

105 CAPITAL ASSET POLICY

105.1 Purpose. The purpose of this Policy is to establish guidelines regarding TRWD's classification of capital assets and the financial statement impact of those capital assets.

105.2 Scope. This Capital Asset Policy applies to all TRWD departments, divisions, and offices.

105.3 Definition of Capital Asset. A Capital Asset is a cost which is incurred to increase the future economic benefits of TRWD. In contrast, costs that do not increase the future economic benefits of TRWD and are incurred to maintain the existing benefits are considered expenses or expenditures.

105.4 Asset Capitalization Threshold.

Long-Life Assets: To qualify as a capital expenditure, the item must be in excess of \$20,000, have a useful life of greater than twenty (20) years, and one of the following must apply:

The item must:

- Create a new asset;
- Extend the life of an existing asset; or
- Materially increase the value of the asset

The District has the following types of Long-Life Assets depreciated over the following number of years:

- Dams and spillways – 50 years
- Pipelines – 50 years
- Wetlands – 50 years
- Communications – 50 years
- Other Project Costs – 50 years
- Buildings – 20 years

Temporary Assets: To qualify as a capital expenditure, the item must be in excess of \$10,000* and have a useful life of at least five (5) years but fewer than twenty (20) years.

The District has the following types of Temporary Assets depreciated over the following number of years:

- Machinery and Equipment – 5 years
- Technology Systems – 10 years

* individually, the cost must exceed \$10,000 - not the sum total of several pieces.

105.5 Asset System Maintenance. The Finance Director is responsible for the maintenance and reporting of capital assets based on this Policy.

105.6 Capitalized Interest. Effective in Fiscal Year 2018, the Government Accounting Standards Board (GASB) no longer requires capitalization of interest as part of the cost of acquiring certain assets. The interest cost is now recognized as an expense.

105.7 Specified Qualifying Asset. TRWD's Water System, as a whole, constitutes a specified qualifying asset as it is treated, managed, and maintained as one system. Every project that changes any piece of TRWD's Water System must be analyzed for its effect on the System as a whole.