



## EAST VALLEY WATER DISTRICT Administrative Policies & Programs

Policy Title: Capital Assets Policy

Original Approval Date:  
September 25, 2013

Last Revised:  
January 24, 2018

Policy No:  
7.4

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### Purpose

This policy is established to provide guidelines to ensure adequate stewardship over District resources through control and accountability of capital assets, and to collect and maintain complete and accurate capital assets information required for preparation of financial statements in accordance with generally accepted accounting principles.

### Definitions

Capital assets are assets that are owned by the East Valley Water District (District) and are used in District operations. They may be tangible (such as land, buildings, machinery, equipment, and vehicles) or intangible (such as easements, software, and water rights).

Characteristically, capital assets:

- Have an initial useful life in excess of two years; and
- Have an acquisition cost of \$5,000 or more.

The recorded value of the capital asset includes the purchase price plus sales tax, as well as costs to acquire (shipping and handling), install (excluding site preparation costs), secure, and prepare the asset for its intended use. Improvements to an existing asset that extends the life of the asset are capitalized and depreciated over the remaining useful life of the related asset.

Meters and service line components are an exception to the \$5,000 limit as they are significantly lower in price, but have estimated useful lives of at least 10 years.

### Policy

- A. Improvement/Repair/Maintenance Expenses - Routine repair and maintenance costs will be expensed as they are incurred and will not be capitalized. Major repairs will be capitalized if they result in betterments/ improvements to the District's capital assets. To the extent that a project replaces the "old" part of a capital asset, outlays will not be capitalized; and to the extent that the project is betterment/improvement, outlays will be capitalized.



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- B. Capital Improvement Projects - Capital improvement projects are projects with a useful life greater than 5 years, and an estimated cost of more than \$25,000. Examples include construction or major renovations of buildings or utility systems. Such projects will be included in the capital budget, rather than in operating. Upon completion of the project, the value of the asset will be removed from the value of “construction-in-process” and added to capital asset records and will be depreciated appropriately.

### Procedures

- A. Tracking Capital Assets - All assets fitting descriptions of a capital asset shall be recorded on asset listings maintained by the Finance Department. All assets that are disposed shall be removed from said listings.

A physical inventory of tangible capital assets will be taken at least once every five years and reconciled with accounting records. Plant, automobiles, and other assets that are reviewed annually for the purpose of maintaining insurance schedules will be reconciled during the insurance review. Discrepancies between physical and recorded assets will be investigated.

- B. Depreciation Method and Expected Useful Life of Assets - All depreciable assets are depreciated using the straight-line method of depreciation. Depreciation begins in the year the capital asset was acquired. The estimated lives of acquired assets are assigned in the following manner:

Financial Reporting Category	Asset Type	Asset Life (in years)
Land & Easements	Land	Infinite
Water Rights	Water Stock	Infinite
Source of Supply	Water Wells	30
	Source of Supply	30
Transmission and Distribution	Reservoir	60
	Tank	50
	Pipeline	50
	Meters & Service lines	20



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<u>Financial Reporting Category</u>	<u>Asset Type</u>	<u>Asset Life (in years)</u>
Transmission and Distribution	Fire Hydrant Meters	20
	North Fork Pipeline	50
Pumping Plant	Pumping Plant	25
Treatment Plant	Treatment Plant	50
General Plant	Buildings	50
	Land and Building Improvements	15
	Office Furniture	7
	Software	3
	Computers	5
	General Equipment	5
	Vehicles	5
	Heavy Equipment	10

C. Disposal of Surplus Items - The Board adopted Policy 7.1.1 Surplus Property Policy on June 14, 2017. The Surplus Property Policy addresses the District's requirements for proper disposal of property.

### Control Procedures for Certain Non-Capital Items

Some assets that do not meet the criteria for capitalization for financial reporting purposes still require safeguarding in order to ensure their continued availability for use in District operations. These assets include:

- Items requiring special attention to ensure legal compliance - Legal or contractual provisions may require a heightened level of accountability over certain items (i.e. - items acquired with grant funds).
- Items with a heightened risk of theft - Such items are easily transportable, are readily marketable, and easily diverted to personal use (e.g. - laptop computers).

All non-capital assets meeting these criteria will be recorded on asset listings maintained by the user department. Specific individuals within the departments should be assigned the task of maintaining and updating asset listings. Such assignment should be documented and communicated to the Finance Department.



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At the end of each fiscal year, the responsible individuals will submit an updated listing to the Finance Department with explanations for any changes. The Finance Department will verify the data reported on the assets listings no less than once every three years.

### Terms & Definitions Utilized by the District:

- Capital Asset: Non-financial assets that are used in operations and have an initial useful life more than one year.
- Capitalization Threshold: The minimum cost which an asset must exceed in order to be capitalized.
- CIP (Capital Improvement Project): The District defines CIP as a long-term asset account that accumulates the cost of a project that has not yet been placed into service.
- Depreciation: The process of allocating the cost of an asset over a period of time.
- Depreciation Method: The District utilizes the straight-line method.
- Intangible Assets: An asset that is not physical in nature. The District most important intangible asset is water rights.
- Tangible Assets: An asset that has a physical form.
- Useful Life: The amount of time that an asset is expected to provide benefit to the District.

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