GREEN VALLEY
SPECIAL UTILITY DISTRICT

CAPITALIZATION POLICY OF

GREEN VALLEY SPECIAL UTILITY DISTRICT

Approved by the Board on March 26, 2026

GREEN VALLEY SPECIAL UTILITY DISTRICT
CAPITALIZATION POLICY

1. Policy Statement

This capitalization policy is designed to ensure a uniform understanding of Green Valley Special Utility District's capitalization policy for assets. The estimated useful life for an individual asset may be adjusted up or down based upon the age of the asset (purchased or new construction), how frequently the asset is used, and other environmental conditions.

2. Definition of a Capital Asset

A capital asset, for the purposes of this policy, is defined as tangible or intangible property owned by the District with a useful life that extends beyond the year it is placed in service and meets the definition and minimum dollar amount for capitalization per asset category as follows:

a). Buildings - All structures acquired or constructed to be used for operating purposes including all permanently attached fixtures, machinery, and other components that cannot be removed without damage, such as boilers, furnaces, air conditioners, elevators, wiring, and lighting fixtures with a cost in excess of $25,000.
b). Building Improvements - All alterations, renovations, and repairs to existing structures in excess of $15,000 that increase the value of the property, make it more useful, or lengthen its life.
c). Real Property (Land and Easements) – This includes land, structures, easements and any improvements to the land and the structures, there is no dollar threshold
d). Furniture & Fixtures - property not permanently connected to a building such as office furniture, partitions, and business equipment used in the operations with a cost in excess of $5,000
e). Water Distribution Sustainment and Restoration –Tangible property used for operation purposes with a cost in excess of $10,000, but not limited to lines, pumps, equipment
f). Water Meter Replacement – Meters that are replaced due to the AMI upgrade project, there is no cost threshold.
g). Vehicles & Equipment - pickup trucks, cars, SUVs, forklifts, front-end loaders, backhoes, road sweepers, other mobile earth-moving equipment used in operations in excess of $5,000
h).IT Purchases and Upgrades – Tangible property or intangible software either purchased or acquired by gift that is designed to cause a computer to perform a desired function in excess of $5,000.
i). Water Plant Sustainment and Restoration – Tangible property used for upgrades and improvement to current infrastructure to the water and wastewater systems in excess of $10,000

Asset Category	Threshold	Estimated Useful Life	Account #
Buildings	$25,000	40 years	300.9016
Building Improvements	$15,000	20 years	300.9016
Land & Easements	None	Infinite	300.9006
Furniture & Fixtures	$5,000	4 years	300.9015
Water Distribution Sustainment and Restoration	$10,000	10 years	300.9007
Water Meter Replacement (temporary account)	None	5 years	300.1006
Vehicles & Equipment	$5,000	5 years	300.9005
IT Purchases/Upgrades	$5,000	5 years	300.1001
Water Plant Sustainment and Restoration	$10,000	10 years	300.9008

3. Capitalization Process

Most asset purchases will be identified at the beginning of the fiscal year and approved on the budget. Unforeseen capital purchases will be approved by the General Manager or Board as needed. Capital purchases will be initiated through a purchase requisition, signed by the General Manager. The purchase requisition will identify the asset purchased, the cost, and the general ledger account number.

4. Threshold Review

Thresholds for capital assets will be reviewed at least annually to ensure they reflect current costs and the organization's financial situation.

5. Asset Tracking and Reporting

Capital assets are tracked through asset IDs and project numbers. These items will be noted in the Capital Asset spreadsheet that identifies vendor, purchase date, description, cost, asset ID/project number, serial number if applicable, and other necessary information.

6. Depreciation Method

GVSUD uses the straight-line method of depreciation (capitalized cost divided by useful life) with a ½ year of depreciation in the year of acquisition and ½ year of depreciation in the year of disposal.

7. Impairment of Assets

A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. If an asset is deemed to be impaired depreciation will be accelerated to the appropriate amount.

8. Asset Disposal

Assets that are no longer in service or considered obsolete will be approved by the board for disposal. The asset will be removed from the general ledger and properly accounted for as they are sold, recycled, or discarded.

Adopted this 26th day of March, 2026 by a majority vote of a quorum of the Board of Directors.

[redacted]

John Frias – Board President

[redacted]

Robert Roberson – Board Secretary/Treasurer