

BELL CANYON ASSOCIATION ASSET CAPITALIZATION & DEPRECIATION POLICY

I. PURPOSE

To establish guidelines for the proper accounting classification of expenditures – capital v. operating, asset category, capitalization thresholds, and depreciation methodologies.

II. Definitions

Capital Asset - real or personal property that has an acquisition cost equal to or greater than \$1,000 and an estimated useful life of one (1) year or greater. Capital assets must be capitalized, meaning to record the property in the accounting records as assets. Capital assets may be purchased or constructed.

- Real Property:
 1. Land and land improvements (not depreciated)
 2. Building and building improvements
 3. Improvements other than buildings (e.g. storm water, etc.)
 4. Infrastructure
 5. Leasehold improvements
 6. Construction work in progress (not depreciated)

- Personal Property
 1. Furniture & Fixtures
 2. Office Equipment
 3. IT Equipment
 4. Licensed vehicles
 5. Non licensed vehicles
 6. Other non motorized or recreational equipment
 7. Software

Enhancements - are generally capital asset component parts that when added to an asset, enhance the life and capabilities of the existing item.

Operating Expense - purchases not meeting the definition of a Capital Asset are deemed annual operating expenses and should be charged against revenue for the current operating year and in the Fund which encumbered the expenditure when the expense was incurred.

Repairs/Maintenance - are generally operating expenses related to putting an asset back into normal or expected operating service or giving the asset the ability to meet its originally intended life. Maintenance keeps an asset in normal or expected operating condition. E.g. repairing an HVAC system, paint, roof repairs, miscellaneous road repairs such as crack sealing, or scurry seal.

Depreciation - the expensing of an asset's acquisition cost over the estimated useful life.

III. Standard Asset Lives

Class of Asset (Real Property)	Standard Life
Land & land improvements	Infinite
Buildings/improvements, general	30 years
- Temporary buildings	10 years or estimated useful life
- Non building/component improvements	10-30 years or estimated useful life
Infrastructure (pool related repairs, pool improvements, parking lot/sidewalk Asphalt & concrete, etc.)	15-30 years
Leasehold improvements	10 years or term of the lease
Construction work in progress	N/A

Class of Asset (Personal Property)	Standard Life
Furniture & Fixtures	7 years
Office Equipment	5 years
IT Equipment	3 years
Vehicles (licensed)	5 years
Other Non Licensed Vehicles	5 years
Software	3 years

IV. Depreciation Policy

Depreciation policy shall be determined based on the asset's useful life.

- All depreciable assets shall be amortized over their useful life.
- The straight-line depreciation method for all asset types is to be used.