

# VALLEY CLEAN ENERGY CAPITALIZATION POLICY

## I. PURPOSE

This accounting policy establishes the method of maintaining fixed asset information and the minimum cost (capitalization amount) that shall be used to determine the fixed assets that are to be recorded in Valley Clean Energy's (VCE) annual financial statements.

## II. DEFINITIONS

Fixed Asset - A Fixed Asset is defined as a unit of property that: (1) has an economic useful life that extends beyond 12 months; and (2) was acquired or produced for a cost of \$5,000 or more.

## III. POLICY

VCE Fixed Assets must be capitalized and depreciated for financial statement (or bookkeeping) purposes. VCE will maintain a fixed asset registry with the following information:

### *Maintenance of Fixed Asset Registry*

- Description of the equipment
- Serial number or other identification number
- Asset category
- Acquisition date
- Cost
- The asset's estimated useful life.

### *Capitalization thresholds*

VCE establishes **\$5,000** as the threshold amount for minimum capitalization. Any items costing below this amount should be expensed in VCE's financial statements.

### *Useful Life*

The useful life of an asset is that period during which the asset provides benefits. Estimates of useful life consider factors such as physical wear and tear and technological changes that bear on the economic usefulness of the asset. The following chart summarizes the useful life for each type of currently held property and equipment:

Asset Category	Useful Life
Building Improvement	20-30
Furniture & Equipment	5-15
IT Hardware/Software	3-7

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### **Depreciation Rates**

All assets will be depreciated down to a zero residual value on a straight-line basis, over the useful life of the asset.

### **Depreciation**

VCE will account for depreciation expense on a basis consistent with generally accepted accounting principles and effective tax regulations, as appropriate on all Capitalized Assets that have a value of more than **\$5,000** and a useful life of more than one year.

A change in the recovery period of any class of Capitalized Asset will not affect the recovery period assumed for assets acquired prior to that change or prior to the date of this policy.

The depreciation method used will be straight-line basis using a one-month lag.

Depreciation expense with respect to Capitalized Assets acquired at any time during one month will begin to be recognized in the following month.