

Policy Type: Florin Resource Conservation District Board of Directors
Policy Title: Capital Assets Policy
Date Adopted: May 19, 2020
Resolution No: 05.19.20.06
Date Amended:

I. PURPOSE

The purpose of this policy is to establish guidance in identifying, capitalizing, depreciating, and accounting for the Florin Resource Conservation District (District) capital assets.

II. POLICY

This policy is intended to define the assets owned by the District that are acquired for operational use, are long-term in nature, and originally cost \$5,000 or more.

III. CAPITAL ASSETS

A. Capital assets are defined under this policy as an asset owned by the District that is 1) acquired for use in District operations, 2) long-term in nature (i.e., useful life exceeds one year), and 3) has an original cost of \$5,000 or more. Capital assets shall be segregated into the following categories:

1. Buildings and building improvements, such as HVAC equipment, interior remodeling features, and landscaping;
2. Computer systems, purchased software, and telephones;
3. Fleet equipment, such as cars, trucks, trailers and backhoes;
4. Groundwater wells;
5. Land and land improvements with a limited life, such as driveways, walks, fences, landscaping and parking areas;
6. Machinery and equipment, such as generators, compressors, jackhammers, tools, trimmers, etc.;
7. Office equipment such as furniture and fixtures;
8. Pressure modulating facilities, valves and related appurtenances;
9. Pumps, motors and water treatment facilities;
10. SCADA, including location and mapping features;
11. Transmission and distribution pipelines;
12. Water storage facilities.

B. Capitalization Thresholds - Capital assets eligible for capitalization must have an estimated useful life of more than one (1) year from the date of acquisition and a minimum value of \$5,000. Such criteria shall be applied to individual assets and not to groups of assets.

C. Valuation of Capital Assets - The value assigned to capital assets shall be determined as follows:

1. 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 below. If the original cost of an asset is not available or cannot be reasonably determined, an estimated current cost may be utilized.

2. 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 capitalization 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.

3. Capital Assets Donated to District

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.

D. Capitalization Costs - Costs eligible for capitalization under this policy are:

1. For land:

- Assumptions of liens, encumbrances or mortgages;
- Closing costs, such as title fees, attorney 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;
- Purchase price or appraised value, which is more readily determinable.

2. For purchased assets other than land:

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

3. For District-constructed assets:

- Costs for intangible assets as determined in accordance with Governmental Accounting Standards Board (GASB) Statement 51 "Accounting and Financial Reporting for Intangible Assets";

- Costs necessary to get the site ready for its intended use such as grading, clearing, filling, draining, surveying, and demolition of existing structures;
 - Direct labor costs, including wages and benefits;
 - Direct material costs;
 - Insurance premiums and related costs during construction;
 - Professional fees of engineers, inspectors, attorneys, consultants, etc..
4. For capital assets donated to the District:
- Fair market or appraised value at date of donation;
 - Installation costs;
 - Other normal or necessary costs required to place the asset in its intended location and condition for use;
 - Professional fees of engineers, inspectors, attorneys, consultants, etc.
- E. Capitalization of Costs Subsequent to Acquisition - Additional costs incurred after a capital asset is placed in use shall be accounted for as follows:
1. Additions - 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 above.
 2. Improvements and Replacements - 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 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.
 3. Rearrangement or Reinstallation - 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.
 4. Repairs and Maintenance - expenditures that involve maintaining the asset in good or ordinary repair. All Repairs and Maintenance costs should be expensed in the period incurred.

- F. 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:

<u>Category</u>	<u>Depreciation/Amortization Period</u>
Buildings	40 years
Building Improvements	10 years
Computer Equipment, Purchased Software and Telephones	5 years
Fleet Equipment (cars, trucks, backhoes, other motorized, mobile equipment)	5-10 years
Intangible Assets, such as easements and internally generated computer software	Permanent Easements - None; Software – 5 years
Land	None
Land Improvements	15 years
Machinery and Equipment (generators, compressors, jackhammers, tools, etc.)	5-10 years
Office Furniture and Fixtures	7 years
Pumps and Wells (wells, pumps, treatment facilities, related equipment)	25 years
Storage Facilities (reservoirs)	40 years
Transmission and Distribution Pipelines	80 years

- G. Disposal of Capital Assets - Capital assets that have become obsolete shall be disposed of in accordance with the District's Disposal of Surplus District Property Policy.