

POLICY 420.02: FIXED ASSETS CAPITALIZATION THRESHOLD

- OBJECTIVE** To establish the capitalization threshold to be consistent with that of the Florida Statutes Chapter 274, and Florida’s Chief Financial Officer’s reference guide for state expenditures.
- POLICY** The Aviation Authority’s policies regarding Capital (Fixed) Asset thresholds are included herein, in Policy 420.02, and is effective for all fixed asset acquisitions on or after October 1, 2023.
- DEFINITIONS**
- Capital (Fixed) Assets** – Including but not limited to: Land, improvements to land, easements, roads, parking lots, runways, taxiways, aprons, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible and intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. They are tangible or intangible assets that will be used in operations. Capital (fixed) assets should be recorded at historical cost. The cost includes both the purchase price and the ancillary charges required to place the asset in service. Ancillary charges include, for example, freight and transportation charges, site preparation costs and professional fees.
- Capitalization Threshold** – Dollar value at which an entity elects to capitalize tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Generally, capitalization thresholds are applied to individual items rather than groups of items unless the result would be to exclude items that in the aggregate, would be material to the financial statements.
- Land** – Real Estate property held by the Aviation Authority and is not subject to depreciation.
- Buildings / Constructed Structures** – Permanent in nature with useful lives that exceed one year and are subject to depreciation.
- Improvements Other Than Buildings** – Used for permanent improvements that add value to land but do not have an indefinite useful life (e.g., fences, retaining walls, parking lots, irrigation systems). For the Aviation Authority, most infrastructure items are included as improvements.
- Intangible** – Non-financial assets that lack physical substance and have an initial useful life that extends beyond a single reporting period (e.g., patents, trademarks, and purchased or internally generated computer software).

Machinery and Equipment/Vehicles – Includes all tangible property other than land and buildings (e.g., computers, rolling stock (vehicles), machinery, other electronic and electrical devices and furnishings).

Infrastructure – Long lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets (e.g. roads, bridges, tunnels, drainage systems, water and sewer systems, lighting systems).

Construction in Progress – Accumulation of costs related to construction of tangible capital assets that are not yet substantially ready to be placed in service.

METHOD OF OPERATION

Capital (Fixed) Assets that are acquired by GOAA will be capitalized (depreciated) only if the initial cost of the item is greater than or equal to \$5,000, the capitalization threshold, and has an initial useful life of greater than one reporting period. The cost includes both the purchase price and the ancillary charges required to place the asset in service.

Capital (Fixed) Assets purchased in quantities of two or more will be capitalized and recorded based upon a determination of whether the multiple units meet the definition of an asset system or are individual assets in multiple quantity.

If the purchase is determined to be individual assets in multiple quantity, individual asset records will be established if the aggregate cost of the group purchase when divided by the number of units purchased results in a unit cost equal to or greater than \$5,000 and the units have an expected useful life of more than one year.

If the purchase is determined to be a group assets of multiple like items, a single asset record (with a count equal to the number of multiple units) will be established only if the aggregate cost of the group exceeds the \$5,000 capitalization criteria, the units have an expected useful life of more than one year, and the units will remain together physically for control purposes.

Property and equipment and property held for lease, with the exception of land, construction in progress, and assets held for future use, are to be depreciated using the straight-line method using the following estimated useful lives:

Buildings - 10 to 50 years
Improvements – 5 to 50 years
Equipment – 3 to 30 years
Motor vehicles – 5 to 15 years
Right to Use Assets – 5 to 20 years

With regard to improvements to buildings and general infrastructure, a capital outlay must be significant and increase capacity, increase efficiency, or extend the asset's estimated useful life beyond the original expectation.

A change in capacity increases the level of service provided by the asset. A change in efficiency increases the level of service but without increasing the size of the asset or the change maintains the same level of service at a lower cost. For example, an addition to a building provides increased square footage, hence the capacity is increased and the capital outlay is capitalized. Widening a road with additional lanes increases capacity through efficiency; and hence the capital outlay may be capitalized.

An extended estimated useful life involves a significant alteration, structural change or improvement.

While substantial repairs and renovations will be reviewed for potential capitalization, it is anticipated that most will be expensed in the current year. These expenses often merely restore the asset to the original service potential but do not necessarily improve the asset or extend its useful life.

REFERENCE See also Policy 450.05 Disposal of Surplus, Scrap and Trash, Policy 450.09 Procurement/Material Control, and Policy 450.11 Property Control

APPROVAL AND UPDATE HISTORY

LAST APPROVAL Aviation Authority Board: September 27, 2023

SUPERSEDES All Previous