TABLE OF CONTENTS:

PURPOSE:

To establish managerial control and financial accountability to ensure compliance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) Statement No. 34 for capital assets.

A. BUILDINGS

Definitions:
A **building** is a structure that is permanently attached to the land, has a roof, is partially or completely enclosed by walls, and is not intended to be transportable or movable.

A **building addition** is the construction, purchase, or other acquisition of a capital asset as an extension, expansion, or enlargement to an existing capital asset.

Valuation:
Purchased Buildings/Additions:
- Original purchase price
- Expenses for remodeling, reconditioning or altering a purchased building to make it ready for use for the purpose for which it was acquired if it extends the useful life, increases the value, adds capacity or increases efficiency of the building
- Environmental compliance (i.e. asbestos abatement)
- Professional fees (legal, architect, inspections, title searches, etc.)
- Payment of unpaid or accrued taxes on the building to date of purchase
- Cancellation or buyout of existing leases
- Other costs required to place or render the asset into operation

Constructed Buildings/Additions:
- Completed project costs
- Interest accrued during construction
- Expenses incurred for the preparation of plans, specifications, blueprints, building permits, etc.
- Professional fees (architect, engineering, management fees for design and supervision, legal)
- Cost of temporary buildings used during construction

Donated Buildings:
- Appraised fair market value at the time of acquisition
- May include additional expenses identified above to make it ready to use if it extends the useful life, increases the value, adds capacity or increases efficiency of the building

Capitalization Threshold:
All buildings and building additions whether purchased, constructed, or donated with a value of $5,000 or greater will be capitalized.

Depreciation:
Building and building additions will be capitalized and depreciated using the straight-line method with an expected life of 50 years. Depreciation will be calculated based on the date the asset was placed into service. For assets purchased or available for use during the first six months of the fiscal year, a full year of depreciation expense will be calculated. For assets purchased or available for use during the last six months of the fiscal year, one-half year of depreciation expense will be calculated.

B. IMPROVEMENTS

Definitions:
A **building improvement** is a betterment to an existing structure (building) which materially extends the useful life, increases the value, adds capacity, or increases the efficiency of the asset.

A **land/site improvement** is a physical change in or appurtenance to land of such character as to increase the utility of the land (exclusive of structures).

Valuation:
Building improvements are capitalized at original cost and include, but are not limited to the following items:

- Conversion of attics, basements, etc., to usable office, clinic, research, or classroom space
- New structures attached to the building such as covered patios, garages, carports
- Installation or upgrade of heating and cooling systems
- Structural changes such as reinforcement of floors or walls, installation of replacement beams, rafters, joists, steel grids or other framing
- Installation or upgrade of plumbing and electrical wiring
- Interior renovations associated with casings, baseboards, light fixtures, ceiling trim, etc.
- Exterior renovations such as installation or replacement of siding, roofing, masonry, etc.
- Installation or upgrade of plumbing and electrical wiring
- Installation or upgrade of phone or closed circuit television systems, networks, fiber optic cable, wiring required in the installation of equipment that will remain in the building
- Other costs associated with the above improvements including architectural fees, construction management fees, etc.

Land/site improvements are capitalized at original cost and include, but are not limited to the following items:

- Paving (parking lots)
- Curbing
- Sidewalks
- Fencing
- Retaining walls
- Lighting systems

Capitalization Threshold:
Improvements with a cost of $5,000 or greater will be capitalized at the point of completion.

Depreciation:
Improvements to buildings or land/site will be capitalized and depreciated using the straight-line method with an expected life as set forth in the District's schedule of estimated life. Depreciation will be calculated based on the date the asset was placed into service. For assets purchased or available for use during the first six months of the fiscal year, a full year of depreciation expense will be calculated. For assets purchased or available for use during the last six months of the fiscal year, one-half year of depreciation expense will be calculated.

C. LAND

Definitions:
Land is the surface of the earth which can be used to support structures and is characterized as having an unlimited/inexhaustible life.

Valuation:
Land is capitalized at the acquisition cost or at the appraised fair market value at the time of acquisition for donated land.

The following additional costs are added to acquisition cost or appraised value to arrive at the total value of the land parcel:

- Survey fees
- Appraisal/negotiation fees
- Legal/title fees
- Site preparation costs (clearing, filling & leveling)
- Assumption of any liens, mortgages or encumbrances
- Demolition of existing buildings and improvements (less salvage)
- Removal, relocation or reconstruction of property of others (railroads, telephone, and power lines)

Capitalization Threshold:
All land acquisitions will be recorded as a capital asset.

Depreciation:
Land is an inexhaustible asset with an unlimited useful life that does not depreciate over time.

D. CONSTRUCTION IN PROGRESS

Definitions:

Construction in progress (CIP) represents the cumulative costs incurred in the construction of buildings, structures, or capital-related additions, alterations, reconstruction, and installations that are substantially incomplete at the balance sheet date but upon completion, will extend the useful life, increase the value, add capacity, or increase the efficiency of the asset.

Valuation:

Assets qualifying as CIP for financial statement and capital asset accounting purposes must meet the following criteria:

- The project's final result must satisfy the established criteria of a capitalizable asset (refer to "Improvements" and "Building")
- The project is not ready for the intended use
- Estimated total cost must be $5,000 or greater

Note: Construction projects are considered closed then capitalized based on final project approval by the Capital Projects Office.

Capitalization Threshold:

CIP projects with a cost of $5,000 or more will be capitalized.

Depreciation:

Depreciation is not applicable while assets are accounted for a construction in progress. When placed into service, constructed assets are transferred from construction in progress and are depreciated using the straight-line method with an expected life as set forth in the District's schedule of estimated life. For assets purchased or available for use during the first six months of the fiscal year, a full year of depreciation expense will be calculated. For assets purchased or available for use during the last six months of the fiscal year, one-half year of depreciation expense will be calculated.

E. PERSONAL PROPERTY

Definitions:
Personal property includes fixed or movable tangible assets to be used for operations, the benefits of which extend beyond one year from date of receipt and when placed into service. Examples include but are not limited to furniture and fixtures, machinery, computers, vehicles, etc.

Valuation:
- Purchased personal property is valued at the original acquisition cost.
- Donated personal property is valued at fair market value at the date of acquisition.
- A constructed personal property asset is valued at the accumulated completed project cost.

Capitalization Threshold:
All individual personal property items whether purchased, donated, or constructed with a value of $500 or greater will be capitalized.

Depreciation:
Personal property will be capitalized and depreciated using the straight-line, half-year method with an expected life as set forth in the District's schedule of estimated life. The half-year convention provides a half year depreciation in the year of acquisition, regardless of the actual acquisition date and a half year depreciation in the last year.

F. WORKS OF ART AND HISTORICAL TREASURES

Definitions:
Works of art and historical treasures represent collections or individual items of significance that are owned by the entity that are not held for financial gain, but rather for public exhibition, education, or research.

Valuation:
Works of art and historical treasures should be valued at historical cost at acquisition or fair market value at date of donation unless they belong to a collection that meets the following criteria:

- The collection is held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
- The collection is protected, kept unencumbered, cared for, and preserved.
- The collection is subject to an organization policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

Capitalization Threshold:
Works of art and historical treasures, whether purchased or donated, with a value of $500 or greater will be capitalized.

Depreciation:
Works of art and historical treasures are an inexhaustible asset with an unlimited useful life that does not depreciate over time.

G. LEASEHOLD IMPROVEMENTS

Definitions:
A **leasehold improvement** is an improvement made to a leased building or infrastructure asset by an agency that has the right to use this leasehold improvement over the term of the lease. This improvement will revert to the lessor at the expiration of the lease. Leasehold improvements should not include maintenance and repairs done in the normal course of business. Further, moveable equipment or office furniture that is not attached to the leased property is not considered a leasehold improvement.

Valuation:
Refer to "Improvements"

Capitalization Threshold:
Leasehold improvement projects with a cost of $5,000 or more will be capitalized.

Depreciation:
Leasehold improvements will be capitalized and depreciated using the straight-line method over the shorter of (1) the remaining lease term, or (2) the expected useful life of the improvement as set forth in the District's schedule of estimated life. Depreciation will be calculated based on the date the asset was placed into service. For assets purchased or available for use during the first six months of the fiscal year, a full year of depreciation expense will be calculated. For assets purchased or available for use during the last six months of the fiscal year, one-half year of depreciation expense will be calculated.

H. CAPITAL LEASE

Definitions:
A **capital lease** represents leased real or personal property, for which ownership of the asset substantially transfers to the lessee and therefore meets the criteria for capitalizing as an asset.

Valuation:
Assets should be capitalized if the lease agreement meets any one of the following criteria:

- The lease transfers ownership of the property to the lessee by the end of the lease term.
- The lease contains a bargain purchase option.
- The lease term is equal to 75 percent or more of the estimated economic life of the leased property.
- The present value of the minimum lease payments at the inception of the lease, excluding executory costs, equals at least 90 percent of the fair value of the leased asset.

Capitalization Threshold:
Capital leases with a value of $500 or greater will be capitalized.

Depreciation:
Capital leases will be capitalized and depreciated using the straight-line method with an expected life as set forth in the District's schedule of estimated life. Depreciation will be calculated based on the date the asset was placed into service. For assets purchased or available for use during the first six months of the fiscal year, a full year of depreciation expense will be calculated. For assets purchased or available for use during the last six months of the fiscal year, one-half year of depreciation expense will be calculated.

I. FIXED ASSET AND DEPRECIATION SCHEDULE:

CC	ASSET CLASS	EXAMPLES	ESTIMATED USEFUL LIFE YEARS
01	Land		N/A
02	Site Improvements	Paving, flag poles, retaining walls, sidewalks, fencing, outdoor lighting	20
03	Art	N/A	N/A
04	Portable Classrooms		10
05	HVAC Systems	Heating, ventilation and air conditioning	25
06	Roofing		20
07	Interior Construction	Classroom dividers, partitions	10
08	Carpet Replacement		7
09	Electrical/Plumbing		30
10	Sprinkler/Fire Systems	Fire suppression systems	25
11	Outdoor Equipment	Playground, radio towers, fuel talks, pumps	20
12	Machinery & Tools	Shop and maintenance equipment, tools	15
13	Kitchen Equipment	Appliances, Lunchroom tables	12
14	Custodial Equipment	Floor scrubbers, vacuums, other	15
15	Science & Equipment	Lab Equipment, apparatus	10
16	Furniture and Fixtures	Classroom and office furniture	20
17	Business Machines	Fax, duplicating and printing equipment, counting equipment, and cash registers	5
18	Copiers	Canon/Epson	5
19	Communications Equipment	Mobile, portable radios, non-computerized	10
20	Computer Hardware	PCs, printers, network hardware	5
21	Computer Software	Instructional, other short term	5
22	Computer Software	Administrative or long term	5
23	Audio Visual Equipment	Projectors, cameras	10
24	Athletic Equipment	Gymnastics, football, weight machines, wrestling mats	10
25	Musical Instruments	Piano, string, bass, percussion	10
26	Library Books	Collections	5 TO 7
27	Licensed Vehicles	Buses, on-road vehicles	8
28	Contractor's Equipment	Off road vehicles, air compressors	10
29	Grounds Equipment	Mowers, tractors, attachments	15
30	School Buildings		50

APPENDIX:

DEFINITION OF TERMS:

Accumulated Depreciation – The total depreciation expense aggregated since the capital asset was acquired or placed in service through the current reporting period.

Book Value – The total cost of a capital asset less accumulated depreciation expense.

Capitalize – Capitalize is an accounting term which refers to the process of grouping expenditures related to capital assets and recording them on the asset ledger. "FASGOV" is the accounting subsystem used by the District to track capital assets and the related net book value. The asset is assigned an expected useful life in "FASGOV" and depreciated over the length of that life (with the exception of land and artwork).

Capital Asset – Capital assets are tangible and intangible assets acquired for use in operations that will benefit more than a single fiscal period[1]. Accounting rules state that the outcome of capitalizable expenditures must result in tangible assets that have a component value that meets the capitalization threshold and have an estimated useful life extending beyond a single fiscal period. These types of assets include land, improvements, vehicles, machinery, equipment, works of art, etc.

Capital Project – Capital Projects tend to be projects such as new schools, major renovations, boiler replacements, etc. Capital projects are accounted through capital project funds.

Capital Project Fund – The Capital Projects Fund is used to account for the financial resources to cover the costs associated with the acquisition of capital assets and for the construction, modernization, alteration and improvements of the District's major capital facilities, buildings and systems. Capital outlays financed from general obligation bond proceeds should be accounted for through a capital project fund.

Capitalization Threshold – The capitalization threshold is the dollar limit established to determine whether an asset meets the required minimum dollar value for capitalization. The dollar value represents the historical cost of an asset.

Depreciation – The systematic and rational allocation of the cost of a capital asset over its estimated useful life.

Expenditure – Expenditures are defined as reductions in net financial resources of a fund. Note that certain items may be expensed through a Capital Project Fund but may not be capitalized.

Personal Property – This is a subset of Capital Assets. Personal Property refers to capital assets that are not part of a capital project (e.g. personal computers, desks, copy machines etc). Personal property assets tend to be portable and are not related to the construction or major renovation of a structure.

[1] GASB Statement No. 34, paragraph 19.

EXPENDITURES:

a) Expenditures allowed as charges to the Capital Projects Fund and Not Capitalized:

Salaries and Related Benefits:
- Capital program executive salaries
- Administrative labor dedicated to capital projects
- Related fringe benefits

b) Expenditures not chargeable to the Capital Projects Fund and Not Capitalized (Operating Funds):

Maintenance and Repairs:
- Adding, removing, and/or moving of walls relating to renovation projects that are not considered major rehabilitation projects and do not increase the value of the building
- Improvement projects of minimal or no added life expectancy and/or value to the building
- Plumbing or electrical repairs
- Cleaning, pest extermination or other periodic maintenance
- Interior decoration such as draperies, blinds, curtain rods and wallpaper
- Exterior decoration such as detachable awnings, uncovered porches and decorative fences
- Maintenance-type interior renovation such as repainting, touch-up plastering, replacement of carpet, tile, panel sections and sink and fixture refinishing
- Maintenance-type exterior renovation such as repainting, replacement of sections of deteriorated siding and roof or masonry
- Building management fees

Moving Expenditures (non-construction material):
- Moving and/or storage of existing furniture and equipment, existing tenant assets during renovation of a capital asset
- Moving and/or storage costs associated with dismantlement, crating, shipping and reinstallation of furniture and equipment
- Non-incremental storage expense
- General storage costs
- Moving and/or storage expenditures after construction completion