



Pliocene Ridge Community Services District
Policies & Procedures: **OPERATIONS FINANCES** Policy **2450**
2040

FIXED ASSETS INVENTORY CONTROL CAPITALIZATION POLICY

Capitalization

~~The Board of Directors recognizes it is in the best interests of the District to have fixed assets inventory control. Such information will contribute to loss control, provide an organized replacement program, and allow for the complete up to date inventory of major District assets.~~

~~The objective of the fixed asset system is to provide a tool for controlling property acquisition, availability, transference and disposal.~~

DESCRIPTION OF FIXED ASSETS

It is the policy of the Board to provide the district's fiscal officer or accountant with the means necessary to consistently decide which expenditures should be capitalized.

Fixed assets include land, buildings, structures and other improvements, equipment or any related capital lease. These items are further defined as follows:

- A. Land includes all parcels purchased or, if acquired by donation, the appraised value on the date received. All expenditures made to acquire land such as purchase price, closing costs, attorney's fees and recording fees should be capitalized.
- B. Buildings, structures and other improvements include all costs related directly to their acquisition or construction, including materials, labor and overhead costs during construction; attorney and architect's fees and building permits and other related fees. Building alterations will be capitalized when they increase the value or life of the building. All other land improvements having a limited life and requiring ultimate replacement shall be capitalized. This includes grading and landscaping, pavement, sidewalks and other related recreational improvements, which add to the value of the property.
- C. Equipment includes vehicles, office equipment, computer equipment and other equipment of a relatively permanent nature and of significant value.
 1. Relatively permanent nature should be interpreted as having a useful life expectancy of **three five** or more years.

2. Significant value shall be defined as all equipment acquisitions with a cost of \$500 **\$2,000** or more, subject to the following exceptions:
 - a. All electronic equipment with a value of \$500 **\$2,000** or more including, but not limited to, cameras, camera accessories, photocopiers, fax machines, video or projection equipment, recording or transcribing machines, radios, SCBAs, TVs and VCRs.
 - b. All computer hardware and software including accessory components with a value of \$500 **\$2,000** or more.
 - c. **Personal protective equipment such as turn-outs.**
 3. The cost of equipment includes the purchase price, freight charges, taxes (sales, use, transportation) and installation charges less any discounts received. (Min 10/21/09)
- D. Capital leases include all arrangements to lease land, buildings and structures, or equipment with the District intending to assume ownership rights when the lease is paid off. If a purchase would normally meet the fixed asset criteria stated above, it shall be accounted for as a fixed asset regardless of the financing arrangement used.
- E. Construction-in progress includes the cost of construction work undertaken but not yet completed. Finalized costs on completed construction projects will be capitalized to the Buildings and Improvements fixed asset account.

TREATMENT OF COSTS SUBSEQUENT TO ACQUISITION

- A. Maintenance is defined as expenditures, which neither materially add to the value of property nor appreciably prolong its life, but merely keep it in an ordinary efficient operating condition. Maintenance costs shall not be capitalized.
- B. Capitalized expenditures are defined as expenditures that materially add to the value or betterment of property/equipment or appreciably extend its life. The cost of capitalized expenditures should be added to the book value of the asset where the original cost of a component being improved can be specifically identified.
- C. Additions are new and separate units or extensions of existing units, with a value of \$500 **\$2,000** or more and are considered to be fixed assets.

INVENTORY

- A. ~~At the completion of each fiscal year, the Fire Chiefs shall complete an inventory of capitalized fixed assets purchased in the fiscal year. The inventory list shall be balanced against the end of fiscal year accounting and financial records.~~

- B. A complete inventory of capitalized fixed assets shall be performed at least once every three years and a copy shall be presented to the Board for review.

DISPOSAL OF FIXED ASSETS

- A. The Board of Directors shall authorize the retirement of fixed assets declared surplus or non-serviceable before staff may dispose of them.
- B. For any item valued at less than \$1,500, there will be an attempt to secure at least two quotes (bids). Any item valued at \$500 or more will be advertised in a local newspaper and posted locally and will indicate that a sealed bid is required and the date and time of the bid opening unless otherwise directed by the Board.
- C. After appropriate governing board action to declare surplus, all fixed assets shall be removed from the district fixed asset records when sold or otherwise disposed of.

Notes to Draft revision: Disposition of assets was moved to its own policy #2070

Inventory control is a duplicate of another old policy 5300 that needs to be revised as well.

Recent conversations with the district's auditors informed the proposed capitalization changes presented here.