granted to utility companies for the right to bury cables or access utility lines.

Easements or Right-of-Way will be capitalized at \$10,000 or greater and individually evaluated for useful life.

J. Other Capital Assets

The Other Capital Asset category is used for assets that do not easily fit into the above categories. Capitalization minimum levels for Other Capital Assets will be \$50,000, and each asset is individually evaluated for a useful life. Items to be capitalized as Other Capital Assets will include, but not are limited to:

- Patents: A patent safeguards an original invention for a certain period and is granted by the United States Patent and Trademark Office. It allows for the exclusive right granted by a government to an inventor to manufacture, use, or sell an invention for a certain number of years.
- Copyrights: Copyrights protect “works of authorship,” such as writings, art, architecture, and music. As long as the copyright is in effect, the copyright owner has the sole right to display, share, perform or license the material.
- Trademarks: A trademark is any word, name, symbol, design, or any combination thereof, used in commerce to identify and distinguish the goods of one manufacturer or seller from another and indicates the source of the goods.
- Use Rights: Use rights are defined as the right to utilize land per its zoning, including any lawful departure or consent use. “Utilization” in relation to land means the use of land for a purpose and includes the extent of such use.

K. Summary of Asset Classifications and Thresholds

Asset	Threshold	Useful Life
Land	Capitalize All	Indefinite
Buildings	\$50,000	10 - 50 Years
Building Improvements (Capitalized as Part of Buildings)	\$25,000	10 - 50 Years
Improvements to Land Other Than Buildings	\$25,000	10 - 30 Years
Machinery, Vehicles, and Equipment	\$5,000	3 - 20 Years
Works of Art, Historical Treasures, and Similar Assets	Capitalize All	20 - 50 Years
Infrastructure and Infrastructure Improvements	\$50,000	10 - 50 Years
Construction in Progress	Use Final Intended Asset Class Threshold	Use Final Intended Asset Class Useful Life
Software	\$50,000	Individually Evaluated
Easements or Right-of-Way	\$10,000	Individually Evaluated
Other Capital Assets	\$50,000	Individually Evaluated

7. Group of Assets

Assets whose individual acquisition costs are less than the threshold for an individual asset should be capitalized if those assets in the aggregate are significant. Computers, furniture, and library books are examples of asset types that may not meet a capitalization policy on an individual basis yet could be significant collectively. Example: Purchasing 100 computers costing \$1,500 each (\$150,000 aggregate) is significant and should be capitalized.

Each item of property shall be accounted for in a separate asset record. Related individual items which constitute a single functional system may be designated as an asset group. The asset group may be accounted for in one record if the component items are separately identified within the record. All property group items, the total value or cost of which is equal to or greater than \$100,000 shall be inventoried under this rule.

8. Attractive Items

Attractive items are defined in Florida Administrative Code 69I-73 as tangible personal property used in operations with a cost less than an established capitalization threshold and requiring special attention to ensure legal compliance, protect public safety, and avoid potential liability or compensate for a heightened risk of theft. Attractive items shall be recorded and accounted for in the County's financial system as property (for inventory purposes) but are not capitalized.

The Clerk and County Manager shall develop written internal policies and procedures to ensure adequate controls are in place for managing items that are not capitalized and fall within the following categories:

- a. *Items that require special attention to ensure legal compliance.* Legal or contractual provisions may require a higher than ordinary level of accountability over certain capital-type items (e.g., items acquired through grant contracts).
- b. *Items that require special attention to protect public safety and avoid potential liability.* Some capital-type items by their very nature pose a risk to public safety and could be the source of potential liability (e.g., firearms, voting equipment).
- c. *Items that require special attention to compensate for a heightened risk of theft.* Some capital-type items are both easily transportable and readily marketable or easily diverted to personal use (e.g., sound equipment, laptops, and tablets).

Examples of attractive items include the following assets, at a minimum:

- Firearms
- Voting Equipment
- Radios and other restricted communication devices
- Assets purchased from State or Federal Grants
- Mobile computing devices with a unit cost of \$1,000 or more (i.e., laptops, notebooks, tablets, and smartphones)
- Other Information Technology (IT) equipment containing critical or sensitive data

Other examples shall include the following assets with unit costs of \$1,000 or more:

- Personal Computers and monitors
- Printers
- Cameras, video cameras, televisions, and associated equipment
- Projectors
- Scanners
- Tools and Toolsets
- Lawn equipment, trailers, and generators

The Clerk and County Manager may define additional types of equipment or require equipment identified (above) at a lesser threshold as attractive items based on certain considerations.

Below are a few examples of what will be considered when evaluating risk and determining what should be treated as an attractive item:

- Has the item been stolen in the past?
- How portable is the item?
- Is it new technology or a high-tech item?
- Is it adaptable for Personal Use?
- Does it contain critical or sensitive data?
- How accessible is the area where the asset is located? (e.g., a controlled area, where very few individuals have access, or public, unrestricted access).
- An assessment of the benefits received by tracking non-capital property as an attractive item compared to the cost involved with the process of marking and tracking the attractive item.

This policy does not preclude a department head from monitoring and recording items identified by other internal policies and procedures for inventory control purposes.