

**MARINWOOD COMMUNITY SERVICES DISTRICT**  
**CAPITALIZATION AND DEPRECIATION POLICY**

*Adopted by Board of Directors: February 14, 2017*

**Purpose:**

This policy describes how the Marinwood Community Services District defines capital assets under a dual criterion of the asset's useful life and cost and establishes the depreciation method applied to all classes of capital assets which meet those criteria.

**Policy:**

1. Capital Asset

A District asset with an estimated useful life in excess of one year and is purchased after the start of fiscal year 2016-2017 at a cost of at least \$5,000, is considered a Capital Asset. Any asset meeting these dual criteria will be subject to depreciation as defined below. Assets which do not meet the dual criteria are expensed in the year they are placed in service.

Capital asset types can include: land, land improvements, buildings, building improvements, machinery and equipment, vehicles, infrastructure, easements, and works of art and historical treasures.

Capital assets should be reported at historical cost. The cost of a capital asset should include capitalized interest and ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include costs that are directly attributable to asset acquisition. These charges may include, but are not limited to, freight and transportation charges, site preparation costs, and professional fees. Donated capital assets should be reported and depreciated at their estimated fair-market value at the time of acquisition plus ancillary charges, if any.

2. Cost Criteria

Effective July 1, 2016, the Marinwood Community Services District establishes a capital asset cost criteria of \$5,000 for assets placed in use for District operations.

3. Useful Life Criteria

The useful life of capital assets depends on asset type (Buildings, Furniture & Equipment, Vehicles, etc.) and is listed in Attachment A. At the time that assets are added, their useful life will be declared by reference to Attachment A, unless professional judgment determines that the default useful lives require adjustment for any reason.

4. Depreciation

If an asset meets both the cost and useful life criteria its cost to the District will be recognized over its useful life. The purpose of depreciation is to recognize the decreased value of the property over time (useful life) and to quantify this 'usage' as an expense to each cost center

deriving benefit from its use. The Marinwood Community Services District uses straight-line depreciation for all its capital assets. Thus the annual expense associated with a capital asset equals to Cost at Acquisition/Years of Useful Life. Land is specifically excluded from depreciation.

## 5. Salvage Value

Capital assets past their useful life may be sold. Salvage value of a capital asset will be net revenue generated by the sale of the asset. Generally, the District does not attempt to calculate salvage value of its assets nor alter an asset's depreciation schedule.

### **Procedure:**

The District Manager maintains a list of all fixed assets in District's possession. Non-capitalized fixed assets are tracked in an Excel spreadsheet to monitor their useful life and replacement schedule. This list includes assets categorized in Attachment A which have met the useful life criteria but not the cost criteria. Assets with useful lives less than a year are considered inventory and expensed.

The list of District's capital assets and the associated reporting are maintained within a Capital Asset Schedule spreadsheet. The schedule can be categorized by type of fixed asset, i.e. buildings, furniture and equipment, etc. and includes the asset number, date of installation, cost including taxes, shipping and installation fees, and life expectancy for depreciation purposes. A copy of the invoice(s) should be maintained with these asset records until asset is sold or otherwise removed from service.

When an asset or an improvement to an asset is placed into service, its useful life should be declared and the annual depreciation expense calculated. A recurring journal entry will be created for posting each month, charging the depreciation expense to the appropriate program(s). The journal entry in the accounting system of record will be manually created for each asset being depreciated.

## ATTACHMENT A

Asset Type	Estimated Useful Life
Land	Indefinite
Buildings:	
Modular Buildings	15
General Buildings	30
Furniture:	
Office Furniture	10
Office Fixtures	10
Other Furniture and Fixtures	10
Improvements:	
General	15
Paved Improvements	30
Software Improvements	5
Infrastructure:	
Street Lights	25
Streets and Curbs	30
Bridges	50
Storm Drains	50
Machinery and Equipment:	
Information Systems Equipment	5
Office Machines	5
Light Duty Equipment	5
Medium Duty Equipment	10
Heavy Duty Equipment	15
Vehicles:	
Autos, Vans and Trucks	10
Dump Trucks	10
Fire Apparatus	20