



FOREST LAKES FIRE DISTRICT CAPITAL EQUIPMENT AND PROJECTS POLICY POLICY NUMBER 0019



Purpose

The purpose of this document is to provide policy for the Forest Lakes Fire District (Fire District) regarding the funding and purchase of capital assets as well as to define policy for long term capital projects. Guidelines stated in ARS 41-2501-2673 applies to expenditure of public monies and will be followed by the Forest Lakes Fire District

Definitions

Capitalization Criteria:

Capital assets, also known as fixed assets or capital equipment, are Fire District owned property consisting of plant or equipment that is expected to have expected utilization period or service life over multiple years. In order to qualify as capital, an asset must:

- Be tangible property, except for software.
- Have a useful life of two or more years
- Cost at least \$5000 (directly related costs including all costs to bring the asset to full service) for each individual item, or a group of items to be used as a system

A system is a set of items that are so related or connected that they are considered one, such as a computer system.

A complement of low cost equipment purchased together for a common purpose may also be considered for capitalization. The policy for capitalizing such items is only applicable when the following four criteria are met:

- A group or mass purchase of items must be for the outfitting of a facility
- The group or mass purchase price of the items must have an aggregate value of \$25,000
- The individual items must be easily identifiable and controllable
- The individual items must have the same useful service life



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All computer or computer related hardware intended to be consistently used as a system are to be capitalized if their cost is equal to or greater than \$5,000. This includes miscellaneous internal components and software under \$5,000 that are included in the original system purchase. However, all add-on hardware components obtained after the original system purchased are to be expensed if their costs is less than \$5,000. Except as noted above, software purchases, if made separately, will generally be expensed unless the cost is equal to or greater than \$5,000.

Capitalized value shall include the actual purchase price or construction cost of the asset, including any directly related costs to put the asset into service, such as taxes, freight, architectural fees, consulting fees and installation costs. Capitalized installation costs consist only of those costs that result in a direct and identifiable benefit to the asset being acquired or constructed.

Expense Criteria:

If separately identifiable from the cost of the asset, related education, training, extended warranty and travel costs shall be expensed in the General Fund. The costs of demolition, disconnect/reconnect, and movement of other equipment or furnishings to accommodate the installation of a new asset shall be expensed. Requirements documentation and test procedure costs shall be expensed. Maintenance and ordinary repair costs shall be expensed. If an item does not meet the criteria for capitalization, it shall be expensed.

Trade Ins:

If a current asset is traded in to acquire a new asset, the traded in asset shall be retired and the new assets shall be added to the Fire District's capital records at the net price paid.

Betterments or Improvements:

Betterments or Improvements (Upgrades) to existing assets may be capitalized. To qualify for capitalization, an improvement must meet the following criteria:

- The cost of the improvement must be equal to or greater than \$5,000.
- The costs of the improvement must be at least 25% of the acquisition cost or be greater than \$25,000 and result in one or more of the following:
 - Adds to the asset's useful life (prolongs the life of the asset).



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- Increases the overall capacity of the asset.
- Adds a new facility or equipment (in the case of buildings)
- Changes the function of the equipment
- Changes the market value of the asset.
- The cost of the improvement will be added to the cost of the original asset on the Fire District's capital books of record.

Leases/Rentals of Capital Equipment:

Leases or rentals of capital equipment used by the Fire District shall be expensed via the General Fund.

Long Term Capital Projects;

The funding for long term capital projects may come from various sources. They could be funded by transfers from the General Fund. They could be funded by donations. They could be funded by grants. Or they could be funded via external financing. As a general rule, these various funding sources will be shown as revenue to the Capital Fund and used to procure the prescribed capital assets. It is possible that a grant or other revenue source may require separate accounting. In this case, it will be the policy of the Fire District to establish a Special Project Fund for this purpose. In the case where financing has been obtained and the District is obligated to repay a long term loan in excess of one year, it will be appropriate for the District to establish a Debt Service Fund to accommodate these activities.

Capital Budgeting:

Fire District Management shall submit a detailed capital plan and have it approved as part of the annual budget cycle. All projected purchases must be justified as part of this process. Fire District Management shall submit forecasts of projected capital expenditures as part of the yearly Long Range Plan process.

Capital Procurement:

See the District's procurement Policy for required procedures relative to the procurement of capital equipment.



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Policy

The Fire District shall establish a separate capital projects fund to account for all capital purchases and projects. Periodically, as determined by the Board, transfers of funds shall be made from the General Fund to the Capital Projects Fund to provide the resources to enable capital purchases. As part of the annual planning cycle, District Management shall prepare forecasts and budgets for potential or planned capital expenditures. All capital purchases shall be made from the Capital Projects Fund. Fire District Management shall maintain the appropriate records and periodically conduct inventory reviews to demonstrate stewardship and control over these capital assets such that all active assets and their location are recorded.

Approved by the Forest Lakes Fire District Board on: March 11, 2019



John Hennessey, Clerk