

**Board Policy
Financial Reports, Capital Assets Thresholds Policy**

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The Pickens County Board of Education has invested in a broad range of capital assets that are used in the school system's operations. Capital assets are real or personal property that have a value equal to or greater than the capitalization threshold for the particular classification of the asset and have an estimated life of greater than one year. Capital assets include:

- Land and land improvements
- School buildings and building improvements
- Other Facilities and improvements
- Personal property
 - Furniture and equipment, vehicles, boats and aircraft
 - Other assets
- Construction in progress

Capitalization Planning

Accounting and financial reporting shall be done in accordance with the Governmental Accounting Standards Board Statements, including Statement 34 (GASB 34) concerning the reporting of infrastructure assets and Statement 42 (GASB 42) concerning the reporting of impairment (significant, unexpected decline in service utility) or potential impairment of capital assets.

Capitalization Thresholds

Standard capitalization thresholds for capitalizing assets have been established for each major class of assets.

Class of Asset	Threshold
Land	Any amount
Land Improvements	50,000
Building and Building Additions	100,000
Building Improvements	50,000
Machinery and Equipment	10,000
Construction in Progress	50,000
Intangible	250,000

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

- 1) The asset is used in the operation of the school system's activities.
- 2) The asset has a useful life of longer than the current fiscal year.

3) The asset is of significant value.

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

<u>Class of Capital Asset</u>	<u>Significant Value</u>
Machinery and Equipment	10,000 or more
Buildings & Building Improvements	\$5,000 or more
Land Improvements	\$5,000 or more
Land	Any amount
Intangible	250,000 or more

Capital assets may be acquired through donation, purchase or may be self-constructed. The asset value for donations will be the fair market value at the time of the donation. The asset value, when purchased, will be the initial cost plus the trade-in value of any old asset given up, 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

- This category will include parking lots, outdoor lighting, covered walkways, fences, tennis courts, running tracks, and grandstands, etc.
- The Board does not capitalize landscaping.
- Land Improvements will be depreciated over their estimated useful lives.

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 first year, 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.

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 remaining useful life of the building.

- Major Renovations or Alterations

Any major renovation or alteration within an existing building will be added to the cost of the original building. These renovations/alterations will be depreciated over the remaining life of the building/structure.

Construction in Progress

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

Machinery & Equipment

- Expenditures for machinery, equipment or furnishings costing \$5,000 or more per item and have an estimated life of more than one year will be capitalized.
- Library books will not be capitalized.

Intangible Assets

For an **Intangible Asset** to qualify for capitalization purposes, it must meet all of the following requirements:

1. The acquisition cost is at least Two Hundred Fifty Thousand (\$250,000).
2. The intangible asset has a useful life greater than one year.
3. The district has the ability to sell, transfer, license, or rent the asset to another party OR the asset arises from a contractual or legal right.
4. The asset is nonfinancial in nature and not acquired or created primarily for the purpose of generating income or profit, the result of a capital lease transaction, or goodwill.

All intangible assets meeting the capitalization requirements specified above will be amortized unless the intangible asset has an indefinite life.

DEFINITIONS:

Intangible Assets - Assets that lack physical substance, are non-financial in nature, and have a useful life greater than one year. Examples include, but are not limited to, easements, water rights, timber rights, patents, copyrights, trademarks, and computer software (purchased, licensed, and internally generated).

Easements - The right to use land belonging to another for a particular use.

Water rights - The right to access or use water from a water source (i.e., a river, stream, pond or source of groundwater).

Timber rights - The right to claim trees on property belonging to another.

Patents - The legal protection granted to an individual, company, or organization from the United States federal government or a foreign government giving the owner the exclusive right to produce and sell an invention for a given period of time.

Copyrights - The legal protection granted to authors or artist for their works from the federal government. This gives the owner the exclusive rights to produce or sell the artistic or published work for a specified period of time.

Trademark - A name, word, phrase, logo, symbol, design, or image that identifies that the product is from a unique source.

Purchased Software - Purchased software is software that the District pays an upfront cost in order to use. This may be software that we pay for initially and then pay an additional annual maintenance fee in order to receive upgrades and support from the vendor.

Licensed Software - Licensed software is software that the District has the right to use for a specified period of time based on an agreement with the vendor.

Internally Generated Software - Internally generated software is software developed by the District's staff or an entity contracted by the District, or acquired from an external entity but requiring more than minimal incremental effort on the part of the District to begin to achieve its expected level of service capacity.

DEPRECIATION

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	
Permanent Buildings	50 to 80 years
Building Additions	Remaining Useful Life up to 80 years
Building Improvements	Remaining Useful Life up to 80 years
Machinery & Equipment	
Mobile Classrooms	15 to 25 years
Vehicles (trucks, vans, tractors, forklifts, etc.)	10 to 20 years
Kitchen Equipment	15 to 25 years
Computer Hardware	5 to 10 years
Outdoor Equipment	15 to 25 years
Miscellaneous Equipment	10 to 50 years
Buses	15 to 30 years
Land Improvements	20 to 80 years
Intangible Assets	*

*Dependent on the following factors:

- The District's expected use of the asset
- The expected useful life of another related assets or group of assets
- Any legal, regulatory, or contractual provisions that may limit the useful life
- The effects of obsolescence, demand competition, and other economic factors
- The level of maintenance expenditures required to obtain the expected future cash flows from the asset

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. For accounting purposes, the board has established a salvage value of 1% of the acquisition value.

Adopted: July 3, 2003