

## RECLAMATION DISTRICT NO. 2035 POLICY HANDBOOK

**POLICY TITLE:** Capital Asset Management  
**POLICY NUMBER:** 3020

**3020.10** The purpose of this policy is to ensure adequate control and appropriate use of District fixed assets. The procedures are intended to define fixed assets and to establish guidelines for budgeting, financial reporting, logging, inventorying, transferring, depreciating, and disposing of fixed assets.

**3020.20** It is the policy of the District that fixed assets be used for appropriate District purposes and be properly accounted for. It is the responsibility of the General Manager to ensure fixed assets will be inventoried on a periodic basis, and accounted for by fund and asset category. It is the responsibility of the General Manager to ensure that proper budgeting and purchasing guidelines are followed and that fixed assets are adequately secured.

**3020.30** The District's fixed asset policy has two (2) objectives:

1. Accounting and Financial Reporting - To accurately account for and report fixed assets to the Board of Trustees, external reporting agencies, granting agencies, and the public.
2. Safeguarding – To protect its fixed assets from loss or theft.

The District Treasurer is responsible for, and has established, systems and procedures through which both objectives are met. The system and procedures are used to identify, process, control, track, and report District fixed assets.

### **3020.40 Capitalization Policy (Accounting and Financial Reporting)**

**3020.41** In general, all fixed assets, including land, buildings, machinery and equipment, with an acquisition cost of \$5,000 or more, will be subject to accounting and reporting (capitalization). All costs associated with the purchase or construction should be considered, including ancillary costs such as freight and transportation charges, site preparation expenditures, installation charges, professional fees, design costs, and legal costs directly attributable to asset acquisition.

**3020.42** Specific capitalization requirements are described below.

- The capitalization threshold is applied to individual units of fixed assets. For example, ten desks purchased through a single purchase order each costing \$1,000 will not qualify for capitalization even though the total cost of \$10,000 exceeds the threshold of \$5,000.

## Capital Asset Management Policy (Cont'd)

- The capitalization threshold will generally not be applied to components of fixed assets. For example, a tractor purchased with several attachments will not be evaluated individually against the capitalization threshold. The entire equipment with components will be treated as a single fixed asset.
- Repair is an expense that keeps the property in good working condition. The cost of the repair does not add to the value or prolong the life of the asset. All repair expenditures are charged to the appropriate department fund.
- Software programs will be regarded as fixed assets subject to capitalization and the cost will be amortized over a useful life of 5 years. Costs associated with software maintenance and customer support are considered expenditures and will not be capitalized.
- Improvements to existing fixed assets will be presumed to extend the useful life of the related fixed asset and, therefore, will be subject to capitalization only if the cost of the improvement meets the \$5,000 threshold.
- Capital projects will be capitalized as “construction in progress” until completed. Costs to be capitalized include direct costs, such as labor, materials, and transportation, indirect costs such as engineering and construction management, and ancillary costs such as construction period interest.
- When fixed assets are sold or disposed of, the inventory of Fixed Assets should be relieved of the cost of the asset and the associated accumulated depreciation.
- The Board of Trustees will need to approve a Property Disposition report prior to transfer, auction or disposal of any fixed asset.

**3020.43** An accounting, or inventory, of all fixed assets shall be conducted on an annual basis. After the conclusion of said inventory, the General Manager shall certify its completeness and report the results thereof to the Board of Trustees at its next regular monthly meeting.

**3020.44** When any fixed asset is received, a tag with a unique identification number shall be affixed to said item, and the number recorded in the permanent inventory records.

**3020.45** Permanent inventory records shall be maintained in either a paper file or electronic (computer data base) format. Said records shall be updated whenever a change in the status of a particular fixed asset occurs (e.g., original purchase, sale, destruction, loss, theft, etc.).

**3020.46** Information to be maintained in said inventory records shall include at least the following:

- Asset number;

## Capital Asset Management Policy (Cont'd)

- Description;
- Manufacturer's serial number;
- Storage location;
- Original cost;
- Acquisition date;
- Life expectancy; and,
- Classification code (e.g., office equipment, vehicle, etc.).

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### **3020.50 Control Policy - (Safeguarding)**

The General Manager is responsible for establishing and maintaining systems and procedures to properly safeguard assets. However, District Employees are responsible for protecting assets under their control from theft or loss. These assets are described as follows:

1. The acquisition cost of the fixed asset is equal to or greater than \$5,000.
2. An asset required to be controlled and separately reported pursuant to grant conditions and other operational or externally imposed. For example, a grant program that has funded the acquisition of a fixed asset may impose a requirement that the fixed asset be tracked and identified as a grant funded asset.

### **3020.60 Depreciation**

Depreciation is computed from the date the fixed asset is placed in service until the end of its useful life.

#### Depreciation method – straight line

Buildings	<del>30</del> years
Arch/Engineering	10 - 50 years
Construction Engineering	10 - 50 years
Other Real Property	10 - 50 years
Improvements Other-Contributed Capital	10 - 50 years
Fixed Shop Equipment	5 years
Portable Shop Equipment	5 years
Field Equipment	<del>5-10</del> years
Safety Equipment	5 years
Heavy Mobile Equipment	<del>5-10</del> years
Communication Equipment	5 years
Furniture & Fixtures	5 years
Office Machines	5 years
Visual Aid	5 years
Computers	5 years
Other Assets	5 years
Computer Software	5 years

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