2.9(D) Accounting and Reporting

The Board of Education wishes to provide for the accounting of school district assets of significant value.

Capitalization Policy for Capital Assets

A capital asset is a piece of property that meets all of the following requirements:

1. The asset is complete.

2. The asset is used in the operation of the school system's activities.

3. The asset has a useful life of longer than the current fiscal year.

4. The asset is of significant value.

The following significant values will be used for different classes of assets:

Class of Capital Asset	**Significant Value**
Machinery and Equipment	$5,000 or more
Building Improvements	$5,000 or more
Building & Additions	$5,000 or more
Land Improvements	Any amount
Land	Any amount
Intangibles - All Except Software	$100,000 or more
Intangibles - Software	$100,000 or more

Capital assets may be acquired through donation, purchase or may be self-constructed. The asset value for donations will be the estimated fair market value at the time of the donation. The asset value, when purchased, will be the purchase cost plus all costs related to placing the asset into operation. The cost of self-constructed assets will include all costs of construction.

Land

Land acquired by purchase is recorded at cost to include the amount paid for the land itself and all incidental costs.

Land acquired by gift or bequest is recorded at the fair market value at the date of the acquisition.

When land is acquired with buildings erected thereon, total cost is allocated between the two in reasonable proportion at the date of acquisition. If the transfer document does not show the allocation, other sources of the information may be used such as an expert appraisal or the real estate tax assessment records.

Land is not depreciable.

Land Improvements

Land Improvements may be either depreciable or non-depreciable.

Depreciable Land Improvements include parking lots, outdoor lighting, covered walkways, fences, tennis courts, running tracks, and grandstands, etc.

Depreciable Land Improvements will be depreciated over their estimated useful lives.

Non-Depreciable Land Improvements include items that are not exhaustible such as expenditures that do not require maintenance or replacement, expenditures to bring land into condition to commence erection of structures, or expenditures for improvements that do not deteriorate with the passage of time.

Buildings

Buildings will be recorded at either their acquisition cost or construction cost. If a building is acquired by purchase, the capitalized cost should include the purchase price and other incidental expenses at the time of acquisition.

If a building is constructed, the capitalized cost should include all construction costs. The constructed building will be capitalized upon completion of the project. For the new construction, all the component units of the building, such as HVAC, plumbing system, sprinkler systems, elevators, etc will be included in the capitalized cost of the building. As the systems are replaced or upgraded, those items should be reviewed and capitalized according to the Building Improvements guidelines.

Building Additions

Building additions will be recorded at their construction cost.

Building additions will be capitalized separately and depreciated over their useful life.

Building Improvements

Component Units - (HVAC, plumbing systems, sprinkler systems, elevators, etc.)

When building component units are replaced, the new component unit will be capitalized separately, and the old component (subsequent to original construction) will be removed from the property report. However, if the original component unit was included in the original construction, it will not be removed since it was not a separately valued component. The new component unit will be depreciated over the estimated useful life of the applicable class and subclass as a building improvement.

Major Renovations or Alterations

Any major renovations or alterations within an existing building will be added to the cost of the original building as a building improvement. The building improvement will be depreciated over the estimated useful life of the applicable class and subclass for buildings, additions, and improvements.

Construction in Progress

This includes all projects for buildings or land improvements construction that are not completed at the end of the fiscal year.

Construction in Progress is not depreciable.

Completed projects will be moved to the applicable fixed asset class when complete.

Machinery & Equipment

Expenditures for machinery and equipment costing $10,000 or more per item and having an estimated life of more than one year will be capitalized.

Expenditures for items such as furniture and computer equipment purchased in groups costing more than $10,000 and having an estimated life of more than one year may be capitalized by type as a group.

Machinery & Equipment will be depreciated over their estimated useful lives.

Intangible Assets

Per GASB 51, an intangible asset is an asset that possesses all of the following characteristics:

Lack of physical substance,

Nonfinancial in nature, and

Initial useful life extending beyond one fiscal year.

GASB 51 does not apply to the following intangible assets:

Assets that are acquired or created primarily for the purpose of directly obtaining income or profit.

Assets resulting from capital lease transactions reported by lessees.

Goodwill created through the combination of a government and another entity.

An intangible asset is considered identifiable when either of the following conditions is met:

The asset is separable (i.e., capable of being separated and sold, transferred, licensed, etc.), or

The asset arises from contractual or other legal rights, regardless of whether rights are separable.

DEPRECIATION POLICY

The "straight line" method of depreciation should be utilized to depreciate capital assets, except for land, over the estimated useful lives of the related assets principally as follows:

Buildings, Additions, and Improvements:	
Permanent Buildings	50 years
Building Additions	Up to 50 years
Building Improvements	Up to 50 years
Mobile Buildings	25 years

Machinery & Equipment:	
Vehicles (trucks, vans, tractors,etc)	8 years
Kitchen Equipment	15 years
Computer Equipment	5 years
Outdoor Equipment	15 to 20 years
Miscellaneous Equipment	7 to 20 years
Buses	15 years

Land Improvements	
Fencing	20 years
Lighting	20 years
Asphalt Paving	20 years
Concrete Paving	30 years
Sidewalks & Curbs	20 years
Sewer Line	40 years
Miscellaneous Improvements	10 to 40 years

Intangibles	
Easements	50 years or term
Land Use Rights (Water, Timber, Mineral)	20 years or term
Other Intangibles (Patents, Trademarks, Copyrights)	20 years or term
Software	10 years or term

Depreciation will be calculated utilizing the "Half-Year convention." Under this convention, an asset is treated as though it were placed in service or disposed of the first day of the seventh month of the fiscal year. One-half of a full year's depreciation is allowed for the asset in its first year placed in service, regardless of when it was actually placed in service during that year.

DISPOSITION OF ASSETS

When capital assets are sold or otherwise disposed of, the inventory of Capital Assets should be relieved of the cost of the asset and the associated accumulated depreciation. Assets will be removed on an annual basis in conjunction with the annual update. The appropriate depreciation will be taken for the year of disposal.

IMPAIRMENT OF CAPITAL ASSETS

The Governmental Accounting Standards Board (GASB) issued Statement no. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, which establishes accounting and financial reporting standards for a capital asset that has experienced a significant, unexpected decline in its service utility.

At least annually, an evaluation should occur of prominent events or changes in circumstances affecting capital assets to determine whether an impairment of a capital asset has occurred. If a permanently impaired capital asset will continue to be used by the School District, the organization must determine the amount of the impairment for purposes of GAAP reporting. This policy applies to equipment items with a net book value of $100,000 or more, and to other capital assets with a net book value of $250,000 or more.

Questions about this regulation should be directed to the Executive Director of Finance.

Related Board Policy: 2.9(D)

Public Review and Feedback: Directly adapted from old board policy

Approved by Cabinet: 09/16/19