



IDYLLWILD WATER DISTRICT

Fixed Assets Policy

IDYLLWILD WATER DISTRICT
FIXED ASSET POLICY & PROCEDURES

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| Policy #: | 2015-0001 |
| Subject: | Fixed Asset Policy |
| Effective Date: | 09/23/2015 |
| Responsibility: | General Manager & Chief Financial Officer |

Purpose:

The District has significant investment in fixed assets, such as land, buildings, furniture, fixtures, and equipment. The purpose of this policy is to ensure that the District's fixed assets are acquired, safeguarded, controlled, disposed of, and accounted for in accordance with regulations, audit requirements, and generally accepted accounting principles.

This policy addresses the requirements for accounting of fixed assets and does not address areas related to the approval, authorization and appropriation of building construction or capital outlay projects.

Definition of a Fixed Asset:

A fixed asset is any tangible or intangible asset purchased for use in the day-to-day operations of the District from which an economic benefit will be derived over a period greater than one year and has an acquisition cost of \$5,000 or more. Donations with an estimated or appraised value of \$5,000 or more and have a useful life greater than one year, is also considered a fixed asset. Fixed assets include items such as land, sewer lines, buildings, vehicles, furniture, and equipment. Fixed assets with a purchase price of less than \$5,000 are expensed in the time period acquired.

Asset Valuation:

Purchased Assets

Purchased assets shall be recorded on actual costs including taxes, transportation cost, installation costs, and any other direct expenses incurred by the District in obtaining the asset prior to the date the asset is put in service. Subsequent items purchased which fall under the \$5,000 threshold are expensed immediately and not capitalized.

Donated Assets

The estimated value recorded by the District for a donated asset is market value on the date the gift was acquired. To determine the market value of the asset, the department may use the appraisal price, or the market selling price of an equivalent item. If there are any questions regarding the valuation method, the department should contact the Chief Financial Officer for assistance.

For donated sewer construction projects (also known as contributed facilities), the Chief Financial Officer will provide the estimated value of the asset donated.

New Construction:

When the District constructs a fixed asset for its own use, all direct costs are included in the total cost of the asset. This includes items such as architectural, engineering, legal, consulting, etc. Overhead costs are not included unless they are increased by the construction of the asset.

Fixed Assets Class & Useful Life:

Estimated useful life means the estimated number of months or years that an asset will be able to be put in use for the purpose for which it was acquired. Fixed assets which meet the appropriate cost and useful life criteria (described in the Definition of a Fixed Asset section) are grouped in the following classes:

| <u>Class</u> | <u>Useful Life</u> |
|--|----------------------|
| • Vehicle and equipment | • 5-15 years |
| • Moveable furniture and fixtures | • 5-10 years |
| • Buildings and building improvements | • 20-50 years |
| • Land (not depreciated) | • N/A |
| • Land improvements | • 10-20 years |
| • Intangible asset | • 5- indefinite year |
| • Infrastructure, such as subsurface lines | • 20-50 years |

Vehicle and equipment - tangible assets not permanently affixed to a building and are used for operations. Some examples of vehicle and equipment include trucks, cars, trailers, backhoes, loaders, air compressors, generators, tractors, solar installations, and certain office equipment. Historical costs include the total purchase price less any discounts and any ancillary payment required to place the asset in its intended state of operations.

Moveable furniture & fixtures - tangible assets to be used for operations and of which the benefits extend beyond one year. Improvements or additions to existing furniture or fixture that meet or exceed the capitalization threshold should be recorded as an addition of value to the asset. Some expenses to be included in the cost of moveable furniture and fixtures include freight charges, handling and storage charges, in-transit insurance, installation charges, and charges for testing and preparation for use.

Buildings and building improvements - a building is a structure permanently attached to the land, has a roof, and is partially or completely enclosed by walls. Building improvements are capital events that materially extend the useful life of a building, increase the value of the building or both. Permanently attached fixtures or machinery that cannot be removed without impairing the use of the building is to be included in the value of the building. Assuming all meet the capitalization threshold, examples of building improvements include installation or upgrade of heating and cooling systems, installation or upgrade of walls, floors, windows, fiber optic cabling, etc.

Land - defined as real estate without any land improvements. Land is characterized as having unlimited life. Therefore, costs such as the purchase price, legal and title fees, surveying, right-of-way and environmental fees, appraisal and negotiation fees are not depreciated.

Land Improvements - assets other than buildings, which are built, installed, or established to enhance the quality or facilitate the use of land for a particular purpose. Examples include landscaping, fencing, parking lots, sprinklers, flagpoles, etc. Costs include purchase price, job costs, contract price and any other expenditure necessary to put a structure or improvement into operations.

Intangible asset - a non-physical identifiable long-term asset of the District. Examples of intangible assets include software, goodwill, copyrights, patents, capacity rights, etc.

Infrastructure asset- defined as long-lived capital assets that are stationary and can be preserved for significantly greater number of years than most capital assets. The District's current infrastructure includes the sewer lines.

Purchasing and Receiving a Fixed Asset:

Purchasing a fixed asset is done in the same manner as any other purchase of goods if it has been approved by the Chief Financial Officer and the General Manager.

Currently, there is not a central receiving department for goods. Therefore, the department ordering the goods will be the responsible party to receive the items ordered and ensure that what was ordered was received in good condition and correct. Generally, all orders are received with a packing slip. This packing slip will be compared against the items received. Proper receipt of goods will be acknowledged by signing and dating the packing slip for attachment to the invoice.

Tagging:

Asset identification tags are affixed to each asset at the District unless it is not physically practicable. Finance schedules appointments with departments to tag newly acquired assets or retag the assets at the department's request. During the tagging process, Finance will verify information such as the description of the asset, model number, serial number and location of the asset.

Components of an asset will be identified with an individual asset number. Should a component be moved from one asset to another, the Chief Financial Officer must be notified to change the fixed asset system record for the component unit. A Fixed Asset Property Action Form must be completed and submitted to Finance within 5 days of event.

Movement of Assets:

Often it is necessary for departments to move fixed assets from one location to another. Movement of the asset will be completed after obtaining proper authorization by requesting written or oral consent. A Fixed Asset Property Action Form must be completed and submitted to the Chief Financial Officer and approved by the General Manager or delegated authorized person within 5 days of event.

Disposal/Retirement of Fixed Assets:

A department may dispose of a fixed asset due to:

- a. Lack of need
- b. Obsolescence
- c. Impairment - wear, damage or deterioration
- d. Excess cost of maintenance

e. Theft/Loss

The General Manager will notify the Chief Financial Officer of any disposals in the Operations department. The Administrative Assistant will notify the Chief Financial Officer of any disposals in the office and the Chief Water and Sewer Operators will notify the Chief Financial Officer of any disposals within their designated department.

Stolen assets must be reported to the police and a copy of the police report must be provided to the Chief Financial Officer & General Manager. When recording the disposal of the stolen asset, the police report number must be included.

A Fixed Asset Property Action Form must be completed and submitted to Finance within 5 days of event.

Physical Inventory of Fixed Assets:

Physical inventory count should be conducted at least once every five (5) years for inventoriable assets and approved by the Chief Finance Officer.

In order to ensure objective reporting of inventory items, a physical inventory should be performed by personnel having no direct responsibility (custody and receipt/issue authority) for assets subject to the inventory count. If it is not feasible to use such personnel for any part of the inventory, then those portions are, at least, to be tested and verified by a person with neither direct responsibility for that portion of the inventory nor supervised by the person directly responsible.

Due to the nature of certain stationary assets, performing a physical inventory every five years is not required. However, if required, the carrying value of the asset should be adjusted if the asset has been impaired.

Depreciation of Fixed Assets:

At the time a fixed asset is acquired, its cost is capitalized and subsequently depreciated utilizing the straight-line method based on full month convention over the asset's estimated useful life. Depreciation will begin in the month the asset is placed in service and continue throughout its useful life.

Fixed Asset Property Action Form

Date of Action: _____

Reason for disposal/move action:

- Damaged Beyond Repair
- Obsolete
- Destroyed
- Donated to: _____ . *Please attach documentation.*
- Lost/Stolen
- Sold, Sale Price \$ _____ . *Please attach sales paperwork.*
- Transfer
- Trade In
- Other

Explain:

| Property Detail | | | | |
|-----------------|--|--|--|--|
| | | | | |
| | | | | |
| | | | | |

(Attach additional pages if necessary)

Person completing this form

Date

Transfer Details (if transferring)

From Department _____

To Department _____

Approvals

Signature of receiving department head

Date

**Signature of Chief Finance Officer
Review of fixed asset**

Date

**Signature of General Manager
Approval of fixed asset**

Date