

Marin Emergency Radio Authority
Capital Assets Policy and Procedures

Purpose: To define, establish capitalization thresholds, account for and depreciate MERA capital assets.

Policy: Capital assets are those which are used in MERA's operations and have lives extending beyond a single reporting period. Capital assets may be either intangible (e.g., easements, licenses, etc.) or tangible (e.g., equipment, infrastructure, etc.). Capital assets depreciation is the systematic recognition of the cost of capital assets over their period of service.

Procedures:

1. Capitalization is primarily a financial reporting issue. Capitalization thresholds will be applied to individual items versus groups of similar items (e.g., desks and tables) to assure adequate reporting and stewardship of capital assets for the member agencies, investment community and public who reference MERA's external financial reports.
2. Potentially capitalizable assets shall only be capitalized if they are valued at \$1,000 or more and have an estimated useful life of at least two years following the date of acquisition.
3. Assets with useful lives of less than two years, valued at under \$1,000, will be reported as expenses in the period in which they are acquired.
4. Useful life of capital assets and depreciation of same will be determined based on applicable, reliable public safety radio communications industry standards which take into account comparative quality of the asset to similar assets, intended use and environmental or obsolescence differences. Estimated useful lives should be periodically compared to actual experience with capital assets.

Where technology advancements for certain types of property are rapid and provide for significant increased utility before the end of an item's actual usefulness (e.g., electronic equipment), useful lives will be based on the assumption that such equipment will be replaced when significant technological improvements are available. (For example, a personal computer may be operable for 5 years. However, technological improvements justifying replacement are expected to be significant in 3 years.)

5. Depreciation will be computed on the straight-line basis over the useful life of the property.