Capital Assets

A. **Purpose:** The purpose of this policy is to provide accountability and to safeguard capital assets. This policy establishes criteria for the capitalization of various types of fixed or tangible assets to meet the provisions of GASB Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments.

B. **Definitions and Provisions:** *Tangible assets* are defined as anything which can be perceived by one or more of the senses.

*Fixed assets* are tangible assets used in operations that have estimated useful lives extending beyond a single reporting period (i.e., one year). These expenditures benefit current and future fiscal periods. These items are separated into classes according to physical characteristics. This includes land, buildings, improvements, furniture and equipment, construction in progress, vehicles and library materials.

*Land* will be capitalized regardless of cost. Original cost will include the full value given to the seller and expenditures associated with relocation, legal services (title work, etc.), appraisal and negotiation fees, surveying and costs for preparing the land for its intended purpose, such as demolishing buildings, excavating, clean up, and/or inspection.

Donated land will be recorded at fair market value on the date of transfer plus any associated costs.

C. **Capitalization Threshold:** Items with less than a three thousand dollar ($3,000) value will be expensed in the accounting period acquired. Items with an original cost of three thousand dollars ($3,000) or more will be considered capital assets and capitalized for financial reporting purposes.

D. **Valuation of Capital Assets:** Capital assets, except library materials, are recorded at cost (or estimated historical cost). The cost includes any ancillary charges such as shipping and installation, which are directly related to the asset and incurred to place the asset in its intended location and use.

E. **Library Materials Collection:** The materials collection – the aggregate of all books, audio, CDs, DVDs, and other materials with a useful life of more than one year – will be considered a capital asset and capitalized for financial reporting purposes. Materials will be capitalized based on a discounted average retail price for the year.

F. **Valuation of Donated Assets:** Donated assets are assigned values for accounting and asset management purposes. Donated or contributed assets will be recorded at their fair market value as of the date received.

G. **Depreciation Convention:** Capital assets (excluding land, construction in progress and the materials collection) will be depreciated using a Half Year, Straight Line Depreciation convention over the asset’s assigned useful life.

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H. **Useful Life**: Estimation of useful life for capital assets is based on past experience, industry standards, and warranty expirations. The following useful life determinations will be used:

1. Buildings – Thirty-five (35) years
2. Land and Building Improvements – Ten (10) years
3. Technology Equipment – Three (3) years
4. Autos/Vehicles – Five (5) years
5. Furniture, Fixtures and Equipment – Three (3) to Seven (7) years
6. Library Materials – Audio/DVD, Five (5) years or Books, Ten (10) years

I. **Assets Under Construction**: For assets under construction, costs will be accumulated in a Construction in Progress account and will be reported as such on financial statements. At project completion, a capital asset will be established and depreciated as of in-service date.

J. **Capital Asset Impairment**: In accordance with GASB Statement No. 42: Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, capital assets will be evaluated annually for impairment. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. Prominent events or changes in circumstances affecting capital assets will be evaluated to determine whether impairment of a capital asset has occurred.

Events or changes in circumstances that may be indicative of impairment include:

1. Evidence of physical damage.
2. Enactment or approval of laws or regulations (or changes in environmental factors) that the asset cannot meet (nor is capable of being modified to comply with).
3. Technological changes or evidence of obsolescence.
4. Changes in the manner or duration of the asset’s use.
5. Construction stoppage.

K. **Periodic Inventories**: A physical inventory of capital assets will be conducted by the CFO or his/her designee at least every other year, as near as practical to fiscal year end.

L. **Non-capital Assets**: An inventory list will be maintained for non-capital assets that require special attention due to value or heightened risk of theft. The Information Technology Department will maintain an inventory list for all computers and peripherals.

M. **Asset Acquisitions**: All capital asset acquisitions are approved on adoption of the Fiscal Year budget by dollar amount only. Listing of capital assets to purchase by name is for information only and does not restrict actual expenditures.