

Capital Asset Policy

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Purpose

The Rockdale County Board of Commissioners is required by the Governmental Accounting Standards Board (hereinafter "GASB") to implement Statement No. 34 and Statement No. 37. Two key implementation challenges the new reporting model presents are infrastructure reporting and depreciation accounting.

The Rockdale County Finance Department has prepared this Capital Asset Policy to set forth the policy of the Board of Commissioners of Rockdale County governing the implementation of the new reporting requirements and definitions and guidelines for capital assets. Included in this policy are asset category definitions, capitalization thresholds, depreciation methodologies, estimated useful lives, examples of expenditures for each class of assets, and guidelines for construction in progress.

I. Capital Asset Definitions and Guidelines

GASB defines capital assets as land, improvements to land, easements, building, building improvements, vehicles, machinery, equipment, works of art and historical treasures, library books and material, 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 (greater than one year). Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems.

Capital Asset Classification

Assets purchased, constructed or donated that meet or exceed the County's established capitalization thresholds or minimum reporting requirements must be uniformly classified in conformity with this capital asset policy.

Capitalization Thresholds

Standard capitalization thresholds for capitalizing assets have been established for each Asset Category.

Class of Asset Threshold

Land/land improvements	Capitalize All
Buildings/building improvements	\$25,000
Improvements other than buildings	\$15,000
Infrastructure	\$100,000
Personal property (equipment/furniture/vehicles)	\$5,000
Works of art/historical treasures	Capitalize All
Software developed or obtained for internal use	\$50,000

Capital Asset Acquisition Cost

Capital assets should be recorded and reported at their historical costs, which include the vendor's invoice (plus the value of any trade-in), initial installation cost (excluding in-house labor), modifications, attachments, accessories or apparatus necessary to make the asset usable and render it into service. Historical costs also include ancillary charges necessary to

place the asset into its intended location and condition for use such as freight and transportation charges, site preparation costs and professional fees. In the absence of historical cost information, the asset's estimated historical cost may be used. The cost of capital assets recorded in **governmental activities** will not include capitalized interest. However, for proprietary funds, interest is capitalized on:

- Assets that are constructed or otherwise produced for the County's own use (including assets constructed or produced for the enterprise by others for which deposits or progress payments have been made)
- Assets intended for sale or lease that are constructed or otherwise produced as discrete projects (for example, real estate developments).

Capital Asset Donations

GASB Statement No. 33, Accounting and Financial Reporting for Non-Exchange Transactions, defines a donation as a voluntary nonexchange transaction entered into willingly by two or more parties. Both parties may be governments or one party may be a nongovernmental entity, including an individual. **A voluntary contribution of resources between County departments reported, as part of the primary government is not a donation.** In the case of such a transfer of an asset, the capital asset transferred should be reported at the same net book value previously reported by the transferring fund (historical cost less accumulated depreciation). Assets donated by discretely presented component units or by parties outside the financial reporting entity should be reported at their fair market value plus any ancillary charges, if any, on the date the donation is made.

Leased Equipment

Equipment should be capitalized if the lease agreement meets any one of the following criteria:

- The lease transfers ownership of the property to the lessee by the end of the lease term.
- The lease contains a bargain purchase option.
- The lease term is equal to 75 percent or more of the estimated economic life of the leased property.
- The present value of the minimum lease payments at the inception of the lease, excluding executory costs, equals at least 90 percent of the fair value of the leased property.

Leases that do not meet any of the above requirements should be recorded as an operating lease and reported in the notes to the financial statements.

Depreciating Capital Assets

Depreciation is the systematic and rational allocation of the historical cost of a capital asset over its useful life. Capital assets should be depreciated over their estimated useful lives unless they are inexhaustible. For a definition of an "inexhaustible asset," see the Works of Art and Historical Treasures section of this policy. The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used and applied to all capital assets of the County. The County will use the following month convention for indicating when the asset was rendered into service.

Estimating Useful Lives of Capital Assets

GASB Statement No. 34, paragraph 161, provides the following guidance on estimating the useful lives of capital assets:

For estimated useful lives, governments can use (a) general guidelines obtained from professional or industry organizations, (b) information for comparable assets of other governments, or (c) internal information. In determining estimated useful life, a government also should consider an asset's present condition and how long it is expected to meet service demands.

Residual Value

In order to calculate depreciation for an asset, the estimated residual value, if any, must be declared before depreciation can be calculated. The use of historical sales information becomes invaluable for determining the estimated residual value. Proceeds from sale of assets must be netted against residual value in computing net gain or loss from sale.

Sale of Capital Assets

When an asset is sold to a non-county entity, a gain or loss must be recognized in the accounting records when:

- Cash is exchanged and the amount paid does not equal the net book value of the asset
- Cash is not exchanged and the asset is not fully depreciated or has a residual value.

A gain or loss **is not** recorded when:

- Cash exchanged equals the net book value and the asset does not have a residual value
- Cash is not exchanged and the asset is fully depreciated and has no residual value.

Computation of Gain and Loss from Sale of Assets

To compute a gain or loss, proceeds received must be subtracted from the asset's net book value.

Example:	Asset's Historical Cost	\$ 10,000
	Less Accumulated Depreciation	<u>7,000</u>
	Net book value	\$3,000
	Proceeds Received	<u>2,000</u>
	Loss from Sale of Asset	\$ 1,000

If the asset has been fully depreciated and has a residual value, then the proceeds must be subtracted from the residual value to compute the gain or loss.

Example:	Asset's Historical Cost	\$ 10,000
	(residual value = \$1,000)	
	Less Accumulated Depreciation	<u>9,000</u>
	Residual value	\$1,000
	Proceeds Received	<u>2,000</u>
	Gain from Sale of Asset	\$ 1,000

Assets Acquired by the Exchange of Other Assets

Similar assets – When recording an exchange of similar assets, the County will use a book value basis for the assets surrendered or acquired.

- When assets are exchanged and no monetary consideration is paid or received, the cost of the asset acquired is recorded at the book value of the asset surrendered.
- Where monetary consideration is given, the new asset must be recorded at the sum of the cash paid plus the book value of the asset surrendered.

Dissimilar assets – When recording an exchange of dissimilar assets, the County will:

- Record the value of the asset being traded and the resulting transaction for acquiring the new asset, using the fair value of the asset being traded.
- If cash is used to purchase the asset, the County record the transaction for the new asset as cash paid plus the fair value of the asset surrendered.

Assets Held in Trust

Capital assets held by the County on behalf of a non-County entity (such as art collections owned by families, estates and others) and under the temporary control of the County should be accounted for on the property records for accountability purposes. This includes assets owned by the federal and state government that have been loaned to the County. Since the County does not own these assets, the assets should be recorded in the property records at a cost of zero.

Controlled Assets (Fixed Assets)

Controlled assets are assets of the County that must be secured and tracked by departments as inventory. Movable personal property with an acquisition cost of \$1,000 or more must be inventoried and tracked by departments. In addition to controlled assets, a department may inventory other assets it considers high risk or for management purposes. Controlled assets with an acquisition cost of less than \$5,000 will not be capitalized or depreciated for general-purpose external financial reporting purposes.

II. Capital Asset Categories

Land and Land Improvements

Land Definition

Land is the surface or crust of the earth, which can be used to support structures, and may be used to grow crops, grass, shrubs, and trees. Land is characterized as having an unlimited life (indefinite).

Land Improvement Definition

Land improvements consist of betterments, site preparation and site improvements (other than buildings) that ready land for its intended use. The costs associated with improvements to land are added to the cost of the land.

Depreciation Methodology

Land and land improvements are inexhaustible assets and do not depreciate over time.

Capitalization Threshold

All acquisitions of land and land improvements will be capitalized.

Examples of Expenditures to be capitalized as Land and Land Improvements:

- Original purchase price or fair market value at time of gift
- Commissions
- Professional fees (title searches, architect, legal, engineering, appraisal, surveying, environmental assessments, etc.)
- Land excavation, fill, grading, drainage
- Demolition of existing buildings and improvements (less salvage)
- Removal, relocation, or reconstruction of property of others (railroad, telephone and power lines)
- Interest on mortgages accrued at date of purchase
- Accrued and unpaid taxes at date of purchase
- Other costs incurred in acquiring the land
- Water wells (includes initial cost for drilling, the pump and its casing)
- Right-of-way.

Land Maintenance Expense

The following are examples of expenditures **not** to capitalize as improvements to land. Instead, these items should be recorded as maintenance expense.

- Removal of diseased trees from boulevards or parks
- Repair or replacement of furnishings, equipment or landscape planting that do not substantially upgrade the park

Buildings and Building Improvements

Building Definition

A building is a structure that is permanently attached to the land and is not intended to be transportable or moveable.

Building Improvement Definition

Building improvements are capital events that materially extend the useful life of a building or increase the value of a building, or both. A building improvement should be capitalized as a betterment and recorded as an addition of value to the existing building if the expenditure for the improvement meets or exceeds the capitalization threshold, or the expenditure increases the life or value of the building by 25 percent of the original life period or cost.

Depreciation Methodology

The straight-line depreciation method (historical cost – residual value)/useful life) will be used for buildings and building improvements. Residual value should be set at 10% of the buildings historical cost. Subsequent improvements that change the use or function of the building shall be depreciated. Buildings designated, as "historical" will not be depreciated unless used in the operations of the County. However, any improvements or betterments not deemed "historical" will be depreciated the same as any other improvements or betterments made to a building.

Estimated Useful Life

Permanent structures	50 years
Portable structures	25 years
Excavation	50 years
Foundation	50 years
Frame	50 years
Floor structure	50 years
Floor covering	15 years
Carpeting	5 years
Computer flooring	10 years
Exterior walls	50 years
Roof cover	10 years
Interior construction	15 years
Interior renovation	10 years
Ceiling finish	10 years
Plumbing	20 years
HVAC	20 years
Electrical	20 years
Fire system	25 years
Elevators	20 years

Capitalization Threshold

The capitalization threshold for buildings and building improvements is \$25,000.

Examples of expenditures to be capitalized as Buildings:

Purchased Buildings

- Original purchase price
- Expenses for remodeling, reconditioning or altering a purchased building to make it ready to use for the purpose for which it was acquired
- Environmental compliance (i.e., asbestos abatement)
- Professional fees (legal, architect, inspections, title searches, etc.)
- Payment of unpaid or accrued taxes on the building to date of purchase
- Cancellation or buyout of existing leases
- Other costs required to place or render the asset into operation

Constructed Buildings

- Completed structure costs
- Interest accrued during construction (proprietary activities only)
- Cost of excavation or grading or filling of land for a specific building
- Expenses incurred for the preparation of plans, specifications, blueprints, etc.
- Cost of building permits
- Professional fees (architect, engineer, management fees for design and supervision, legal)
- Costs of temporary buildings used during construction
- Unanticipated costs such as rock blasting, piling, or relocation of the channel of an underground stream
- Permanently attached fixtures or machinery that cannot be removed without impairing the use of the building
- Additions to buildings (expansions, extensions, or enlargements)

Examples of Expenditures to be capitalized as Improvements to Buildings

Note: For a replacement to be capitalized, it must be a part of a major repair or rehabilitation project, which meets or exceeds the capitalization threshold, or the expenditure increases the life or value of the building by 25 percent of the original life period or cost. A replacement may also be capitalized if the new item/part is of significantly improved quality and higher value compared to the old item/part such as replacement of an old shingle roof with a new fireproof tile roof. Replacement or restoration to original utility level would not. Determinations must be made on a case-by-case basis.

- Conversion of attics, basements, etc., to usable office, clinic, research or classroom space
- Structures attached to the building such as covered patios, sunrooms, garages, carports, enclosed stairwells, etc.
- Installation or upgrade of heating and cooling systems
- Installation/upgrade of wall or ceiling covering such as carpeting, tiles, paneling, or parquet
- Structural changes such as reinforcement of floors or walls, installation or replacement of beams, rafters, joists, steel grids, or other interior framing.

- Installation or upgrade of window or door frames, upgrading of windows or doors, built-in closet and cabinets
- Interior renovation associated with casings, baseboards, light fixtures, ceiling trim, etc.
- Exterior renovation such as installation or replacement of siding, roofing, masonry, etc.
- Installation or upgrade of plumbing and electrical wiring
- Installation or upgrade of phone or closed circuit television systems, networks, fiber optic cable, wiring required in the installation of equipment (that will remain in the building)
- Other costs associated with the above improvements

Building Maintenance Expense

The following are examples of expenditures **not** to capitalize as improvements to buildings. Instead, these items should be recorded as maintenance expense.

- Adding, removing and/or moving of walls relating to renovation projects that are not considered major rehabilitation projects and do not increase the value of the building
- Improvement projects of minimal or no added life expectancy and/or value to the building
- Plumbing or electrical repairs
- Cleaning, pest extermination, or other periodic maintenance
- Interior decoration, such as draperies, blinds, curtain rods, wallpaper
- Exterior decoration, 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 deteriorated siding, roof, or masonry sections
- Replacement of a part or component of a building with a new part of the same type and performance capabilities, such as replacement of an old boiler with a new one of the same type and performance capabilities
- Any other maintenance-related expenditure which does not increase the value or useful life of the building.

Improvements Other Than Buildings

Improvements Other Than Buildings Definition

Assets (other than general use buildings) built, installed or established to enhance the quality or facilitate the use of land for a particular purpose. Depreciable improvements made to land that should be capitalized as a betterment if the improvement is at the capitalization threshold.

Depreciation Methodology

The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used for improvements.

Estimated Useful Lives

The following is a list of the average estimated useful lives for common categories of improvements other than buildings:

Fencing, gates	20 years
Landscaping	10 years
Outside sprinkler systems	25 years
Athletic fields	15 years
Golf courses	20 years
Septic systems	15 years
Stadiums	45 years
Swimming pools	20 years
Tennis courts	20 years
Fountains	20 years
Retaining walls	20 years
Bleachers	20 years
Soccer fields	15 years
Running track	15 years
Outdoor lighting	20 years

Capitalization Threshold

The capitalization threshold for improvements is \$15,000.

Infrastructure

Infrastructure Definition

Assets that are long-lived capital assets that normally is stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Infrastructure assets are often linear and continuous in nature. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems.

Note: Prospective reporting of general infrastructure assets is required beginning in fiscal 2003. Also required is the retroactive reporting of infrastructure assets purchased, constructed, or donated in fiscal years ending after June 30, 1980 or that received major renovations, restorations, or improvements during that period. Retroactive reporting of infrastructure assets is required beginning in fiscal 2007.

Infrastructure Improvements

Infrastructure improvements are capital events that materially extend the useful life and/or increase the value or capacity of the infrastructure. A change in capacity increases the level of service provided by infrastructure. For example, additional lanes can be added to a highway or the weight capacity of a bridge could be increased. Infrastructure improvements should be capitalized as a betterment and recorded as an addition of value to the infrastructure if the improvement is at the capitalization threshold or increases the life or value of the asset by 25 percent of the original cost or life period.

Maintenance Costs

Maintenance costs allow infrastructure to continue to be used during its originally established useful life. Maintenance costs are expensed in the period incurred.

The following are examples of expenditures **not** to capitalize as improvements. Instead, these items should be recorded as maintenance expense.

Roadways

- Paving repair, even though rideability may improve
- Sealcoating and other maintenance
- Lane marking and delineation

Sidewalks

- Routine repair/patching

Traffic Lights

- Equipment repair or replacement to maintain system operations
- Meter replacement

Street Lights

- Replacement or repair of damaged lights

Parking Lots

- Sealing floors to prevent chloride intrusion
- Preventive maintenance and minor repair

Water and Sewer Mains

- Repair of isolated section of broken or collapsed sewer or water mains, catch basins, sewer outlets, and repair fixtures as needed to maintain operations

Depreciation Methodology

The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used for infrastructure assets.

Estimated Useful Life

Roadways

Roadways will be reported by subsystem (e.g., roadway pavement, including curbs and gutters)

Note: The most common method for reporting roadway infrastructure is by subsystem, as reported by American Appraisal Associates. This approach provides a level of detail sufficient for describing the components of the roadway system and allows the use of a component-specific useful life for depreciation purposes. The subsystem approach also facilitates the retirement of infrastructure assets on a go-forward basis.

The estimated useful life of roadways depends more on the type of pavement material used than on the class of roadway (i.e., local, connector, arterial, major arterial).

Four factors affect the life assigned to roadways:

- 1) Subgrade or bearing capacity of the road (i.e., a harder subgrade under the roadway leads to a longer life for the roadway)
- 2) The composition of the asphalt or concrete surface
- 3) Traffic volume (engineered for cars and/or trucks)
- 4) Climatic conditions (e.g., as amount of rain or snow, fluctuation in temperature)
- 5) Speed limit

It is assumed all normal maintenance will be performed to maintain the roadway during its normal life. The "Average" lives for roadways are as follows:

Dirt	10 years (subject to weather conditions)
Gravel	15 years (subject to weather conditions)
Concrete	30 years
Asphaltic concrete	20 years
Brick or stone	50 years

Sidewalks

As with roadways, climatic conditions, such as the amount of rain or snow and fluctuations in temperature, affect the life of sidewalks. Otherwise, the average lives for sidewalks depend upon the material used for construction, as follows:

Concrete	30 years
Asphalt	25 years
Brick or Stone	50 years (subject to weather conditions)

Parking lots

The key variable in determining useful life is the construction material:

Concrete	35 years
Asphalt	15 years
Gravel	10 years
Brick or stone	45 years

Bridges and culverts

To distinguish bridges from culverts the determining factor shall be the length of a structure, all structures with a span of more than 20 feet are to be classified as bridges. For financial reporting purposes, the following average lives will apply.

Note: Subject to any adjustment needed to reflect climate and temperature fluctuations.

Precast Concrete	40 years
Prestressed concrete	45 years
Steel with truss	50 years
Steel without truss	45 years
Timber/wood	30 years
Pedestrian – steel	30 years
Pedestrian – concrete	30 years
Pedestrian – wood	25 years

Unique structures, such as suspension bridges, cable staid bridges, moveable bridges (e.g., rotating, hydraulic, bascule), and covered bridges will be evaluated on a case-by-case basis.

Culverts

Culverts can be divided into two categories: major and small. Major culverts have a side area of 35 square feet or greater. Small culverts have a side area less than 35 square feet.

Major culverts:

Concrete (precast box, precast elliptical, cast in place)	40 years
Concrete pre stress	45 years
Timber log treated	30 years
Steel (corrugated round, corrugated bottomless arch)	30 years

Small culverts:

Plastic	25 years
Cast iron	30 years
Metal corrugated	30 years
Concrete	40 years

Road signage

GASB Statement No. 34 limits the mandatory retroactive reporting of infrastructure assets to major networks and subsystems. Consequently, road signage normally is exempt from this requirement. The average useful life of road signage is 10 years.

Traffic lights

The reporting for traffic lights is similar to the reporting for road signage. The following are average useful lives:

Mast arms	20 years
Hung wire	15 years

Street lighting

The average useful life of street lighting varies as follows:

Concrete	30 years
Metal	20 years
Wood	15 years

Sewer lines

The key factor in estimating the average useful life is the material used, as follows:

Concrete	50 years
Brick	90 years
Metal	40 years

Storm drains

The average useful lives of storm drains depends upon the type of material used, as follows:

Plastic	25 years
Cast iron	30 years
Metal corrugated	30 years
Concrete	40 years
Ditch/Trench	100 years

Berms and tunnels

The average useful life for a berm is approximately 20 years. Tunnels have a highly variable life expectancy. Accordingly, useful lives for tunnels will be assessed individually.

Alleys

The average useful life of an alley is similar to that of a roadway, as follows:

Concrete	20 years
Asphaltic concrete	20 years
Dirt	10 years
Gravel	15 years
Brick or stone	50 years

Man-made lakes, water way/canals, and boat ramps

The average useful life of a man-made lake is 100 years. The average useful life of a waterway or a canal is also 100 years. The average useful life of a boat ramp depends upon the construction material, as follows:

Wood	10 years
Concrete/Asphalt	20 years
Metal	15 years

Bike/Jogging paths

The average useful lives of bike/jogging paths depends upon the type of material used, as follows:

Dirt	10 years
Gravel	15 years
Brick or stone	50 years
Concrete	30 years
Asphalt	20 years
Composite rubber	7 years

Capitalization Threshold

The capitalization threshold for infrastructure is \$100,000. Infrastructure already capitalized will remain capitalized.

Jointly Funded Infrastructure

Infrastructure paid for jointly by the County and other governmental entities should be capitalized by the entity responsible for future maintenance.

Examples of Expenditures to be capitalized as jointly funded infrastructure:

- Highways (Including Rest Areas)
- Roads and Streets (Including Curbs, Gutters, Sidewalks, Signage and Fire Hydrants)
- Bridges Railroads Canals and Waterways (Including Wharfs, Docks, Sea Walls, Bulkheads, and Boardwalks)
- Dams and Drainage Facilities Radio and Television Transmitting Towers Electricity, Water and Gas Lines (Main Lines, Distribution Lines, and Tunnels)
- Fiber Optic and Telephone Distribution Systems (Between Buildings)
- Lighting Systems (For Highways and Roads)

Personal Property

Personal Property Definition

Fixed or movable tangible assets to be used for operations, the benefits of which extend beyond one year from date of acquisition and rendered into service. Improvements or additions to existing personal property that exceeds capitalization threshold or increases the value or life of the asset by 25 percent of the original cost or life should be capitalized as a betterment and recorded as an addition of value to the existing asset.

Note: Costs of extended warranties and/or maintenance agreements, which can be separately identified from the cost of the equipment, should not be capitalized.

Depreciation Methodology

The straight-line depreciation method (historical cost, divided by useful life) will be used for personal property.

Estimated Useful Life

The following is a list of average estimated useful lives for some of the most common categories of personal property:

Athletic equipment	10 years
Appliances/food service equipment	10 years
Audio visual equipment	7 years
Business machines	7 years
Communications equipment	10 years
Contractors/construction equipment	12 years
Computer equipment	5 years
Fire department equipment	12 years
Fire trucks	7 years
Furniture	20 years
Grounds, agricultural equipment	15 years
Lab, science equipment	10 years
Law enforcement equipment	10 years
Law enforcement vehicles	3 years
Staff vehicles	5 years
Machinery and tools	15 years
Musical instruments	10 years
Outdoors recreational equipment	15 years
Stage and auditorium equipment	20 years
Custodial equipment	15 years
Photocopiers	5 years
Loaders, backhoes, ditch witches, bulldozers	5 years

Bucket trucks, motor graders	5 years
Paving equipment and dump trucks	5 years
Public works equipment	5 years
Mowing trucks and bush huggers	5 years
Portable compacts	5 years

Capitalization Threshold

The capitalization threshold for personal property is \$5,000. Personal property with a cost of at least \$1,000 and under \$5,000 will be accounted for as inventory but will not be capitalized.

Examples of Expenditures to be capitalized as Personal Property

- Original contract or invoice price
- Freight charges
- Import duties
- Handling and storage charges
- In-transit insurance charges
- Sales, use, and other taxes imposed on the acquisition
- Installation charges
- Charges for testing and preparation for use
- Costs of reconditioning used items when purchased
- Parts and labor associated with the construction of equipment

Works of Art and Historical Treasures

Works of Art and Historical Treasures Definition

Collections or individual items of significance that are owned by the County which are not held for financial gain, but rather for public exhibition, education or research in furtherance of public service. Collections or individual items that are protected and cared for or preserved and subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

Depreciation Methodology

The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used for exhaustible collections. Inexhaustible items should not be depreciated. Exhaustible collections or items – items whose useful lives are diminished by display or educational or research applications. Inexhaustible collection or items – where the economic benefit or service potential is used up so slowly that the estimated useful lives are extraordinarily long. Because of their cultural, aesthetic, or historical value, the holder of the asset applies efforts to protect and preserve the asset in a manner greater than that for similar assets without such cultural, aesthetic, or historical value.

Capitalization Threshold

All works of art and historical treasures acquired or donated will be capitalized as of January 1, 2003, unless held for financial gain. If a collection is held for financial gain and not capitalized, a description of the collection and the reasons these assets were not capitalized must be available. When donated collection items are added to non-capitalized collections, program expense equal to the amount of revenues should be recognized.

Examples of Expenditures to be capitalized as Works of Art and Historical Treasures

- Collection of rare books, manuscripts
- Maps, documents and recordings
- Works of art such as paintings, sculptures, and designs
- Artifacts, memorabilia, exhibits
- Unique or significant structures

Computer Software

For capitalizing computer software, the County will follow the guidance provided in AICPA Statement of Position 98-1, Software Developed or Obtained for Internal Use.

CAPITALIZATION OF COST/THRESHOLD

The County will record the payment for the purchase or development of computer software whose cost is \$50,000 or greater and has an estimated useful life of more than one year.

Software development generally involves three phases. These phases and their characteristics are as follows:

- Preliminary project phase – when conceptual formulation of alternatives, the evaluation of alternatives, determination of existence of needed technologies and final selection of alternatives is made.
- Application development phase – Design of chosen path including software configuration and software interfaces, coding, installation of computer hardware and testing, including parallel processing phase.
- Post-implementation/operation phase – training and application maintenance activities. Costs associated with the preliminary project and the post-implementation/operating phases should be expensed as incurred. Internal and external costs associated with the application development phase should be capitalized. Costs to develop or obtain software that allows for access or conversion of old data by new information systems should also be capitalized. General and administrative costs and overhead expenditures associated with software development should not be capitalized as costs of internal use software. Capitalization of costs should begin when the preliminary project phase is complete and management has implicitly or explicitly authorized or commits to funding the software project with the intent it will be completed and used to perform its planned functions. Capitalization should cease no later than the time at which substantial testing is complete and the software is ready for its intended purpose or rendered in service.

Examples of Expenditures during the Application Development Phase to be capitalized

- External direct costs of materials and services (third party fees for services)
- Costs to obtain software from third parties
- Travel costs incurred by employees in their duties directly associated with development
- Payroll and payroll-related costs of employees' directly associated with or devoting time in coding, installing or testing
- For proprietary funds only, interest costs incurred during the application development

DEPRECIATION METHODOLOGY

The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used for software developed or obtained for internal use.

Estimated Useful Life

The average useful life for computer software is approximately 5 years.

Construction in Progress

Construction in Progress Definition

Construction in Progress reflects the economic construction activity status of buildings and other structures, infrastructure (roadways, energy distribution systems, pipelines, etc.), additions, alterations, reconstruction, installation, and maintenance and repairs, which are substantially incomplete.

Depreciation Methodology

Depreciation is not applicable while assets are accounted for as Construction in Progress. See appropriate capital asset category when asset is capitalized.

Capitalization Threshold

Construction in progress assets should be capitalized to their appropriate capital asset categories upon the earlier occurrence of execution of substantial completion contract documents, occupancy, or when the asset is placed into service.

Approved this 27 day of January, 2004.

Attest:

Rockdale County, Georgia
Board of Commissioners

By: Jennifer Rutledge

Jennifer Rutledge, County Clerk

By: Norman Wheeler

Norman Wheeler, Chairman

By: Arthur A. Vaughn

Arthur A. Vaughn

By: _____

Glenn D. Sears