

Ulster County, New York



Capital Asset Policies

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Ulster County – Capital Asset Policies

Ulster County has a significant investment in capital assets such as land, buildings, machinery, and infrastructure. In order to ensure accurate financial reporting, accountability, and operational efficiencies in managing these assets, the County has implemented its capital asset management system. The County will utilize the New World Systems Logos Asset Management module to effectively account for its capital assets. The following policies set guidelines for County personnel to follow in order to accurately account for the County's capital assets.

The County has established the following categories of capital assets for which to establish capital asset policies:

- **Land**
- **Land Improvements**
- **Buildings**
- **Building Improvements**
- **Infrastructure**
- **Machinery and Equipment**
- **Leased Assets**
- **Computer Software**
- **Works of Art, Historical Treasures, and Similar Assets**
- **Construction Work In Progress**

For each category of asset, Ulster County has established policies for the following:

- Valuation Guidelines
- Capitalization Threshold
- Depreciation Methodology
- Useful Life
- Inventory Guidelines
- Disposal Guidelines
- Financial Statement Reporting Guidelines

The following are the policies of Ulster County as they relate to each category of asset.

Land

Definition

Ulster County has defined land as a tract of property that is owned, including everything that is growing upon it, for which a value can be established by appraisal, and is eligible for use by the County for governmental operations.

Valuation Guidelines

Land assets will be valued and recorded at their original acquisition costs or, if donated, fair market value at the time of the donation. These costs should include a proportionate share of architectural, consulting, and interest paid for newly acquired land, plus other associated acquisition costs, such as title and legal work.

Capitalization Threshold

All land acquired will be capitalized. Costs associated with the acquisition of land will be capitalized as acquisitions in progress until the purchase is finalized or it is determined that the purchase will not be made. If the purchase is made, all associated costs will be included in the cost of the land. If the purchase is not ultimately made, the acquisitions in progress costs will be expensed at the time that the determination is made.

Depreciation Methodology

Land is considered an inexhaustible asset and therefore will not be depreciated.

Useful Life

Consistent with the depreciation methodology, land is considered an inexhaustible asset and the life of land is extraordinarily long. Therefore, no useful life is applied to land.

Inventory Guidelines

A complete inventory of all land will be maintained. An inventory will be conducted periodically to ensure accuracy and completeness.

Disposal Guidelines

Land that is sold or otherwise disposed of will be immediately removed from the inventory. The difference between the sales price and the original acquisition price will be recognized as either a gain or a loss for financial reporting purposes.

Financial Statement Reporting Guidelines

Land and other assets not being depreciated are reported separately from capital assets being depreciated on the balance sheet for financial statement reporting. Land will be reported at its book value at the date of the financial statements.

Land Improvements

Definition

Ulster County has defined land improvements as betterments, other than buildings, that ready land for its intended use. Examples of land improvements include site improvements such as excavation, fill, grading, and utility installation; removal, relocation, or reconstruction of property of others, such as: railroads; telephone and power lines; retaining walls; parking lots; fencing; and landscaping.

Valuation Guidelines

Land improvements will be valued and recorded at original acquisition or construction costs. These costs should include a proportionate share of architectural, consulting, and interest paid for newly constructed or renovated improvements.

Capitalization Threshold

All land improvements will be capitalized.

Depreciation Methodology

Land improvements that produce permanent benefits (i.e. fill and grading costs that ready land for the erection of structures and landscaping) are not depreciable. Alternatively, improvements that deteriorate over the passage of time (i.e. parking lots and fencing) are considered depreciable. Depreciable land improvements will be depreciated using the straight line method.

Useful Life

Various, see Appendix A.

Inventory Guidelines

A complete inventory of all land improvements will be maintained. An inventory will be conducted periodically to ensure accuracy and completeness.

Disposal Guidelines

Land improvements that are sold or otherwise disposed of will be immediately removed from the inventory. The difference between the sales price and the original acquisition price, less any depreciation taken (net book value), will be recognized as either a gain or a loss on disposal for financial reporting purposes.

Financial Statement Reporting Guidelines

Non – depreciable land improvements will be reported separately from depreciable land improvements on the balance sheet for financial statement reporting.

Buildings

Definition

Ulster County has defined buildings as structures consisting of a building shell, exterior walls, interior framings, walls, floors, and ceilings. Examples of buildings include office buildings, garages, jails, and salt sheds.

Valuation Guidelines

Buildings will be valued and recorded at original acquisition or construction costs. These costs should include a proportionate share of architectural, consulting, and interest paid for newly constructed or renovated facilities.

Capitalization Threshold

All buildings owned by the county will be capitalized.

Depreciation Methodology

Buildings will be depreciated using the straight line method.

Useful Life

Various, see appendix A.

Inventory Guidelines

A complete inventory of all buildings owned will be maintained. An inventory will be conducted periodically to ensure accuracy, completeness, and the condition of the building.

Disposal Guidelines

Buildings that are sold or otherwise disposed of will be immediately removed from the inventory. The difference between the sales price and the original acquisition price, less any depreciation taken (net book value), will be recognized as either a gain or a loss on disposal for financial reporting purposes.

Financial Statement Reporting Guidelines

Buildings will be reported net of any accumulated depreciation with other depreciable assets for financial statement reporting.

Building Improvements

Definition

Ulster County has defined building improvements as improvements or betterments to existing buildings that extend the useful life of the building. An improvement enhances an already existing asset to a condition that increases the useful life of the building, such as replacing a roof or updating the electrical system, or the addition of a new building component or section where one did not previously exist, such as a new wing of the building or the addition of a sprinkler system where there was none previously.

Valuation Guidelines

Building improvements will be valued and reported at original acquisition or construction costs. These costs should include a proportionate share of architectural, consulting, and interest paid for newly improved or renovated facilities.

Capitalization Threshold

Building improvements over \$25,000 and that extend the useful life of the existing facility will be capitalized.

Depreciation Methodology

Building improvements will be depreciated using the straight line method.

Useful Life

Various, see Appendix A.

Inventory Guidelines

A complete inventory of all building improvements will be maintained. An inventory will be conducted periodically for accuracy, completeness, and condition of the building.

Disposal Guidelines

Building improvements that are sold (typically as part of a sale of the entire building) or otherwise disposed of will be immediately removed from the inventory. The difference between the sales price and the original acquisition price, less any depreciation taken (net book value), will be recognized as either a gain or a loss on disposal for financial reporting purposes.

Financial Statement Reporting Guidelines

Building improvements will be reported net of any accumulated depreciation with other depreciable assets for financial statement reporting.

Infrastructure

Definition

Ulster County has defined infrastructure as long-lived assets that normally can be preserved for a significantly greater number of years than most capital assets and that are normally stationary in nature. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and street lighting systems.

Valuation Guidelines

Infrastructure will be valued and reported at original cost of construction, including a proportionate share of architectural, consulting, and interest paid for newly constructed or upgraded infrastructure assets. If a project is considered maintenance (a recurring cost that does not extend the life of the infrastructure or expand its capacity) the cost of the project should be expensed. If a project increases capacity or extends the useful life of the infrastructure asset, the project will be capitalized. In this case, the undepreciated portion of the replaced infrastructure will be removed.

Capitalization Threshold

All infrastructure assets will be capitalized.

Depreciation Methodology

The depreciation of infrastructure assets will follow the depreciation method known as the composite method. The composite method allows the County to group similar or dissimilar assets of the same class using the same depreciation rate. For example, all roads and bridges, along with their related components such as guard rails, road signs, traffic signals, etc., can be grouped together and depreciated using one rate.

Useful Life

All infrastructure assets will have a useful life of 20 years.

Inventory Guidelines

A complete inventory of all infrastructure will be maintained. An inventory will be conducted periodically to ensure accuracy and completeness.

Disposal Guidelines

Infrastructure assets that are sold or otherwise disposed of will be immediately removed from the inventory. The difference between the sales price and the original acquisition price, less any depreciation taken (net book value) will be recognized as either a gain or a loss on disposal for financial reporting purposes.

Financial Statement Reporting Guidelines

Infrastructure assets will be reported net of accumulated depreciation with other depreciable assets for financial statement reporting.

Machinery and Equipment

Definition

Ulster County has defined machinery and equipment as any device, vehicle, piece of machinery, or other tangible property that is expected to be in use for more than one year, such as trucks, telecommunications equipment, and computer hardware.

Valuation Guidelines

Machinery and equipment will be valued and reported at original acquisition costs, including any costs related to the asset, such as shipping, and costs to make the equipment operational.

Capitalization Threshold

Any piece of machinery and equipment with an aggregate cost greater than \$25,000 will be capitalized.

Depreciation Methodology

Machinery and equipment will be depreciated using the straight line method.

Useful Life

Various, see Appendix A.

Inventory Guidelines

A complete inventory of all machinery and equipment will be maintained. An inventory will be conducted periodically to ensure accuracy and completeness.

Disposal Guidelines

Machinery and equipment that is sold or otherwise disposed of will be immediately removed from the inventory. The difference between the sales price and the original acquisition price, less any depreciation taken (net book value), will be recognized as either a gain or a loss on disposal for financial reporting purposes.

Financial Statement Reporting Guidelines

Machinery and equipment will be reported net of any accumulated depreciation with other depreciable assets for financial statement reporting.

Leased Assets

Definition

Ulster County has defined a leased item to be considered an asset if at least one of the following criteria is met: 1) ownership of the property transfers at the end of the lease term, 2) the lease contains a bargain purchase option, 3) the lease term is equal to 75% or more of the estimated useful life, or 4) the present value at the beginning of the lease term of the minimum lease payments exceeds 90% of the fair market value of the leased property.

Valuation Guidelines

Leased assets will be valued at their fair market value at the inception of the lease, with a liability for future lease payments also entered in the accounting records. The portion of each monthly payment which represents interest will be expensed each month as it is paid.

Capitalization Threshold

Individual leased assets with a fair market value greater than \$25,000 at the time of the lease inception will be capitalized and included in the machinery and equipment inventory.

Depreciation Methodology

Leased assets that have been capitalized will be depreciated using the straight line method.

Useful Life

Various, see Appendix A (Machinery and Equipment).

Inventory Guidelines

A complete inventory of all leased assets will be maintained. An inventory will be conducted periodically to ensure accuracy and completeness.

Disposal Guidelines

Leased assets that are sold or otherwise disposed of will be immediately removed from the inventory. If the asset is disposed of prior to the final lease payment, the lease liability must be paid or disposition agreed upon with the lessor.

Financial Statement Reporting Guidelines

Leased assets are reported with major equipment for financial statement reporting, with footnote disclosure required for all capitalized lease activity.

Computer Software

Definition

Ulster County has defined computer software as computer programs either acquired or internally developed, used solely to meet the County's internal needs.

Valuation Guidelines

Computer software is valued at the cost to develop or purchase software and/or upgrades that improve functionality. Please note that certain costs, such as assessment of various software, conversion of old data to the new computer software, and internal and external training will be expensed as they are incurred.

Capitalization Threshold

All purchased computer software, including licensing costs, with a cost of over \$25,000 will be capitalized. In addition, any internally developed computer software that requires 160 hours or more to develop will have the associated costs (primarily labor) capitalized.

Depreciation Methodology

All computer software will be depreciated using the straight line method.

Useful Life

All computer software will have a useful life of 5 years.

Inventory Guidelines

A complete inventory of computer software will be maintained. An inventory will be conducted periodically to ensure accuracy, completeness, and to ensure the software is still being used.

Disposal Guidelines

Computer software that is disposed of will be immediately removed from the inventory, with its original cost, less any related depreciation, written off to a loss. When the County replaces existing software with new computer software, undepreciated costs of the old software will be expensed.

Financial Statement Reporting Guidelines

Computer software will be reported net of any accumulated depreciation with other depreciable assets for financial statement reporting.

Works of Art, Historical Treasures, and Similar Assets

Definition

Ulster County has defined Works of Art, Historical Treasures, and Similar Assets as items held for public exhibition, education, or research in furtherance of public service, primarily because of their cultural, aesthetic, or historical value. In addition, these are assets that are protected, kept unencumbered, and preserved.

Valuation Guidelines

Works of Art, Historical Treasures, and Similar Assets are valued at original acquisition costs, or if donated the fair value at the date of donation.

Capitalization Threshold

All assets in this category will be capitalized.

Depreciation Methodology

Works of Art, Historical Treasures, and Similar Assets are considered inexhaustible assets and therefore are not depreciated.

Useful Life

Consistent with the depreciation methodology, Works of Art, Historical Treasures, and Similar Assets are considered inexhaustible assets the life of the assets is considered extraordinarily long, and efforts are often made to keep these assets for perpetuity. Therefore, no useful life will be applied to these assets.

Inventory Guidelines

A complete inventory of Works of Art, Historical Treasures, and Similar Assets will be maintained. An inventory will be conducted periodically to ensure accuracy and completeness.

Disposal Guidelines

Works of Art, Historical Treasures, and Similar Assets are not disposed of. If sold, proceeds are to be used to add to the collection.

Financial Statement Reporting Guidelines

Works of Art, Historical Treasures, and Similar Assets will be reported separately on the financial statements as a non – depreciable asset.

Construction Work In Progress

Definition

Ulster County has defined Construction Work In Progress as new construction, land or building improvement, or other tangible capital construction projects that will have associated expenses but will be completed in a future year.

Valuation Guidelines

Construction Works In Progress are tracked in the County's financial system and are valued at cost basis. Valuation is adjusted annually to account for current year expenditures. An annual assessment is completed to determine whether each of the projects is complete and was placed in service during the year or not. If a project is determined to be completed and in service, the project is reclassified as the appropriate category of capital asset. If a project is not complete, the project remains classified as Construction Work in Progress.

Capitalization Threshold

Capitalization thresholds for this category of capital assets is applied based on the completed construction's category of capital asset as defined herein.

Depreciation Methodology

Construction Work In Progress are not depreciated. An annual assessment is completed to determine whether each of the projects is complete and was placed in service during the year or not. If a project is determined to be complete and placed in service in the year, it is reclassified to the appropriate category of asset and depreciation is applied in the subsequent year, consistent with the depreciation methodology for that category of asset as defined herein.

Useful Life

Consistent with the depreciation methodology, Construction Works In Progress are capital assets which have not been placed in service. Therefore, no useful life will be applied to these assets.

Inventory Guidelines

A complete inventory of Construction Work In Progress will be maintained. An inventory will be conducted periodically to ensure accuracy and completeness.

Disposal Guidelines

Disposal guidelines for this category of capital assets is applied based on the completed construction's category of capital asset as defined herein.

Financial Statement Reporting Guidelines

Construction Work In Progress will be reported separately on the financial statements as a non-depreciable asset.

Estimated Useful Lives of Depreciable Assets

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Appendix A presents suggested useful lives for various types of assets contained within the asset categories.

Land Improvements

Betterments, other than buildings, that ready land for its intended use.

	<i>Years</i>
Landscaping	10
Fencing	15
Lawn Sprinkler Systems	15
Flagpoles	20
Outdoor Lighting	20
Parking Lots	20
Retaining Walls	20

Buildings

Structures consisting of building shell, exterior walls, interior framings, walls, floors and ceilings.

	<i>Years</i>
Office Buildings	30
Jails	30
College Dormitories	30
College Classroom Buildings	30
Garages	30
Courthouses	30
Warehouses	30
Highway Substations	30
Sheriff Substations	30
Boiler Houses	30
Salt Sheds	20
Storage Sheds	20
Fairgrounds Buildings	20
Toll Booths	20
Maintenance Sheds	20
Recycling Sheds	20
Radio Transmitter Buildings	20

Building Improvements

Improvements or betterments to existing buildings that extends the useful life of the building. An improvement enhances an already existing asset to a condition that increases the useful life of the building or the addition of a new building component or section where one did not previously exist.

	<i>Years</i>
Asbestos Abatement	30
Building Addition	30
Elevator	30
Energy Management System	30
Handicap Accessibility	30
HVAC System	30
Update Electrical Systems	30
Update Plumbing Systems	30
Capital Renovations	20
Fire Suppression Systems	20
Roofs	20

Machinery and Equipment

Any device, vehicle, piece of machinery, or other tangible property that is expected to be in use for more than one year.

	<i>Years</i>
Cars	5
Communication Systems	5
Computer Hardware	5
Copy Machines	5
Imaging Systems	5
Trucks	5
Vans	5
Backhoes	10
Bulldozers	10
Compressors	10
Cranes	10
Dishwashers	10
Generators	10
Graders	10
Loaders	10
Microfilm Machines	10
Modular Office Units	10
Rollers	10
Transceivers	10
Tractors	10
Public Address Systems	15
Rolling Shelves Unit Spacesavers	15
Security Systems	15
Storage Racks	15