



CAPITALIZATION POLICY

LISLE-WOODRIDGE FIRE PROTECTION DISTRICT

1. **Policy:** The purpose of this policy is to provide guidelines for the inventory, depreciation, disposal, and maintenance of all property and assets owned or leased by the District. A property record/fixed asset system is established to detail, track and account for changes in the District's assets.
2. **Scope:** This policy provides for the inventory of all District owned or leased assets with a value equal to or in excess of \$5,000 as referred to in the Capitalization Procedures. Capital assets are items of physical property of significant value which have usefulness that extends beyond the year in which they are acquired. Capital assets include land and land improvements, buildings and building improvements, construction in progress, apparatus, and equipment and furnishings. Capital asset accounting safeguards investments, fixes equipment custody, provides data for financial reporting and retirement policies, and assures compliance with State and Federal laws, budget requirements, and policies of the Board of Trustees.

Intangible assets are assets that lack physical substance, are non-financial in nature and have a useful life of greater than one year. Examples include, but are not limited to, patents, copyrights, trademarks, and computer software (purchased, licensed and internally generated).

3. **Objectives:** The primary objectives of this policy shall be to establish and maintain capital asset records to comply with governmental financial reporting standards, to ensure adequate control and appropriate use of capital assets, and to provide accountability for property control. Establishing an auditable property record and maintaining the integrity of the database assists in the overall financial management of the District. A few benefits of accurate property records are as follows:

- Facilitates financial reporting in accordance with generally accepted accounting principles.
 - Enhances capital asset accountability and stewardship.
 - Improves property management relating to capital budgeting, cost analysis, resource allocation and replacement forecasting.
 - Improves property insurance program management, specifically insurance, replacement and potential proof of loss assistance.
4. **Delegation of Authority:** The District’s capital assets are the responsibility of the District’s Board of Trustees and the Finance Director. The Finance Director shall be responsible for all asset transactions.
- 4.1. *Capitalization Procedures:* The Finance Director shall establish written procedures consistent with this policy. The procedures should include reference to: asset types, asset category descriptions, methods of acquiring and disposing of assets, accounting/recording of assets, depreciation of assets, and asset reports.
5. **Duties and Responsibilities:**
- 5.1. *Finance Director:* Charged with responsibility for all capital asset transactions belonging to or under the control of the District, and for the management of the capital assets in accordance with the applicable laws, ordinances and policies adopted by the District.
- 5.2. *Accounting Specialist:* Charged with responsibility for assisting the Finance Director of all capital asset transactions belonging to or under the control of the District. In the absence of the Finance Director, responsible for the performance of ministerial and clerical tasks related to the capital assets of the District, but is not responsible for making decisions.
- 5.3. *Fire Chief:* Charged with responsibility for implementation of and conformance to the policies and procedures approved by the Board of Trustees for capital assets.
- 5.4. *Board of Trustees:* Charged with oversight responsibility. The Board shall also approve any changes to the Capital Asset Policy at a public meeting.
- 5.5. *Auditor:* Charged with verifying the Finance Director’s records in all material respects in relation to the basic financial statements of the District during the annual audit.

6. **Internal Controls:** The Finance Director shall develop procedures in order to assure that appropriate controls are in place to document and confirm all transactions. The internal controls shall be reviewed by the Board of Trustees and the District's external auditor as required by Generally Accepted Auditing Standards, in conjunction with the annual examination of the District's financial statements.
7. **Reporting:** Annual reports shall be prepared by the Finance Department at the end of each fiscal year showing the fixed assets regarding 1) additions, 2) deletions, 3) transfers and 4) changes. This information is then sent to the appraisal firm hired by the District for reporting purposes. The appraisal firm provides the District with updated reports for insurance and accounting purposes.
8. **Capitalization Policy Adoption/Amendment:** The District's capitalization policy shall be adopted by resolution of the Board of Trustees. The Board of Trustees shall review the policy on an annual basis and approve any modifications made.