

TO: ALL COUNTY PERSONNEL
FROM: VERDENIA C. BAKER
COUNTY ADMINISTRATOR
PREPARED BY: OFFICE OF FINANCIAL MANAGEMENT & BUDGET (OFMB)
SUBJECT: CAPITAL (FIXED) AND INTANGIBLE ASSETS
CAPITALIZATION LEVELS, VALUATION METHODS AND
DEPRECIABLE LIVES
PPM #: CW-F-014

ISSUE DATE
January 29, 2025

EFFECTIVE DATE
January 29, 2025

PURPOSE:

To establish minimum dollar levels required for capitalization of assets acquired by departments and agencies under the Board of County Commissioners; to identify methods for determining asset values; and, to specify the method of depreciation and depreciable lives associated with those assets.

UPDATES:

Future updates to this PPM are the responsibility of the Director of OFMB.

AUTHORITY:

- Codification of Governmental Accounting and Financial Reporting Standards, as may be amended
- Florida Statutes, Chapter 274, as may be amended

POLICY:

Capitalization levels

1. All purchases of assets for which unit cost equals or exceeds the dollar amounts specified below and having a useful life of more than one year will be classified as capitalized assets under the appropriate object codes.

<u>ASSET CLASS</u>	<u>MINIMUM DOLLAR VALUE</u>
Land:	
Land	No Minimum
Land Improvements	No Minimum
Non Road Right-Of-Way	No Minimum
Road Right-Of-Way	No Minimum
Easements (See Schedule A under Attachment A and Attachment B for additional details)	\$100,000
Buildings:	
Buildings (Constructed)	No Minimum
Buildings Improvements (Major Renovations/Increasing Square Footage)	\$25,000
Miscellaneous Shelters (Gazebos, Sun Shelters, Bus Shelters)	No Minimum
Buildings Purchased	No Minimum
Improvements Other Than Building:	
Enterprise/Internal Service Fund	\$25,000
General Government	\$25,000
Leasehold Improvements	\$25,000
Transportation Equipment	\$5,000
MACHINERY, EQUIPMENT, FURNITURE	\$5,000
(Exception: Computer Software – refer to Intangible Assets and Attachments A & B for additional details)	\$250,000
Works Of Art/Historical Treasures	\$5,000
Bus Shelters (Recorded as equipment for purposes of inclusion in the annual physical inventory)	No Minimum
Books, Publications, Videos, Electronic Media, Etc. (See #6 Capitalization Levels)	No Minimum
Infrastructure (roads, bridges, etc.)	No Minimum
Intangible Assets (easements/computer software) (See Schedule A under Attachment A and Attachment B for additional details)	As Specified

2. Any acquisition of an asset whose cost is less than the defined capitalization levels, excluding the exceptions as noted, will be appropriately recorded in its proper operating expense object code.
3. The acquisition (purchase, condemnation, trade or donation) of any non right-of-way real property (land, building, or both), must have a value assigned to it, and appropriately recorded as an asset in the fixed asset records of Palm Beach County. Valuation will be based upon a certified appraisal, where financially appropriate. If no appraisal is available, Property and Real Estate Management may base the value for this property on comparable property purchased in the same area. When no value is available from this source, the Property Appraiser's value will be extracted and used as the asset value in the database.
4. The acquisition (purchase, condemnation, trade, or donation) of any parcel of land and/or water basin (water retention areas) for a right-of-way must have a value assigned to it and shall be held as land assets until actually utilized as a road right-of-way. Right-of-ways not utilized for roads will be treated as a land acquisition.
5. Donated assets will be recorded in the fund to which they relate or in the General Capital Assets Fund (GCA), formerly known as the General Fixed Assets Account Group (GFAAG), as appropriate, at their estimated fair market value at the time of acquisition or carrying cost, whichever is lower.
6. All library materials will be capitalized by type as a group capitalization with a weighted average cost and retired in the same manner.
7. Building improvements will be capitalized whenever they involve either (a) major renovation or rehabilitation of an existing structure affecting all or a substantial portion of the facility, which adds economic life to the asset, and which has a cost of at least \$25,000, or (b) adding square footage to an existing structure. All other expenditures will be considered "repair and maintenance" and expensed.
8. Matters involving clarification of this policy (capital vs. non-capital) should be directed to the Fixed Assets Management Office (FAMO).

Valuation Methods

1. Purchase/Condemnation/Constructed - The value (cost) of capital asset acquisitions through outright purchase, condemnation proceedings or construction will be the equivalent of the cash price paid, plus any incidental costs and ancillary charges (force account) incurred while placing the asset in service. Incidental costs may be, but are not limited to, the following general and administrative overhead expenses for a project:

- A. Appraisal fees
 - B. Title search
 - C. Recording fees
 - D. Environmental testing
 - E. Document stamps
 - F. Hazardous waste removal
 - G. Attorney's fees
 - H. Staff support costs
 - I. Court costs
 - J. Consultant fees
 - K. Survey costs
 - L. Closing costs – other
2. Trade/Exchange - The value (cost) of real property acquisitions by trade or exchange for similar property will be the cost basis of the property owned by Palm Beach County which is exchanged, plus any incidental costs and ancillary charges associated with the trade or exchange.
3. Donations - The value (cost) of real property acquisitions acquired by donation will be determined by appraisal, provided the value of the property warrants it, as prescribed under applicable policies and/or ordinances. If no appraisal is provided, Property and Real Estate Management will provide a value based on comparable acquisitions or the value will be extracted from the Property Appraiser's database. The same incidental costs and ancillary charges associated with a purchase or condemnation should be added to the values of real property donations.
4. Force Account Construction – Capital assets constructed by County personnel will be capitalized and recorded in the same manner as assets purchased or constructed by outside contractors. Costs associated with this type of asset will include the following:
- A. Materials used in construction.
 - B. An average hourly rate associated with the operation(s) performing the construction. This hourly rate will be developed by the various County Operations performing the construction in consultation with OFMB.
 - C. Overhead applied will be developed by the various County Operations performing the construction in consultation with OFMB.
 - D. Costs associated with force account assets will be accumulated in construction work-in-progress accounts.

DEPRECIATION

1. Palm Beach County will depreciate fixed assets utilizing the straight line method assuming no salvage value.

2. Depreciable lives associated with the various capital asset classifications will be as indicated in SCHEDULE A. These depreciable lives are based on industry and/or GASB 34 guidance for the capitalization and depreciation of capital assets for State and Local Governments.
3. All capital assets acquired from February 1, 1996 forward have these depreciable lives utilized for depreciation expense calculations. The Advantage Software System will perform these calculations and will be the official source for any depreciation expense information.
4. Enterprise and Internal Service funds (Proprietary funds) have a budget line item entitled "depreciation expense" which will be utilized for depreciation expense incurred for financial reporting purposes.
5. Capital assets classified in the General Capital Assets Fund (governmental funds) will generate depreciation expense to be utilized for management analysis and reported in the Comprehensive Annual Financial Report (CAFR) entity-wide statements and in the Capital Assets note by Activity Group. Governmental funds depreciation is posted only in the GCA Fund.
6. Any equipment and/or vehicles acquired as "used" including donations will have a maximum life of two years assigned, unless otherwise approved by FAMO.



VERDENIA C. BAKER
COUNTY ADMINISTRATOR

Supersession History

1. PPM# CW-F-014, effective 10/01/88
2. PPM# CW-F-014, effective 10/01/90
3. PPM# CW-F-014, effective 04/01/93
4. PPM# CW-F-014, effective 12/01/96
5. PPM# CW-F-014, effective 10/01/97
6. PPM# CW-F-014, effective 04/01/98
7. PPM# CW-F-014, effective 09/01/00
8. PPM# CW-F-014, effective 01/12/01
9. PPM# CW-F-014, effective 08/13/03
10. PPM# CW-F-014, effective 07/01/06
11. PPM# CW-F-014, effective 06/18/10
12. PPM# CW-F-014, effective 05/20/15
13. PPM# CW-F-014, effective 11/13/19

ATTACHMENT A
STANDARD ASSET LIVES FOR PALM BEACH COUNTY
(Effective Fiscal Year Ending June 30, 2002)
(Per GASB 34)

LAND

Land	Non-Depreciable
Land Improvements	Non-Depreciable
Non Road Right-of-Way	Non-Depreciable
Road Right-of-Way	Non-Depreciable
Easements	
Perpetual Easements	Non-Depreciable
(exclusive rights/permanence/indefinite life)	
Defined Useful Life Easements	Per the Specified Term

[Note: Only permanent or long-term easements extending beyond the term of construction, i.e., a temporary easement, are to be recorded. Temporary easements will not be recorded per GASB 51.]

BUILDINGS

Buildings (Constructed)	40 yr.
Building Improvements (Major Renovations/Increasing Square Footage)	20 yr.

MISCELLANEOUS SHELTERS (gazebos, sun shelters) 10 yr.

BUILDINGS PURCHASED 20 yr.

IMPROVEMENTS OTHER THAN BUILDING

Sitework	40 yr.
Fencing- Wood	10 yr.
Fencing- Metal	20 yr.
Irrigation Systems	5 yr.
Outdoor Lighting	20 yr.
Paving	10 yr.
Pathways (Bike, Golf Cart, Walking)	10 yr.
Bridges (Pedestrian, Decorative)	40 yr.
Landscaping-Trees	20 yr.
Landscaping- Other	10 yr.
Sewer Systems	20 yr.
Drainage Systems	20 yr.
Flag Poles	20 yr.
Catwalks, Piers, Docks	20 yr.
Observation Towers	20 yr.
Underground Storage Tanks	10 yr.
Aboveground Storage Tanks	20 yr.
Non-Infrastructure Unspecified	7 yr.
Bus Shelters	10 yr.

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(Effective Fiscal Year Ending June 30, 2002)
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LEASEHOLD IMPROVEMENTS

Term of Lease or 5 years, whichever is shorter

TRANSPORTATION EQUIPMENT

Autos, Vans, Trucks Under One Ton	5 yr.
Trucks Over One Ton	7 yr.
Fire Rescue Brush Trucks	5 yr.
Fire Rescue Medic Trucks	7 yr.
Fire Rescue Mini Pumpers	10 yr.
Fire Rescue Full-Size Pumpers	12 yr.
Mass Transit Buses	12 yr.
Specialized Transit Buses	7 yr.
Trailers	10 yr.
Other Ground Motorized	5 yr.
Boats/Barges	10 yr.
Airplanes	10 yr.
Helicopters	10 yr.
Mobile Home Trailers	10 yr.

MACHINERY, EQUIPMENT, FURNITURE AND FIXTURES

Heavy Field Equipment	10 yr.
Computer Equipment	3 yr.
Computer Software	3 yr. or As Specified
Household Appliances	4 yr.
All Other Equipment	5 yr.
Office Furniture	10 yr.
Works of Art/Historical Treasures	Non-Depreciable

BOOKS, PUBLICATIONS, VIDEOS, etc.

Library Books (general circulation, reference materials)	5 yr.
Law Books	5 yr.
All other forms of media:	
Record Albums	5 yr.
Audio Cassettes	2 yr.
Video Cassettes	2 yr.
Compact Discs	5 yr.
DVDs/16mm Films	5 yr.

ATTACHMENT A
STANDARD ASSET LIVES FOR PALM BEACH COUNTY
(Effective Fiscal Year Ending June 30, 2002)
(Per GASB 34)

WATER UTILITIES

Water Treatment Plants - Steel	40 yr.
Water Treatment Plants - Concrete	40 yr.
Water Storage Tanks – Metal	30 yr.
Water Storage Tanks- Concrete	50 yr.
Water Transmission Mains	50 yr.
Water Distribution Mains	50 yr.
Sewage Collection Systems	40 yr.
Sewage Lift Stations	25 yr.
Sewage Force Mains	40 yr.
Pump Stations	30 yr.
Sewage Treatment Plants- Metal	25 yr.
Sewage Treatment Plants- Concrete	40 yr.

INFRASTRUCTURE

Roads	20 yr.
Bridges (Bascule, Span)	30 yr.
Other Infrastructure (street lighting, sidewalks, etc.)	20 yr.

INTANGIBLE ASSETS (easements/computer software) As Defined Herein

ATTACHMENT B

Governmental Accounting Standards Board (GASB) Statement No. 51 -- Accounting and Financial Reporting for Intangible Assets

Easements:

1. Permanent easement rights involving the County are granted by a formalized agreement in documents filed with and recorded by the Clerk of the Courts and is accessible by way of the website: <https://www.mypalmbeachclerk.com>
2. Actual expenditures or payments are recorded in addition to the routine \$1 or \$10 legal standard language “in consideration” amounts.
3. The granting of easement rights result in the absence of marketable value other than for the stated public purpose.
4. When easement rights are granted in exchange for land or some tangible property, then the value of the easement rights is equal to the fair market value (FMV) of the property exchanged. In a situation such as this one, an appraisal may be required to establish the fair market value of the land or tangible property at the time of the transaction, which is to be acquired by the pertinent County department or agency. [Note: The land or tangible property would have to retain marketable value beyond the stated public purpose.] The processing of instances such as these will be determined on a case-by-case basis with Finance’s Accounting and Financial Reporting.
5. Pertaining to partially or fully abandoned easements or when the easement rights cease to exist per the formalized agreement or for any other reason(s), i.e., due to a sale or expiration of the term, then the situation and method of abandonment will need to be evaluated before a database valuation is modified. Retirements will occur in portions thereof or in their entirety, as the case may be. The processing of instances such as these will be determined on a case-by-case basis with Finance’s Accounting and Financial Reporting.

Computer Software:

1. Computer software is considered internally generated when it is developed in-house by County personnel or by a contractor on its behalf. When commercially available software, whether it is owned or licensed, is modified using more than incremental efforts to place the software into operation to achieve the expected level of service capacity, then the software is also considered to be internally generated. [Note: off-the-shelf computer software acquired for use without modification is not to be considered an internally generated intangible asset.]
2. Activities associated with internally generated computer software are categorized into one of three (3) development stages:
 - a) the preliminary stage in which outlays occur to drive toward determining a final approach for the computer software development project such as conceptual formulation, allocation of resources and evaluation of alternatives, determination of the performance requirements through a user needs analysis, determination of the systems requirements and needed technology to achieve performance requirements, and final selection of the alternatives for software development are to be expensed as they are incurred;
 - b) the development stage in which outlays occur for design, configuration, interfaces, coding, installation to the hardware, testing, and parallel processing are to be capitalized until such time that the software is substantially complete and operational;
and
 - c) the post-implementation/operational stage in which outlays occur for application training and software maintenance are to be expensed unless modifications increase the functionality of the software, its efficiency, or extend the life of the software. If a software modification does not result in any of the aforementioned outcomes, then the modification is to be considered maintenance resulting in the associated outlays being expensed as they are incurred.

Internally generated computer software is not to be capitalized unless it meets the established criteria and the activities indicated in the preliminary project stage are completed. Moreover, management must implicitly or explicitly authorize and commit to the funding of the project.

[Notes: The recognition guidance for outlays associated with the development of internally generated computer software is to be applied based on the nature of the activity, not the timing of its occurrence. For example, application training which takes place during the development stage is to be expensed. Data conversion should be considered an activity of the application development stage only insofar that it is necessary to make the software operational. Otherwise it is to be considered a part of the post-implementation/operational stage. Finally, Websites meeting the description of an internally generated computer software are to be considered computer software for purposes of applying the provisions contained herein.]

3. Pertaining to the matter of the County paying for a maintenance contract with its software vendor, all required maintenance and any minor, unspecified upgrades issued by the vendor are to be considered maintenance with the associated outlays expensed, as incurred.

Note: IMPAIRMENTS

(Per GASB 42-This is a decline in the service utility of a capital asset which is significant and unexpected, i.e., expedited deterioration resulting from hurricane damage or mold growth)

To be determined on a case by case basis with Finance's Accounting and Financial Reporting based on information received from the appropriate County Departments and Agencies.

[**Note:** When changes in factors or conditions result in the useful life of an intangible asset no longer being indefinite, then the asset should be tested for impairment. The carrying value should be amortized over the estimated remaining useful life. An indication that an internally generated intangible asset in development has been impaired is a stoppage in the development process, i.e., a change in view regarding the feasibility of the project.]