

**American River Flood Control District
Fixed Asset & Capitalization Policy**

1. Purpose

This accounting policy establishes the method of maintaining fixed asset information and the minimum cost (capitalization amount) that shall be used to determine the fixed assets that are to be recorded in American River Flood Control District’s annual financial statements (or books).

2. Fixed Asset definition

A Fixed Asset is defined as a unit of property that: (1) has an economic useful life that extends beyond 12 months; **and** (2) was acquired or produced for a cost of \$5,000.00 or more. Fixed Assets must be capitalized and depreciated for financial statement (or bookkeeping) purposes.

3. Maintenance of Fixed Asset List

A Fixed Asset List shall be maintained by the organization’s Admin & Fiscal Officer and shall be reviewed annually by the Board Treasurer and Executive Director at the close of the fiscal year, to ensure the document is accurate and up to date.

Any assets sold during the year or disposed of will be removed from the list, along with any related accumulated depreciation. The appropriate accounting entries will be made in the District’s books and records, and the total values on the fixed asset list will be reconciled to the accounting general ledger. In addition, the assets on the list will be reviewed for impairment annually. If any asset is determined to be impaired, it will be written down to current market value and/or the future benefit believed to bring to the District.

4. Capitalization thresholds

American River Flood Control District establishes \$5,000.00 as the threshold amount for minimum capitalization. Any items costing below this amount should be expensed in American River Flood Control District’s financial statements (or books).

5. Capitalization method and procedure

Fixed assets shall be recorded at historic cost as of the date acquired or, if the cost is not readily determined, at estimated historic costs. Cost shall include applicable ancillary costs (i.e. shipping & delivery costs, installation costs, other costs associated to the asset).

Tangible assets costing below the aforementioned threshold amount are recorded as an expense for American River Flood Control District’s annual financial statements. Alternatively, assets with an economic useful life of 12 months or less are required to be expensed for financial statement purposes, regardless of the acquisition or production costs.

6. Useful Life

The useful life of an asset is that period during which the asset provides benefits. Estimates of useful life consider factors such as physical wear and tear and technological changes that bear on the economic usefulness of the asset. The following chart summarizes the useful life for each type of currently held property and equipment:

Equipment	Useful Life
Computers	3 Years

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Office Equipment	5 Years
Furniture	7 Years
Vehicles	5 Years
Leasehold Improvements	The shorter of the life of the leasehold improvement or the remaining term of the lease

7. Depreciation Method

The organization has established the straight-line methodology for depreciating all fixed assets. Depreciation will begin in the month the asset is placed in service. Under the straight-line depreciation method, the basis of the asset is written off evenly over the useful life of the asset. The amount of annual depreciation is determined by dividing an asset's cost reduced by the salvage value, if any, by its estimated life. The total amount depreciated can never exceed the asset's historic cost less salvage value. At the end of the asset's estimated life, the salvage value will remain.

8. Recordkeeping

Invoices substantiating an acquisition cost of each unit of property shall be retained for a minimum of four years.