Beach Cities Health District
BCHD
A Public Agency

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POLICY TITLE: Accounting for Fixed Assets
POLICY NUMBER: 6210

COMMITTEE APPROVAL DATE: 06/22/2015 **WRITTEN/REVISED BY**: Finance
BOARD APPROVAL DATE: 07/22/2015 **SUPERSEDES:** 07/27/2011

POLICY:

6210 It is the policy of the Board of Directors of the Beach Cities Health District (”District”) that fixed assets be properly accounted for and used for appropriate District uses.

6210.1 It is the responsibility of the Finance Department to ensure that fixed assets are tagged whenever feasible, inventoried on a regular basis, and accounted for by fund and asset category.

> **6210.1.1** It is the responsibility of District department heads to ensure that proper budgeting and purchasing guidelines are followed, and to ensure that fixed assets are adequately controlled and used for appropriate District purposes.

GUIDELINES:

6210.2 The purpose of these guidelines is to ensure adequate control and appropriate use of District “fixed assets”. These guidelines are intended to define fixed assets and to establish procedures for their budgeting, purchase, use, accountancy, logging, inventory, transferring and disposal.

Definition of a Fixed Asset

6210.3 A Capital Asset is defined as an asset that has a cost of $5,000 or more and has a useful life of more than one year, subject to the qualifications described below. By capitalizing an asset, the cost is not expended in the year of purchase but is charged to the years over its useful life in the annual Statement of Net Position. In the presentation of Statement of Revenues, Expenditures and Changes in Fund Balances, the capital asset is fully expensed in the year it was purchased.

> **6210.3.1 Improvements** that increase the service capacity of an asset beyond that of its original condition should be capitalized if the cost of the improvement meets the $5,000 threshold.
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> **6210.3.2 Ordinary Maintenance and Repairs** that restore an asset to its original condition and that are necessary for an asset to continue to be used

during its originally established useful life will generally not be subject to capitalization (even when they exceed $5,000) except when they also extend the useful life of the asset beyond its originally established depreciation end date. In that case, it is a capitalizable cost that should be capitalized in accordance with the requirements described in paragraph **6210.3.1**.

6210.3.3 Capital projects will be capitalized as "construction in progress" until the constructed asset is placed in service. Costs to be capitalized include direct costs, such as labor and materials, as well as ancillary costs and any construction period interest costs as required by Government Accounting Standards Board pronouncements.

6210.3.4 Bulk Purchases of a number of like items are not required to be capitalized if the individual cost of the items purchased falls under the District's capitalization level. However, at the discretion of management, the District may elect to capitalize and depreciate the bulk purchase of these items as a single asset if management believes that failure to do so might distort the operating results of the District.

DISPOSAL OF SURPLUS PROPERTY

6210.4 ***Surplus property***: With the approval of the Chief Executive Officer (CEO) or Finance Director, surplus property can be sold to any public or private person or entity, recycled or disposed of responsibly.

6210.5 ***Value of Property***: It shall be the responsibility of each department to appraise property designated as surplus.

6210.5.1 If it is determined that the property sold as a unit has a market value of more than $5,000, the property must be disposed of by a sealed bid process in accordance with government purchasing guidelines. The sealed bid process will be coordinated in conjunction with each respective department and the assistance of the Finance Department. The Communications Department is authorized to advertise such surplus property for sale to the general public.

6170.5.2 If it is determined that the property sold as a unit has a value less than $5,000, the property may be disposed of in a manner approved by the CEO.