

WAUKESHA WATER UTILITY

POLICY 501.15

Subject: CAPITAL ASSETS

Effective Date: June 19, 2009

Revision Date: June 10, 2009
June 17, 2021

OBJECTIVE

There are two objectives of this policy: to assure an effective matching of revenues and expenses and to strike an effective balance between the costs of accounting for acquisitions and the benefit of the information derived from those accounting practices.

GUIDELINES

- To fairly present the financial performance of an organization, the expenditures the organization makes to generate revenue should be matched to the fiscal period in which the revenue is earned. Therefore, when an expenditure is made on an item that will be used over multiple fiscal years, the expenditure should be divided (amortized) over the useful life of the item.
- The administrative costs associated with accounting for expenditures must be considered when determining which purchases to itemize and/or amortize. Therefore, an organization should only itemize and amortize an asset whose useful life is significantly longer than one year and whose cost is material.
- The Utility is regulated by the Wisconsin Public Service Commission. Therefore, policies are in compliance with those regulations.

POLICY

Capital assets are those with an initial, individual cost of \$5,000 or more and whose estimated useful life exceeds one year. Costs associated with the installation of an asset are included in the book value of the asset. When long term debt is issued in order to finance a project, the net interest costs during construction period are included in the book value of the asset. An improvement will be capitalized if it adds value to the original asset and materially extends an asset's life.

Depreciation of exhaustible capital assets is expensed using a straight-line method during the years the asset is utilized.

The useful lives of the assets are determined by the benchmark depreciation rates set by the Public Service Commission.