

Peters Township Sanitary Authority Capital Assets

Section 1 -Capital Fixed Assets

Capital Assets are property, plant and equipment that are in service. They are recorded at cost or estimated historical cost using reverse level inflation, if purchased or constructed. The cost of an asset includes all the ancillary costs necessary to obtain the benefits derived from the asset. Assets acquired through contributions from developers or other customers are capitalized at their estimated fair market value, if available, or at engineers' estimated fair market value or cost to construct at the date of the contribution. Internal engineering and Authority wages are capitalized to the extent of direct support and contribution to construction. Costs of studies that directly result in specific construction projects are capitalized. Land is not a depreciable item; it is characterized as having an unlimited life. Maintenance and repairs, which do not significantly extend the value or life of property, plant and equipment, are expensed as incurred.

Section 2 - Depreciation Schedule

Assets are depreciated on the straight-line method. Depreciation is calculated using the following estimated useful lives:

	<u>Years</u>
Sewer Treatment Plants & Pump Stations	60
Collector Sewers & Interceptor Piping	80-100
Sewer Lining Extends Life	20
Vehicles	5-10
Software & Computers	3-5
Office Furniture & Equipment	5-10
Machinery & Equipment	10-20

Section 3 - Asset Classification

When the Authority acquires or constructs an asset it is categorized in one of the following asset classes:

01	Land	48	Lab Equipment
02	Land Site Improvements	52	Radio Equipment
03	Building	60	Process Piping
04	Leasehold Improvements	62	Power Feed Mains
05	Infrastructure	66	Vehicles
06	Computer Equipment & Software	70	On Board Vehicles
07	Permits	80	Collector Sewers- PTSA
20	Telephone	80	<i>Collector Sewers - DEV</i>
21	Permanent Fixtures	81	Force Main- PTSA
30	Machines	81	<i>Force Main-DEV</i>
38	Equipment	82	Interceptors
42	Furniture & Fixtures	83	Pump Stations- PTSA
46	EDP Equipment	84	<i>Pump Stations- DEV</i>

Section 4 - Definitions

The following is a list of definitions to help you become more familiar with Capital Assets and the process of depreciation:

Accumulated depreciation. The total depreciation expense aggregated since a capital asset was acquired or placed in service through the current reporting period.

Ancillary costs. Costs, in addition to purchase of construction costs, related to placing a capital asset into its intended use or state of operation. Normally, ancillary costs are to be included in the capitalized cost of a capital asset.

Book value. The total cost of a capital asset less the accumulated depreciation recorded to date.

Buildings. A building is a structure that is permanently attached to the land, has a roof, is partially or completely enclosed by walls, and is not intended to be transportable or moveable. Certain buildings or structures that are an ancillary part of infrastructure networks, such as rest area facilities and pumping stations should be reported as infrastructure rather than as buildings.

Building improvements. Capitalized costs that materially extend the useful life of a building or increase the value of a building, or both, beyond one year. Building improvements should not include maintenance and repairs done in the normal course of business.

Capital assets. Under the requirements of GASB 34, capital assets include land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

Capital outlay. Outflow of funds (expenditures) which result in the acquisition of or addition to capital assets.

Capitalization threshold. The dollar value at which a government elects to capitalize tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period..

Capitalize. To record a cost as a long-term asset. The amount recorded is the costs to acquire or construct the asset, plus all costs necessary to get the asset ready for its intended use (see ancillary costs).

Collector Sewers: These are the 8-inch sewers that extend to each and every property

Construction in progress. Construction in progress reflects the economic construction activity status of buildings and other structures, infrastructure (highways, energy distribution systems, pipelines, etc.), additions, alterations, reconstruction, installation, and maintenance and repairs, which are substantially incomplete.

Depreciation. In accounting terms, depreciation is the process of allocating the cost of tangible property over a period of time, rather than deducting the cost as an expense in the year of acquisition. Generally, at the end of an asset's life, the sum of the amounts charged for depreciation in each accounting period (accumulated depreciation) will equal original cost less salvage value. Good accounting and financial management practices require that a government entity take both the cost expiration and the declining value of an asset into consideration. The cost expiration of a government entity's assets must be recognized if the cost of providing

services is to be realistically reported. Also, the decline in the value of those assets must be considered if the government entity's net assets are to be stated correctly.

Depreciation method. The method used to calculate the allocation (depreciation) of the cost of a capital asset over its estimated useful life. The most commonly use method is straight-line depreciation, which allocates the cost evenly over the life of the asset. Other methods are double-declining balance, sum-of-the year's- digits, and activity-based depreciation.

Easements. An interest in land owned by another that entitles its holder to a specific limited use or enjoyment (right to use the land). Easements that would not be considered capital assets are temporary easements, which are the right to use land for a short time period, such as during a construction project.

Estimated useful life. An accounting estimate of the time period (number of months or years) that an asset will be able to be used for the purpose for which it was purchased or constructed.

Furniture and equipment. Furniture and equipment include fixed or movable tangible assets to be used for operations, the benefits of which extend beyond one year from date of receipt and when placed into service. Example of furniture and equipment are machinery, computers, printers, radios, and vehicles, etc. Also included in furniture and equipment are books and other reference materials that are not circulated to students or the general public (not contained in a publicly supported library). Books and other reference materials that are circulated to students or the general public are considered library resources.

Infrastructure. Assets that are long-lived capital assets that normally are stationary in nature and can be preserved for a significantly greater number of years. Infrastructure assets are often linear and normally stationary in nature. Examples include roads, bridges, tunnels, drainage systems, water systems, and dams. Infrastructure assets do not include buildings, drives, parking lots or any other examples given above that are incidental to property or access to the property.

Infrastructure improvements. Infrastructure improvements are capital costs that materially extend the useful life or increase the value of the infrastructure, or both. Infrastructure improvements should be capitalized and recorded as an addition of value to the infrastructure if the improvement or addition of value is at the capitalization threshold and increases the life or capacity of the asset.

Intangible asset. Long-term assets that have no physical substance and are used in operations to produce products or services. Intangible asset cost must be systematically allocated to expenses over their useful life. Capitalized computer software is considered depreciable.

Interceptor: The portion of the sewer system that runs along the main watershed course and intercepts all other trunk sewers. Interceptors convey the sewage to the headworks of the treatment plant. The pipe diameter is usually larger than 8-inches.

Land. Land is the surface or crust of the earth, which can be used to support structures, and may be used to grow crops, grass, shrubs, and trees. Land is characterized as having an unlimited life (indefinite).

Land improvements. Land improvements consist of betterments, site preparation, and site improvements (other than buildings) that ready land for its intended use. The costs associated with improvements to land are added to the cost of the land. Land improvements can be further categorized as inexhaustible and exhaustible.

Inexhaustible - Expenditures for improvements that do not require maintenance or replacement, expenditures to bring land into condition to commence erection of structures, expenditures for

improvements not identified with structures, and expenditures for land improvements that do not deteriorate with use or passage of time are additions to the cost of land and are generally not exhaustible and therefore not depreciable.

Exhaustible - Other improvements that are part of a site, such as parking lots, landscaping and fencing, are usually exhaustible and are therefore depreciable. Depreciation of site improvements is necessary if the improvement is exhaustible.

Leasehold improvements. A leasehold improvement is an improvement made to a leased building or infrastructure asset by an agency that has the right to use this leasehold improvement over the term of the lease. This improvement will revert to the lessor at the expiration of the lease. Leasehold improvements should not include maintenance and repairs done in the normal course of business. Further, moveable equipment or office furniture that is not attached to the leased property is not considered a leasehold improvement.

Maintenance. Activities that ensure that the capital asset remains, as nearly as practical, in its original condition or subsequent improved condition. Costs incurred to keep the capital asset in service for its original intended purpose over its normal expected useful life.

Network of assets. Composed of all assets that provide a particular type of service for a government entity. A network of infrastructure assets may be only one infrastructure *asset* that is composed of many *components*. For examples, a network of infrastructure assets may be a dam composed of a concrete dam, a concrete spillway, and a series of locks.

Preservation costs. Costs that are infrastructure-related outlays that extend the useful life of an asset beyond its original estimated useful life, but do not increase the capacity or efficiency of the asset. Preservation costs should be expensed under the *modified approach* and capitalized under the *depreciation* approach (improvements).

Salvage value. The salvage value of an asset is the value it is expected to have when it is no longer useful for its intended purpose. In other words, the salvage value is the amount for which the asset could be sold at the end of its useful life. This value can be based on (1) general guidelines from some professional organizations such as GFOA, ASBO, etc., (2) information from other governmental entities, (3) internal experience, or (4) professionals such as engineers, architects, etc.

Sewershed. This is a sub watershed of the main watershed, with all sewers within the sewershed draining (in most cases) to a single point on the interceptor.

Sub-Sewershed. This identification is used for small areas such as those served by a pumping station.

Trunk Sewer. The portion of the sewer system that parallels the branch tributaries of the main watershed course. Trunk sewers may be 8-inches in diameter or larger, and are laid deeper enough to service both sides of the stream. Sewersheds will usually have a matching Trunk Sewer that drains the entire sewershed.

Section 5 - Authority's Capital Assets

The table below summarizes the Authority's capital assets as of December 31, 2016.

		<i>Value as of</i>
Non-Depreciable		<i>12/31/2017</i>
01	Land	\$675,008
Depreciable		
02	Land Site Improvements	193,535
03	Building	8,233,852
04	Leasehold Improvements	0
05	Infrastructure	0
06	Computer Equipment & Software	\$127,789
07	Permits	42,349
20	Telephone	12,608
21	Permanent Fixtures	26,694
30	Machines	3,288,177
38	Equipment	352,935
42	Furniture & Fixtures	48,798
46	EDP Equipment	3,000
48	Lab Equipment	69,140
52	Radio Equipment	0
60	Process Piping	815,770
62	Power Feed Mains	225,500
66	Vehicles	565,140
70	On Board Vehicles	54,212
80	Collector Sewers- PTSA	9,578,967
81	<i>Collector Sewers - DEV</i>	10,786,158
81	Force Main- PTSA	598,152
82	<i>Force Main-DEV</i>	315,231
82	Interceptors	3,420,353
83	Pump Stations- PTSA	508,146
84	<i>Pump Stations- DEV</i>	547,402
		\$40,488,916
	Accumulated Depreciation	(16,439,856)
	Net Fixed Assets	\$24,049,062