

Mukilteo Water and Wastewater District Capital Assets Policy

1. Purpose

This policy is established to provide guidelines to ensure adequate stewardship over District resources through control and accountability of capital assets, and to collect and maintain complete and accurate capital assets information required for preparation of financial statements in accordance with generally accepted accounting principles.

2. Definitions

Fixed Assets

Fixed assets are tangible, non-consumable items including, but not limited to: land, buildings, machinery, equipment, and vehicles owned by the District valued at \$5,000 or more with a life expectancy of over one year. The value of the fixed asset includes the purchase price plus sales tax, as well as costs to acquire (shipping and handling), install (excluding site preparation costs), secure, and prepare an item for its intended use. The original purchase of a software program is considered a fixed asset if it meets the \$5,000 threshold established above. Improvements to an existing asset that extends the life of the asset are capitalized and depreciated over the remaining useful life of the related asset.

Small & Attractive Assets

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:

- a. Portable and marketable, either alone or as a component unit.
- b. Assets that can be utilized for personal gain.
- c. Assets repeatedly reported as lost and/or stolen within the industry and society.

3. Requirements

The State of Washington Office of State Auditor *Accounting Guidance (GAAP) Public Utility Districts and Other Proprietary-Type Districts* manual, states the following, in part:

Capital Assets Management System (Chapter 6, Section A, Page 3):
A capital assets management system is the set of policies and procedures used to control District's capital assets. The system should satisfy accounting/reporting requirements and it should demonstrate accountability for the capital assets.

Physical Inventory (Chapter 6, Section E, Page 14):
A physical inventory of the capital assets is necessary to verify that the assets still exist; it also provides updates on the condition of the assets. This information demonstrates that the District is exercising its custodial responsibility for the asset and is beneficial when establishing an insurance claim because it substantiates both the existence and the condition of the asset near the time of loss or damage.

4. Capitalization Threshold

All assets with a cost of \$5,000 or more shall be capitalized. Although *Small & Attractive Assets* (assets costing less than \$5,000) do not meet the District's capitalization threshold, they are considered assets for purposes of marking and identification, recordskeeping, and tracking. Exceptions to this policy are hydrants and water services, which have no cost threshold.

5. Improvement/Repair/Maintenance Expenses

Routine repair and maintenance costs will be expensed as they are incurred and will not be capitalized. Major repairs will be capitalized if they result in betterments/ improvements to the District's capital assets. To the extent that a project replaces the "old" part of a capital asset, outlays will not be capitalized; and to the extent that the project is betterment/improvement, outlays will be capitalized.

6. Depreciation Method and Expected Useful Life of Assets

All assets are depreciated using the straight line method of depreciation. The District shall use the IRS Publication 946 Table of Class Lives and Recovery Periods or as such publication is updated, modified, or amended, to determine the life of acquired assets. The estimated life of acquired assets are assigned in the following manner:

- Lift Station Electrical & Mechanical – 20 years
- Lift Station Structures – 30 years
- Office Equipment electrical – 5 years
- Office Furniture, Fixtures, and Equipment non-electrical – 10 years
- Reservoir Structures and Improvements – 100 years
- Shop Tools – 10 years
- Telemetry/SCADA – 10 years
- Treatment Plant Electrical & Mechanical – 20 years
- Treatment Plant Structures – 50 years
- Vehicles – 10 years
- Wastewater Services – 50 years
- Wastewater Cast Iron, Ductile Iron & Concrete Mains – 50 years
- Wastewater PVC Mains – 75 years
- Water Mains – 100 years
- Water Hydrants – 50 years
- Water Pump Equipment – 40 years
- Water Services – 75 years

7. Revision of Expected Useful Life

The State of Washington Office of State Auditor *Accounting Guidance (GAAP) Public Utility Districts and Other Proprietary-Type Districts* manual, states "As [the] District uses its capital assets, it may need to revise the expected useful life of some of them. Any such changes should be applied prospectively; that is, 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."

8. Tagging New Assets

All assets fitting descriptions of a fixed asset, small and attractive asset, and/or high-risk asset (other than infrastructure, vehicles, small tools, and computer

components) shall be recorded on asset listings maintained by the Finance Manager.

All assets that are surplus or traded-in shall be removed from the fixed asset inventory and the tag listing.

9. Disposal of Surplus Items

Before an 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 District must refer to the grant agreement and follow prescribed procedures for disposition. The Board must first declare an asset surplus before it can be sold, or otherwise disposed of. 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 department manager, along with one other member of the management team will properly dispose of the asset. The department manager and witness will sign an Affidavit of Destruction/Disposition. The Affidavit of Destruction/Disposition will be retained by the Finance Manager, who shall remove the asset from any listings and cease depreciation if applicable.

10. Lost, Stolen, or Missing Property

When suspected or known losses of capital assets or small and attractive items occur, staff should conduct a search for the missing property. If the missing property is not found:

- Notify the General Manager and Finance Manager
- Have the individual deemed to be primarily responsible for the asset, as well as that individual's supervisor, complete and sign a statement to include a description of events surrounding the disappearance of the property, who was notified of the loss, and steps taken to locate the property.
- The Finance Manager shall report known or suspected losses of capital assets to the State Auditor's office in accordance with RCW 43.09.185, and a copy of the report shall be provided to the Board of Commissioners.

MUKILTEO WATER AND WASTEWATER DISTRICT

AFFIDAVIT OF ASSET DESTRUCTION/DISPOSITION

STATE OF WASHINGTON) ss,
County of Snohomish)

I, _____, being first duly sworn upon oath, state that I have destroyed/disposed of _____, asset no. _____, in the proper manner detailed below, and that said destruction/disposition was witnessed by _____.

Destruction/Disposition Method:

Sale* Recycled Thrown Away

Date of Destruction/Disposition: _____

Name of Recycle Service if applicable: _____

Any additional pertinent information: _____

*If sold through a District sale process or action, provide the following detail:

Auction Business Name: _____

Date Sent: _____

Scheduled Sale Date: _____

Name of Contact: _____

Signed: _____

Subscribed and sworn to/before me this ____ day of _____, ____.

Notary Public in and for the State of Washington

Residing at _____

My Commission expires _____

Witness Signature: _____