

Capital Assets

1209.1 PURPOSE AND SCOPE

The purpose of this policy is to establish standards for ensuring the process of accounting for capital assets and depreciation are in compliance with management objectives and generally accepted principles (GAAP).

1209.1.1 DEFINITIONS

Asset Custodian – A person assigned within a Division of the District that will be responsible for the maintenance, safekeeping, and reporting requirements relative to a particular asset.

Capital Asset – Used in the operations of the District and may be tangible (e.g., equipment, vehicles, furniture, buildings, or land), or intangible (e.g., easements, licenses, or leases) which has a value of \$10,000 or more and having a useful life of more than (1) year. Exceptions to this rule are all expenditures related to a specific capital project.

Capital Asset Funding Source – Funding may include transfers from the general fund, general obligation bonds, grants, lease/purchase agreements, certificates of participation, commercial paper, and other obligations permitted to be issued or incurred under Arizona law. (See Debt Policy 1207)

Capital Improvement Program (CIP) – A multi-year financial plan that identifies capital projects and capital asset purchases with a planning schedule and potential funding sources.

Capital Project – A tangible asset or project with an estimated cost of \$50,000 or more with an expected useful life of (5) or more years. Examples of capital projects include but are not limited to the construction, purchase, or major renovation of buildings, the purchase of land, the purchase of vehicles, and other major improvement projects.

Capital Reserve Fund - Accounts for reserves set aside for significant capital purchases anticipated to be made in future years.

Capitalization – An accounting method in which the cost of an asset is expensed over the useful life of that asset, rather than being expensed in the period the cost was incurred.

Straight-Line Depreciation – A method of calculating depreciation over time. The same amount of depreciation is deducted from the value of an asset for every year of its useful life.

1209.2 POLICY

1. A five-year Capital Improvement Program (CIP) will be developed and updated annually, or more frequently if needed, to include capital asset/project requests with anticipated capital asset funding sources from all District Divisions. All capital requests require an evaluation to determine ongoing operational and maintenance costs associated with the asset/project. All capital requests, ongoing and proposed, will be reviewed, and prioritized by the Executive Management team based on an analysis of current needs and resource availability.

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- (a) The Executive Management team will utilize annually updated capital asset replacement schedules to prioritize requests during CIP planning and the annual budget process.
 - (b) Finance will determine if an asset request will be included in the CIP or as a capital expenditure within the operating budget.
2. Capital asset requests included in the CIP are approved by the District Governing Board, but only the first fiscal year of the CIP is officially adopted as part of the annual budget process. Any amendments to the CIP require approval of the District Governing Board. Capital asset requests determined to be part of the operating budget will be adopted by the District Governing Board through the annual budget process.
3. Capital Reserve Fund projects are for future capital expenditures for the purposes of utilizing pay-as-you-go to the greatest extent possible. This fund shall only be used for expenditures included in the CIP and adopted by the Governing Board through the annual budget process.
4. All capital purchases made with federal grant funds shall comply with the terms of the grant agreement and applicable federal statutes and procurement requirements, including those found in 2 CFR 200.318 to 200.327.
5. All capital purchases made with state grant funds shall comply with the terms of the grant agreement and applicable state statutes and procurement requirements, including those found in Title 34, Chapters 1,2, and 6.

1209.3 CAPITAL ASSET RECORDING AND MANAGEMENT

Assets will be entered into the District's financial system with the following classifications and estimated useful life for depreciation:

Asset Category	Depreciable Life
Land	Not Depreciated
Construction in Progress	Not Depreciated
Buildings and Improvements	5 to 50 Years
Vehicles and Equipment	5 to 20 Years
Hydrants	5 Years

Assets will be depreciated using the straight-line method over the useful life of the asset.

Disposition of capital assets will follow Policy 1216 Surplus Property.

The Asset Custodian will:

- Provide a completed Fixed Asset Form to report the date an asset is placed into service, the location of the asset, and any identifying information (e.g., serial number, model, vehicle identification number).
- Request a unique asset tag and tag the asset before placing it into service.
- Be responsible for the asset until it is transferred or disposed of per Policy 1216.

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- Assist Finance during the annual asset inventory.