

CAPITAL ASSETS POLICY

- **CAPITALIZATION**

Items with a cost greater than \$2,500 and with a useful life of greater than two years shall be capitalized. A listing of such assets will be maintained with the related depreciation. A group of like items costing individually less than this threshold may be grouped together and reported as a capitalized asset if in the judgment of the Village Manager it would be in the best interest to capitalize the group of items as the value together is significant to the Village of Lake Isabella.

An Inventory individual items of value with a cost under the capitalization threshold shall still be listed and monitored to ensure safekeeping of these assets and that no misappropriation occurs.

If the Village of Lake Isabella disposed, sells, or otherwise no longer owns any item capitalized, it shall be removed from the list of capitalized assets regardless of its depreciation status.

- **BETTERMENT**

A repair or replacement costing in excess of \$5000 and which extends the useful life of an asset by more than 5 years shall meet the requirement capitalization.

- **USEFUL LIFE**

Useful Life of assets shall be based on the following table:

GUIDELINES FOR DEPRECIATION LIVES

	TAX (*5)	BOOK (*4)(*6)	AMT(*1)
OFFICE RELATED			
Office Furniture	7	15	10
Computers	5	3-5	5
Typewriters	5	10	6
Printers	5	5	6
Copiers	5	10	6
Fax Machine	7	7	10
Phone System	7	5-10	10
Radios	7	5	10
TRANSPORTATION			
Vehicles	5	4-10	5
Trailers	3	7-12	4
Tractors	5	4-10	5

OTHER

Appliances	7	5-20	9
Building Improvements – C	39.5	40	40
Building Improvements – R	27.5	40	40
Carpet, etc.	5	10-15	9
Fences	5	10-20	20
Initial landscaping costs	15	10	20
Initial pavement, parking lots	26	20	30
Roof – C	39.5	15-25	40
Roof – R	27.5	15-25	40
Shelves	7	10	10
Signs	5	10	9

- *1 Same as tax for personal asset placed in service after 12/31/01
- *2 Assets used in wholesale and retail trade, and personal and professional services
- *3 Many times these can be expensed, if cost is small (i.e. under \$150)
- *4 Used estimated useful live, guidelines might not apply to your particular asset
- *5 Use MACRS which is an accelerated method (refer to IRS table)
- *6 Use a straight line method

Other useful lives may be established based on the Village's experience or when grouping assets for depreciation purposes. In such an event, the decision to use such life shall be documented.

- **DEPRECIATION**

Depreciation will be determined using the straight-line method based on the useful life of the asset. A full year of depreciation will be taken in the year of disposition of an asset.