

Princeton Water and Wastewater
Capitalization of Fixed Assets

Policy A

Commission Approval:

PURPOSE: The Princeton Water and Wastewater Commission (PWWC) wishes to establish in written policy the practice for recording the purchase or construction of fixed assets.

EFFECTIVE: Upon approval by PWWC this policy shall be effective.

POLICY: Princeton Water and Wastewater shall consider any purchase or construction of capital assets in excess of \$5,000 as fixed assets to be depreciated over time. All assets purchased or constructed with a cumulative cost of less than \$5,000 shall be expensed without regard to asset life with the exception of land of which the capitalization value shall be placed at \$1.

The value of capitalized assets created internally shall include all materials and supplies used, as well as the cost of labor and machinery used in constructing the asset.

Costs incurred to keep an asset in its normal operating condition and that do not extend the asset's life will be expensed (e.g. - cleaning, replacement of small parts, minor painting, lubrication) regardless of the dollar value.

Capitalized assets shall be depreciated according to the schedule prescribed by the Kentucky Public Service Commission.

Capitalized assets that are replaced shall be removed from the depreciation schedule at the removal date whether it be by sale, trade or salvage.