

SANBORN REGIONAL SCHOOL DISTRICT

SRSD File: DIDA-R

ASSET CAPITALIZATION

Statement of Purpose

To define and record assets of the Sanborn Regional School District.

DEFINITIONS

For the purpose of this policy/regulation, the following definitions shall apply:

Tangible Assets - Assets that can be observed by one (1) or more of the physical senses. They may be seen or touched, in some environments heard or smelled.

Fixed Assets - Tangible assets of a durable nature, generally with a useful life in excess of two (2) years, which are employed in the operating activities of the School District and that are relatively permanent in nature. They may be termed property, plant, equipment, furniture or fixed assets. They are usually separated into classes according to the physical characteristics of the items (Example: land, buildings, improvements other than buildings, machinery and equipment, furniture and fixtures).

Controlled - Assets - Assets that do not meet all of the fixed asset criteria but are recorded within the fixed asset system to maintain control of value, number and location.

Capital - Outlays - Expenditure which benefit both the current and future fiscal period. This includes the costs of acquiring land and structures; construction or improvements of buildings, structures or other fixed assets; and equipment purchases having an appreciable and calculable period of usefulness. These are expenditures resulting in the acquisition of or an addition to the School District's general fixed assets.

CLASSIFICATIONS

Land

The Sanborn Regional School District will capitalize land purchases regardless of cost. Original cost of land will include the full value given to the seller; relocation costs; legal services incidental to the purchase (including title work and opinion); appraisal and negotiation fees; surveying; and costs for site preparation for the intended purpose, such as demolishing buildings, excavating, clean-up and/or inspection.

Buildings

The Sanborn Regional School District will capitalize buildings at full costs with no subcategories for tracking the cost of attachments. Examples of attachments are roofs, heating and cooling plants, plumbing, lighting, sprinkler systems, or any part of the basic building.

Capital building costs may include preparation of the land for the building, architectural and engineering fees, bond insurance fees, interest costs (while under construction), accounting costs of material and any costs directly attributable to the construction of the building.

The School District will record any donated buildings at fair market value as of the date of transfer with any associated costs.

Improvements Other Than Buildings

Improvements other than buildings include improvements to and for better enjoyment, attached or not easily removed. Examples are walks, parking areas, drives, fences, retaining walls, pools, underground sprinkler systems, and other similar items.

The Sanborn Regional School District will capitalize new improvements if they meet the following criteria:

- A. total cost exceeds \$10,000, and
- B. the useful life of greater than two (2) years

Machinery, Furniture and Equipment

For the purpose of this policy, machinery and/or equipment is an apparatus, tool or conglomeration of pieces to form a tool. Machinery, furniture and equipment are not expendable in nature so as to be consumed. They do not lose their identity through fabrication or incorporation into a different or more complex unit. Machinery, furniture or equipment will stand alone and will not become a part of a basic building structure and may be moved between or among buildings or rooms to best meet the needs of the School District.

The Sanborn Regional School District will capitalize and tag items with an individual value equal to or greater than \$5,000. Shipping charges, consultant fees and any other costs directly related to the acquisition or purchase such as delivery, set-up charges, software operating systems which make the equipment operable as intended may be included and capitalized as a part of the cost.

Improvements or renovations to existing machinery and equipment will be capitalized only if the result of the change meets all of the following conditions:

- A. total costs exceeds \$2,000, and
- B. the useful life is extended two (2) or more years, and
- C. the total costs will be greater than the current book value (if applicable) and less than the fair market value.

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