

DISCOVERY CLEAN WATER ALLIANCE

RESOLUTION NO. 2015 - 01

A RESOLUTION OF DISCOVERY CLEAN WATER ALLIANCE, ADOPTING THE ASSET CAPITALIZATION POLICY FOR THE DISCOVERY CLEAN WATER ALLIANCE.

WHEREAS, the Board of Directors has determined after various meetings that it is in the best interest of the Alliance to approve the Asset Capitalization Policy as proposed; now, therefore

BE IT RESOLVED by the Board of Directors of the Discovery Clean Water Alliance that the Asset Capitalization Policy attached to this Resolution is hereby approved and adopted.

ADOPTED by the Board of Directors of Discovery Clean Water Alliance at a special meeting held on April 24, 2015.

DISCOVERY CLEAN WATER ALLIANCE

A handwritten signature in cursive script that reads "Tom Melke". The signature is written in black ink and is positioned above a horizontal line.

Chair, Board of Directors

**DISCOVERY CLEAN WATER ALLIANCE
ASSET CAPITALIZATION POLICY**

Resolution #2015-01

Effective: 04/24/15

Purpose

This policy is established to provide guidelines to ensure adequate stewardship over Discovery Clean Water Alliance (Alliance) resources through control and accountability of capital assets, and to collect and maintain complete and accurate capital assets information.

The Alliance operates on an Accrual Basis and so has Capital Assets and Depreciation on its Balance Sheet. The Alliance does keep a subsidiary Fixed Asset system and is required to both track capital assets and reconcile them to the Balance Sheet.

Definitions

Capital Assets: Capital assets, generally, are real and personal property the Alliance intends to use or keep for more than one year. These include, but are not limited to: land and land rights, capitalizable costs associated with construction-in-progress, improvements and infrastructure, buildings and their furnishings, fixtures and furniture, sewer lines, pump stations, machinery, equipment, tools, vehicles and various intangible assets owned by the Alliance valued at \$5,000 or more with a life expectancy of over one year. The value of the capital asset includes the purchase price or the construction costs, plus sales tax, as well as costs to acquire (plus shipping and handling), install, secure, and prepare an item for its intended use.

The original purchase of a software program is considered a capital asset if it meets the \$5,000 threshold established. Improvements to an existing asset that meets the \$5,000 threshold and that extends the life, capacity or utility of the asset are capitalized and depreciated over the remaining useful life of the related asset.

Small & Attractive Assets: Small and attractive assets are assets valued at less than \$5,000 that are defined as high risk for theft. These assets are not normally consumed within one year. These assets may include items in one or more of the following categories:

1. Portable and marketable, either alone or as a component unit.
2. Can be utilized for personal gain.
3. Are repeatedly reported as lost and/or stolen within the industry and society.

Requirements

The State of Washington Office of State Auditor BARS Manual for Cities, Counties and Special Purpose Districts (GAAP) entities, Capital Assets System Requirements (Chapter 3) states, in part;

The duty to make certain that public property is adequately protected and that its true use is properly managed is one of the fundamental responsibilities of public officials.

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Public officials have broad responsibilities with respect to capital assets; these are custody, insurance, maintenance and planning.

- Custody – what is owned, where is it located, what condition is it in, how is it protected from improper or unauthorized use
- Insurance – is adequate insurance provided
- Maintenance and repair – the stewardship of public property
- Planning – capital budgeting and utilization

Asset Capitalization Threshold

All capital assets with a cost of \$5,000 or more with a life expectancy of over one year shall be capitalized. Although *Small & Attractive Assets* (those costing less than \$5,000) do not meet the Alliance's asset capitalization threshold, they are considered assets for purposes of marking and identification, record-keeping and tracking.

Improvement/Repair/Maintenance Expenses

Routine repair and maintenance costs will be expensed as they are incurred and will not be capitalized. Subsequent additions or improvements, unlike a routine repair, either enhances a capital asset's functionality (effectiveness or efficiency), or it extends a capital asset's expected useful life, and therefore are capitalized.

Depreciation Method and Expected Useful Life of Assets

All assets are depreciated using the straight-line method of depreciation. The Alliance will use the IRS Publication 946 Table of Class Lives and Recovery Periods to determine the life of acquired or constructed assets. The estimated life of acquired assets or constructed is assigned in the following manner:

- Pump Station Electrical & Mechanical – 20 years
- Pump Station Structures – 50 years
- Office Equipment electrical – 5 years
- Office Furniture, Fixtures and Equipment non-electrical – 10 years
- Plans & Studies – 5-15 years
- Shop Tools – 10 years
- Telemetry/SCADA – 10 years
- Treatment Plant Electrical & Mechanical – 20 years
- Treatment Plant Electrical & Mechanical – 20 years
- Treatment Plant Structures – 50 years
- Vehicles – 10 years
- Wastewater Services – 20 years
- Wastewater Cast Iron, Ductile Iron & Concrete Mains – 50 years
- Wastewater PVC Mains – 50 years

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Revision of Expected Useful Life

The Alliance may need to revise the expected useful life of some of the capital assets. If this is the case, the rate should be recalculated based on the remaining useful life at the time of the revision, and the new rate should be applied in the present and future accounting periods. No changes should be made to financial records of previous years for revised estimates.

New Assets

All assets fitting descriptions of a capital asset, or small and attractive asset shall be recorded on asset listings maintained by the Alliance Treasurer. Information included in the asset listing should be Make, Model, Serial Number and like description.

Disposal of Surplus Items

Before a capital or small and attractive asset is sold or otherwise disposed of, it must first be determined if the asset had originally been purchased with grant monies. If this is the case, the Alliance must refer to the grant agreement and follow prescribed procedures for disposition.

The Board must **first** declare a capital or small and attractive asset surplus before it can be sold or disposed of in any manner. If the asset is to be sold, it will then be sold in accordance with applicable state law. If the asset is no longer in working order and cannot reasonably be repaired for re-sale, the Member staff, along with one other Member staff will properly dispose of the asset. The Member staff will complete an Asset Disposition sheet which will be given to the Alliance Treasurer, who shall remove the asset from the asset tracking system.

Lost, Stolen or Missing Property

When suspected or known losses of capital assets or small and attractive items occur, the Administrative Lead staff shall be notified. The Member staff shall notify the Administrative Lead's General Manager and the Alliance Treasurer, and if determined the asset has been stolen, the appropriate authorities shall be notified.

Physical Inventory Plan

The Alliance Treasurer will coordinate with the Administrative Lead and the contract operators to complete a physical inventory of both Fixed and Small & Attractive Assets every two to four years.

The physical inventory sheets will be kept until the State Audit for such years is complete. The sheets will note the following information:

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1. Assets have been physically located and verified.
2. Missing assets will be noted and explained.
3. Incorrect and/or incomplete information will be corrected.
4. Any new items located but not on the list will be added, with proper serial numbers, location, etc.

REVIEWED: