



<b>Policy Number:</b>	<b>5040</b>
<b>Policy Title:</b>	<b>Fixed Assets Accounting Control</b>

**1.0 Purpose**

- 1.1 To establish a policy that enables the Fair Oaks Water District to operate more efficiently and consistently in receiving, monitoring and disposing of all fixed assets. Adhering to this policy will allow the District to:
  - 1.1.1 Maintain accurate financial reports of fixed assets according to the General Accepted Accounting Principle (GAAP) and Government Accounting Standard Board (GASB).
  - 1.1.2 Provide adequate insurance coverage, and;
  - 1.1.3 Ensure control and accountability of all fixed assets.

**2.0 Criteria of Fixed Assets Capitalization**

- 2.1. Purchases included in the accounting control shall be as follows:
  - 2.1.1 Equipment, tools, and vehicles that have an original total cost of \$500 or more and an estimated useful life longer than one year;
  - 2.1.2 All land and building acquisitions regardless of price;
  - 2.1.3 Additions or major improvements to the District’s service infrastructure in excess of \$500;
  - 2.1.4 Computer equipment such as PC’s, monitors and printers, software and hardware, camcorders and cameras, although they may not meet the fixed asset criteria shall be considered “controlled” and monitored in the fixed asset management system.

**3.0 Classification of Fixed Assets**

- 3.1 Land;
- 3.2 Building;
- 3.3 Contributed Asset;
- 3.4 Trucks and Vehicles, Backhoe, Compressors, etc;
- 3.5 Wells, Pumps and Treatment Equipment;
- 3.6 Tanks and Pump Stations;

- 3.7 Transmission and Distribution Pipelines, Services, Meters and Automated Meter Reading (AMR) Equipment;
- 3.8 Pressure Reducing Stations;
- 3.9 Generators;
- 3.10 Maintenance Equipment;
- 3.11 Office Equipment;
- 3.12 Construction-In-Progress;
- 3.13 Leased –Fixed Assets;

#### **4.0 Valuation of Fixed Assets**

- 4.1 Value of fixed assets should be recorded as follows:
  - 4.1.1 Cash purchases of assets should be recorded based on the original cost.
  - 4.1.2 Contributed assets should be recorded based on the estimated Fair Market value at the time of the donation.
  - 4.1.3 Intangible assets such as rights are to be recorded based on the Fair Market value at the time of ownership.
  - 4.1.4 Self-constructed assets should be recorded based on the total costs to build the assets including both direct and indirect costs.
  - 4.1.5 Lease purchase assets should be recorded based on the Fair Market value of the leased property or the Present Value of the minimum lease payments.

#### **5.0 Acquisition of Fixed Assets**

- 5.1 A unique identification tag number shall be affixed to the asset defined in Section 2.0 and the number should be recorded in the permanent fixed assets record.
- 5.2 The finance department should be responsible for generating the unique bar code with identification number and affixed to the item prior to delivering to the department.
  - 5.2.1 The purchaser of a fixed asset is responsible to provide the finance department the following pertinent information when applicable:
    - Vendor Name
    - Manufacturer
    - Serial Number
    - License Number
    - Model Number
    - VIN Number

- Date of Purchase
- Description of Item
- Invoice Amount
- Warranty
- Location
- Equipment Assigned To
- Date Place in Service

A copy of the invoice should be forwarded to the finance department for asset record keeping.

5.2.2 The finance department shall be responsible for entering the fixed asset information in the accounting system.

5.3 A digital photograph shall immediately be taken of each asset for the inclusion in the accounting records.

## 6.0 Accounting and Management of Fixed Assets

### 6.1 Fixed Assets Records Requirements

6.1.1 Information to be maintained in fixed asset records shall include all items listed in 5.2.1 and 5.3 when applicable.

6.1.2 Permanent fixed asset records shall be maintained in a paper file and electronic (computer data base) format. Said records shall be updated whenever a change in the status of a particular fixed asset occurs.

### 6.2 Fixed Assets Depreciation

6.2.1 The Fair Oaks Water District shall adopt the straight-line depreciation method. The first year depreciation deduction should be prorated based on the number of months in service. Useful life of each asset categories should be as follows:

Description	Estimated Life	Examples of Types of Equipment
Wells and pumps	10 - 40 years	Wells are depreciated over 40 years; Pump and motors are depreciated over 15 years; Alarms and telemetry should be depreciated over 10 years
Transmission and distribution system	10 - 40 years	Pipelines should be depreciated over 40 years; Meters and Services should be depreciated over 15 years; Telemetry should be depreciated over 10 years

Maintenance equipment	5 - 30 years	Backhoes and compressors should be depreciated over 10 years; Generators should be depreciated over 30 years; Meter reading equipment should be depreciated over 5 years
Trucks, trailers, and mobile equipment	5 - 10 years	Dump and utility trucks should be depreciated over 10 years and all other vehicles should be depreciated over 5 years
Buildings	5 - 40 years	
Office equipment and furnishings	3 - 5 years	Office equipment should be depreciated over 5 years and computer related equipment and software are to be depreciated over 3 years
Contributed distribution systems	40 years	
Water tank and pumping stations	10 - 40 years	Water Tank should be depreciated over 40 years; Alarms should be depreciated over 10 years

6.3 Removing or Disposing of Fixed Assets

6.3.1 Sold/obsolete fixed assets should be accounted for. When an item is either sold or is no longer on Fair Oaks Water District premises, the responsible person for that asset must notify the accounting department and provide the following information: Date sold, amount received from sale, serial/unique identification number for the item being sold or obsolete. This information is necessary for the accounting department to reconcile the item in the general ledger system and to remove it from the fixed asset records.

6.4 Reconciliation of Fixed Assets

6.4.1 Physical verification of fixed assets should be completed at the beginning of December to assure all fixed assets are accounted for and recorded. This is necessary for proper internal control and more accurate record keeping.

6.4.1.1 Through the reconciliation process, if a fixed asset is discovered not to be recorded on the fixed asset list; the individual conducting the physical verification must add to the list or notify the responsible party to add to the fixed asset list as soon as possible. The individual will follow the same procedures indicated in sections 5.0 and 6.1 when adding the fixed asset.