A. Capitalization Policy

This policy determines which District-owned and leased assets will be capitalized for purposes of financial reporting and inventory control processes. It is important to properly record and account for the acquisition, transfer, addition, and deleting of assets. All fixed assets accounts are controlling accounts and should be supported by appropriate inventory records.

B. Fixed Assets Categories

Fixed assets consist of land, buildings, and improvements thereon, equipment, school vehicles, and furniture. Real property held as investments is not included in the fixed asset category.

Land – All tracts of land acquired by purchase, gift or bequest, or otherwise acquired, are included in the accounting records. When land is purchased, the valuation includes the amount paid for the land itself and all costs incidental to its acquisition. These costs include legal expenses, broker's fees, and expenses incurred in preparing the land for use, such as building demolition and grading. When acquired by gift or bequest, the land is recorded at fair market value at the date of acquisition. An independent professional appraisal is considered appropriate for establishing the valuation of land and buildings acquired by gift or bequest.

Buildings – All buildings and structures, including all permanently attached fixtures, machinery, and other apparatus that cannot be removed without cutting into walls, ceilings, or floors, or otherwise damaging the building for the items so removed, are included in this classification. When buildings are purchased or acquired by gift or bequest, the valuation method to be utilized is the same as that for land. Care should be taken to allocate all elements of related cost proportionately between the buildings and the land.

When buildings are constructed, all identifiable direct costs are included, such as payments for insurance and interest during the construction period. If the District’s own labor forces construct the building, the cost should include properly allocated overhead or indirect costs.

Significant alterations, structural changes, extraordinary repairs, and replacements or betterments that increase the usefulness, efficiency, or life of existing building should be added to the recorded valuation as noted later.

Improvements Other Than Buildings – All improvements to land other than buildings such as streets, roads, bridges, pavements, landscaping, and utility distribution systems are included. The valuation method is the same as for land and buildings.

Equipment – Equipment includes all personal property with an extended useful life in excess of one year and is not altered materially through use.

If equipment is purchased, the item is recorded at net, which is the invoice price, less all discounts, plus freight. Trade-in allowances are not deducted in determining the asset value to be recorded.

if an item is fabricated, recording of the asset includes the total of all identifiable direct costs including materials, supplies, labor, installation, and indirect costs.

If acquired by gift, the items are recorded at a fair estimate of value at the date of acquisition. Surplus property acquired from the federal government is shown at the value placed on the property by the federal government plus freight and installation costs, unless the value reported is clearly unreasonable. If an item acquired by gift or as surplus property is of significant value, a professional independent appraisal will be utilized to establish the recording value.

Construction in Progress – This classification includes all projects for construction of buildings, other improvements, and equipment that are in progress at the end of the fiscal year. The valuation includes all accrued capitalized costs.

Excess (Surplus) Property – When excess property is sold outside of the institution, the amount realized from the sale is credited to revenue from sale of excess property. Disposition of the proceeds from the sale depends on the source of funds for the original acquisition of the assets, as well as other legal or administrative policies. If no other restrictions exist, disposition is at the discretion of management.

C. Capital Equipment and Vehicles

The District's capitalization policy for equipment includes District assets purchased, donated and lease-purchased machinery, and equipment not affixed to a structure.

1. Stand alone equipment purchased or donated must meet the following criteria before being capitalized:

- **a.** The item has an expected useful life in excess of 3 years; and
- **b.** The item's original unit cost or estimated fair market value of donated assets is over $2,000.
- **c.** Computer equipment purchased to enhance existing computer hardware with a unit cost in excess of $2,000 and extends the expected useful life in excess of 3 years.
- **d.** Items with an original unit cost or estimated fair market value of donated assets of $100 to $2,000 will be tracked as "Equipment

Inventory" for accountability purposes, but will not capitalized for depreciation purposes.

2. Improvements (Betterments) to an existing capital equipment asset must meet both of the following requirements to be capitalized:

a. The life of the asset is prolonged for more than 3 years; and
b. The cost of the improvement exceeds $2,000.

3. Leased equipment, not subject to lease purchase, will not be capitalized.

D. Capital Improvements

1. Improvements made to property, District-owned or leased, will be capitalized if both of the following criteria are met:

a. The total expenditure is $10,000 or more, and
b. The properties' useful life is extended for 10 years or more, or
c. A change in use that significantly increases the value or extends the life.

2. Expenditures that are of a refurbishing or a repair nature will not be capitalized. Refurbishing or repair expenditures are defined as those expenses that do not change the function of the asset, significantly extend the life of the asset, or appreciably increase the value of the asset.

For example:
Landscaping
Carpet installation
Painting
Drapery cleaning and installation
Asbestos removal
Insulation
Improvements totaling less than $10,000

3. Leased property, not subject to lease-purchase, will not be capitalized.

E. Depreciation Method

1. Depreciation will be calculated on the straight-line method of accounting over the estimated life of the asset.

Assets	Years
Buildings and structures	30 years
School bus	10 years
Automobiles	7 years

Furniture and equipment	10 years
Computer equipment	3 years
Desks and classroom furniture	10 years

II. PROCEDURE DESCRIPTION

A. General

This procedure is applicable to all District departments. Exceptions to this procedure shall be allowed only when written documentation of an overriding contract, law, or rule is provided to the District's Business Manager

B. Procedures

1. Individual classrooms, schools, and offices are responsible for maintaining control over the fixed assets in their area of responsibility.

2. The Business Office will maintain an updated department listing of fixed assets and inventories.

3. When a new capital equipment item is purchased, the Business Office will record the asset in the fixed asset inventory system.

4. The Business Office will provide an updated department listing of fixed assets and inventories and the verification form to District departments by May 1st of each year. Return a signed copy of the verification form verifying the inventory is correct, or indicate on the list any adjustments required and the reason for the adjustment. This form is to be returned prior to checkout of school each year.

5. Transfers of items between classrooms, buildings, etc. are to be reported to the Business Office on an asset acquisition/deletion/transfer form. This form is to be signed by the receiving department.

6. Disposition of items is to be recorded on an asset acquisition/deletion/transfer form. The asset disposition form is to be signed by the department manager and sent to the Business Office. The item(s) will then be retired from the inventory. Methods of disposal include:

a. Sale.
b. Destruction.
c. Lost, unaccounted for.
d. Traded.
e. Vandalism or theft.
f. Obsolescence.

III. IMPLEMENTATION AND INTERPRETATION

Any question relative to the intent or application of this procedure should be directed to the Business Manager who has been delegated the responsibility for interpreting and implementing this procedure.

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LEGAL REFERENCE:
National Council on Governmental Accounting Statement No. 1 and
Governmental Accounting Standards Board Statements No. 6 and No. 8.

ADOPTED: 9/13/04

AMENDED: