

# Financial Planning Policies

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Hall County has developed financial policies and procedures to ensure that the County's financial resources are managed in a practical manner and that the best practices are being followed.

Financial Planning Policies are in place to help establish guidelines for developing financial goals and objectives, making financial decisions, reporting the financial status of the County, and managing County funds. The formal budgeting process provides the primary mechanism by which key decisions are made regarding the levels and types of services to be provided, given the anticipated level of available resources. The County maintains the goal of a balanced budget to achieve long-term financial stability for its citizens and the community.

## **Basis of Budgeting**

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Governmental funds operate under the modified accrual basis of accounting and budgeting, including encumbrances. Modified accrual basis recognizes revenue as it becomes available and measurable, also recognized expenditures when the related liability has incurred. The County's accounting and budget system is designed to perform encumbrance accounting. Fiduciary and proprietary funds operate under a full accrual basis of accounting and budgeting. Accrual basis records revenues and expenditures as they are earned or incurred, even though they may not yet have been received or paid in cash.

### **Balanced Budget**

The budget must be balanced for each budgeted fund. A balanced operating budget is defined as when total anticipated revenues and appropriated fund balances equals the total estimated expenditures for each fund. Hall County currently presents, adopts, and operates on a balanced budget on an annual basis.

### **Level of Budget Adoption**

All budgets must be adopted at the legal level of budgetary control, which is the department level within each individual fund.

### **Budgetary Control/Reports**

The County maintains a system of budgetary control reports to assure adherence to the budget. Timely monthly financial reports are prepared and distributed to the Board of Commissioners comparing actual revenues and outstanding encumbrances and expenditures with budgeted amounts. All County departments have access to revenue and expenditure comparison reports that can be run on a daily, monthly or annual basis.

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## **Authorization of Budget Adjustments and Amendments**

Because a budget is not a fixed revenue and spending plan, they require adjustments from time to time. The Director of Financial Services is authorized to approve any transfers of appropriations in any fund among the various accounts within a department or agency so long as the total budget for each department or agency is not increased. Annually, the Board of Commissioners adopt a Fiscal Year Budget Resolution that articulates additional levels of



*Chicopee Agricultural Center RC Racing Event*

authority related to budget adjustments and amendments for the Director of Financial Services, County Administrator, and the Board of Commissioners.

## **Appropriation Lapses at Year End**

All operating budget appropriations, except Capital Project Funds, expire at the end of each fiscal year. Purchases encumbered in the current year but not received until the following year must be charged against the following year's budget, according to Generally Accepted Accounting Principles (GAAP). However, the Board of Commissioners may make a re-appropriation of funds in unusual situations or hardships caused by this policy when necessary.

## **Legal Authority Overview**

Annually, the Chairman must submit a proposed balanced budget governing expenditures of all County funds. The Board of Commissioners before the start of the fiscal year to which it applies shall adopt the budget.

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## Long-Term Financial Planning

The County recognizes that long-term financial planning is a key process to the County's goal of being fiscally responsible. Primarily, the County uses a vision, mission, and goals/objectives approach to help guide the individual departments on a micro level. On a macro level, the County uses a comprehensive plan, strategic plan and trend analysis along with Pro-Formas to help determine its financial position and plan of action.

### Financial Pro Forma Projections

The County prepares financial projections when making budget decisions to forecast future revenues and expenditures and to verify the County can maintain three months of reserves as per recommended best practices for a local government. During the budget process, the County forecasts revenues and expenditures for five (5) years beyond the current budget year. Funds included in the projections shall include all ad valorem tax funds including but not limited to General, Fire Services, Development Services, Emergency Services, Parks and Leisure Services.

#### General Fund - Template

Revenue Summary									
Fiscal Year	2023 ACTUALS	2024 MIDYR	RECOMMENDED 2025	2026	2027	2028	2029	2030	
Total Current Year Property Tax Revenues	\$ 49,499,424	\$ 53,687,823	\$ 54,295,072	\$ 57,441,437	\$ 59,739,094	\$ 62,128,658	\$ 64,613,804	\$ 67,198,356	
Growth	2.11%	8.46%	1.13%	5.79%	4.00%	4.00%	4.00%	4.00%	
Total Other Revenues	\$ 79,050,922	\$ 78,999,284	\$ 77,922,196	\$ 81,818,306	\$ 85,091,038	\$ 88,494,680	\$ 92,034,467	\$ 95,715,845	
Growth	-2.01%	-0.07%	-1.36%	5.00%	4.00%	4.00%	4.00%	4.00%	
<b>Revenue Conservatism</b>									
<b>Total Revenues</b>	<b>\$ 128,550,346</b>	<b>\$ 132,687,107</b>	<b>\$ 132,217,268</b>	<b>\$ 139,259,742</b>	<b>\$ 144,830,132</b>	<b>\$ 150,623,337</b>	<b>\$ 156,648,271</b>	<b>\$ 162,914,202</b>	
Growth	-0.46%	3.22%	-0.35%	5.33%	4.00%	4.00%	4.00%	4.00%	

Expenditure Summary									
Fiscal Year	2023 ACTUALS	2024 MIDYR	RECOMMENDED 2025	2026	2027	2028	2029	2030	
Personal Services Total	\$ 89,605,915	\$ 90,381,461	\$ 88,328,916	\$ 96,487,039	\$ 97,676,952	\$ 99,862,284	\$ 102,100,595	\$ 103,497,663	
Growth	14.99%	0.87%	-2.27%	9.24%	1.23%	2.24%	2.24%	1.37%	
Other Expenditures Total	\$ 44,419,402	\$ 42,305,646	\$ 41,522,593	\$ 43,908,646	\$ 45,176,664	\$ 46,919,621	\$ 48,732,707	\$ 50,618,687	
Growth	0.85%	-4.76%	-1.85%	5.75%	2.89%	3.86%	3.86%	3.87%	
Decision Package/One Time Expenditures Total	\$ -	\$ -	\$ 2,365,759	\$ -	\$ -	\$ -	\$ -	\$ -	
Growth									
<b>Expenditure Conservatism</b>									
<b>Total Expenditures</b>	<b>\$ 134,025,317</b>	<b>\$ 132,687,107</b>	<b>\$ 132,217,268</b>	<b>\$ 140,395,685</b>	<b>\$ 142,853,616</b>	<b>\$ 146,781,906</b>	<b>\$ 150,833,303</b>	<b>\$ 154,116,350</b>	
Growth	9.88%	-1.00%	-0.35%	6.19%	1.75%	2.75%	2.76%	2.18%	

Net Budget Summary									
Fiscal Year	2023 ACTUALS	2024 MIDYR	RECOMMENDED 2025	2026	2027	2028	2029	2030	
Beginning Fund Balance	\$ 38,655,382	\$ 33,180,412	\$ 33,180,412	\$ 33,180,412	\$ 32,044,469	\$ 34,020,984	\$ 37,862,416	\$ 43,677,384	
Total Revenues	\$ 128,550,346	\$ 132,687,107	\$ 132,217,268	\$ 139,259,742	\$ 144,830,132	\$ 150,623,337	\$ 156,648,271	\$ 162,914,202	
Total Expenditures	\$ 134,025,317	\$ 132,687,107	\$ 132,217,268	\$ 140,395,685	\$ 142,853,616	\$ 146,781,906	\$ 150,833,303	\$ 154,116,350	
Surplus/Deficit	\$ (5,474,971)	\$ -	\$ -	\$ (1,135,943)	\$ 1,976,516	\$ 3,841,432	\$ 5,814,968	\$ 8,797,852	
Ending Fund Balance	\$ 33,180,412	\$ 33,180,412	\$ 33,180,412	\$ 32,044,469	\$ 34,020,984	\$ 37,862,416	\$ 43,677,384	\$ 52,475,236	

Millage Rate Calculator									
Fiscal Year	2023 ACTUALS	2024 MIDYR	2025	2026	2027	2028	2029	2030	
Beginning Millage Rate:	4.636	4.141	3.440	3.234	3.234	3.234	3.234	3.234	
Millage Rate Adjustment:	-0.495	-0.701	-0.206						
<b>Total Millage Rate</b>	<b>4.141</b>	<b>3.440</b>	<b>3.234</b>	<b>3.234</b>	<b>3.234</b>	<b>3.234</b>	<b>3.234</b>	<b>3.234</b>	
Collection Rate (Real and Personal)	99.00%	99.00%	99.00%	99.00%	99.00%	99.00%	99.00%	99.00%	
Conservation Rate	100%	100%	100%	100%	100%	100%	100%	100%	

Reserves									
Fiscal Year	2023 ACTUALS	2024 MIDYR	2025	2026	2027	2028	2029	2030	
Millage Rate Calculator									
3 Month Expenditure Amount	\$ 33,506,329	\$ 33,171,777	\$ 33,054,317	\$ 35,098,921	\$ 35,713,404	\$ 36,695,476	\$ 37,708,326	\$ 38,529,087	
Reserve Months Remaining	2.97	3.00	3.01	2.74	2.86	3.10	3.47	4.09	
Difference in Net Fund Balance	\$ (325,918)	\$ 8,635	\$ 126,095	\$ (3,054,453)	\$ (1,692,420)	\$ 1,166,940	\$ 5,969,059	\$ 13,946,149	

Projections and assumptions shall consider the most recent audited financials, year-to-date

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actuals, proposed budget, and overall economic and financial conditions of the County. These forecasts help the County better plan where to allocate resources in current and future budgets. Above, you will see a snippet of the pro-forma summary for Hall County's General Fund.

## **Capital Project Improvement Plan**

The County prepares a five-year capital project improvement plan that is updated annually. This cash flow plan assists with the planning, acquisition, and financing of capital projects. A capital project is generally defined by a project that helps maintain or improve a County asset. In order for a project to be included in a capital budget, a project must meet one of the following criteria: new construction, expansion, renovation, or replacement of a facility. Examples of capital projects include building/infrastructure construction, park improvements, streetscapes, land acquisitions, and vehicles.

Major capital projects are budgeted in the SPLOST fund, capital projects fund, impact fee fund, or state roads fund. Budget appropriation shall include the complete project costs with contingency amounts and impact (increase or decrease) to operating costs. All capital projects throughout the year are identified, with assistance from each department, the Board of Commissioners, Administration, and the Department of Financial Services. All identified projects will be added to the capital improvement plan, pending continuous evaluations of projected funding sources. These needed projects help provide a method of tracking and planning for the future needs of the County. The County also maintains a system of budgetary control reports to assure adherence to the budget.

## **Grants**

The Board of Commissioners approves all grants and grant applications, except for grants under \$50,000 and do not include a County funding match. If the County is awarded a grant of less than \$50,000 with no funding match required from the County, the award of the grant shall be contingent upon the acceptance of the grant award by the Hall County Board of Commissioners in a public meeting. All key financial provisions, including required local match, must also be included in the approval process. Accounting and budget information is based on the Federal and State participation as well as the local participation. All anticipated grants are included during the budget process. The Director of Financial Services is authorized to establish budgets according to approved grant contracts and adjust accordingly so that grant budgets are balanced.

## **Investment Policy**

It is the policy of Hall County to invest in public funds in a manner that will ensure the preservation of capital while providing the highest investment return with maximum security,

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meeting the daily cash flow requirements of the County, and conforming to all state and local statutes governing the investment of public funds. The primary objectives, in priority order, of the Hall County investment activities are:

*LEGALITY* – All investments shall be in accordance with the federal, state, and other legal requirements.

*SAFETY* – All investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective is to mitigate credit risk and interest rate risk.

*LIQUIDITY* – The investment portfolio shall remain sufficiently liquid to meet all operating requirements that can be reasonably anticipated.

*YIELD* – The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary

and economic cycles, taking into account the investment risk constraints and the cash flow fluctuations of the portfolio.

*BENCHMARKING* – The investment portfolio is designed with the objective of regularly meeting or exceeding a performance benchmark. The investment program shall seek to augment returns above thresholds, consistent with risk limitations identified herein and prudent investment principles.

*LOCAL CONSIDERATIONS* – Where possible, funds may be invested for the betterment of the local economy or that of local entities within the State.

## **Delegation of Authority**

Management responsibility for the investment program is granted to the Director of Financial Services, or designee, who is responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

## **Authorized Investments**

Hall County, according to the law of the State of Georgia, is allowed to invest in the following types of securities:

- Certificates of Deposits
- Local Government Investment Pool, including Georgia Fund I
- Bank Deposits in a national banking association, federal savings and loan association, trust company, savings institution or federal savings bank located in Georgia or organized under Georgia law
- Direct and Agency Obligations of the United States



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- Municipal Obligations
- Repurchase Agreements
- Prime Bankers' Acceptance

## Diversification

It is the policy of the Hall County government to diversify its investment portfolio by maturity, issuer, and class of security to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions, or maturities.

## Reporting

Investments are recorded as fair value based on quoted market prices as of the balance sheet date. Increase or decreases in fair value during the year are recognized as part of investment income.

The Director of Financial Services shall submit quarterly reports to the Investment Committee to determine adherence to investment policy and contract. This report is used to evaluate the rate of return received with other benchmarks to determine the value being provided and to determine if any changes to allocation in the portfolio are necessary.



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## Revenue Policies

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Due to the size of Hall County and the nature of its business, it is imperative that revenue projections be dependable and strategic planning be in place for use of these revenues. During the budget process, the County estimates its annual revenues by an objective, analytical process to project the most accurate reflection of the subsequent year's revenue stream. The County has

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a practice of budgeting and monitoring each of its enterprise funds independently in which each enterprise fund is self-sustainable and not reliant on other funds to financially support its operating or capital expenditures.

## **Diversification**

The County strives to maintain a stable and diverse system to shelter programs and services for any short-term fluctuations in any single individual revenue source associated with economic conditions. The County continually seeks to diversify its revenue base in order to reduce dependency on property taxes.

## **Property Taxes**

Property taxes are one of the main sources of revenues for the County to fund state and local programs and services. Property taxes are recognized as revenues in the year for which they are levied. Property taxes are levied on the assessed values of all real and personal property. Real property consists of land, buildings, structures, and improvements associated with land. Personal property includes machinery, equipment, inventory, supplies, furniture, motor homes, motor vehicles, boats, etc.

## **Revenue Collection**

The County follows an aggressive policy of collecting revenues, consistent with state and federal laws. This policy includes the charging of penalties and interests, when necessary.

## **Conservative Revenue Estimates**

As a part of the annual budget process, an objective 3-year historical analysis with significant consideration of future estimated revenue is used to develop a realistic and sensible revenue projection. The County estimates revenues of a volatile nature conservatively.

## **One-Time and Volatile Revenues**

The use of one-time or volatile revenues is allowed as they become available; however, these revenues should be used only for one-time expenditures and not for ongoing expenditures, as they cannot be relied upon in future budget years.

## **Contributions**

Unless authorized by the Board of Commissioners, outside contributions to programs operated by County departments are subject to the County's accounting and budgetary policies. Both restricted and unrestricted contributions are welcomed to the County that are congruent with

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its programs and objectives. The Board of Commissioners must approve any budget amendments for material contributions.

## **Fees and Charges**

Hall County imposes certain user fees to fund the provision of goods and services. A fee is imposed because of public need to regulate activities. The County will avoid nuisance taxes, fees, or charges as revenue sources during the fee setting process.

Fees are used to offset the costs of services, including direct and indirect, such as operating and maintenance costs, administrative costs, and charges for the use of capital.

Fees are reviewed and updated on an ongoing basis to ensure the fee schedule maintains pace with inflationary adjustments and service delivery methods. The Department of Financial Services communicates any proposed changes to the Board of Commissioners for approval.



*Murrayville Park Tennis Courts*



# Financial Planning Policies

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## Expenditure Policies

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### Debt Policy

The goal of the County's debt policy is to maintain a sound financial position. Hall County recognizes the primary purpose of capital facilities is to support provision of services to its residents. Using debt financing to meet the capital needs of the community must be evaluated according to two tests - efficiency and equity. The test of efficiency equates to the highest rate of return for a given investment of resources. The test of equity requires a determination of who should pay for the cost of capital improvements. In meeting the demand for additional capital facilities, the County will strive to balance the load between debt financing and "pay as you go" methods. The County realizes failure to meet the demands of growth may inhibit its continued economic viability, but also realizes that too much debt may have detrimental effects. Through the rigorous testing of the need for additional debt financed facilities and the means by which the debt will be repaid, the County will attain an appropriate balance between service demands and the amount of debt. In addition, it is the County's goal to maintain and improve its credit rating through strong financial administration. For purposes of securing credit ratings and monitoring annual debt service as a percentage of operating expenditures, lease purchase financing is considered a long-term liability of the County and therefore will be issued under the same conditions as long-term debt.

When the County utilizes debt financing, it will ensure that the debt is soundly financed by:

- Conservatively projecting the revenue sources that will be used to pay the debt;
- Financing the improvement over a period not greater than the useful life of the improvements;
- Determining that the benefits of the improvement exceed the costs, including interest costs and staying above savings thresholds for refunding issuances;
- Maintaining a debt service coverage ratio which ensures that debt service requirements will not exceed net revenues pledged for the payment of debt; and
- Taking a prudent and cautious stance toward debt, incurring debt only when necessary, adhering to debt limits for net direct debt.

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## **Purpose of Debt Issuance**

Debt financing for capital improvements and equipment is generally issued for one of the following conditions:

- One-time, non-continuous project
- Project is necessary to provide services to the County citizens
- Future users will benefit from the capital improvement
- When total debt does not create an unreasonable burden to the taxpayers
- All other possible revenue sources have been exhausted

## **Debt Capacity/Limitations**

The County's financing should not exceed the economic life of the capital improvement that it finances.

The County's *General Obligation* bonds cannot exceed legal limits established by the State of Georgia. The County further limits its direct net General Obligation Debt (debt secured and paid by the full faith, credit, and taxing power of the County) to the following:

- Net Direct Debt Outstanding as % of Total Assessed Value <3%.
- Debt Service as % of Total Governmental Funds Operating Expenditures <10%.

These metrics will be monitored annually and will not include self-supporting debt, including but not limited to the following:

- Debt issued on behalf of the Northeast Georgia Health System
- Debt paid for by SPLOST revenues; and/or
- Debt issued through other conduit issuers self-supported by revenues outside of the County's General Fund and/or other property tax supported funds.

The County may issue debt secured by enterprise revenues; however, net operating revenues shall produce *at least* a 1:1 debt service coverage unless a higher threshold has been established within governing documents.

The County may secure revenue bonds with a full faith and credit guarantee (General Obligation pledge). However, any revenue bonds secured by such pledge and not issued on behalf of County operated enterprises must have debt service coverage of at least 120% or 1.20:1. If the debt service coverage test is met, the County, in consultation with its legal and financial advisors, must

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evaluate if the incurrence of such obligation may impact the County's credit rating and overall debt affordability prior to the incurrence of such obligation.

Based on the situational or project specific reasons, the use of variable rate debt can be utilized in a limited way to the extent that it presents a benefit to the County and does not exceed 20% of all outstanding debt of the County.

As a general rule, refundings will be undertaken if the net present value savings of a particular refunding will exceed 3% of the refunded principal. Refunding issues that produce a net present value savings of less than targeted amounts may be considered on a case-by-case basis. Refunding issues with negative savings will not be considered unless a compelling public policy objective is served by the refunding.

## **Debt Structure**

County long-term debt will be amortized for the shortest period consistent with a fair allocation of costs to current and future beneficiaries or users or to match the useful life of the project. The County will show a preference for the use of level debt service payments unless specific compelling reasons exist to structure the debt otherwise. The County's General Obligation debt will be structured to amortize at least 50% of the aggregate principal outstanding within 10 years unless when debt payments are associated with a specific revenue stream.

The County may issue short-term debt in the form of fixed or variable rate for the following circumstances: construction period funding, short-term projects, in anticipation of taxes, bonds or revenues.

## **Legal Compliance**

When issuing debt, the County should comply with all local, state, and federal laws and regulatory requirements. In addition, the County follows numerous budgetary and fiscal policies. The County's goal is to protect its financial position while providing the best service to its citizens at the lowest cost. These goals are achieved through effective internal controls, judicious accounting, efficient budgeting, and analytical planning procedures.

The County is committed to transparency to the financial markets including rating agencies, regulatory agencies, underwriting market, investors, and other market participants. After the incurrence of debt, the County should comply with its continuing disclosure obligation in accordance with SEC Rule 15c2-12.

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## **Types of Debt**

Hall County can issue any form of debt that does not contradict the existing Constitution and laws of the State of Georgia. These include but are not limited to:

- General Obligation Bonds
- Revenue Bonds
- Contracts Payable
- Capital Leases
- Certificates of Participation
- Loans

Authorities which are registered with the Georgia Department of Community Affairs can incur debt or credit obligations. Similarly, the County has established several authorities which have the authority to issue debt. From time to time, the Board of Commissioners may consider the approval of bond documents from authorities (such as the Gainesville-Hall County Development Authority or the Hospital Authority of Hall County and the City of Gainesville) or other County entities, including future formed entities. The consideration of such bonds does not necessarily represent a financial commitment of the County. In some cases, the bonds may be paid for and/or secured by revenues outside of the County's General Fund and/or other property tax supported funds. In those cases (as stated previously), the debt capacity / limitations ratios are not included in the County's measures of debt affordability. According to Georgia law, bonds, obligations, and other indebtedness incurred by development authorities do not constitute an indebtedness or obligation of the State or County. Unless otherwise specified within a lease or intergovernmental agreement, authority debt is not considered a financial commitment of the County; however, if it is to be paid from the General Fund and/or other property tax supported funds, the County will include it in its policy limitations.

## **Credit Evaluation**

The County, along with external advisors, shall review the County's credit quality and associated credit metrics based on the current audited financials. Such evaluation should consider the County's current financial and economic conditions, County's historical trends, and peer group comparisons. This information is intended to provide the County several key indicators of its financial health.

## **Reserves/Fund Balance for Account Stabilization**

As a measure of the general fund's liquidity, it is useful to compare unassigned fund balance to total fund expenditures. It is Hall County's policy to maintain unassigned fund balance of no less than 15% of total annual expenditures. However, Hall County's goal is to maintain a reserve of

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25% (or three months) of operating expenditures. At the end of fiscal year 2023, unassigned fund balance represented 24% of total general fund current operating expenditures, which is consistent when compared to last year. This is within the County's policy.

## Utilization of Prior Year's Fund Balance

In the case that projected revenue does not cover projected requirements of the County, the resources classified as unreserved fund balance may be budgeted to cover any revenues shortages in the current fiscal year. The amount of unreserved fund balance should be estimated conservatively, taking into consideration future needs. Unassigned fund balance may be used for operating and capital expenditures.

Every year, Hall County includes a contingency amount in the General Fund's budget. Beginning in FY 2020, a general contingency was added to the Fire Fund to account for unexpected expenses incurred during the year. A contingency is money set aside to cover unexpected costs during the year for costs that cannot be foreseen when the budget is adopted. The contingency amount shall be subject to annual appropriation. For fiscal year 2025, \$625,000 has been appropriated for contingencies.

## Operating/Capital Expenditure Monitoring

County Administration and the Department of Financial Services monitor the County's budget throughout the year. Each month, a report is prepared and submitted to the County Administrator and Board of Commissioners comparing actual operating and capital expenditures to the budget. This is reviewed monthly to ensure that current expenditures are following the plan set forth by the current year's adopted budget. Capital expenditures are also reviewed in order to ensure that capital funding is being spent



according to the original plan approved when funds were obtained. If funds are not being spent according to plan, corrective action can be taken to avoid any issues, including expenditure reduction, reallocation of capital funds, and pursuit of additional funds. The Department of Financial Services is responsible for reviewing and processing any budget change requests in accordance with the County's approved budget resolution.



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County management is responsible for establishing and maintaining an internal control structure that is designed to ensure the County's assets are protected from loss, theft, or misuse. These internal controls also help provide reasonable assurance that adequate information can be compiled for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP).

## Capital Asset Policy

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Fixed assets are assets that are purchased for long-term use and are not likely to be converted quickly into cash. The County defines capital assets as assets with an initial, individual cost of \$5,000 or greater and an estimated useful life in excess of two years. Assets can fall into one of the following categories:

- Land and Land Improvements
- Construction in Progress
- Buildings and Improvements
- Intangibles
- Infrastructure
- Machinery and Equipment
- Nonstructural Improvements
- Vehicles

Any asset with an initial, individual cost less than \$5,000 is charged to an expense account other than a capital outlay account.

### Reporting

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, culverts, and similar items), are reported in the applicable governmental or business-type activities.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the County has chosen to include all such items regardless of their acquisition date or amount. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the assets constructed. Due to the diversification of the County's assets, the



County is also subject to reporting intangible assets as it relates to GASB 87 and 96 for lease and subscription-based IT arrangements. In reviewing the reporting requirements, the County set a capitalization threshold of these assets at \$100,000. This threshold was set to be in line with our audit materiality thresholds for our normal operating funds.

## **Annual Inventory**

Annually, an asset listing is sent to each department for their review. Each department verifies the existence of their capital assets. If any material assets are identified that are not included on the listing, or if any assets that the department no longer possess are on the listing, they notify the Department of Financial Services of these findings for further action. The Department of Financial Services, with the cooperation of the department, may perform a physical inventory to verify the accuracy of inventory records, including condition of all major assets.

## **Transfer, Disposal, or Replacement of Assets**

All capital assets are the property of the County. Any donated, discarded, or transferred assets must be authorized by the Department of Financial Services. Surplus assets should be sent to the Department of Financial Services for disposition. The Department must submit requisitions for approved capital assets using the County's purchasing policies and procedures for capital assets. If the item is not budgeted, County Commission approval is obtained prior to proceeding. Each

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department makes all reasonable estimates for maintenance or replacement of capital equipment during the budget process.

## **Depreciation**

The County records depreciation annually after capital assets are reconciled for footnote disclosure, including acquisitions, transfers, deletions, and disposal at the end of the fiscal year.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

- Buildings – 50 years
- Nonstructural Improvements – 20 years
- Machinery and Equipment – 5 to 20 years
- Vehicles – 3 to 10 years
- Water Lines and System – 50 years
- Infrastructure – 19 to 70 years