



County of Riverside
OFFICE OF THE AUDITOR-CONTROLLER
 STANDARD PRACTICE MANUAL

SECTION:		5	SUBJECT: GUIDELINES FOR USEFUL LIVES RELATED TO ASSETS THAT REQUIRE AMORTIZATION/ DEPRECIATION
POLICY NUMBER:		502	
REVISIED DATE:			12/1/24
		APPROVED BY: <i>Ben J. Brait</i>	

PURPOSE: To establish standard guidelines for County departments, agencies, special districts, and authorities for estimating the useful lives of capital assets in accordance with Generally Accepted Accounting Principles (GAAP) to be used for depreciation/amortization purposes.

SCOPE: Applies to County departments, agencies, special districts and authorities that are governed by the Riverside County Board of Supervisors.

POLICY: This policy provides steps to assist county departments, agencies, special districts, and authorities in determining the useful lives of assets. It is designed to comply with GAAP guidelines and the Governmental Accounting Standards Board (GASB) Statements, including GASB Statement No. 34 - Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, GASB Statement No. 51 - Accounting and Financial Reporting for Intangible Assets, GASB Statement No. 87 - Leases, GASB Statement No. 94 - Public-Private and Public-Public Partnerships and Availability Payment Arrangements, and GASB Statement No. 96 - Subscription-Based Information Technology Arrangements.

This policy is intended to provide steps to assist County departments, agencies, special districts and authorities on providing guidelines for the determination of the useful lives of assets. This policy is written in order to comply with GAAP guidelines and Governmental Accounting Standards Board (GASB) Statement No. 34 - *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* and GASB Statement No. 51 - *Accounting and Financial Reporting for Intangible Assets*.

PROCEDURE: This policy includes guidelines to be used to determine the useful lives of assets that need to be capitalized and eventually depreciated/amortized.

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DEPRECIATION/AMORTIZATION CRITERIA:

Before determining the amortization/depreciation of a particular asset, make sure the asset:

- 1) Has an expected useful life of more than one year.
- 2) It must reach the cost value criteria of the asset category (i.e. \$5,000 equipment) as established by the County Auditor-Controller. Refer to SPM 501 for capitalization thresholds for each asset category.

LAND:

- 1) Land is generally nondepreciable, with an indefinite useful life assigned to it.

INTANGIBLE ASSETS:

- 1) An intangible asset is an asset that is not physical in nature and includes such items as patents, trademarks, copyrights, goodwill, and brand recognition.
- 2) The useful life of an intangible asset that arises from a contract agreement or other legal rights should not exceed the period/years to which the service capacity of the asset is limited by contractual or legal provisions (i.e. intangible asset useful life = # of years of contract agreement).
 - a. Renewal periods may be considered in determining the useful life assuming there is intent to renew and any anticipated costs to be incurred for the renewal will be nominal.
- 3) Finite lived intangible assets have an expected useful life that is limited in nature. This may be different from legal rights (e.g., perpetual licenses may provide an indefinite right, however the economic usefulness may be limited due to changes in technology).
- 4) Indefinite-lived intangible assets are basically the opposite. These are assets where there is no legal, regulatory, contractual, or economic factors that could limit the economic life (useful life) to an organization.
 - a. An example of indefinite lived intangibles may be certain trademarks which is a word, phrase, symbol, and/or design that identifies and distinguishes the source of the goods of one party from those of others.
 - b. A permanent right-of-way easement is an example of an intangible asset that should be considered to have an indefinite useful life and therefore should not be amortized.
 - c. If the useful life of an intangible asset is determined to no longer be indefinite; then the asset should be tested for impairment. The carrying value of the intangible asset, if any, following the recognition of any impairment loss should then be amortized in subsequent reporting periods over the remaining estimated useful life of the asset.
 - d. Goodwill is also an indefinite lived asset that is not subject to amortization.

INCREASING THE USEFUL LIFE OF AN ASSET:

Certain improvements provide additional value to an asset, which can be noted by increasing the estimated useful life of the asset or increasing the capital asset's ability to provide service(s). These costs will be capitalized (if they meet the capitalization policy threshold) and depreciated according to the asset(s) useful life.

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CAPITAL ASSETS AVERAGE LIFE EXPECTANCY

The average life provided in the table noted below is a guideline only and should serve as a starting point for estimating a capital asset’s useful life. However, the following factors should also be considered when determining the appropriate useful life of an asset:

Quality - Similar assets may differ substantially in quality, and hence in their useful lives, because of differences in materials, design, and workmanship (e.g., an asphalt road will not have the same useful life as a concrete road).

Application/Usage - The useful life of a similar asset may vary significantly depending upon its intended use (e.g., a public safety vehicle useful life may vary from a park and recreation vehicle).

Environment - Environmental differences among governments can have an important impact on the useful lives of their capital assets (e.g., a road in a climate subject to extremes in temperature is likely to have a useful life that is different from that of a similar road located in a more temperate climate).

For asset types not listed below and other questions, please contact the Auditor-Controller, Capital Assets Section for assistance.

Asset Classification	Average Life (Years)	PeopleSoft Periods (Months)
Buildings:		
Permanent Structures	50	600
Portable Structures	25	300
Carpeting	6	72
Plumbing	20	240
Elevators	20	240
Land Improvements:		
Landscaping	10	120
Athletic Fields	15	180
Golf Courses	20	240
Outside Sprinkler Systems	25	300
Fencing, Gates	20	240
Moveable Equipment:		
Computer Equipment	5	60
Computer Software	5	60
Furniture	20	240
Photocopiers	5	60
Machinery and Tools	10	120
Licensed Vehicles	6	72
Roadways:		
Concrete	30	360
Asphalt	20	240
Sidewalks:		
Concrete	30	360
Asphalt	20	240

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Parking Lots:		
Concrete	35	420
Asphalt	15	180
Bridges and Culverts:		
Steel with Truss	50	600
Pre-cast Concrete	40	480
Road Signage:	10	120
Traffic Lights:	20	240
Asset Classification	Average Life (Years)	PeopleSoft Periods (Months)
Sewer Lines:	50	600
Storm Drains:	25	300

DEPARTMENT ROLES:

- 1) The department is responsible for assigning the appropriate useful life to its capital assets when entering them in PeopleSoft, Asset Management (AM) module whether they are:
 - a. Purchased (new or used)
 - b. Received as a gift/donation
 - c. Received as transferred
- 2) Complete AM-5 Capital Assets Form - Acquisition, Betterment & Capital Leases Form.
- 3) Submit completed AM-5 and supporting documentation to Auditor-Controller: Attention - Capital Assets Team.

AUDITOR-CONTROLLER'S ROLES:

- 1) Review and verify that the useful life assigned to the asset(s) entered in the Asset Management module in PeopleSoft agree to the AM-5 submitted and verify that the assigned useful life is reasonable for the asset(s).
- 2) Depreciation/amortization is calculated and recorded on a monthly basis for financial reporting purposes in the Asset Management module.

RECORDS MANAGEMENT ROLES:

Department

Retain all capital asset supporting documentation for at least 7 years as it relates to capital assets information reported on "Schedule Q – Construction in Progress" and any other records that are not submitted to the Auditor-Controller.

Auditor-Controller

The Auditor-Controller is the official Department of Record for all AM Forms and its supporting documentation that are submitted. The documentation is filed in accordance with the County's General Records Retention policy which states to keep the current year plus the 7 past years.

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SECURITY ROLES:

In order to perform the functions discussed above the following roles must be requested:

Department:

Capital Asset Processor – this role will allow you to:

- Add capital asset information
- Update capital asset information

Auditor Controller:

Asset Reviewer Auditor-Controller Only – this role will allow you to:

- Adjust, re-categorize, transfer, and dispose capital asset information
- Review and process transactions
- Run capital and lease asset reports

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