

Policy: AD-07-13

Policy Title: Capital and Infrastructure Asset Reporting

Policy Purpose: Financial Reporting of Capital Assets and Infrastructure Assets

Implementation Date: 6/20/2007

Revision Date: N/A

TOWN OF WESTFIELD PUBLIC WORKS DEPARTMENT

Capital and Infrastructure Asset Reporting

A. Definition of Terms

Capital assets include: land, land improvements, buildings, building improvements, construction in progress, machinery and equipment, vehicles, infrastructure, easements, and works of art and historical treasures. A capital asset is to be reported and, with certain exceptions, depreciated in government-wide statements. In the government-wide statements, assets that are not capitalized are expensed in the year of acquisition.

Infrastructure assets are long-lived capital assets that normally can be preserved for a significant greater number of years than most capital assets and that are normally stationary in nature. Examples include roads, bridges, tunnels, drainage systems, water systems, and dams. Infrastructure assets do not include buildings, drives, parking lots or any other examples given above that are incidental to property or access to the property.

B. Action & Procedure

Make a determination whether an item is a fixed asset based upon any one of the above listed categories. The item also needs to comply with the Town's policy of a \$1,000 minimum amount. If the item meets both criteria then it should be added to the financial ledger as a fixed asset.

Land is considered to be a fixed asset; however, it is not depreciated. It is recorded at historical cost and remains at that cost until disposal.

Assets other than land are also recorded at historical cost, but are depreciated based up their estimated useful life. Depreciation begins the year after the asset is added to the financial ledger. Each asset is then depreciated until it has reached its estimated useful life, using a straight line method of depreciation, or until the item's disposal. If there is a gain or loss on the sale/disposal of a fixed asset, it is reported as a special item in the statement of activities.

During construction of certain projects that require more than one year in duration, assets that are associated to that project are recorded in the financial ledger as Construction In Progress "CIP." Those assets associated with the project are categorized by type and are recorded in the fixed asset schedule once the project has been completed.

The following table displays examples of asset types, along with examples of items within those types of assets and associated depreciable life in years:

<u>Asset Type</u>	<u>Examples</u>	<u>Depreciable Life in Years</u>
Non-Infrastructure		
Furniture, office equipment	Desks, tables, chairs	5
Computer Hardware	Monitors, CPU, printer	5
Telephone Equipment		10
Infrastructure		
Easements		no depreciation
Drainage Systems		25
Water systems		25
Sewerage disposal Works System		25

For reporting purposes, accumulated depreciation is accrued on a monthly basis.

Hamilton Western Utilities were purchased by the Westfield Public Works Department in 2002. These assets are depreciated, but have been segregated on the financial schedules from the Westfield Water Utility financial schedules and Westfield Wastewater Utility financial schedules. All assets on these schedules continue to be depreciated over their useful life.

The asset remains on the financial schedule until it is removed through disposal. Methods of disposal include:

- Sold
- Traded (such as vehicles and equipment)
- Destroyed
- Scrapped/Lost

The following actions are taken when an asset is removed from the financial schedule in the event of the asset being sold, traded, destroyed or scrapped/lost:

If an asset is removed for the value in which it is listed on the financial schedule, the asset and corresponding accumulated depreciation is removed from the financial schedule in the year in which the asset is disposed.

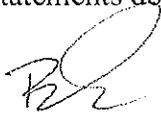
If an asset is removed for more than it is listed on the financial schedule, the asset in the corresponding accumulated depreciation is removed from the financial schedule; however, an entry is added to the fixed asset schedule as a "gain on asset" and is depreciated following the normal depreciation schedule for that type of asset.

If an asset is removed for less than it is listed on the financial schedule, the asset is removed for full asset value and only the amount of depreciation that has been accumulated is also removed. The difference between the full amount of the asset

and the amount of accumulated depreciation is then recorded as an expense and is reported as a "loss on asset" through the income statement.

The Town of Westfield's Clerk Treasurer and Westfield Public Works will provide O. W. Krohn with accurate records to compile, update and maintain the fixed asset schedules for the Town, Water and Wastewater Utilities. Detailed schedules will also include annual depreciation expense along with accumulated depreciation totals. Future financial reporting may come from within the Westfield Public Works Department.

In accordance with GASB #34, cities/towns that are considered a "1st /2nd class" city/town must go back 20 years to record all of the corporation's fixed assets for capture on the fixed asset schedules. The Town of Westfield is considered a "3rd class" city/town; therefore, any purchased assets prior to 2004 do not have to be listed on the corporation's fixed asset schedule, with the exception of right-of-ways. However, beginning January 1, 2004 any new roads and infrastructure improvements must be recorded. While the assets of the Utilities are depreciable; the corporation fixed assets statements do not include depreciation.



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