

**Orange County Power Authority
Policy Number 016: Capitalization Policy**

Purpose

To capitalize and depreciate OCPA assets with a useful life expectancy of greater than one year and cost greater than \$5,000.

Scope

All acquisitions of capital assets for OCPA.

Definitions

Capitalization is the method chosen to record the purchase of fixed assets on OCPA's accounting books. If an asset is capitalized, then it is not expensed in the same year the asset is purchased. Instead, the asset is generally recorded on the statement of net position. Examples of capital expenditures are purchases of office equipment, furniture, and vehicles. The asset is expensed each year as depreciation.

Policy

- Except for land, all assets with a useful life of greater than one year and costing more than \$5,000 will be capitalized and will be recorded in the depreciation records. Any asset that does not meet the above criteria will be expensed, such as small equipment or repairs and maintenance.
- The cost basis of furniture and equipment assets will include all charges relating to the purchase of the asset including the purchase price, freight charges, and installation, if applicable.
- Leasehold improvements, including painting, are to be capitalized if they relate to the occupancy of a new office or a major renovation of an existing office. Expenditures incurred in connection with maintaining an existing facility in good working order should be expensed as a repair.
- The following lifespan table should be used as a guide for financial reporting and depreciation purposes:

Property	Asset Description
3-year property	Computer software, hardware and office machinery
5-year property	Automobiles
7-year property	Office furniture and fixtures