





NORTHERN WAKE FIRE DEPARTMENT

STANDARD OPERATING PROCEDURES

TITLE: Capitalization	SECTION/TOPIC: GENERAL ADMINISTRATION
NUMBER: 100-5	ISSUE DATE: 7/1/17
REVISION DATES:	APPROVED BY: Gary Vickerson  <hr/> PRESIDENT – BOARD OF DIRECTORS Tim Pope  <hr/> FIRE CHIEF

I. PURPOSE

- A. The purpose of this Standard Operating Procedure is to establish the minimum cost or capitalization amount that will be used to determine capital assets.

II. SCOPE

- A. This Standard Operating Procedure applies to how Administration records the capital assets on the Northern Wake Fire Department's financial statements.

III. PROCEDURE

- A. A "Capital Asset" is defined as a unit of property that:
 - 1. Has an economic useful life that extends beyond 12 months;
 - 2. Is acquired or produced for a cost of \$5,000.00 or more.
- B. Capital Assets will be capitalized and depreciated for financial statement or bookkeeping purposes.

IV. CAPITALIZATION THRESHOLDS

- A. Wake County's Fire Protection Agreement with Northern Wake Fire Department requires all fixed assets over \$25,000.00 to be capitalized; however Northern Wake Fire Department establishes \$5,000 as the threshold amount for minimum capitalization.
- B. Items valued less than \$5,000.00 may be capitalized on a per item, per invoice basis with the approval of the Fire Chief, subject to final review by the department's financial auditors.

V. CAPITALIZATION METHOD AND PROCEDURE

- A. Property and equipment acquired by the organization are recorded at cost.
- B. Property donated to the organization is recorded at the approximate fair value at the date of donations.
- C. Depreciation is computed using the straight-line method.
- D. The estimated useful lives of depreciable assets are:
 - 1. Buildings 10-24 years
 - 2. Vehicles 10 years
 - 3. Equipment 2-10 years
- E. Tangible assets, costing below the aforementioned threshold amount, are recorded as an expense for the Northern Wake Fire Department's financial statements.
- F. Assets with an economic useful life of 12 months or less are required to be expensed for the financial statement or bookkeeping purposes.