



Budget & Finance Committee Meeting
Tuesday, May 4, 2021 at 1:00 PM
Valley Sanitary District
45-500 Van Buren Street, Indio, CA 92201

*****SPECIAL NOTICE – VIA VIDEOCONFERENCE*****

Pursuant to the Governor’s Executive Order N-25-20 issued on March 4, 2020 and N-29-20 issued on March 18, 2020; the Budget & Finance Committee regular meeting will be conducted remotely through Zoom. **Members of the public wanting to participate in the open session of the meeting may do so via the following Zoom registration link:** <https://zoom.us/j/92829521702> Meeting ID: 928 2952 1702 or by calling 669-900-9128 or 253-215-8782. Members of the public wanting to address the Board, either during public comment or for a specific agenda item, or both, are requested to send an email notification no later than 12:30 p.m. on the day of the meeting to the Valley Sanitary District’s Clerk of the Board at hgould@valley-sanitary.org.

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1. CALL TO ORDER

- 1.1. Roll Call
- 1.2. Pledge of Allegiance

2. PUBLIC COMMENT

This is the time set aside for public comment on any item not appearing on the agenda. Please notify the Secretary in advance of the meeting if you wish to speak on a non-hearing item.

3. DISCUSSION / ACTION ITEMS

- 3.1. Discussion of Draft Fixed Assets Accounting Policy 3 - 38
- [3.1 Discussion of Fixed Assets Accounting Policy.pdf](#) 
 - [3.1 Attachment A Draft Fixed Assets Accounting Policy.pdf](#) 
 - [3.1 Attachment B VSD Equipment Disposition Form.pdf](#) 
 - [3.1 Attachment C Lessee Inventory Schedule.pdf.pdf](#) 
 - [3.1 Attachment D Lessee Journal Entries.pdf](#) 
 - [3.1 Attachment E Lessor Inventory Schedule.pdf](#) 
 - [3.1 Attachment F Lessor Journal Entries.pdf](#) 
 - [3.1 Attachment G Current Fixed Assets Accounting Policy.pdf](#) 
- 3.2. Discussion of Draft Bank Account and Check Writing Policy 39 - 43
- [3.2 Discussion of Draft Bank Account and Check Writing Policy.pdf](#) 
 - [3.2 Attachment A Draft Bank Account and Check Writing Policy.pdf](#) 
- 3.3. Information Item Chair of the Budget and Finance Committee 44
- [3.3 Information Item Allowability of Staff to Serve as Chairperson.pdf](#) 

4. FUTURE MEETING ITEMS

5. ADJOURNMENT

Pursuant to the Brown Act, items may not be added to this agenda unless the Secretary to the Board has at least 72 hours advance notice prior to the time and date posted on this notice.



**Valley Sanitary District
Budget & Finance Committee
May 4, 2021**

TO: Budget & Finance Committee

FROM: Jeanette Juarez, Business Services Manager

SUBJECT: Discussion of the Valley Sanitary Draft Fixed Assets Accounting Policy

<input type="checkbox"/> Board Action	<input type="checkbox"/> New Budget Approval	<input type="checkbox"/> Contract Award
<input checked="" type="checkbox"/> Board Information	<input type="checkbox"/> Existing FY Approved Budget	<input type="checkbox"/> Closed Session

Executive Summary

The purpose of this report is for the Budget & Finance Committee to review and discuss the draft Fixed Assets Accounting Policy.

Strategic Plan Compliance

This item complies with VSD Strategic Plan Objective 6.3.1: Review 10% of policies annually and update as needed.

Fiscal Impact

There is no fiscal impact from this report.

Background

The purpose of this policy is to ensure the District’s fixed assets are acquired, safeguarded, controlled, disposed of, and accounted for in accordance with state and federal regulations, auditor requirements, applicable accounting pronouncements, and in a manner that adequately supports the maximum recovery of Facilities and Administrative (indirect) costs associated with these assets. This policy applies to all fixed Assets (land, buildings, infrastructure, and equipment) regardless of source of funds used to acquire these assets (including donated assets) and applies to all departments that use, have custody of, or have been assigned responsibility for such fixed assets. In addition to land, buildings, improvements and equipment, the District will maintain an inventory of all controllable property.

Recommendation

Recommend that the Budget and Finance Committee receive this report for information.

Attachments

- Attachment A: Draft Fixed Assets Accounting Policy
- Attachment B: Equipment Disposition Form

- Attachment C: Lessee Inventory Template
- Attachment D: Lessee Journal Entries
- Attachment E: Lessor Inventory Template
- Attachment F: Lessor Journal Entries
- Attachment G: Current Fixed Assets Accounting Policy



Fixed Assets Accounting Policy

Adopted: _____/2021

I. PURPOSE

The District has a significant investment in fixed assets that include land, buildings, fixed equipment, infrastructure, and moveable equipment. This policy addresses the basic requirements and procedures that must be followed to meet all state and federal regulations related to fixed assets. In addition to land, buildings, improvements and equipment, the District will maintain an inventory of all controllable items as defined below.

This policy is an overview of various components as they relate to fixed assets:

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Definitions

Capitalizable Assets: A fixed asset with an expected useful life of greater than one (1) year and the asset individually has a value or cost of \$5,000 or greater at the date of acquisition.

Controllable Assets: Tangible property that has an expected life of greater than one (1) year and value or cost less than \$5,000 at the date of acquisition.

Depreciation: The process of allocating the cost of an asset over a period of time, usually its estimated useful life.

Depreciation Method: Straight-line method with half-month convention.

Intangible Assets: An asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents, and trademarks.

Tangible Assets: Assets are physical and measurable assets that are used in a company's operations. Assets like property, plant, and equipment, are tangible assets.

Useful Life: The amount of time that an asset is expected to provide benefit to the District.

II. POLICY

The purpose of this policy is to ensure the District's fixed assets are acquired, safeguarded, controlled, disposed of, and accounted for in accordance with state and federal regulations, auditor requirements, applicable accounting pronouncements, and in a manner that adequately supports the maximum recovery of Facilities and Administrative (indirect) costs associated with these assets. This policy applies to all fixed Assets (land, buildings, infrastructure, and equipment) regardless of source of funds used to acquire these assets (including donated assets) and applies to all departments that use, have custody of, or have been assigned responsibility for such fixed assets.

Management of Fixed Assets

Departmental Responsibilities

All District employees are responsible for protecting District property and are ultimately responsible for, and are held accountable for, assuming proprietary control of all equipment and other fixed assets in their custody or assigned to their department.

1. This responsibility includes establishing business practices and procedures for such equipment and other fixed assets that provide for the following:
2. The proper care, maintenance, control, and reasonable safeguards to prevent loss, damage or theft of such equipment and other fixed assets.
3. The proper usage of such equipment and other fixed assets. Such items should be used for District business purposes and in accordance with District policies and state and federal regulations.
4. The creation of procedures related to the acquisition of equipment and other fixed assets requiring initial screening to avoid the purchase of duplicative equipment is

performed before requisitioning such equipment; verification steps are performed to ensure all items ordered are actually received and are in good operating condition; and assistance is provided to the Business Services Manager to complete the initial inventory of items acquired within 30 days of receipt for those items delivered directly to the ordering department, gather complete demographic information (location, serial number, etc.), and attach a barcode tag to the item whenever possible. Once the barcode tags are put on the equipment they should not be removed.

5. The proper disposal of obsolete, unneeded, or inoperable fixed assets and other property in accordance with the asset disposal policy. Department Heads may act to transfer property to another department but cannot sell or donate property to an individual or commercial firm. The departmental procedures for all disposals or transfers to other departments should ensure that the transfer or disposal forms for all such items are forwarded to the Business Services Manager for recording in Fixed Asset Module on a timely basis.
6. The reporting of thefts of equipment and other fixed assets to the Business Services Manager. In addition, equipment that is lost or has been destroyed because of a casualty (fire, flood, etc.) should be immediately reported to the Business Services Manager.
7. Ensuring that a Loan of District Property Form is completed, with an electronic copy forwarded to the Business Services Manager, for any equipment loaned to employees so that they may work on District business onsite or at home. Ensure that the form is properly authorized by the department head with a signed consent by the employee to return the equipment upon request or upon termination of employment. Include specific details about the equipment (barcode number, serial number, manufacturer, model number, cost, etc.), and have a department process to track all such equipment. Ensure that all loaned equipment is returned from any employee prior to termination of employment.
8. The designation of an equipment coordinator(s) for the department who will assist in the management and control of the equipment and other fixed assets assigned to the department, document and forward all inventory information to include location changes, surplus and disposal documents, and new equipment acquisition documents to the Business Services Manager within 30 days of the change. This individual will also act as the primary point of contact for the department during the District's annual physical inventory process. The department head is responsible for communicating to the Business Services Manager any change of the equipment coordinator duty within the department.

Business Services Manager

The responsibilities of the Business Services Manager are to:

1. Initiate and control the collection of detailed demographic information (location, serial number, etc.) of all equipment acquired by purchase, donation, fabrication, transfer, or other method of acquisition.
2. Coordinate the taking of annual physical inventories of equipment and certain other fixed assets. Reconcile and update the fixed asset module for the results of these inventories and report the results to management.
3. Record disposals (and related sales proceeds, gains or losses, and reduction of accumulated depreciation) through sales, write-offs, trade-ins, and all other means for all fixed assets in the fixed asset module.

4. Provide guidance to Department Heads and other Valley Sanitary District Staff related to fixed assets policies and procedures.
5. Maintain and record changes or updates as appropriate to the land, building, infrastructure, fixed equipment and moveable equipment records in the fixed asset module.
6. Reconcile the fixed asset module to the general ledger for all capital asset categories.
7. Provide Department Heads with accurate and timely information about equipment and other such assets under their control or assigned to their departments.
8. Prepare data on depreciation for the District's financial statements.
9. Assist in the preparation and completion of property information reports, as required by governmental entities, or state or federal auditors, etc.
10. Enter all leases for buildings or equipment into the accounting system for determination of proper reporting category for financial statement purposes (i.e., operating or capital).
11. Prepare calculation for future minimum lease payments for the District's financial
12. statements.

Capitalization Threshold

All fixed assets, including buildings, equipment, furniture, improvements, infrastructure, land, software, and vehicles with an original cost of \$5,000 or more, will be subject to 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, and legal costs directly attributable to asset acquisition. The purchase of these fixed assets shall be included on the District's statement of net assets and depreciated over the asset's estimated useful life. The purchase of fixed assets for less than \$5,000 shall be expensed.

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.
- The capitalization threshold will generally not be applied to components of fixed assets. For example, a keyboard, monitor, and central processing unit purchased as components of a computer system will not be evaluated individually against the capitalization threshold. The entire computer system will be treated as a single fixed asset.
- Repairs to fixed assets will generally not be subject to capitalization unless the repair extends the useful life of the asset. In this case, it represents an improvement and is subject to the capitalization policy and should be evaluated separately.
- Improvements to existing fixed assets will be presumed (by definition) 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. In theory, an improvement to a fixed asset that had an original cost of less than \$5,000, but now exceeds the threshold because of the improvement, should be combined as a single asset at the total cost (original cost plus the cost of the improvement) and capitalized.

Asset Categorization and Capitalization

Two (2) different categories fixed assets are tracked in the fixed asset module capitalizable and controllable.

1. Capitalizable assets are all fixed assets that meets the District's capitalization criteria as stated in the Threshold Policy. Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis (MD&A) for State and Local Governments of the Governmental Accounting Standards Board (GASB) defines Capital Assets as:

“land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems” (GASB, Para 19).

2. Controllable property is all property that does not meet the District's capitalization criteria, but which the District is obligated to physically control (laptops, computers, cell phones). These assets are in the fixed asset module but have no depreciation to distinguish them from capitalized assets. For accounting purposes, controllable property is not included in the fixed assets general ledger control accounts, nor is it included in the calculation of depreciation expense.

Buildings

1. Buildings acquired by purchase are recorded at cost and include all permanent structures and all integral fixtures, machinery, and other appurtenances that cannot be readily removed without disrupting the basic building structure or services to the building. The cost should also include professional fees for attorneys, appraisers or financial advisors, and any other expenditure necessary to put a building or structure within its intended state of operations.
2. Buildings acquired by gift or bequest are recorded at the fair market value at the date of acquisition. Donations from related entities require the asset be recorded at the book value of the donating entity.
3. When buildings are constructed, all identifiable costs are included, such as (but not limited to) contract costs, insurance and interest costs incurred during the period of construction in excess of interest revenue on any borrowed funds. Costs are accumulated in Construction in Progress until the date of beneficial occupancy.
4. Structural remodeling/renovation and additions are capitalized when they enhance the use of, extend the life of the building beyond its original estimated useful life, or significantly increase the efficiency of the building.

Construction-in-Progress

1. Construction in progress includes all expenditures directly related to building construction, renovations, or additions. These costs include contract cost (materials, labor, and overhead) as well as professional fees and interest incurred during the construction period.
2. Upon completion, construction- in- progress costs are transferred to buildings, Improvements, or infrastructure.

Equipment - Capitalized

1. Moveable equipment and separately acquired fixed equipment that has an original unit cost of \$5,000 or more and an expected useful life of greater than one (1) year. The amount capitalized is the purchase price of the asset plus any cost necessary to prepare the asset for use, including shipping and installation. Vendor discounts are deducted, but trade-in allowances are not.
2. Fixed equipment is generally of a configuration requiring contractor installation. Installation often includes charges for various permanent service connections, assembly, site preparations and other miscellaneous types of labor. These associated installation costs, when properly documented, are included in the capitalized cost of newly acquired fixed equipment.

Equipment - Controllable

Controllable equipment carried on the District's inventory is generally defined as moveable, non-consumable items that are not permanently fixed or installed and that have a useful life of at least one-year. Microcomputers, laser printers, LCD projectors, digital cameras, camcorders, and laptop computers with an initial purchase price between \$500 and \$4,999 will be included in the inventory as a controllable asset. It is essential that all controllable assets for the District are always accounted for. Any equipment meeting the definition of controllable equipment will be tagged with a unique bar code label identifying the asset as property of the District. The tagging is generally done at the time the new item is delivered. It is the department's responsibility to notify the Business Services Manager of the receipt and location of the items within 30 days of delivery.

Furniture and Fixtures

Examples of furniture and fixtures are tables, chairs, file cabinets, cubicle walls, etc. used to furnish an office. This category does not include computers or laptops which are classified as equipment.

Improvements

Significant costs incurred after an asset is acquired that increase the future economic benefits of the asset are capital expenditures. Future economic benefits are increased by extending the life of the asset, improving productivity, or improving the quality of service. If the cost incurred was to maintain the asset, it is a current period expense.

Infrastructure

Infrastructure assets are long-lived and can be preserved for a significantly greater number of years than most capital assets and are normally stationary in nature. Examples include paving, roads, bridges, tunnels, utility distribution systems, water and sewer systems, parking lots, fencing and outdoor lighting.

Infrastructure assets with an estimated life greater than one year will be capitalized.

Land

1. Land acquired by purchase is recorded at cost and includes the amount paid for the land itself and all related acquisition costs. Land is considered to be an inexhaustible asset (with infinite life) and therefore is not depreciated. In addition to the costs of acquisition, the cost of land should include ancillary costs such as:
 - Legal and title fees,
 - Unpaid taxes assumed,
 - Surveying and recording fees,
 - Appraisal and negotiation fees,
 - Easements,
 - Damage payments,
 - Site preparation costs (clearing, filling, and leveling) and
 - Demolition of unwanted structures.
2. Land acquired by gift or bequest is recorded at the fair market value at the date of acquisition. Donations from related entities require the asset be recorded at the book value of the donating entity.
3. When land is acquired with buildings erected thereon, total cost is allocated between land and building in reasonable proportion at the date of acquisition. If the transfer document does not show the allocation, other sources may be used, such as an expert appraisal or real estate tax assessment records.
4. Land improvements with an estimated life greater than one year will be capitalized. Examples of such improvements include (but are not limited to) landscaping, athletic fields, and tennis courts.

Those improvements that produce permanent benefits to the land, such as costs for fill and grading that ready the land for erection of a structure, or landscaping are considered inexhaustible and are therefore capitalizable. However, they are not depreciable.

The cost of land does not include those expenditures made in connection with land improvements that are exhaustible (i.e., that deteriorate with use or the passage of time) or are part of an infrastructure asset such as paving, parking lots, and fencing. These fall in the category of infrastructure.

Software

GASB Statement No. 51 Accounting and Financial Reporting for Intangible Assets establishes financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software.

Software intangible assets include computer “programming” or “coding language” that provide the necessary instructions for the computer hardware to perform a desired task or series of tasks. Software intangible assets include purchased “off the shelf” software,

including all necessary modifications, software specifically developed by an outside contractor, and software developed internally by agency personnel, or acquired through any combination of the above.

1. Computer software developed or obtained for internal use should be capitalized if the cost of the license is \$5,000 or more and the software license has a useful life of greater than one (1) year and meets the following condition:
 - Software or licenses purchased and placed into operation without modifications exceeding ten percent of the software purchase price should be considered an intangible asset. This type of computer software is not considered to be internally generated, and therefore, the entire purchase price of the software is capitalized.
2. State agencies often acquire software systems from a vendor that may be customized or developed for their internal use. While the licensing agreement and fee itself would not generally be capitalizable, any significant costs incurred to customize the software to meet the needs of the University should be capitalized. Software is considered to be developed or obtained for internal use if both of the following tests are met:
 - The software is purchased, internally developed, or modified solely to meet the entity's internal needs; and
 - During the software's development or modification, no substantive plan exists or is being developed to market the software externally.

Commercially available software purchased or licensed by an agency that requires modification by agency personnel or a third party and the cost incurred for the modification equals or exceeds ten percent of the total software acquisition cost before being placed into operation should be considered internally generated for purposes of GASB No. 51. For example, licensed financial accounting software that the agency modifies to provide special reporting capabilities and the cost of the modification equals or exceeds ten percent of the software purchase price would be considered internally generated.

Vehicles

Can include company cars, trucks, trailers, and more specialized moving equipment, such as forklifts, Vactors, and TV Vans.

Useful Life

The following durations will be used to determine the useful life and term of depreciation.

<u>Type of Fixed Asset</u>	<u>Life in Years</u>	<u>Life in Miles</u>
Buildings – General Structures	30	N/A
Buildings – Lift Stations, Pump Stations, Out Buildings	20	N/A
Buildings – Modular	10	N/A
Buildings – Office Buildings	50	N/A
Equipment – PCs, Laptops, and Printers	3	N/A
Equipment – Office Equipment (copiers, servers, etc.)	5	N/A
Equipment – Light Duty	5	N/A
Equipment – Medium Duty	10	N/A
Equipment – Heavy Duty	15	N/A
Furniture – Office	5	N/A
Furniture – Office Fixtures	10	N/A
Improvements – General	15	N/A
Infrastructure – Manholes	50	N/A
Infrastructure – Outfall	70	N/A
Infrastructure – Sewer Lines	50	N/A
Infrastructure – Treatment Plant	40	N/A
Land	Indefinite	
Software	5	N/A
Vehicle – Autos & Vans	7	80,000
Vehicle – Trailer	15	N/A
Vehicle – Truck, Light Duty (Inspector, TV, Ops, etc.)	5	60,000
Vehicle – Truck, Heavy Duty (Hydro, Vector, Dump, etc.)	10	100,000

Leases

GASB Statement No 87 defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment.

Exceptions

- Lessee
 - Short-term lease (maximum possible term of 12 months or less)
 - Lease payments recognized as expense by the lessee and recognized as revenue by the lessor.
 - Contracts that transfer ownership
 - The transaction should be reported as a financed purchase of the underlying asset by the lessee and sale of the asset by the lessor.
 - Leases for \$1 (Exchange/Exchange like Transaction)
- Lessor
 - Investments
 - If the underlying assets meets the requirements of GASB72 then it should be reported as an investment measured at fair value.

Exclusions

- Intangible assets, such as mineral rights, patents, software and copyrights
- Short term leases
- Biological assets, including timber, living plants, and living animals
- Inventory
- Contracts that meet the definition of a service concession agreement (GASB 60)
- Assets financed with outstanding conduit debt, unless both the underlying asset and the conduit debt are reported by the lessor.
- Leases that transfer ownership
- Supply contracts, such as power purchase agreements

Lessee Accounting

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

A lessee should reduce the lease liability as payments are made and recognize an outflow of resources (for example, expense) for interest on the liability. The lessee should amortize the lease asset in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. The notes to financial statements should include a description of leasing arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made.

Entries for Lessee

- Lease Liability
 - Present value of payments expected to be made during the lease term
- Intangible right-to-use (capital asset)
 - Lease Liability
 - Payments made on the lease prior to commencement of the lease term
 - Direct costs necessary to place the lease asset into service
- If interest rate cannot be determined, use the lessee's incremental borrowing rate
- Lease asset should be amortized over the shorter of the life of the lease or the useful life of the assets
- Debt issuance costs are expensed in the period incurred
- Exclude maintenance type costs when calculating the lease liability

Lessor Accounting

A lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. A lessor should not derecognize the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to

be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

A lessor should recognize interest revenue on the lease receivable and an inflow of resources (for example, revenue) from the deferred inflows of resources in a systematic and rational manner over the term of the lease. The notes to financial statements should include a description of leasing arrangements and the total amount of inflows of resources recognized from leases.

Entries for Lessor

- Lease receivable
 - Present value of lease payments, including fixed, certain variable, residual value guarantee, and lease incentives
 - Not including portion of variable payment that is based on performance
 - Discounted using interest rate in the lease (implicit or explicit)
 - Should be remeasured if changes occur to the contract or an event occurs resulting in a variable component becoming fixed
- Deferred inflow of resources
- Other Items:
 - Initial direct costs – current period expense
 - Recognition of both lease revenue and interest revenue
 - Continue to account to the underlying asset (depreciation and impairment)

Disposal of Equipment and Other Fixed Assets

Sale of Surplus Equipment

Obsolete equipment or items worn beyond repair can be classified as surplus. The Department Head or designee must complete the "Equipment Disposition Form" and Board action is required to declare any equipment surplus. Once the Board has declared an item surplus, it is advertised for sale with an indication of the location/hours/days it can be seen and the deadline date for submission of bids. (The advertisement will also stipulate that the District reserves the right to reject any or all bids and that the equipment is sold AS IS.) The District uses GOVDEALS to advertise and sell surplus items.

Value of Property

It is the responsibility of each department to appraise items designated as surplus. If it is determined that the property sold as a unit has a market value of more than \$5,000, the property must be disposed of by a bid process in accordance with District purchasing guidelines. The bid process will be coordinated in conjunction with each respective department and the General Manager. The General Manager is authorized to advertise such surplus property for sale to the public. If it is determined that the property sold as a unit has a value less than \$5,000, the property may be disposed of in a manner approved by the Board.

Disposal Process

Prior to the disposal of any surplus property, each department is required to complete an "Equipment Disposition Form" (see Exhibit D) and return it to the General Manager for

approval and to Administration for processing. Upon retirement/disposal of the asset, Business Services Manager will remove the item from the Fixed Asset Module.

Sale of Real Estate

Board action is required to declare any property surplus. The Board will authorize and grant authority to District staff to obtain an appraisal of surplus property.

In accordance with State law, surplus property is first offered to public agencies at the appraised price. If the property is not purchased by a public agency, it is then advertised in the newspaper with a request that sealed bids be submitted to the District. The Board will review the bids at the next regular Board Meeting and decide to accept or reject the highest bid. Bidders are then notified of the Board's action.

Proceeds from the disposal of surplus property will be allocated to the District's General Fund unless the property was originally purchased with monies from a specific District Fund, in which case, the proceeds will be returned to that specific fund.

Depreciation

Depreciable capital assets include all capital assets except land and construction-in-progress. Depreciation is calculated using the straight-line method over the applicable useful life.

Depreciation is computed from the beginning of the month it is placed in service if it was acquired by the 15th of the month. If the Capital Asset is acquired after the 15th of the month, it is depreciated from the beginning of the next month. Similarly, depreciation for the month of disposition is computed for that month if it is disposed of after the 15th.

Non-Capital Expenditures

Expenditures for repairs, maintenance or replacement of components parts or accessories, which do not extend the unit's original estimated useful life, significantly enhance its net value, or significantly improve its efficiency are noncapital expenditures.

1. For example, assume an automobile has a useful life of five years. In the third year the engine is rebuilt so that the original life expectancy can be realized. The rebuilding of the engine is not a capital even if the total cost exceeds the \$5,000 threshold, because the expected useful life of the automobile has not been extended beyond the original life expectancy.
2. Expenditures incurred in demolishing or dismantling equipment including those expenditures related to the replacement of units or systems are non-capital expenditures.
3. Expenditures incurred in connection with the rearrangement, transfer, or moving capitalized items from one location to another, including expenditures incurred in dismantling, transporting, reassembling and reinstalling such items in a new location are non-capital expenditures.

Physical Inventory

The District will conduct a physical inventory of capital assets equipment annually. The inventory team will be comprised of staff from the Administration Department and Department Supervisors. All movable fixed assets such as machinery, equipment, and office furniture (not land, buildings, or other immovable fixed assets) will be inventoried.

Fixed assets will be subject to inventory control if they meet at least one (1) of the following criteria:

1. The original cost of the fixed asset is equal to or greater than \$5,000.
2. Any asset that cost less than \$5,000 that a department requests to be subject to inventory control. This may include certain machinery and equipment that, due to portability, value outside of the office, or character, are susceptible to theft or loss. It may also include an asset that has been requested by a department to be controlled to satisfy an internal (operational) or external requirement. For example, Information Systems may wish to inventory all computer hardware and software to establish replacement and upgrade requirements for both hardware and software.
3. Any asset required to be controlled and separately reported pursuant to grant conditions or other externally imposed reporting requirement. 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.

Inventory Process

1. The inventory team will use the fixed asset inventory log by department to verify the asset's location. Assets are tagged with property control numbers and these numbers must check back to the fixed asset inventory log by department.
2. Inventory teams will tag all fixed asset items and enter the property control number and other available information on fixed asset inventory log if items were not previously tagged and/or identified.
3. Any information necessary for the fixed asset inventory log that is not available on site will be investigated by the Business Services Manager.
4. Updated information will be entered into the fixed assets log and fixed assets module.
5. Assets not found during the inventory process will be evaluated by the Business Services Manager and department supervisor for actual or pending disposal. Assets pending disposal are assets not found during the current inventory. Disposal of these assets will occur only within a one-year period in an effort to confirm nonexistence.

Budgeting

The General Manager is responsible for the oversight of the Capital Improvement Program (CIP) and the development of the Budget. The General Manager may delegate responsibility to various Department Heads to Identify what Capital Assets are needed and requested in the budget process.

Asset purchases are authorized through the budget process (except for emergency projects) which involves the following steps:

1. Need is identified - either a new asset is needed, or an asset needs replacement or major repair.
2. Manager who is responsible for operating the asset submits a Budget Request or Capital Project Request form during the budget process.

Fixed Assets Accounting Policy

3. Funding source for the project is identified.
4. Projects are reviewed by the General Manager & Department Heads.
5. Project funding is granted through approval of the Annual Operating and Capital Budget by the Board of Directors.
6. Each department should budget for the repair and renewal needs of its assets consistent with best practices.

The various requests submitted in the budget process will be compiled by the Administration Department. Funding sources must be identified for each Budget Request and Capital Project Request.

The budgets will be reviewed, in detail, by the General Manager & Department Heads. The Board of Directors will subsequently review and approve the Operating and Capital Budgets.

The procurement process will be handled primarily by the manager who submitted the request. The acquisition of Capital Assets must follow the steps and rules stated in the District's Procurement Policy.

If actual costs are expected to be higher than what was budgeted, these options are available within the requirements of existing policies:

1. Cancel the project or reduce the scope of the project.
2. Transfer funds from another project with lower priority or excess funds available.
3. Appropriate funds from reserves, with Board approval.
4. Re-budget the project, with additional funding, in the following fiscal year.
5. Board approval is required for any new projects added during the fiscal year.

Funding Sources

All expenses included in the Capital Budget must not exceed estimated funding sources available for capital spending. The source of funding for each project must be identified as part of the Capital Budgeting Process.

Possible sources of funding include:

- Pay-As-You-Go "Pay-Go" - this source means that the Asset will be purchased with resources provided by the current year Operating Activities of the District.
- Debt - this source can be used to fund large projects, with useful lives of 20 years or more, with Board Approval.
- Reserves - this source may only be used with Board approval.
- Grant or other outside source - this source may be used only if there is preliminary or guaranteed approval of the project.

Due to the significant size and cost of some assets, staff may wish to fund only preliminary engineering/planning activities before committing to funding the whole project. This policy permits funding preliminary activities.

Accounting

A permanent fixed asset inventory log or database is to be maintained by the Business Services Manager for all fixed assets purchased by Valley Sanitary District. The log should contain the following information:

- Date of purchase.
- Description of item purchased.
- Received by donation or purchased.
- Cost or fair market value on the date of receipt.
- Donor or funding source, if applicable.
- Funding-source restrictions on use or disposition.
- Identification/serial number (if appropriate).
- Depreciation period.
- Vendor name and address.
- Warranty period.
- Number of the Valley Sanitary District check used to pay for the equipment.

Project numbers will be utilized to facilitate tracking of purchases, budgets, and assets in the computerized accounting system.

The Business Services Manager is to be informed, in writing, via an interoffice memorandum of any material changes in the status of property and equipment. This includes changes in location, sale of, scrapping of, and/or obsolescence of items and any purchase or sale of real estate.

At least annually, a physical inspection and inventory should be taken of all Valley Sanitary District fixed assets and reconciled to the general ledger balances. Adjustments for dispositions should be made.

Forms

1. Equipment Disposition Form
2. Lessee Inventory Template
3. Lessee Journal Entries
4. Lessor Inventory Template
5. Lessor Journal Entries

VALLEY SANITARY DISTRICT EQUIPMENT DISPOSITION FORM

(This form is to be completed upon the disposition of fixed assets, including equipment for surplus)

Date of Disposition:	
Department: Administration	Location: VSD

Justification for Disposition: Obsolete / No longer required.
The items will be disposed and recycled.

Item #	Asset Tag #	Quantity	Description	Current Location	Value \$	
1					0	
2					0	
3					0	
4					0	
5						
6						
7						
8						
9						
10						

Check One:
<input type="checkbox"/> Sold (Please attach supporting documentation and sale value.)
<input type="checkbox"/> Lost (Please include complete description of circumstances surrounding loss.)
<input type="checkbox"/> Donated to outside organization (Please attach supporting documentation.)
<input type="checkbox"/> Traded In (Please attach supporting documentation.)
<input type="checkbox"/> Reassigned for use as source of parts
<input type="checkbox"/> Stolen (Please attach police report or complete description of circumstances.)
<input type="checkbox"/> Destroyed (Please include complete description of circumstances.)
<input type="checkbox"/> Declared Surplus (Please attach documentation of Board Action)
<input type="checkbox"/> Other, Please explain:

Department Supervisor:	General Manager:
District Board Action:	

GASB 87 Lease Inventory Template
 Lessee Information

Asset Being Leased	Department Leasing the Asset	Entity Leasing the Asset to the Organization	General Description of Lease	Date of Lease Agreement	Lease Inception	Lease End	Payments due Monthly, Quarterly or Annual	Total Amount Paid Annually	Do Payments Include a Nonlease Component	Stated Interest Rate per Agreement, if any	Was Lease Reported as a Capital Lease at June 30, 2021?
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General Approach

- a. Take a complete inventory of all lease agreements, both as lessor and lessee
- b. Communicate requirements to other departments to ensure compliance
- c. Review existing policies to establish proper thresholds to limit scope and evaluate materiality
- d. Look for existing agreements not currently being recognized or disclosed as leases to ensure completeness
- e. Evaluate all current leases and contracts to determine if they meet the GASB 87 definition of a lease
- f. Assess all leases greater than twelve months
- g. Review the details of each lease contract, looking for nonlease components and determining the interest rate charged
- h. Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of GASB 87 implementation
- i. Calculate the present value of the leases to be reported
- j. Seek input from external auditors

Decision Tree

The following questions are worded so that any "No" response would result in the contract not meeting the requirements of GASB Statement No. 87.

Lease Definition (GASB 87, par.4)

For purposes of applying this Statement, a lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction.

Does the contract:

- Convey control? (GASB 87, par.5)
- Use another entity's nonfinancial asset? (GASB 87, par.7)
- Cover a period of time? (GASB 87, par.12)
- Involve an exchange or exchange-like transaction? (GASB 87, note 1)
(\$1 per month rent would be a nonexchange transaction)

Yes	No

The GASB 87 Statement does not apply to the following: (GASB 87, par.8)

- a. Leases of intangible assets, including rights to explore for or to exploit natural resources such as oil, gas, and minerals.
- b. Leases of biological assets, including timber, living plants, and living animals.
- c. Leases of inventory.
- d. Contracts that meet the definition of a service concession arrangement in paragraph 4 of Statement No. 60.
- e. Leases in which the underlying asset is financed with outstanding conduit debt, unless both the underlying asset and the conduit debt are reported by the lessor.
- f. Supply contracts, such as power purchase agreements.

The contract does NOT apply to the following:

- Lease of an intangible asset?
- Lease of a biological asset?
- Lease of inventory?
- Service concession arrangement?
- Leases with underlying asset financed with conduit debt?
- Supply contracts?

Yes	No

The GASB 87 Statement does not apply to Short-Term Leases (GASB 87, par.16)

A short-term lease is a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. For a lease that is cancelable by either the lessee or the lessor, such as a rolling month-to-month lease or a year-to-year lease, the maximum possible term is the noncancelable period, including any notice periods.

The noncancelable lease term as defined above is greater than 12 months?

Yes	No

The GASB 87 Statement does not apply to Contracts that Transfer Ownership (GASB 87, par.19)

A contract that (a) transfers ownership of the underlying asset to the lessee by the end of the contract and (b) does not contain termination options (see GASB 87 paragraph 12), but that may contain a fiscal funding or cancellation clause that is not reasonably certain of being exercised (see GASB 87 paragraph 13), should be reported as a financed purchase of the underlying asset by the lessee or sale of the asset by the lessor.

The contract does not transfer ownership at the end of the contract?

Yes	No

Additional Lessor Questions:

Two additional questions that apply only to the Lessor in determining whether the GASB 87 Statement applies

The GASB 87 Statement does not apply for Lessors that have Leases for assets that are investments (GASB 87, par.41)

If the underlying asset in a lease meets the requirements in GASB Statement 72 to be reported as an investment measured at fair value, the lessor should not apply the recognition and measurement provisions of this Statement. The lessor should disclose the information in accordance with paragraph 57d of the GASB 87 Statement but is not required to make the other disclosures in paragraph 57.

If the Organization is the Lessor, the lease is not for assets that qualify as investments under GASB Statement 72?

Yes	No
X	

The GASB 87 Statement does not apply for Lessors for certain regulated Leases (GASB 87, par.42)

Certain leases are subject to external laws, regulations, or legal rulings. For example, the U.S. Department of Transportation and the Federal Aviation Administration regulate aviation leases between airports and air carriers and other aeronautical users. Lessors should not apply the provisions in paragraphs 44–59 of this Statement to leases that meet the provisions of paragraph 43.

If the Organization is the Lessor, the lease does not involve regulated leases?

Yes	No
X	

Lease Resource
GASB 87 Lease Adjustment
Lease Liability Payment Calculations

Assumptions

- Government lessee has a June 30 fiscal year end.
- Government lessee enters into 5 year non-cancellable lease for capital equipment (60 months) with no options to extend, on February 1, 2020, which will commence on April 1, 2020.
- Monthly payments due at beginning of each month for \$1,000. Total due \$60,000. First payment due on April 1, 2020.
- The government lessee estimates that the useful life of the capital equipment will be 7 years (84 months).

	PV of Lease		PV of purchase option
	Payments	PV calc term	
A	monthly payments	\$ 1,000	\$ -
B	number of periods	60	5
C	Annual interest rate	3.00%	3.00%
D	Monthly interest rate (C / 12 months)	0.250%	Rate
E	Future Value		\$ -
	Type: "1" if payments are made at beginning of period, "0" if payments are made at end of period		
F		1	Type
G	First payment date	4/1/2020	1
H	Increments between payments (if monthly "1", if bi-monthly "2")	1	
	Present value of lease payments	\$55,791	
	Present value of purchase option	\$0	
	Total PV of lease liability	\$55,791	
	Monthly payment calculation	\$ 1,000	

all numbers rounded to zero decimals

Amortization of lease payments					
Payment Number	Month Year	Payment	Interest	Principal	Balance
1	April, 2020	\$ 1,000	\$ -	\$ 1,000	\$ 54,791
2	May, 2020	1,000	137	863	53,928
3	June, 2020	1,000	135	865	53,063
4	July, 2020	1,000	133	867	52,196
5	August, 2020	1,000	130	870	51,326
6	September, 2020	1,000	128	872	50,454
7	October, 2020	1,000	126	874	49,580
8	November, 2020	1,000	124	876	48,704
9	December, 2020	1,000	122	878	47,826
10	January, 2021	1,000	120	880	46,946
11	February, 2021	1,000	117	883	46,063
12	March, 2021	1,000	115	885	45,178
13	April, 2021	1,000	113	887	44,291
14	May, 2021	1,000	111	889	43,402
15	June, 2021	1,000	109	891	42,511
16	July, 2021	1,000	106	894	41,617
17	August, 2021	1,000	104	896	40,721
18	September, 2021	1,000	102	898	39,823
19	October, 2021	1,000	100	900	38,923
20	November, 2021	1,000	97	903	38,020
21	December, 2021	1,000	95	905	37,115
22	January, 2022	1,000	93	907	36,208
23	February, 2022	1,000	91	909	35,299
24	March, 2022	1,000	88	912	34,387
25	April, 2022	1,000	86	914	33,473
26	May, 2022	1,000	84	916	32,557
27	June, 2022	1,000	81	919	31,638
28	July, 2022	1,000	79	921	30,717
29	August, 2022	1,000	77	923	29,794
30	September, 2022	1,000	74	926	28,868
31	October, 2022	1,000	72	928	27,940
32	November, 2022	1,000	70	930	27,010
33	December, 2022	1,000	68	932	26,078
34	January, 2023	1,000	65	935	25,143
35	February, 2023	1,000	63	937	24,206
36	March, 2023	1,000	61	939	23,267
37	April, 2023	1,000	58	942	22,325
38	May, 2023	1,000	56	944	21,381
39	June, 2023	1,000	53	947	20,434
40	July, 2023	1,000	51	949	19,485
41	August, 2023	1,000	49	951	18,534
42	September, 2023	1,000	46	954	17,580
43	October, 2023	1,000	44	956	16,624
44	November, 2023	1,000	42	958	15,666
45	December, 2023	1,000	39	961	14,705
46	January, 2024	1,000	37	963	13,742
47	February, 2024	1,000	34	966	12,776
48	March, 2024	1,000	32	968	11,808
49	April, 2024	1,000	30	970	10,838
50	May, 2024	1,000	27	973	9,865
51	June, 2024	1,000	25	975	8,890
52	July, 2024	1,000	22	978	7,912
53	August, 2024	1,000	20	980	6,932
54	September, 2024	1,000	17	983	5,949
55	October, 2024	1,000	15	985	4,964
56	November, 2024	1,000	12	988	3,976
57	December, 2024	1,000	10	990	2,986
58	January, 2025	1,000	7	993	1,993
59	February, 2025	1,000	5	995	998
60	March, 2025	1,000	2	998	-
Totals		\$ 4,209	\$ 55,791	\$ 60,000	

Interest adjusted for rounding

May need to input purchase option if it there is a reasonable possibility it will be exercised

**GASB 87 Lease Inventory Template
Lessor Information**

Asset Being Leased	Department Providing the Leased Asset	Entity Leasing the Asset From the Organization	General Description of Lease	Date of Lease Agreement	Lease Inception	Lease End	Payments due Monthly, Quarterly or Annual	Total Amount Paid Annually	Do Payments Include a Nonlease Component	Stated Interest Rate per Agreement, if any
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General Approach

- a. Take a complete inventory of all lease agreements, both as lessor and lessee
- b. Communicate requirements to other departments to ensure compliance
- c. Review existing policies to establish proper thresholds to limit scope and evaluate materiality
- d. Look for existing agreements not currently being recognized or disclosed as leases to ensure completeness
- e. Evaluate all current leases and contracts to determine if they meet the GASB 87 definition of a lease
- f. Assess all leases greater than twelve months
- g. Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of GASB 87 implementation
- h. Review the details of each lease contract, looking for nonlease components and determining the interest rate charged
- i. Calculate the present value of the leases to be reported
- j. Seek input from external auditors

Decision Tree

The following questions are worded so that any "No" response would result in the contract not meeting the requirements of GASB Statement No. 87.

Lease Definition (GASB 87, par.4)

For purposes of applying this Statement, a lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction

Does the contract:

- Convey control? (GASB 87, par.5)
 - Use another entity's nonfinancial asset? (GASB 87, par.7)
 - Cover a period of time? (GASB 87, par.12)
 - Involve an exchange or exchange-like transaction? (GASB 87, note 1)
- (A \$1 per month rent would be a nonexchange transaction)

Yes	No

The GASB 87 Statement does not apply to: (GASB 87, par.8)

- a. Leases of intangible assets, including rights to explore for or to exploit natural resources such as oil, gas, and minerals.
- b. Leases of biological assets, including timber, living plants, and living animals.
- c. Leases of inventory.
- d. Contracts that meet the definition of a service concession arrangement in paragraph 4 of Statement No. 60.
- e. Leases in which the underlying asset is financed with outstanding conduit debt, unless both the underlying asset and the conduit debt are reported by the lessor.
- f. Supply contracts, such as power purchase agreements.

The contract does NOT apply to the following:

- Lease of an intangible assets?
- Lease of a biological asset?
- Lease of inventory?
- Service concession arrangement?
- Lease with underlying asset financed with conduit debt?
- Supply contracts?

Yes	No

The GASB 87 Statement does not apply to Short-Term Leases (GASB 87, par.16)

A short-term lease is a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. For a lease that is cancelable by either the lessee or the lessor, such as a rolling month-to-month lease or a year-to-year lease, the maximum possible term is the noncancelable period, including any notice periods.

The noncancelable lease term as defined above is greater than 12 months?

Yes	No

The GASB 87 Statement does not apply to Contracts that Transfer Ownership (GASB 87, par.19)

A contract that (a) transfers ownership of the underlying asset to the lessee by the end of the contract and (b) does not contain termination options (see GASB 87 paragraph 12), but that may contain a fiscal funding or cancellation clause that is not reasonably certain of being exercised (see GASB 87 paragraph 13), should be reported as a financed purchase of the underlying asset by the lessee or sale of the asset by the lessor.

The contract does not transfer ownership at the end of the contract?

Yes	No

Additional Lessor Questions:

Two additional questions that apply only to the Lessor in determining whether the GASB 87 Statement applies

The GASB 87 Statement does not apply for Lessors that have Leases for assets that are investments (GASB 87, par.41)

If the underlying asset in a lease meets the requirements in GASB Statement 72 to be reported as an investment measured at fair value, the lessor should not apply the recognition and measurement provisions of this Statement. The lessor should disclose the information in accordance with paragraph 57d of the GASB 87 Statement but is not required to make the other disclosures in paragraph 57.

If the Organization is the Lessor, the lease is not for assets that qualify as investments under GASB Statement 72?

Yes	No

The GASB 87 Statement does not apply for Lessors for certain regulated Leases (GASB 87, par.42)

Certain leases are subject to external laws, regulations, or legal rulings. For example, the U.S. Department of Transportation and the Federal Aviation Administration regulate aviation leases between airports and air carriers and other aeronautical users. Lessors should not apply the provisions in paragraphs 44–59 of this Statement to leases that meet the provisions of paragraph 43.

If the Organization is the Lessor, the lease does not involve regulated leases?

Yes	No

**Lease Resource
GASB 87 Lease Adjustment
Lease Receivable Receipt Calculations**

Assumptions

- Government lessor has a June 30 fiscal year end.
- Government enters into a 10 year non-cancellable lease with a third party (not part of the lessor government's financial reporting entity) and leases two floors of one of its buildings to the third party. The lease begins on July 1, 2020.
- Monthly payments are due at beginning of the month for \$3,000. Government lessor receives the last month's rent upon inception of lease. First payment due July 1, 2020.
- Total due from lessee at inception is \$357,000 (\$360,000 less \$3,000 the last month's payment received at inception).
- The interest rate assumed to be charged by the government is 2.5%, its estimated return on its investments.
- The government continues to report the entire building as a capital asset and continues to depreciate the building on a straight-line basis.

Building cost	\$ 10,000,000
Useful life (years)	75
Annual depreciation expense (straight-line)	\$ 133,333

			<i>PV calc term</i>
A	monthly payments	\$ 3,000	<i>Pmt</i>
B	number of periods	119	<i>Nper</i>
C	Annual interest rate	2.5%	
D	Monthly interest rate (C / 12 months)	0.2083333%	<i>Rate</i>
E	Future Value		0 <i>Fv</i>

	Type: "1" if payments are made at beginning of period,		
F	"0" if payments are made at end of period.		1 <i>Type</i>
G	First payment date	7/1/2020	
H	Increments between payments (if monthly "1", if bi-monthly "2")		1
	Present value of lease payments	\$ 316,556	

Monthly payment calc **\$ 3,000**

all numbers rounded to zero decimals

Amortization of lease receipts					
Payment Number	Month, Year	Payment	Interest	Principal	Balance
					\$ 316,556
1	July, 2020	\$ 3,000	\$ -	\$ 3,000	313,556
2	August, 2020	3,000	653	2,347	311,209
3	September, 2020	3,000	648	2,352	308,857
4	October, 2020	3,000	643	2,357	306,500
5	November, 2020	3,000	639	2,361	304,139
6	December, 2020	3,000	634	2,366	301,773
7	January, 2021	3,000	629	2,371	299,402
8	February, 2021	3,000	624	2,376	297,026
9	March, 2021	3,000	619	2,381	294,645
10	April, 2021	3,000	614	2,386	292,259
11	May, 2021	3,000	609	2,391	289,868
12	June, 2021	3,000	604	2,396	287,472
13	July, 2021	3,000	599	2,401	285,071
14	August, 2021	3,000	594	2,406	282,665
15	September, 2021	3,000	589	2,411	280,254
16	October, 2021	3,000	584	2,416	277,838
17	November, 2021	3,000	579	2,421	275,417
18	December, 2021	3,000	574	2,426	272,991
19	January, 2022	3,000	569	2,431	270,560
20	February, 2022	3,000	564	2,436	268,124
21	March, 2022	3,000	559	2,441	265,683
22	April, 2022	3,000	554	2,446	263,237
23	May, 2022	3,000	548	2,452	260,785
24	June, 2022	3,000	543	2,457	258,328
25	July, 2022	3,000	538	2,462	255,866
108	June, 2029	3,000	74	2,926	32,592
109	July, 2029	3,000	68	2,932	29,660
110	August, 2029	3,000	62	2,938	26,722
111	September, 2029	3,000	56	2,944	23,778
112	October, 2029	3,000	50	2,950	20,828
113	November, 2029	3,000	43	2,957	17,871
114	December, 2029	3,000	37	2,963	14,908
115	January, 2030	3,000	31	2,969	11,939
116	February, 2030	3,000	25	2,975	8,964
117	March, 2030	3,000	19	2,981	5,983
118	April, 2030	3,000	11	2,989	2,994
119	May, 2030	3,000	6	2,994	0
Totals		\$ 40,444	\$ 316,556	\$ 357,000	

*Interest adjusted for rounding
Prepaid at lease inception*

Manager once per fiscal year for review and approval, after which the General Manager will submit the write-off recommendation for Board approval.

Finance staff will remove the corresponding amounts/charges from the District's general ledger and subsidiary ledgers upon receipt of the documentation granting Board approval to the General Manager for the submitted write-offs. The Board's minute order number is documented as part of the adjusting entry.

Denial of Requests

Accounts receivable write-off requests may be denied based on the criteria below. If the request is denied, it will be returned to the Accounting Department, and it will become the responsibility of the Accounting Department to take the necessary corrective actions.

Criteria for Denial of Requests:

- Insufficient collection efforts have been made or demonstrated.
- Lack of proper approval.
- Knowledge that the debt will be collected in the future.

4.8.8. Refunds and Statute of Limitations

Per the State of California Revenue and Taxation Code, Section 5096, the statute of limitations on any assessment adjustments and/or refunds is four (4) years from when the claim is made.

4.9. Fixed Assets Accounting

The purpose of this policy is to ensure proper control and appropriate use of the District's fixed assets. The procedures are intended to define fixed assets and to establish guidelines for budgeting, purchasing, using, financial reporting, logging, inventorying, transferring, depreciating, and disposing of fixed assets. This policy does

not apply to infrastructure assets.

It is the policy of Valley Sanitary District that fixed assets be used for appropriate District purposes and be properly accounted for and secured. It is the responsibility of District Department Heads to ensure that:

- purchasing guidelines are followed.
- fixed assets are adequately controlled and used appropriately.
- the Admin/Finance Department is notified when fixed assets are acquired, transferred, or otherwise subject to disposal.
- It is the responsibility of the Admin/Finance Department to ensure that.
- fixed-asset information is maintained in accordance with generally accepted accounting principles.
- equipment replacement records and schedules are maintained so that funding will be available to replace obsolete, outdated, and worn-out pieces of equipment.

The General Manager is authorized to grant exceptions to specific provisions on a case-by-case basis within the intent of the overall policy.

All District Departments are subject to the provisions of this policy.

The Valley Sanitary District's fixed asset policy has two (2) objectives.

- Accounting and Financial Reporting: to accurately account for and report fixed assets in financial reports issued to the Board of Directors, external reporting agencies, granting agencies, and the public.
- Safeguarding: to protect its (fixed) assets from loss or theft.

In meeting the two objectives, the District has established a Capitalization Policy and an Inventory Control Policy, providing specific guidance to determine which fixed assets are subject to separate accounting and reporting (i.e., Capitalization) and safeguarding (i.e., Inventory Control), respectively.

The Admin/Finance Department is responsible for, and has established, systems and procedures through which both objectives are met. These systems and procedures are

used to identify, process, control, track, and report District fixed assets.

4.9.1. Capitalization Policy (Accounting and Financial Reporting)

In general, all fixed assets, including land, buildings, machinery, and equipment, with an original 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, and legal costs directly attributable to asset acquisition. The purchase of these fixed assets shall be included on the District's statement of net assets and depreciated over the asset's estimated useful life. The purchase of fixed assets for less than \$5,000 shall be expensed. 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.
- The capitalization threshold will generally not be applied to components of fixed assets. For example, a keyboard, monitor, and central processing unit purchased as components of a computer system will not be evaluated individually against the capitalization threshold. The entire computer system will be treated as a single fixed asset.
- Repairs to fixed assets will generally not be subject to capitalization unless the repair extends the useful life of the asset. In this case, it represents an improvement and is subject to the capitalization policy and should be evaluated separately.
- Improvements to existing fixed assets will be presumed (by definition) 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. In theory, an improvement to a fixed asset that had an original cost of less than \$5,000, but now exceeds the threshold as a result of the improvement, should be combined as a single

asset at the total cost (original cost plus the cost of the improvement) and capitalized.

- 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.
- A permanent property log or database is to be maintained by the Administration & Finance Manager for all fixed assets purchased by Valley Sanitary District. The log should contain the following information:
 - date of purchase.
 - description of item purchased.
 - received by donation or purchased.
 - cost or fair market value on the date of receipt.
 - donor or funding source, if applicable.
 - funding-source restrictions on use or disposition.
 - identification/serial number (if appropriate).
 - depreciation period.
 - vendor name and address.
 - warranty period.
 - number of the Valley Sanitary District check used to pay for the equipment.
- The Administration & Finance Manager is to be informed, in writing, via an interoffice memorandum of any material changes in the status of property and equipment. This includes changes in location, sale of, scrapping of, and/or obsolescence of items and any purchase or sale of real estate.
- At least annually, a physical inspection and inventory should be taken of all Valley Sanitary District fixed assets and reconciled to the general ledger balances. Adjustments for dispositions should be made.

4.9.2. Inventory Control Policy (Safeguarding)

All Department Supervisors are responsible for safeguarding fixed assets under their control from theft or loss. However, the General Manager and the

Admin/Finance Department are responsible for establishing and maintaining systems and procedures that enable Department Supervisors and program managers to properly safeguard assets.

In general, Inventory Control is applied only to movable fixed assets such as machinery, equipment, and office furniture and not to land, buildings, or other immovable fixed assets. Fixed assets subject to inventory control will be accounted for and controlled through the same systems and procedures used to account for and control fixed assets subject to capitalization.

Fixed assets will be subject to inventory control if they meet at least one of the following criteria:

- The original cost of the fixed asset is equal to or greater than \$5,000.
- Any asset that cost less than \$5,000 that a department requests to be subject to inventory control. This may include certain machinery and equipment that, due to portability, value outside of the office, or character, are susceptible to theft or loss. It may also include an asset that has been requested by a department to be controlled in order to satisfy an internal (operational) or external requirement. For example, Information Systems may wish to inventory all computer hardware and software to establish replacement and upgrade requirements for both hardware and software.
- Any asset required to be controlled and separately reported pursuant to grant conditions or other externally imposed reporting requirement. 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.

4.9.3. Depreciation

Fixed assets will be depreciated using the following guidelines.

4.9.3.1. Fixed-Asset Categories

Each fixed asset will be added to one of the following categories:

Category Description	Examples
Land	Land is any real property such as land, easements, land lease, etc.
Buildings	Buildings are structures permanently affixed to land
Improvements (other than buildings)	Improvements other than buildings are land improvements such as parking lot pavement and improvements, fencing, etc.
Machinery and Equipment	Machinery and Equipment items are in the nature of tools such as saws, lathes, and items used in construction, repair, or manufacturing, and special purpose equipment such as items in an audiovisual or television studio. This category may include special purpose vehicles such as dump trucks and delivery vans.
Vehicles	Vehicles are generally automobiles and small trucks.
Furniture and Fixtures	Furniture and fixtures are office furniture, file cabinets, etc. used to furnish an office.
Office Equipment	Office equipment includes computers, fax machines, calculators, etc.
Equipment under Lease Purchase	Equipment under lease purchase includes items that are being acquired using lease financing.
Capital Improvement Project (GIP) in Progress	Capital Improvement Project in Progress is a holding account for expenditures that will be categorized upon their completion and placement in service

Computer software is not capitalized because of its short useful life and the high annual maintenance and upgrade costs.

4.9.3.2. Depreciable Lives

The categories above are assigned the following depreciable lives.

Category Description	Depreciable Life
Land	N/A
Buildings	50

Improvements other than Buildings	40
Machinery and Equipment	10
Vehicles	5
Furniture and Fixtures	7
Office Equipment	3
Equipment under Lease Purchase	3
Capital Improvement Project (CIP) in progress	N/A

4.9.3.3. Depreciation Convention

Depreciation is computed using the half-month convention. Depreciation is computed from the beginning of the month it is placed in service if it was acquired by the 15th of the month. If not, it is depreciated from the beginning of the next month. Similarly, depreciation for the month of disposition is computed for that month if it is disposed of after the 15th.

4.9.4. Disposal of Equipment and Other Fixed Assets

Equipment for purposes of the policy includes furniture, fixtures, and machinery. Obsolete computers are an example.

4.9.4.1. Sale of Surplus Equipment

Board of Directors action is required to declare any equipment surplus.

Once the Board has declared an item surplus, it is advertised for sale with an indication of the location/hours/days it can be seen and the deadline date for submission of bids. (The advertisement will also stipulate that the District reserves the right to reject any or all bids and that the equipment is sold AS IS.) The District uses GOVDEALS to advertise and sell surplus items.

4.9.4.2. Value of Property

It is the responsibility of each department to appraise items designated as surplus. If it is determined that the property sold as a unit has a market value of more than \$5,000, the property must be disposed of by a bid process in accordance with District purchasing guidelines. The bid process will be coordinated in conjunction with each respective department and the General Manager. The General Manager is authorized to advertise such surplus property for sale to the general public. If it is determined that the property sold as a unit has a value less than \$5,000, the property may be disposed of in a manner approved by the Board.

4.9.4.3. Disposal Process

Prior to the disposal of any surplus property, each department is required to complete an "Equipment Disposition Form" (see Exhibit D) and return it to the General Manager for approval and to Finance for processing. Upon retirement/disposal of the asset, Administration/Finance will remove it from the Fixed Asset database.

4.9.4.4. Sale of Real Estate

Board of Directors action is required to declare any property surplus. The Board will authorize District staff to obtain an appraisal of surplus property.

In accordance with State law, surplus property is first offered to public agencies at the appraised price. If the property is not purchased by a public agency, it is then advertised in the newspaper with a request that sealed bids be submitted to the District. The Board will review the bids at the next regular Board Meeting and decide to accept or reject the highest bid. Bidders are then notified of the Board's action.

Proceeds from the disposal of surplus property will be allocated to the District's General Fund unless the property was originally purchased with monies from a specific District Fund, in which case, the proceeds will be returned to that specific fund.

4.10. Procurement

This policy establishes the procedures for purchasing supplies, equipment and services by the Valley Sanitary District. The purpose of this policy is to establish clear and concise procurement guidelines that comply with best purchasing practices and state law while meeting the demands for operational effectiveness and fiscal accountability.

4.10.1. Definitions

- Shall, must, and will mean that the procedure is mandatory.
 - Should means that the procedure is recommended.
 - May means that the procedure is optional.
1. **Agreement.** A contractual arrangement between the District and a vendor.
 2. **Best Value.** The Best Value method of procurement incorporates cost, quality, and other specified requirements to achieve a resulting award that is fair, efficient, and competitive and meets all of the procurement objectives.
 3. **Bid.** A vendor's formal price offered for goods or services requested on a quotation request.
 4. **Blanket Purchase Order.** A purchase order issued to a vendor for items or services for a specified period of time, but not exceeding the end of the current fiscal year, when it is determined to be in the best interest of the District. After its acceptance by the vendor, purchases may be made against it periodically as required without calling for new purchase orders up to the dollar amount of the blanket purchase order.

5. **Change Order.** A written modification to a purchase order or blanket purchase order by the District directing the vendor to change the contract amount, requirements, or time.
6. **Contractual Services.** Labor, material, or specialized services contracted for a department, except for professional services and advertising.
7. **Contracting Officer's Technical Representative (COTR)** The Federal designation of the liaison between the agency and the vendor, and is responsible for the oversight of the contractual obligations between the agency and vendor.
8. **Design/Build/Finance (DBF)** An alternate delivery mechanism combining the Design, Construction, and Financing of a project.
9. **Design/Build/Finance/Operate (DBFO).** An alternate delivery mechanism combining the Design, Construction, Financing, and Operation of a project.
10. **District Credit Card.** A credit card issued in the District's name and for which the District is responsible for payment.
11. **Fixed Asset.** Any single item costing \$5,000 or more, including tax and shipping. These items must have a fixed asset account established with the District Administrative Office before submitting a requisition.
12. **General Services.** Services shall refer to all services other than public works or professional services. Examples of this type of service are auto repair, office equipment repair, pest control, printing, and towing.
13. **Government Pricing Schedule.** A pre-negotiated and pre-authorized Pricing Schedule established by the U.S. General Services Administration (GSA), the California Multiple Awards Schedule (CMAS), Riverside County, U.S. Communities, or other public entity through which the District is able to participate in government pricing.
14. **Indefinite Quantity / Indefinite Delivery (IDIQ).** A procurement mechanism to obtain services based on qualifications-based selection for a series of tasks from a specified vendor.
15. **Miscellaneous Property.** Items such as supplies, material, furnishings, equipment, vehicles, and material objects other than real estate or buildings.



**Valley Sanitary District
Budget & Finance Committee
May 4, 2021**

TO: Budget & Finance Committee

FROM: Jeanette Juarez, Business Services Manager

SUBJECT: **Discussion of the Valley Sanitary Draft Bank Account and Check Writing Policy**

<input type="checkbox"/> Board Action	<input type="checkbox"/> New Budget Approval	<input type="checkbox"/> Contract Award
<input checked="" type="checkbox"/> Board Information	<input type="checkbox"/> Existing FY Approved Budget	<input type="checkbox"/> Closed Session

Executive Summary

The purpose of this report is for the Budget & Finance Committee to review and discuss the draft Bank Account and Check Writing Policy.

Strategic Plan Compliance

This item complies with VSD Strategic Plan Objective 6.3.1: Review 10% of policies annually and update as needed.

Fiscal Impact

There is no fiscal impact from this report.

Background

The purpose of this policy is to provide operational procedures to increase efficiency, cost savings and protection from illegal acts with regards to the District’s daily financial activities. It is the policy of the Valley Sanitary District that employees and elected officials of the District exercise sound judgement and follow best practices in the management and oversight of the District’s day-to-day financial activities and transactions including bank account management and check writing.

This policy details protocols for the following activities:

- Bonding
- Account Establishment
- Account Balances
- Signatures
- Fraud Prevention
- Reporting
- Check Status

Recommendation

Recommend that the Budget and Finance Committee receive this report for information.

Attachments

Attachment A: Draft Bank Account and Check Writing Policy



VSD

Bank Account & Check Writing Policy

Adopted: _____/2020

I. PURPOSE

The purpose of this policy is to provide operational procedures to increase efficiency, cost savings and protection from illegal acts with regards to the District's daily financial activities.

II. POLICY

It is the policy of the Valley Sanitary District that employees and elected officials of the District exercise sound judgement and follow best practices in the management and oversight of the District's day-to-day financial activities and transactions including bank account management and check writing.

A. Bonding

Board Members and employees with signature authority on the bank accounts shall be bonded for the value of the accounts.

B. Account Establishment

The Board of Directors must approve the selection of the District's commercial bank. The General Manager must authorize the establishment of any new bank account at an approved bank. Signature cards for any approved and established account must have no less than five signatures on file and include the following: Board President, Vice President, Board Secretary/Treasurer, General Manager, and Engineering Services Manager.

C. Account Balances

In compliance with California Government Code 53646(b)(3), the District will always maintain no less than an amount equal to six months of budgeted expenses in its operating and savings accounts.

D. Signatures

Individuals that have signature authority on the account will not have access to the blank checks, including keys or the combination to the locked repository of the checks.

The General Manager is authorized by the Board of Directors to sign all checks for any amounts up to the adopted spending authority and for items that exceed the spending authority that have been approved by the Board of

Directors. In addition to the General Manager, the Board President shall sign all checks requiring a second signature. If the General Manager or the Board President is unable to sign checks, the Board Secretary/Treasurer or Vice President, in that order, are authorized to provide the second signature.

Accounts payable checks shall require two signatures. Checks in an amount up to \$2,500 may be signed via two digital signatures. Checks in an amount between \$2,500 and \$5,000 must have one original "wet" signature and one digital signature. Checks in an amount greater than \$5,000 will require two original "wet" signatures.

Payroll checks can be processed with digital signatures, no matter the amount. All "wet" signatures must be in blue ink. Under no circumstances shall signature stamps be substituted for "wet" signatures.

E. Fraud Prevention

The person with physical control of the check stock will be accountable for all check numbers and will not have signature authority on the account. Should a check be found to be unaccounted for, the person having control of the checks will notify the Business Services Manager, the General Manager, and the Bank of the lost check so that proper action can be taken.

To reduce the risk of fraud, the District will implement positive pay as an anti-fraud measure. The bank will be notified of all checks issued including date, check number, payee, and amount verification. Any exception will be brought to the District's attention for approval.

F. Reporting

In accordance with the Government Code, the Business Services Manager will prepare and submit to the Board of Directors a monthly report of revenue and expenditures and a list of all checks issued for the previous month.

The Accounting Analyst shall reconcile the account statements each month. The reconciliation shall be approved and signed by the Business Services Manager and kept on file for inspection by the auditor when performing the annual audit of the District's finances.

The audit firm performing the annual audit will investigate until they are satisfied that these procedures and safeguards are being properly maintained by the Board and staff and shall comment in the management letter if these procedures are not being adhered to as part of each annual audit report performed for the District.

G. Check Status

Outstanding Checks – The District checks shall have imprinted upon the face "VOID 6 months from date of issue". The Accounting Analyst shall maintain and monitor the number and age of the outstanding checks as part of the monthly

bank reconciliation. Stale dated checks will remain outstanding on the books for a period of 365 days, at which time they will be deleted from the General Ledger.

Replacement Checks – The District may reissue a check upon satisfactory proof of nonpayment or because a check has been lost or destroyed. Replacement checks will include the administrative charge that the District must pay to its bank for stop payment of said check. Replacement checks are eligible to be reissued for up to 365 days from original date of issue. Individuals or vendors must complete a “Request for Replacement Check” form prior to processing a replacement. The “Request for Replacement Check” will be available at the District’s front counter.

Non-Sufficient Funds Checks – The District will impose any bank fees charged in connection with any check presented for deposit that does not clear the bank for any reason. The District may also impose a reasonable administrative fee to assist in deferring costs.

DRAFT



**Valley Sanitary District
Budget & Finance Committee
May 4, 2021**

TO: Budget & Finance Committee
FROM: Jeanette Juarez, Business Services Manager
SUBJECT: **Information Item Inquiry About Allowability of Staff to Chair Budget and Finance Committee**

<input type="checkbox"/> Board Action	<input type="checkbox"/> New Budget Approval	<input type="checkbox"/> Contract Award
<input checked="" type="checkbox"/> Board Information	<input type="checkbox"/> Existing FY Approved Budget	<input type="checkbox"/> Closed Session

Executive Summary

The purpose of this report is to inform the Budget & Finance Committee General Council’s recommendation regarding allowability of a staff member to serve as Chairperson for the Budget and Finance Committee.

Strategic Plan Compliance

This item complies with VSD Strategic Plan Objective 6.3.1: Review 10% of policies annually and update as needed.

Fiscal Impact

There is no fiscal impact from this report.

Background

It was requested of staff to investigate if a staff member can serve as Chair of the Budget and Finance Committee. Staff reviewed the matter with General Council.

It was General Council’s determinant that the only true appointed members to the Budget and Finance Committee are the two (2) Directors. Technically speaking Staff members are not appointed to the committee, and therefore cannot Chair the committee.

Recommendation

Recommend that the Budget and Finance Committee receive this report for information.

Attachments

None.