



Board of Commissioners:

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Asset Policy

Capitalization of Assets

An item is capitalized to spread its cost, through depreciation expense, over more than one year. The item will have a significant enough cost to warrant the extra effort it takes to account for it as a capitalized item. Therefore, in addition to the FERC “unit of property” requirement, the following conditions should be met for an item to be capitalized:

1. The item’s expected useful life must be a year or more; and
2. The item’s cost, exclusive of tax and shipping, must be more than \$5,000. If labor is required to construct or install the item, labor should be included in the cost.

If an item does not meet these criteria it should be expensed. The cost limitation applies to a complete, useable item or unit. (i.e., if several component parts must be combined to provide a useable unit, the capitalization guidelines should be applied to the cost of the entire unit, not each component part.)

Small Attractive Items

Small attractive items are tools that employees need to perform District work. They are classified as small attractive items because they are easy to steal or misuse. The District has an obligation to protect public property and demonstrate good stewardship over tools used to conduct District business. An inventory list of small attractive items will be maintained in accounting and inventoried annually.

A small attractive item has the following characteristics:

1. The item is priced under the \$5,000 criteria for a fixed asset and has a life expectancy of more than one year.
2. The item is used for work but has uses that make it easily converted for personal use and a target for theft.
3. Attractive items are often lightweight and portable.
4. Value is greater than \$500.

Examples of attractive items include, but are not limited to the following:

- Computers, peripherals, and other related items
- Cameras, binoculars, and other photographic equipment
- Tools: Hand/Power used by employees (chainsaws, drills, etc.)