

**BROWN'S CREEK WATERSHED DISTRICT BOARD OF MANAGERS
RESOLUTION SUPPORTING THE CAPITALIZATION AND ACCOUNTING POLICY**

Manager MEDINGER offered the following resolution and moved its adoption, seconded by
Manager GORDON:

WHEREAS, The Brown's Creek Watershed District (BCWD) is a subordinate agency of
Washington County in the State of Minnesota, and,

WHEREAS, BCWD does own, and may at some future time acquire, property, easements and equipment that
may generally be considered fixed or capital assets, and,

WHEREAS, BCWD's statutorily required annual financial audit must comply with certain regulations established
by the Government Accounting Standards Board (GASB), and,

WHEREAS, the GASB has produced a set of reporting standards known collectively as GASB Statement 34
(GASB 34) that, in part, require watershed districts to capitalize certain property beginning in the year 2004,

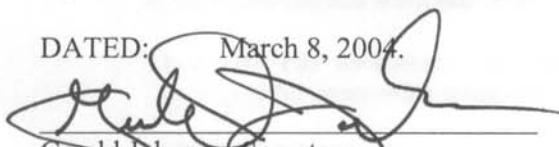
NOW THEREFORE, the Board of Managers of BCWD hereby adopts and puts into immediate effect a policy
prescribing the capitalization of, and, accounting for certain property it owns or is likely to own, said policy being
attached to this Resolution as evidence of the Board of Manager's intent to comply with the applicable provisions
of GASB 34.

On the question of adoption of the resolution there were 4 yeas and 0 nays as follows:

	<u>Yea</u>	<u>Nay</u>	<u>Absent</u>
GORDON	✓		
JOHNSON	✓		
KILBERG	✓		
LEISER	✓		
MEDINGER	✓		

Upon vote, the Chair declared the resolution adopted.

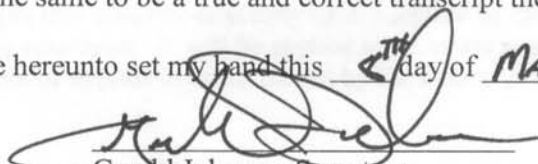
DATED: March 8, 2004.


Gerald Johnson, Secretary

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I, Gerald Johnson, Secretary of the Brown's Creek Watershed District Board of Managers,
hereby certify that I have compared the above resolution with the original thereof as the same appears of
record and on file with the District and find the same to be a true and correct transcript thereof.

IN TESTIMONY WHEREOF, I have hereunto set my hand this 8TH day of March, 2004.


Gerald Johnson, Secretary

THE BROWN'S CREEK WATERSHED DISTRICT

POLICY STATEMENT

For the Classification of, and Accounting for, Certain Property Owned by The District

Purpose: this policy establishes the criteria for classification of certain property owned by The Brown's Creek Watershed District (BCWD) as capital assets, and, determines how such assets will be identified for purposes of reporting and depreciation.

Background: This policy is required by the Government Accounting Standards Board's Statement 34 (GASB 34) which, among other requirements, obligates governmental agencies to capitalize certain equipment, infrastructure elements, and projects. Watershed districts are classified by the GASB as Phase III entities and as such are to begin capitalizing certain assets in their fiscal year of 2004, and are to report the value of these assets as the net of historical cost minus depreciation in their 2004 certified audits. Prior to 2004 watershed districts were not required to capitalize and depreciate their assets.

Types Of Assets To Be Included: BCWD will capitalize the following assets for the purpose of complying with GASB 34:

- easements owned and similar licenses for the use of land that have a finite life
- roads and access ways; drainage grading and ditches
- infrastructure such as culverts, bridges, holding ponds and other constructions
- construction in process
- buildings and improvements thereto; leasehold improvements
- vehicles and watercraft
- equipment, such as water flow and water quality monitoring stations
- portable measuring devices

This listing is not intended to be exclusive; other items can be added to it from time to time at the discretion of the BCWD Board of Managers acting on the recommendation of its auditors.

Land owned and easements granted in perpetuity do not depreciate over time, and these are specifically omitted from this policy.

Threshold For Inclusion: Any asset with an acquisition cost of \$5,000.00 or more will be capitalized for accounting purposes.

Depreciation: Any asset classified as a capital asset under the terms of this policy will be depreciated throughout the period of its useful life using the straight-line depreciation method. Any asset capable of being moved from one location to another, and not part of a project ordered by the District will be considered individually for depreciation purposes. All components of any project constructed upon the land -- e.g., a drainage system, a water holding pond -- will be considered *in toto* for purposes of depreciation.

Implementation: This policy will be put into effect immediately upon adoption by the District's Board of Managers of an implementing resolution. It will be applied to all assets acquired after the date of adoption. This policy will not be applied to assets owned by the District at the time of adoption.