SANGAMON COUNTY CAPITALIZATION AND USEFUL LIFE POLICY

A. Background and Purpose: The fixed assets of Sangamon County include items such as office and computer equipment, software, vehicles, construction/maintenance equipment, easements, land, site improvements, buildings and building improvements, infrastructure improvements, such as roads, bridges and culverts, and other tangible and intangible items that are used in County operations. Fixed assets with a per unit acquisition cost or value equal to or greater than the capitalization threshold(s) established by the County and a useful life greater than one year are capital assets. Capital assets are depreciated and are reported in the County's annual audited financial statements.

The purpose of this policy is to establish the capitalization thresholds that the County shall use to define the capital assets which will be reported in the County's financial statements and to set forth the general guidelines by which capital assets shall be depreciated over their useful lives, given consideration to the nature of the asset's intended service. This policy replaces the prior capitalization and useful life policies, and shall be effective beginning December 1, 2015 for assets acquired in County Fiscal Year (CFY) 2016 and included in the County's CFY 2016 capital asset schedules.

This policy shall apply to all departments, elected offices and component units of Sangamon County whose requisitions are approved by the County Auditor and paid by the County Treasurer, and whose capital assets must be reported in the County's annual audits.

B. Capitalization Thresholds: Fixed assets with a useful life greater than one year and with a per unit acquisition cost or value equal to or greater than the capitalization thresholds established below are capital assets and shall be capitalized in the County's annual financial statements.

Capital Asset Category	Capitalization Threshold
1. Infrastructure (e.g., roads, bridges, culverts)	$150,000
2. Land	$5,000
3. Site Improvements (e.g., fences, parking lots, etc.)	$25,000
4. Buildings	$50,000
5. Building Improvements	$25,000
6. Office equipment	$5,000
7. Computer Equipment and Software (not including licenses)	$5,000
8. Vehicles	$5,000
9. Construction/Maintenance Equipment	$5,000
10. General Equipment and Other Assets	$5,000

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SANGAMON COUNTY AUDITOR
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C. Capitalization of Highway Maintenance Projects: In 2009, the Sangamon County Highway Department implemented a Pavement Management System (PMS) to objectively evaluate, assess and manage County roadways. As part of the PMS, the Highway Department developed a treatment matrix and Pavement Condition Index (PCI) for all County roads. Repair activities (treatments) on all roadways with high PCI values (i.e., 60 or greater) are considered "maintenance treatments." Maintenance treatments include: crack seal, cape seal, seal coat, mircosurface, and pavement patch. Other maintenance activities performed on County roadways include: sign replacements, culvert repair or replacement under 48 inches, bridge joint repair, guardrail repair, and shoulder repair or replacement.

Repair activities on roadways having a PCI value of 60 or less are considered construction activities. Construction treatments include: mill and overlay, mill and patch and overlay, full depth reclamation, cold-in place recycle, rubblization and overlay. Other highway projects that are considered construction include: bridge replacement, box culver replacement, and bike trail construction.

All highway projects defined above as "construction" and which meet the capitalization threshold established for infrastructure projects shall be deemed capital assets and will be capitalized in the County's asset schedules. Projects defined above as "maintenance" shall be deemed repair and maintenance activities and will be expensed in the year the project occurred and will not be capitalized if total project expenses exceed the dollar threshold established for infrastructure projects.

D. Depreciation: Capital assets of the County shall be depreciated using the straight line method of depreciation over the estimated useful life of the asset.

E. **Guidelines for Estimated Useful Lives:** The following guidelines shall be used when establishing the estimated useful life for each capital asset maintained in the County's Fixed Asset System.

Capital Asset Category	**Estimated Useful Life (Years)**
Infrastructure:	
Easements	No depreciation
Drainage Systems	20 – 40
Water Systems	20 – 40
Roads and Highways	
Concrete	15 -40
Asphalt-rural	20 - 40
Asphalt –urban	5 - 25
Non-paved	5 - 25
Land :	No depreciation

Site Improvements:	3 - 50
Buildings:	10 - 60
Building Improvements:	
HVAC Systems	10 - 20
Roofing	10 - 35
Electrical/Plumbing	15 – 45
Other	10 – 35
Equipment:	
Tables, Desks, Chairs	3- 7
Computer Hardware and Software	3 - 7
Telephone Equipment	5 - 15
Cars, Pickups and Light Trucks	3 – 7
Trucks	10 - 15
Heavy Construction Equipment	5 – 10
Other Equipment	3 – 25
Library Books	3 – 15

F. **Responsibilities of Auditor's Office:** The Auditor's Office shall prepare the County's annual capitalization schedules using information included in the fixed asset forms submitted by the County offices and departments who acquire assets. The Auditor's Office is authorized to establish County-wide procedures regarding the reporting, recording and management of the County's capital and other fixed assets that shall apply to all County departments and offices. Such procedures shall be posted on the Auditor's page of the County's intranet site.

Approve by
Finance Committee
January 10, 2017

_____, Chairman _____, Member

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