

# MORAGA-ORINDA FIRE DISTRICT DISTRICT POLICY 06

## CAPITAL ASSETS POLICY

### PURPOSE:

To establish procedures to ensure the proper safeguarding, handling and reporting of capital assets. The District will maintain a capital asset management system that will meet external financial reporting requirements. Capital assets are recorded as expenditures in governmental funds at the time the assets are received and the liability is incurred. These assets will be capitalized at original cost in the government-wide financial statements and depreciated using straight-line depreciation over the useful life of the asset.

### PROCEDURE:

When the District receives a capital asset valued at \$40,000 or more, the item will be depreciated over its estimated useful life. Items costing less than \$40,000 will be expensed (not depreciated). These policies ensure that the District accurately records its capital assets, while not requiring every item (repair of outside fences, repair of bathroom/shower areas, etc) to be depreciated separately.

- A. **Definition.** The term capital assets refers to the District's tangible properties that have useful lives that benefit the District over a period of years. These properties include land and land improvements, buildings and building improvements, certain types of equipment, furniture, and vehicles. Capital assets are distinguished from other tangible items such as office supplies and consumable supplies (e.g. paper, light bulbs and household supplies) that are used within a relatively short period of time.
- B. **Authorization for Purchase.** Purchases of capital assets should be made in accordance with District purchasing requirements.
- C. **Capitalization Policy.** It is the policy of the District to capitalize (i.e., record as an asset) capital assets with a cost of \$40,000 or more and with a useful life benefiting the District that is greater than one year.
- D. **Disposal or Trade-In of Fixed Assets.** No District assets of value will be sold, traded-in or otherwise disposed of, without the prior approval of the Board of Directors.