

POLICY - 5.2.4 - FINANCIAL MANAGEMENT – CAPITALIZATION - ASSETS
SCOPE - BOARD OF DIRECTORS & ALL PERSONNEL

The purpose of this policy is to assist the District with compliance requirements for Federal regulation related to General Accounting Standard Board (GASB) 34 rule.

A. Criteria for Capitalizing Land, New Construction, Major Building Repairs, Betterments or Improvements, and Replacements.

1. All land acquisitions including ancillary costs, such as legal and title fees, surveying, appraisal and negotiation fees, site preparation costs, and demolition costs of unwanted structures.
 - Depreciation is not calculated for land.
2. All costs of new construction, including professional fees of architects, attorneys, or appraisers, as well as any other costs that are necessary to place a building into its intended state of operation.
 - Depreciation is not calculated for construction in progress.
3. All costs of repairs, betterments or improvements that increase future benefits from an existing fixed asset beyond its previously assessed standard of performance if the cost is \$25,000 or greater. Increased future benefits include:
 - An extension of the estimated useful life of an asset.
 - An increase in the capacity of an existing asset.
 - A substantial improvement in the quality of output or a reduction in previously assessed operating costs.
 - Depreciation is calculated using District defined useful life.
4. The acquisition of a fixed asset to replace a part of another fixed asset when the cost of replacement is \$25,000 or more, with the exception of the replacement roof coverings (unless the improvement extends the useful life of the building), replacement floor coverings and windows, and costs to convert a building to a different use (where the remodeling does not extend the useful life of the structure itself).
 - Remove the cost and accumulated depreciation of the replaced fixed asset from the accounting records if the amounts are determinable and the replacement is capitalized.
 - Depreciation is calculated using District defined useful life.

B. Criteria for Capitalizing Vehicles, Furniture and Equipment.

1. All vehicles, furniture, and equipment with an individual value of \$5,000 or more should be capitalized. In addition to the cost of the item itself, the capitalized cost should include any other normal or necessary costs required to place the asset in its intended state of operation, such as transportation charges, installation costs and any extended maintenance or warranty contracts purchased at the same time as the fixed asset.
2. Characteristics which distinguish a fixed asset from an expendable supply:
 - The item has an anticipated useful life of three years or more.
 - The item retains its original shape and appearance with use.
 - It is non-expendable; that is if the article is damaged or some of its parts are lost or worn out, it is more feasible to repair it than to replace it with an entirely new unit.
 - It does not lose its identity through incorporation into a different unit.
3. Depreciation on all vehicles, furniture and equipment is calculated using District defined useful life.

C. Depreciation Guidelines.

1. Depreciation on all capitalized assets is calculated using District defined useful life.
2. The straight-line method of depreciation will be used to calculate depreciation expense.
3. During the year of acquisition, depreciation will be calculated based on the month the asset is placed into service. The District will use our fiscal year, July 1 through June 30, as the basis for annual accounting.
4. If the asset is retired during its last depreciable year, the final year's depreciation expense will reflect any "unused" depreciation.

D. Disposal Guidelines.

1. Eliminate the book value of the asset being disposed. First, record depreciation expense up to date of the disposal in order to bring the book value up to date.
2. Record consideration received (if any).
3. Record any gain or loss at the time of disposition. This is calculated as the difference between consideration received and the book value of the asset.

Lane County Fire District #1
 Capital Assets Listing
 Suggested Useful Lives

Description	Suggested Useful Life (Years)
Real Estate:	
Buildings	50
Land	NA
Vehicles:	
Structural Fire Engines	20
Wild-land Fire Engines	15
Water Tenders	20
Rescues	10
Other	10
Equipment:	
Fire Suppression	15
Rescue	10
Medical	10
Computers	5
Copier	5
Audio/Visual	5
Training Props	10