

Regulation DIB-R (1): Financial Reports - Capitalization Policy for Capital Assets

Status: ADOPTED

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Intangible Right-to-Use Assets

Web Based Subscription/Software is a hypermedia instructional or service program, which utilizes the attributes and resources of the World Wide Web to create a meaningful learning environment. This fosters learning and provides further service support including to the operational areas.

Leases and web based subscriptions/software, as a lessee and user, are included as intangible right-to-use assets and lease obligations on the Statement of Net Position. An intangible right-to-use asset represents the School District's right to use an underlying asset for the lease term including web-based subscriptions/software. Lease obligations represent the School District's liability to make lease payments arising from the lease agreement. Web based subscriptions/software agreements should not exceed 12 months without the approval of the superintendent. Intangible right-to-use assets and lease obligations including subscriptions/software are recognized based on the present value of lease payments over the lease term, where the initial term exceeds 12 months. Residual value guarantees and the value of an option to extend or terminate a lease subscriptions or software are reflected to the extent it is reasonably certain to be paid or exercised. Variable payments based on future performance or usage are not included in the measurement of the lease liability. Intangible right-to-use assets are amortized using a straight-line basis over the shorter of the lease term or useful life of the underlying assets.

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

1. The asset is tangible and 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.

Capitalization thresholds of intangible right-to-use assets reported in the government-wide statements are as follows:

<u>Class of Capital Asset</u>	<u>Significant Value</u>
Machinery and Equipment	\$ 10,000.00 or more
Buildings and Building Improvements	\$ 10,000.00 or more
Land Improvements	\$ 10,000.00 or more
Leases	\$10,000 or more
Subscriptions/Software	\$50,000 or more
Land	Any amount

Capital assets may be acquired through donations, 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

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	12 to 25 years
Computer Hardware	5 to 10 years
Outdoor Equipment	15 to 25 years
Miscellaneous Equipment	10 to 50 years
Buses	10 to 30 years

Land Improvements

15 years

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.
