

Sacramento Metropolitan Fire District

BOARD POLICY

POLICY TITLE: Capital Asset Policy

OVERSIGHT: Administration

POLICY NUMBER: 01.015.03 EFFECTIVE DATE: 07/07/99

REVIEW DATE: 03/22/22

Background

The objective of the Capital Asset system is to provide a tool for controlling property acquisition, availability, and disposal.

Purpose

Define procedures concerning the acquisition, inventory, disposal, and tracking of Capital Assets and Non-Capital Inventoried Equipment.

Scope

This policy is applicable to all Sacramento Metropolitan Fire District (District) personnel involved in the acquisition, inventory, disposal, and/or accounting of Capital Assets and Non-Capital Inventoried Equipment.

Definitions

1. **Capital Assets:** Capital Assets are assets with an individual cost of \$5,000 or more and a useful life of at least one year. Capital Assets include Land, Buildings, Equipment, and other related improvements.
2. **Land and Land Improvements:** Land consists of all parcels acquired by purchase or donation. Land includes all infrastructure, with the exception of roadbeds, easements, and rights-of-way, regardless of the cost. Land Improvements are permanent improvements to land that have a limited useful life (e.g., fences, parking lots, retaining walls, sidewalks).
3. **Buildings:** Buildings are permanent structures and other related improvements placed onto District owned or leased land. Building alterations are considered Capital Assets when they increase the value or life of the building.
4. **Equipment:** Equipment is moveable personal property of a relatively permanent nature and of significant value. Relatively permanent nature should be interpreted as having an expected useful life of at least one year, and significant value should be interpreted as a unit cost of at least \$5,000.
5. **Non-Capital Inventoried Equipment:** Non-Capital Inventoried Equipment is equipment tracked for inventory purposes but not capitalized for accounting purposes, including:
 - a. All firearms with a cost less than \$5,000.
 - b. All electronic equipment including, but not limited to cameras, computer hardware, photocopiers, fax machines, video or projection equipment,

recording or transcribing machines, and two-way radios, with a cost of at least \$1,000 but less than \$5,000.

6. **Capitalizable Cost:** The cost or, if acquired by donation, the appraised value or estimated fair market value on the date received. It also includes all ancillary charges to place the asset into its intended location and condition for use.

Policy

It is the policy of the District that a Capital Asset accounting system be established, implemented and maintained which will provide:

1. Guidelines for the accountability and financial and physical control of all District assets; and
2. Consistent and uniform procedures and transactions for accounting of Capital Assets throughout the District; and
3. Compliance with the requirements of the Code of Federal Regulations and any other funding entity requirements for grant-funded purchases.

Procedures

1. ACCOUNTING FOR CAPITAL ASSETS
 - a. For Land, the Capitalizable Cost includes the purchase cost or the appraised value on the date of the donation as well as land preparation costs (excavation, grading, etc.) that will have an indefinite useful life.
 - b. For Buildings, the Capitalizable Cost includes the cost or project cost, or, if acquired by donation, the appraised value of all buildings, permanent structures, and monuments. It also includes the cost of fixtures attached to and forming a permanent part of buildings and improvements.
 - c. The Capitalizable Cost of Equipment includes the purchase price less discounts received; freight charges; sales, use and transportation taxes; and installation charges. If acquired by donation, the cost capitalized shall be the appraised value or estimated fair market value at the date of donation.
 - d. Capital Leases include all arrangements to lease Land, Buildings, or Equipment with the District intending to assume ownership rights when the lease is paid off. If a purchase would normally meet the Capital Asset criteria, as stated above, it will be accounted for as a Capital Asset regardless of the financing method used.
 - e. Construction in progress is the cost of construction work undertaken but not yet completed. Finalized costs on completed construction projects, including vehicle and apparatus purchases, will be capitalized to the appropriate Capital Asset account.

- f. Maintenance and repairs are 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 and repair costs shall not be capitalized.
 - g. Improvements are expenditures that materially add to the value of the property or equipment by increasing their utility (through increased capacity or serviceability) or appreciably extend the total estimated useful 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.
 - h. Additions are new and separate units, or extensions of existing units, and are considered to be Capital Assets.
- 2. INVENTORY
 - a. All Equipment and Non-Capital Inventoried Equipment must be tagged with an assigned, unique control number for tracking purposes.
 - b. The District shall complete a physical inventory of all Capital Assets and Non-Capital Inventoried Equipment biennially, and when deemed necessary due to special circumstances.
 - c. All Equipment purchased with grant funds must also be tagged with grant identification and must be inventoried according to Code of Federal Regulations or other funding entity requirements.
- 3. BOARD OF DIRECTORS APPROVAL
 - a. A Capital Asset schedule of intended purchases for the fiscal year, including those included in the Capital Improvement Program (CIP), shall be submitted with the Preliminary Budget. The Capital Asset schedule shall include the description of the asset/project, the amount required for the purchase, and the budget account to be expended.
 - b. Obligations for Capital Assets are not deemed appropriated until the adoption of the Preliminary Budget by the Board of Directors. Any subsequent changes to the Capital Asset schedule can be submitted in the Final Budget, Mid-year Budget, CIP development process, or through adoption of a separate budget amendment.
- 4. DISPOSAL OF CAPITAL ASSETS
 - a. District division managers are authorized to declare Capital Assets within their division as surplus or non-serviceable property.
 - I. For grant-funded Equipment, prior approval to begin the disposal process must be received from the funding agency.
 - b. Upon making such a declaration, the District division manager shall establish a current market value for each Capital Asset declared surplus or non-serviceable and forward that information to the Finance Division. The

Finance Division shall evaluate the information provided by the division manager, make modifications where deemed appropriate, and compile the information in detail for presentation by the division manager.

- c. The division manager shall prepare the staff report to the Board of Directors in the approved format. Detail presented to the Board of Directors shall include: inventory number, description, reason for recommendation, market value, historical cost, and recommended method of disposal (e.g., district surplus sale, donation, County of Sacramento surplus sale).
- d. The Board of Directors shall adopt a resolution authorizing the retirement of the Capital Asset declared surplus or non-serviceable before staff may dispose of the item.
- e. The division manager will arrange for disposal of Capital Assets declared surplus or non-serviceable as determined under this policy.
- f. Removal from District's Capital Asset records shall occur according to the following guidelines:
 - I. After appropriate Board of Directors' action to declare surplus, all Land, Land Improvements, and Buildings shall be removed from District Capital Asset records when sold or disposed of by other means.
 - II. After appropriate Board of Directors' action to declare surplus, all Equipment shall be removed from District Capital Asset records when declared surplus.