

Alleghany County Water District (ACWD) Policies & Procedures

Policy #103 Capitalization

It is the policy of the Board to provide the district's fiscal officer or accountant with the means necessary to consistently decide which expenditures should be capitalized.

Fixed assets include land, buildings, structures and other improvements, equipment or any related capital lease. These items are further defined as follows:

- A. **Land** includes all parcels purchased or, if acquired by donation, the appraised value on the date received. All expenditures made to acquire land such as purchase price, closing costs, attorney's fees and recording fees should be capitalized.
- B. **Buildings, structures and other improvements** include all costs related directly to their acquisition or construction, including materials, labor and overhead costs during construction; attorney and architect's fees and building permits and other related fees. Building alterations will be capitalized when they increase the value or life of the building. All other land improvements having a limited life and requiring ultimate replacement shall be capitalized. This includes grading and landscaping, pavement, sidewalks and other related recreational improvements, which add to the value of the property.
- C. **Equipment** includes vehicles, office equipment, computer equipment and other equipment of a relatively permanent nature ***and*** of significant value.
 1. Relatively permanent nature should be interpreted as having a useful life expectancy of five or more years.
 2. Significant value shall be defined as all equipment acquisitions with a cost of \$2,500 or more, ***subject to the following exceptions:***
 - a. All electronic equipment with a value of \$2,500 or more including, but not limited to, cameras, camera accessories, photocopiers, fax machines, video or projection equipment, recording or transcribing machines, radios, , TVs and VCRs.
 - b. All computer hardware and software including accessory components with a value of \$2,500 or more.
 3. The cost of equipment includes the purchase price, freight charges, taxes (sales, use, transportation) and installation charges less any discounts received.
- D. **Capital leases** include all arrangements to lease land, buildings and structures, or equipment with the District intending to assume ownership rights when the lease is paid off. If a purchase would normally meet the fixed asset criteria stated above, it shall be accounted for as a fixed asset regardless of the financing arrangement used.

- E. **Construction-in progress** includes the cost of construction work undertaken but not yet completed. Finalized costs on completed construction projects will be capitalized to the Buildings and Improvements fixed asset account.

TREATMENT OF COSTS SUBSEQUENT TO ACQUISITION

- A. Maintenance is defined as expenditures, which neither materially add to the value of property nor appreciably prolong its life, but merely keep it in an ordinary efficient operating condition. Maintenance costs shall not be capitalized.
- B. Capitalized expenditures are defined as expenditures that materially add to the value or betterment of property/equipment or appreciably extend its life. The cost of capitalized expenditures should be added to the book value of the asset where the original cost of a component being improved can be specifically identified.
- C. Additions are new and separate units or extensions of existing units, with a value of \$2,500 or more and are considered to be fixed assets.