

## Sacramento Suburban Water District

**Capital Asset Policy**

Adopted: November 17, 2003

Revised: September 17, 2007, February 25, 2008, February 22, 2010, August 20, 2012,  
January 27, 2014, January 25, 2016; December 18, 2017**100.00 Purpose of the Policy**

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

**100.10 Definitions**

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) is long-term in nature (i.e., useful life exceeds 2 years), 3) is subject to depreciation, and 4) has a minimum value of \$5,000 (see section 200.20).

**200.00 Policy**

It is the policy of the District that the following types of assets will be considered Capital Assets of the District. If an asset does not meet the capitalization requirements listed in this policy, then it is to be expensed in the year acquired.

**200.05 Capital Assets**

The District operations program will be maintained at a level that assures system reliability and efficiency. A well thought out maintenance program will extend the life of the water production and distribution system and in turn reduce infrastructure costs in the long-term.

- A. Funding to Meet Regulations and Standards - The District will adequately fund costs to meet current industry standards and regulations (e.g. Safe Drinking Water Act, etc.) in the annual budgeting process.
- B. Capital Improvement Plan - The District, as part of its routine planning process, will develop a 5-year Water System Master Plan and update it. Further, the District will update its Asset Management Plans.
- C. Adopted Capital Plan - The District will undertake all capital improvements approved by the Board annually at budget adoption according to the District's Asset Management Plans.
- D. Types of Capital Projects - The District's capital improvement program will consider mandated capital, growth related capital and renewal and replacement capital.

- E. Financing of Growth-Related Projects - The financing of growth-related capital projects may be funded from any of the available funding resources of the District. However, to better meet the District's needs, the use of long-term debt to finance growth-related projects will be minimized. When necessary, long-term debt will be issued to allow the District to better match the financing of these facilities to the timing of the customers as they connect to the system.

## **200.10 Capital Asset Categories**

Capital assets shall be segregated into the following categories:

- A. Land and Land Improvements with a limited life, such as driveways, walks, fences, landscaping, and parking areas.
- B. Buildings and Building Improvements, such as HVAC equipment, interior remodeling features, and landscaping.
- C. Hydrants, pressure modulating facilities, Valves and related appurtenances.
- D. Transmission and Distribution pipelines.
- E. Water Storage Facilities.
- F. Groundwater Wells, Flow Meters, Etc.
- G. Pumps, Motors and Water Treatment Facilities
- H. Water Meters and Appurtenances.
- I. Machinery and Equipment, such as generators, compressors, jackhammers, tools, trimmers, etc.
- J. Fleet Equipment, such as cars, trucks, trailers and backhoes.
- K. Office Equipment such as furniture and fixtures.
- L. Computer Systems, Purchased Software and Telephones.
- M. Intangible Assets, such as easements and internally generated computer software.
- N. SCADA, including location and mapping features.

## **200.20 Capitalization Thresholds**

Capital assets eligible for capitalization, must have:

- 1) an estimated useful life of at least two years from the date of acquisition
- 2) and a minimum value of \$5,000, and
- 3) Such criteria shall be applied to individual assets and not to groups of assets.

## **200.30 Valuation of Capital Assets**

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

## **200.32 Purchased Capital Assets**

The capitalized value of purchased Capital assets shall be determined using the original cost of the asset. Specific costs eligible for capitalization are identified under section 200.40. If the original cost of an asset is not available or cannot be reasonably determined, an estimated current cost may be utilized.

## **200.34 District-Constructed Capital Assets**

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

## **200.36 Donated Capital 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 capital assets.

## **200.40 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, including all taxes
- Freight, handling and in-transit insurance charges
- Assembling and installation charges
- Professional fees of engineers, inspectors, attorneys, consultants, etc.;
- Applicable purchase discounts or rebates

For District-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;
- Costs for intangible assets as determined in accordance with Governmental Accounting Standards Board, Statement No. 51 "Accounting and Financial Reporting for Intangible Assets."

For donated Capital 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.

#### **200.50 Capitalization of Costs Subsequent to Acquisition**

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

#### **200.52 Additions**

An “Addition” is defined as an expenditure that either significantly extends the useful life or productivity of the existing capital asset or creates a new capital asset. All “Additions” to existing capital assets should be capitalized as long as the asset meets the criteria of section 200.20 above.

#### **200.54 Improvements and Replacements**

“Improvements and Replacements” are defined as expenditures that involve substituting a similar capital asset, or portion thereof, for an existing one. All “Improvements and Replacements” to existing capital assets should be capitalized as long as the asset meets the criteria of section 200.20 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.

#### **200.56 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.

#### **200.58 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.

## 200.60 Depreciation or Amortization of Capital Assets

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

Category	Depreciation/Amortization 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, flowmeters, treatment facilities and related equipment)	25 years
Water Meters and Appurtenances	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
Intangible Assets, such as easements and internally generated computer software	Permanent Easements – None; Software – 4 Years

## 200.70 Physical Inventory of Capital Assets

A physical inventory of the following categories of capital assets shall be performed at least 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.

### **200.80 Disposal of Capital Assets**

Capital 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)."

### **300.00 Policy Review**

This policy shall be reviewed at least biennially.