



TITLE:
Capitalization and Inventory Control Policy
ADOPTED BY BOARD OF HARBOR COMMISSIONERS:
April 14, 2014
EFFECTIVE DATE:
This Administrative Policy is effective upon approval by the Board of Harbor Commissioners.
SUPERSESION:
This policy supersedes Administrative Policy # 7230.
PURPOSE:
The purpose of this policy is to set forth the policies and procedures to be used for the capitalizing, safeguarding and disposal of fixed assets owned by the Oxnard Harbor District. This policy is applicable to Harbor Commissioners and employees.
POLICY:
<p>1. <u>Accounting Standards and District Policy:</u></p> <p>a. <u>Accounting Standards:</u> Fixed assets must be properly and consistently capitalized which contributes to accurate financial reporting in connection with Government Accounting Standard Board (GASB).</p> <p>b. <u>Policy:</u> The District's fixed asset capitalization and inventory control policy stems from two major objectives:</p> <p>1) Accounting and Financial Reporting - To accurately account for and report fixed assets in financial reports issued to external reporting agencies, granting agencies and the public.</p> <p>2) Safeguarding - The District has fiduciary responsibility to establish systems and procedures to protect its (fixed) assets from loss and theft.</p> <p>The District is responsible for, and has established, systems and procedures through which both objectives are met. These systems and procedures are used to identify, process, control, track and report District fixed assets.</p>
<p>2. <u>Capitalization Procedures.</u> In general all fixed assets, including land, buildings, machinery and equipment, with an original cost of \$5,000 or more, shall be capitalized. All costs associated with the purchase or construction should be considered, including ancillary costs such as freight and transportation charges, site preparation expenditures, professional fees,</p>

and legal claims directly attributable to asset acquisition. Specific capitalization requirements are described below:

- a. Individual Units. The capitalization threshold is generally applied to individual units of fixed assets. However, and by example, where ten desks purchased, as in a remodel, each costing \$1,000, may qualify for capitalization as an aggregate assets acquisition.
 - b. Components. For purposes of capitalization, the threshold will generally not be applied to components of fixed assets. For example, a keyboard, monitor and central processing unit purchased as components of a computer system will not be evaluated individually against a capitalization threshold. The entire computer system will be treated as a single fixed asset.
 - c. Repairs to existing fixed assets will generally not be subject to capitalization unless it extends the useful life of the asset. In this case, it represents an improvement and is subject to the requirements described in section 2.d of this policy.
 - d. Improvements to existing fixed assets will be presumed (by definition) to extend the useful life of the related fixed asset and, therefore, will be subject to capitalization, only if the cost of the improvement meets the \$5,000 threshold. An improvement to a fixed asset that had an original cost of less than \$5,000 but now exceeds the threshold as a result of the improvement, should be combined as a single asset at the total cost (original cost plus the cost of the improvement) and capitalized.
 - e. Construction-In-Process. Capital projects will be capitalized as construction-in-process until completed. 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 GASB.
3. Disposal of Assets. Prior to disposal of assets via sale, trade-in, or scrapping, an Authorization to Dispose of Oxnard Harbor District Assets form (Exhibit A) shall be completed and approved as follows:
- a. For the disposal of moveable assets with a net book value of less than \$25,000 the Chief Finance Officer shall review and approve the form, and then forward the form to the CEO & Port Director for review and approval.
 - b. For the disposal of land, buildings or other immovable fixed assets, or any asset with a net book value greater than \$25,000, approval by the Board of Harbor Commissioners shall be obtained in addition to the Chief Finance Officer and CEO & Port Director's approval.
- The approved form is then submitted to the Accounting Department. The Accounting Department shall notify the originator of the request that authority has been granted and collects any revenue received.
- The Accounting Department shall maintain ongoing records of asset disposals. Journal entries shall be prepared by the Accounting Department to record the transactions.
4. Inventory Control (Safeguarding) Procedures. The District is responsible for safeguarding its



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Supersedes Policy # 7230

fixed assets from theft or loss. In addition to maintaining adequate accounting and physical controls and procedures, *moveable* fixed assets will be accounted for and inventoried every five years.

Inventory control does not apply to land, buildings or other immovable fixed assets.

RELATED POLICIES AND PROCEDURES:

None.

DEFINITIONS:

None.



EXHIBIT A AUTHORIZATION TO DISPOSE OF OXNARD HARBOR DISTRICT ASSETS

INSTRUCTIONS: This form is to be used when an asset is to be disposed of via sale, trade-in, or scrapping. No Disposal may occur prior to the completion of this form.

Forward the original completed form to the Accounting Department

Section A – Requestor

Name	Title	Department	Signature/Date
			X

Section B – Asset Details

Asset Number	Years In Service	Asset Description	Asset Location (Building, Lot, etc.)	Department	Date of Disposal	Reason for Disposal	Obtain from Accounting Department			Hard Drive Reformatted* (Y/N/na)
							Net Book Value of Asset (from Accounting)	Sales Proceeds	Gain (Loss) of Sale	
							\$ -	\$ -	\$ -	
							\$ -	\$ -	\$ -	
							\$ -	\$ -	\$ -	
							\$ -	\$ -	\$ -	
							\$ -	\$ -	\$ -	
							\$ -	\$ -	\$ -	
							\$ -	\$ -	\$ -	
							\$ -	\$ -	\$ -	
TOTALS							\$ -	\$ -	\$ -	

Asset to be disposed via sale, trade-in, or scrapping (<i>indicate one</i>):	Asset disposed to (<i>name of individual, company or organization</i>):

Section C – Disposal Approval

Finance Department Approval	Title	Signature	Date
	Chief Finance & Administrative Officer	X	

AUTHORIZED BY:	Title	Signature	Date
	CEO & PORT DIRECTOR	X	

Date of Board of Harbor Commissioner's Approval: (<i>Required for land, building or any other immovable assets, or any asset with a net book value greater than \$25,000</i>):

*IT security guidelines require the reformatting of hardware when they leave Port custody to ensure information is not inadvertently disclosed.