

SOUTH PLACER MUNICIPAL UTILITY DISTRICT POLICIES

Policy Name:	3251 – RECORDATION OF ASSETS FOR DEPRECIATION PURPOSES		
Approval Authority:	SPMUD BOARD OF DIRECTORS	Adopted:	11/02/17
Resolution No.	17-34, 21-14, 25-01	Revised:	02/06/25

**PURPOSE**

The purpose of this policy is to provide a mechanism for the recordation of developer installed and contributed sewer assets, capitalization, and depreciation of said assets as part of the District’s financial management process.

**POLICY STATEMENT**

Section 1: General

In accordance with Policy 3250 - SEWER SYSTEM CONTRIBUTIONS AND BILLS OF SALE, the District may accept from a Developer property contributed to the District to provide for the expansion, improvement, or replacement of the District’s sewer collection system. After acceptance, the contributed assets will be added to the District’s fixed assets and depreciated in accordance with Generally Accepted Accounting Principles (GAAP). It has been determined that the stated value of these contributed assets does not recognize that the replacement costs of these assets by the District in the future will include additional costs associated with prevailing wage requirements of the California Labor Code, as well as costs associated with competitive bidding requirements of the California Procurement Code.

Section 2: Depreciation Accumulation and Replacement/Rehabilitation of Assets

The District intends to depreciate assets over time in accordance with a schedule associated with sewer industry standards. This depreciation schedule will be reviewed from time to time to determine its appropriateness and reported annually as part of the Examination of Accounts required by California Public Utilities Code §11889 of the MUD Act. The District shall maintain a Capital Renewal Reserve to accumulate the probable replacement cost of equipment each year over the life of the asset so it can be replaced readily when it becomes obsolete, or replacement is needed. The Reserve shall comply with Board Policy #3130, District Reserve Policy.

Section 3: Methodology for Recordation of Assets for Depreciation purposes

The Board will adopt annually a schedule of values that represents the new cost of construction of various sewer system assets. This schedule will be used to determine the book value of developer-installed and contributed sewer assets and will also be used to determine the value of developer-installed trunk facilities eligible for credit or reimbursement under Ordinance 15-01 – Credit and Reimbursement Agreements. This book value will be recorded in the financial management system and depreciated in accordance with industry standards.