

TO: Tulare Local Health Care District Staff

FROM: Administration

SUBJECT: Capitalization Policy and Capital Equipment Purchase Request

DEFINITIONS

1. **Fixed Assets:** Land, buildings, and equipment purchased by or donated to the District which by nature are relatively expensive and have an extensive life. Included are significant alterations and renovations that materially improve or extend the life of the assets. This does not include normal repair or maintenance and modernization to maintain the present life of the assets.
2. **Depreciable Assets:** Any fixed asset, excluding land, with a unit cost of twenty-five hundred dollars (\$2,500.00) or more **AND** a minimum useful life of two (2) years.
3. **Plant, Property & Equipment:** Alternative term for fixed assets.
4. **Land:** Real property, including the cost of off-site sewer and water lines, public utility, charges for servicing the land, governmental assessments for street paving and sewers, the cost of permanent roadways and of grading of a non-depreciable nature, the cost of curbs and of sidewalks whose replacement is not the responsibility of the District, as well as other land expenditures of a non-depreciable nature. Unlike buildings and equipment, land does not deteriorate with use or the passage of time, therefore, no depreciation is accumulated.
5. **Land Improvements:** Includes the cost of on-site sewer and water lines; paving of roadways, parking lots, curbs, and sidewalks (if replacement is the responsibility of the District), as well as the cost of shrubbery, fences, and walls.
6. **Buildings & Improvements:** Included are all architectural, consulting, and legal fees related to the acquisition or construction of buildings. Interest paid for construction financing is a cost of the building and is included in this account. Fixed equipment is also charged to this account and has the following general characteristics: (1) affixed to the building, not subject to transfer or removal and (2) a life or more than three years, but less than that of the building to which it is affixed.
7. **Major Movable Equipment:** Has the following general characteristics: (1) ability to be moved, (2) a fixed location in the building, (3) a unit cost of \$2,500 or more, (4) a minimum life of two years or more, (5) used in District operations.
8. **Minor Equipment:** Has the following general characteristics: (1) location generally not fixed; (2) relatively small size, (3) a unit cost of less than \$2,500, (4) a useful life ***may*** be less than one year, (5) used in District operations.

Components with individual unit costs of less than \$2,500 but purchased with the intention of combining the components into an overall working system, should be aggregated so that the total system cost is used to determine whether to capitalize.

Except for minor equipment, all the items described shall be budgeted as capital assets. Minor equipment shall be budgeted in the Supplies & Minor Equipment category of the operational budget.

The attached “**Capital Expenditure Request Form**” must be used when a capital asset purchase is twenty-five hundred dollars (\$2,500.00) or more per unit.

The requestor must accurately complete their section before the purchase can be considered.

Requests are subject to the following approval limits:

CEO approves all Capital Expenditure Request Forms up to the annual amount approved by the Board of Directors.

Instructions for Completion of Capital Expenditure Request (CER)

Section A: The requestor, the date of preparation, and description of capital must be completed. The CER# and general ledger number are completed by Accounting after the CEO or designee has approved.

Section B: Must be completed prior to forwarding the document for review. **Three bids should be included with the CER. If 3 bids are not possible, please explain in Section C.**

If there is inadequate room provided on the form in any space requiring a description, explanation, or justification, you may attach additional information to this form and so note on the form.

Section C: This section is to be filled out when 3 bids have not been obtained or the project or equipment was not budgeted and approved by the Board of Directors.

Section D: Signature page

Upon completion, the form shall be forwarded to the CEO or their Designee, who after review will approve, sign and date the form. The executive assistant will forward a copy of the signed authorization to the requestor and Assistant Controller.

The requestor or their Designee will be responsible for ordering any authorized equipment.

All construction documents will be signed by the CEO.

CAPITAL EXPENSE REQUEST (CER) AND CER JUSTIFICATION FORMS:

[Click on attachment](#)

[CAPITAL REQUEST FORM.xlsx](#)

Questions concerning any aspect of this policy/guideline should be referred to Administration.

This policy/guideline replaces and supersedes all previous policies/guidelines concerning this matter and is effective immediately.

Committee Review and Approval:	Approval Date:	Comments:
Board of Directors	6/28/23	