

Sacramento Suburban Water District

Fixed Asset Policy

Adopted: November 17, 2003

Revised: September 17, 2007, February 25, 2008, February 22, 2010

100.00 Purpose of the Policy

The purpose of this policy is to establish guidance in identifying, capitalizing, depreciating, and accounting for District fixed assets.

100.10 Definitions

A fixed asset (a.k.a. capital asset) is defined under this Policy as an asset owned by the District that – 1) is acquired for use in District operations, 2) possesses physical substance, and 3) is long-term in nature (i.e., useful life exceeds 2 years), and 4) is subject to depreciation.

200.00 Policy

It is the policy of the District that the following types of assets will be considered Fixed Assets of the District.

200.10 Fixed Asset Categories

Fixed assets shall be segregated into the following categories:

- A. Land.
- B. Land Improvements with a limited life, such as driveways, walks, fences, landscaping, and parking lots.
- C. Buildings.
- D. Building Improvements, such as HVAC equipment, remodeling costs, and landscaping.
- E. Hydrants, PRV Stations, Valves and similar assets.
- F. Transmission & Distribution pipelines.
- G. Storage Facilities, such as reservoirs.
- H. Pumping and Wells, such as wells, pumps, and treatment facilities.
- I. Water Meters.
- J. Machinery and Equipment, such as generators, compressors, jackhammers, tools, trimmers, etc.

- K. Fleet Equipment, such as cars, trucks, trailers and backhoes.
- L. Office Equipment such as furniture and fixtures.
- M. Computer Systems, Purchased Software and Telephones.
- N. Planning Documents, system modeling reports, and other documents directly related to capital improvements.

300.00 Capitalization Thresholds

Fixed assets otherwise eligible for capitalization, must have:

- 1) an estimated useful life of at least two years from date of acquisition
- 2) Water System Infrastructure assets shall have a minimum value of \$3,000,
- 3) Buildings, building improvements, fleet equipment, machinery, and equipment shall have a minimum value of \$1,000,
- 4) Furniture, fixtures, office equipment, computers, purchased software, and telephones, shall have a minimum value of \$500, and
- 5) Such criteria shall be applied to individual assets and not to groups of individual assets.
- 6) With the approval of the General Manager, smaller minimum values may be capitalized as fixed assets as lower amounts may be eligible for reimbursement from third parties.

400.00 Valuation of Fixed Assets

The value assigned to fixed assets shall be determined as follows:

400.10 Purchased Fixed Assets

The capitalized value of purchased fixed assets shall be determined using the historical cost of the asset. Specific costs eligible for capitalization are identified under section 500.00 below. If the historical cost of an asset is not available or cannot be reasonably determined, an estimated cost may be utilized based upon the best available information.

400.20 Self-Constructed Fixed Assets

Only self-constructed water system infrastructure assets intended to be used in District operations are eligible for capitalization. The capitalized value of such self-constructed assets shall be determined using only direct costs associated with the construction up until the time the asset is complete and the infrastructure is ready for its intended use.

400.30 Donated Fixed Assets

The capitalized value of donated assets shall be determined using the fair market value at the time of donation. If the fair market value of the asset is not available or cannot be reasonably determined, an estimated cost may be determined using the best available information. The value of donated intangible assets shall be accounted for separate from donated tangible fixed assets.

500.00 Capitalizable Costs

Costs eligible for capitalization under this policy are:

For land:

- Purchase price or appraised value, whichever is more readily determinable;
- Closing costs, such as title fees, attorneys fees, environmental assessments, appraisals, taxes and recording fees;
- Costs necessary to get the land ready for its intended use, such as grading, clearing, filling, draining, surveying, and demolition of existing structures;
- Assumptions of liens, encumbrances or mortgages;

For purchased assets other than land:

- Purchase price
- Sales tax
- Freight and handling charges
- Insurance costs while in transit
- Assembling and installation charges
- Professional fees of engineers, inspectors, attorneys, consultants, etc.;
- Discounts or rebates shall be accounted for as a reduction to the purchase price;
- Costs necessary to accommodate the equipment in its new location

For self-constructed assets:

- Direct labor costs (to include wages and benefits);
- Direct materials cost;
- Professional fees of engineers, inspectors, attorneys, consultants, etc.;
- Insurance premiums and related costs incurred during construction;
- Costs necessary to get the site ready for its intended use, such as grading, clearing, filling, draining, surveying, and demolition of existing structures;

For donated fixed assets:

- Fair Market or Appraised Value at date of donation;
- Installation costs;
- Professional fees of engineers, inspectors, attorneys, consultants, etc.;
- Other normal or necessary costs required to place the asset in its intended location and condition for use.

600.00 Capitalization of Costs Subsequent to Acquisition

Additional costs incurred after a fixed asset is placed in use shall be accounted for as follows:

600.10 Additions

An “Addition” is defined as an expenditure that either significantly extends the useful life or productivity of the existing fixed asset or creates a new fixed asset. All “Additions” to existing fixed assets should be capitalized as long as the asset meets the criteria of section 300.00 above.

600.20 Improvements and Replacements

“Improvements and Replacements” are defined as expenditures that involve substituting a similar fixed asset, or portion thereof, for an existing one. All “Improvements and Replacements” to existing fixed assets should be capitalized as long as the asset meets the criteria of section 100.30 above. If the existing asset’s book value is determinable, then the existing asset should be removed from the books at the time the replacement is recorded. If the existing asset is not separately identifiable, then the replacement should still be capitalized as the existing asset’s book value is assumed to be negligible.

600.30 Rearrangement or Reinstallation

“Rearrangement or Reinstallation” costs are defined as expenditures that involve moving an existing asset to a new location or reinstalling a similar asset in place of an existing asset. All “Rearrangement or Reinstallation” costs should be expensed in the period incurred.

600.40 Repairs and Maintenance

“Repairs and Maintenance” costs are defined as expenditures that involve maintaining the asset in good or ordinary repair. All “Repairs and Maintenance” costs should be expensed in the period incurred.

700.00 Depreciation of Fixed Assets

Fixed assets shall be depreciated on a straight-line basis beginning the first day of the month following acquisition in accordance with the following schedule:

Category	Depreciation Period
Land	None
Land Improvements	15 Years
Buildings	40 Years
Building Improvements	10 Years
Hydrants, PRV Stations, Valves and similar assets	30 Years
Transmission and Distribution pipelines	80 Years
Storage Facilities (reservoirs)	40 Years
Pumping and Wells (wells, pumps, treatment facilities and related equipment)	25 years
Water Meters	10-20 Years
Machinery and Equipment (generators, compressors, jackhammers, tools and equipment)	5-10 Years
Fleet Equipment (cars, trucks, backhoes, other mobile motorized equipment)	5-10 Years
Office Furniture and Fixtures	7 Years
Computer Equipment, Purchased Software and Telephones	4 Years

800.00 Physical Inventory of Fixed Assets

A physical inventory of the following categories of fixed assets shall be performed annually:

- Inventory Items
- Machinery and Equipment
- Fleet Equipment
- Office Furniture and Fixtures
- Computer Equipment, Purchased Software and Telephones

The results of the physical inventory shall be reconciled with the District's asset inventory system. Differences will be reported, along with explanations, to the Board of Directors.

900.00 Disposal of Fixed Assets

Fixed assets that have become obsolete shall be disposed in accordance with District's Policy on "Disposing of Surplus District Real Property, Vehicles and Large Equipment and Other Personal Property (PL - Adm 003)."

1000.00 Policy Review

This policy shall be reviewed at least biennially.