

**CHILDREN’S TRUST OF ALACHUA COUNTY  
RESOLUTION 2023-21  
ADOPTION OF CAPITALIZATION POLICY**

**WHEREAS**, the Children's Trust of Alachua County would like to adopt a Capitalization Policy; and

**WHEREAS**, based upon the recommendation of its Executive Director, the Children's Trust of Alachua County has determined that its policies need to include guidance and instruction for purchases that should be considered Capital and may effectuate the balances of the Children’s Trust Financial Statements.

**NOW THEREFORE**, be it ordained by the Board of the Children’s Trust of Alachua County, in the State of Florida, as follows;

**SECTION 1: ADOPTION** "2.35 Capitalization Policy" of the Children's Trust of Alachua County Board Policies is hereby *adopted* as follows:

**ADOPTION**

**2.35 Capitalization Policy**

Physical assets acquired with unit costs of \$5,000 or more are capitalized as property and equipment on the organization’s financial statements. Items with unit costs below this threshold shall be expensed in the year purchased.

Capitalized property and equipment additions are accounted for at their historical cost and all such assets, except land, are subject to depreciation over their estimated useful lives.

**A. Capital Asset Categories**

Capital assets are defined to be fixtures and other tangible personal property of a non-consumable nature with a normal expected life of one year or more. Intangible assets include software, easements, and right of way. The CTAC reports capital assets under the following categories:

CAPITAL ASSET CATEGORY	DOLLAR THRESHOLD
▪ Land	▪ All Costs
▪ Buildings	▪ All Costs
▪ Furniture, equipment, and vehicles	▪ \$5,000 or more
▪ Contributed Assets	▪ \$5,000 or more
▪ Building improvements	▪ \$25,000 or more
▪ Improvements other than buildings	▪ \$25,000 or more
▪ Software (See GASB 96 for Subscriptions)	▪ \$50,000 or more

**B. Contributed Assets**

1. Assets with fair market values of \$5,000 (per unit) or more that are contributed to the Children’s Trust of Alachua County shall be capitalized as fixed assets on the financial statements.
2. Capitalized contributed assets are accounted for at their market value at the time of donation and all such assets, except land and certain works of art and historical treasures, are subject to depreciation over their estimated useful lives, as described later.

**C. Depreciation and Useful Lives**

1. Property and equipment are depreciated over their estimated useful lives using the straight-line method.
2. In the year of acquisition, depreciation is recorded based on the number of months the asset is in service, counting the month of acquisition as a full month.  
(Example: an asset purchased on the 15<sup>th</sup> day of the fifth month shall have eight full months of depreciation (eight-twelfths of one year) recorded for that year.)
3. Estimated useful lives of capitalized assets shall be determined by the Finance Department in conjunction with the department or employee that shall utilize the asset. The following is a list of the estimated useful lives of each category of fixed asset for depreciation purposes:

Asset	Estimated Useful Life
Buildings	40 years
General office equipment	5 years
Furniture and fixtures	10 years
Building improvements	40 years
Computer hardware and peripherals	5 years
Computer software (if purchased)	5 years
Improvements other than buildings	10 years

**D. Capital Asset Definitions and Categories**

The lists of examples are not intended to be all-inclusive. If unsure, contact Finance & Accounting (F&A) for assistance.

**E. Furniture, Equipment, and Vehicles**

1. Furniture & equipment includes tangible assets costing \$5,000 or more to be used for operations, the benefits of which extend beyond one year from date of receipt and/or date put into service.

2. Examples of items to be capitalized as equipment that have a cost of more than \$5,000 include:
  - a. Automobiles, trucks, utility trailers, etc.
  - b. Furniture including shipping and installation (total must be \$5,000 or more **per item**)
  - c. Computers, printers, radios, etc.

**F. Intangible Asset - Software with cost of \$50,000 or more**

1. Major purchased software including training and installation. CTAC must maintain ownership of the software. Software licenses and subscription agreements are excluded from capitalization under this asset class and instead accounted for according to GASB 96.
2. Software costing less than \$50,000 but included with equipment purchases will not be separated from the equipment itself but will be considered part of the cost of the equipment.

**G. Land and Land Improvements**

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 improvements consist of betterments, site preparation (including removal of structures) and site improvements that ready land for its intended use. The cost associated with land improvements is added to the cost of the land and should not be depreciated. **All** costs for land or land improvements (even those under \$5,000) should be capitalized.

1. Examples of items to be capitalized as land and land improvements:
  - a. Purchase price or fair market value at time of purchase
  - b. Commissions
  - c. Professional fees including title searches, appraisals, surveying, and environmental assessments, etc.
  - d. Land excavation, fill, grading, clearing, and drainage
  - e. Demolition of existing buildings and improvements
  - f. Utility installation
  - g. Right-of-way for roads
  - h. Storm basins

**H. Building Improvements**

1. 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 moved or transported. A building is generally used to house people, property, and includes fixtures attached to and forming a permanent part of such a structure. The capitalization threshold for buildings is "All Costs". All costs incurred to put a new building or facility into operation should be capitalized as part of the building, except for standalone pieces of equipment with an individual unit cost of \$5,000 or

more, which should be capitalized separately as equipment. All other equipment and supplies should be capitalized as part of the cost of the new facility.

2. Building improvements or renovations are capital events that materially extend the original useful life of a building or increase the value of a building, or both, beyond one year. Building improvements do not include maintenance and repairs done in the normal course of business. The capitalization threshold for building improvements is \$25,000.
3. All costs (even individual partial payments falling under \$25,000) should be capitalized for new building construction projects.
4. The CTAC does not buy buildings for other entities.
5. Examples of items to be capitalized as buildings and building improvements that have a cumulative cost of \$25,000 or more are:
  - a. Original purchase price or fair market value of the building, if donated
  - b. Expenses for remodeling, reconditioning, or altering
  - c. Professional fees (i.e., legal, architect, engineer, inspections, title search, etc.)
  - d. Advertisement for Call to Bid on construction projects
  - e. Building permit
  - f. Payments to contractors or subcontractors for materials and labor for new building
  - g. Permanently attached fixtures or machinery that cannot be removed without impairing the use of the building
  - h. Additions to buildings (i.e., enlargements, covered patios, garages, etc.)
  - i. Replacement or broken pipes

#### **I. Improvements Other Than Buildings**

1. Improvements other than buildings are defined as structures not considered buildings and other constructs that add value and use to property. The capitalization threshold for Improvements other than Buildings is \$25,000.
2. Examples of items to be capitalized as Improvements other than buildings that have a cost of \$25,000 or more are:
  - a. Resurface and/or restriping parking lots, sidewalks, recreation areas and driveways
  - a. Landscaping (initial planting) and irrigation system
  - b. Dredge storm basin

#### **J. Establishment and Maintenance of a Fixed Asset Listing**

1. All capitalized property and equipment shall be recorded in a property log. This log shall include the following information with respect to each asset:

- a. Date of acquisition
- b. Cost
- c. Description (including color, model, and serial number or other identification number)
- d. Location of asset
- e. Estimated useful life

**K. Physical Counts**

1. A physical count of inventory will be performed on an annual basis. Inventory items that appear damaged, obsolete, or otherwise unable to be sold shall be notated for adjustment from the counts. A detailed record of the physical count shall be kept by the individuals involved in taking the inventory.
2. This physical inventory shall be reconciled to the property log and adjustments made as necessary. All adjustments resulting from this reconciliation will be approved by the Director of Finance.

**L. Receipt of Newly-Purchased Equipment and Furniture**

1. At the time of arrival, all newly purchased equipment and furniture shall be examined for obvious physical damage. If an asset appears damaged or is not in working order, it shall be returned to the vendor immediately.
2. In addition, descriptions and quantities of assets per the packing slip or bill of lading shall be compared to the assets delivered. Discrepancies should be resolved with the vendor immediately.

**M. Changes in Estimated Useful Lives**

1. If it becomes apparent that the useful life of a particular capitalized asset will be less than the life originally established, an adjustment to the depreciation schedule shall be made. All such changes must be approved by the Director of Finance.
2. When a change in estimated useful life is made, the new life is used for purposes of calculating annual depreciation expense. In the year in which the change in estimate is made, the cumulative effect of the change shall be reflected as depreciation expense in the organization's statement of activities.

**N. Repairs of Property and Equipment**

1. Expenditures to repair capitalized assets shall be expensed as incurred if the repairs do not materially add to the value or materially prolong the estimated useful life of the property.
2. Expenditures to repair capitalized assets shall be capitalized if the repairs increase the value of property, prolong its estimated useful life, or adapt it to a new or

different use. Such capitalized repair costs shall be depreciated over the remaining estimated useful life of the property. If the repairs significantly extend the estimated useful life of the property, the original cost of the property shall also be depreciated over its new, extended, useful life.

**O. Dispositions of Property and Equipment**

If equipment is sold, scrapped, donated, or stolen, adjustments need to be made to the fixed asset listing and property log. If money is received for the asset, then the difference between the money received and the "book value" (purchase price less depreciation) of the asset will be recorded as a loss (if the money received is less than the book value) or a gain.

**P. Write-Offs of Property and Equipment**

The Director of Finance approves the disposal of all capitalized fixed assets that may be worn out, obsolete, or missing. A reason will be given for all items written-off.

**SECTION 2: EFFECTIVE DATE** This Resolution shall be in full force and effect from 10.01.2023 and after the required approval and publication according to law.

PASSED AND ADOPTED BY THE CHILDREN’S TRUST OF ALACHUA COUNTY BOARD; this 11<sup>th</sup> day of December, 2023.

	AYE	NAY	ABSENT	NOT VOTING
Tina Certain	_____	_____	_____	_____
Lee Pinkoson	_____	_____	_____	_____
Ken Cornell	_____	_____	_____	_____
Shane Andrew	_____	_____	_____	_____
Mary Chance	_____	_____	_____	_____
Hon. Denise R. Ferrero	_____	_____	_____	_____
Dr. Nancy Hardt	_____	_____	_____	_____
Dr. Maggie Labarta	_____	_____	_____	_____
Cheryl Twombly	_____	_____	_____	_____

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Tina Certain, Chair  
Children's Trust of Alachua County

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Marsha Kiner, Secretary  
Children's Trust of Alachua County