SACRAMENTO COUNTY	**Policy # 1301**
Subject: Asset Capitalization Policy	
Responsible Department: Department of Finance	
Effective Date: 07/1996	**Revision Date:** 08/2018
Ben Lamera **Director of Finance**	**Navdeep S. Gill** **County Executive**

1. Purpose

To provide guidance to account for controlling asset acquisition, movement, sale, disposal, and addressing areas such as useful life, minimum threshold values for capitalization, depreciation, and retirement of fixed assets.

2. Authority

Governmental Accounting Standards Board (GASB) Statement No. 34; GASB Statement No. 51; GASB Statement No. 62; State Controller's Accounting Standards and Procedures for Counties; and the Board of Supervisors.

3. Scope

This policy provides guidance on accounting for fixed assets including land, buildings and structures, equipment, infrastructure, intangible assets, or any related capital lease intangible assets, including internally generated intangible assets.

4. Procedures

Fixed assets include land, buildings and structures, equipment, infrastructure, intangible assets, or any related capital lease. These items are further defined as follows:

A. Land includes all parcels purchased by any County entity or any improvements made to existing parcels of land. Land purchases with the exception of road beds, easements, and right-of-ways, regardless of the cost.

B. Buildings, structures, and other related improvements include all relatively permanent (defined as having useful life greater than one year) improvements constructed or placed onto County-owned land or existing structures. This will also include improvements placed onto land leased by the County. Building alterations will be capitalized when they increase the value or life of the building. Any buildings, structures, and improvements with a value greater than $25,000 should be capitalized as fixed assets or lease-hold improvements.

C. Equipment includes movable personal property of a relatively permanent nature and of significant value (both of which are defined below). Examples of equipment are furniture, machines, tools, computer equipment, and vehicles.

   a. Relatively permanent nature should be interpreted as having a useful life greater than one year.
   b. Significant value should be defined as all equipment acquisitions with a cost greater than $5,000, subject to the following exceptions:

      i. All firearms will be treated as fixed assets, regardless of cost;
      ii. Grant-funded equipment that requires tracking will be inventoried for control purposes, regardless of costs;
      iii. The cost of equipment includes: the purchase price less discounts received; freight charges; sales, use and transportation taxes; and installation charges. If extended warranties or maintenance agreements are bundled with the cost of the asset, then the incidental charges are considered a part of the asset cost.

D. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and preserved for a significantly greater number of years than most capital assts. Examples include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems. All infrastructures are assets regardless of the cost. Buildings that are an ancillary part of a network of infrastructure assets should be considered infrastructure. Other items not an integral part of the infrastructure, such as parking meters and portable traffic signals, are considered equipment.

E. Intangible assets include assets lacking physical substance, non-financial in nature, with a relatively permanent nature and significant value. Examples of intangible assets include software, patents, copyrights, trademarks and goodwill.

a. Relatively permanent nature should be interpreted as having a useful life greater than one year.
b. Significant value should be defined as all intangible assets acquisition with a cost greater than $25,000, subject to the following exceptions:

   i. Permanent easements will be treated as fixed assets, regardless of cost;
   ii. Computer or website software will be capitalized if the cost is greater than $100,000.
   iii. Intangible assets should not include assets acquired or created primarily for obtaining income or profit, assets resulting from capital lease transactions reported by lessees, and goodwill created through the combination of a government and another entity.

F. Capital leases (lease-purchase arrangements) include all arrangements to lease land, buildings and structures, or equipment with the County intending to assume ownership rights when the lease is paid off. If a purchase would normally meet the fixed asset criteria stated above, it will be accounted for as a fixed asset regardless of the financing procedure used.

G. This County will be in full compliance with Chapter 15 of the State Controller's Manual.

H. Additional Capital Asset Issues:

a. Construction in Progress includes new construction or improvements to land, buildings, structures, infrastructure, or intangible assets that have not been physically completed or have not had all project costs processed by fiscal year-end and the final cost of which is expected to be greater than $25,000, subject to the following exceptions:

   i. Land, infrastructure, permanent easement construction or improvements will be treated as fixed assets, regardless of cost;
   ii. Computer or website software projects will be capitalized if the final cost is greater than $100,000.

b. Capital assets should be depreciated over their estimated useful lives unless they are either inexhaustible or are infrastructure assets reported using the modified approach. Inexhaustible capital assets such as land, land improvements and permanent easements should not be depreciated. The County has elected to adopt the straight-line method of depreciation. Capital assets that become fully depreciated and are still in use must remain in the financial capital accounts until they are disposed of.

c. Capital assets may be sold, abandoned, or traded in on new assets. Assets which have been retired or disposed of must be removed from capital accounts including related accumulated depreciation.

5. Review

Review annually and revise for any changes in guidance from the aforementioned authorities above.