



Title: CAPITAL ASSET ACCOUNTING POLICY	Code: B0108
Authority: Board Minutes 9/16/91; 10/28/97; 1/24/17; 12/18/18	Original Adoption: 9/16/91 Revised/Reviewed: 10/26/18 Effective: 12/18/18

It is the policy of the Board that the District's capital assets be accounted for in accordance with generally accepted accounting principles applicable to governmental entities. However, such generally accepted accounting principles do not prescribe the standard categories of capital assets, the estimated useful life of each category, or the minimum requirements for capitalization.

The Board recognizes the need for a formal, written policy regarding the accounting of capital assets. The policy would define the standard categories of assets, the estimated useful life of each category, the prescribed method of depreciation (straight-line), and the minimum requirements for capitalization.

Additionally, the policy would establish the importance of periodic capital asset physical inventories and accounting for capital asset dispositions. Such a uniform policy should provide more structure and greater control over the accountability for assets. It should also result in more representative balance for capital assets in the financial statements. Accordingly, the Board hereby establishes the following uniform policy for the accounting of capital assets.

I. FUNDS AND ACCOUNT GROUPS

A. In General, the financial statements of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The District's capital assets are accounted for in either the General Capital Assets Account Group or the Enterprise Funds. All the funds and account groups are described below.

B. Governmental Funds, consist of the General Fund, Special Revenue Fund, Debt Service Fund, and Capital Projects Fund. These funds account for the financial operations of most of the District's instructional and related activities. Consistent with generally accepted accounting principles, capital assets of Governmental Funds are accounted for in the General Capital



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Assets Account Group.



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C. Proprietary Funds, which consist of Enterprise Funds, account for the television operations, food service centers, bookstores, child care, and other on-going activities that are similar to those often found in the private sector. Capital assets used in the Enterprise Funds are recorded at cost or estimated historical cost and depreciated on a straight-line basis over their estimated useful lives as set forth below.

D. Fiduciary Funds consist of Expendable Trust Funds, Non-Expendable Trust Funds and Agency Funds. The Funds account for assets held by the District for student organizations, governmental units, or private organizations. Fiduciary Funds generally do not include any capital assets.

E. Account Groups:

1. The General Capital Assets Account Group accounts for all capital assets used for District operations other than those accounted for in the Enterprise Funds. Costs incurred for the purchase or construction of general capital assets are recorded as capital outlay expenditures in the Capital Project Fund.

Capital assets will be reported at their original cost (or fair market value at the time of donation) along with related accumulated depreciation until disposal.

2. The General Long-Term Obligation Account Group accounts for all long-term obligations of the District.

II. STANDARD CATEGORIES OF CAPITAL ASSETS

The capital assets of the District are classified in the following standard categories:

- A. Land and land improvements;
- B. Buildings, building improvements, and leasehold improvements;
- C. Fixed Equipment, or
- D. Moveable Equipment



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III. DEPRECIATION

- A. All depreciable capital assets of the District shall be depreciated over their estimated useful lives using the straight-line method of depreciation.
- B. Land, exclusive of improvements, is not depreciated.
- C. Buildings are depreciated on a straight-line basis over their estimated useful lives. The estimated salvage value shall be zero and the estimated useful lives generally shall be forty years, except as otherwise determined by the District based on all available information.
- D. Land improvements and building improvements are depreciated on a straight-line basis over their estimated useful lives. The estimated salvage value shall be zero and the estimated useful lives generally shall be twenty years, except as otherwise determined by the District based upon all available information. Leasehold improvements are amortized on a straight-line basis over their estimated useful lives. The estimated salvage value shall be zero and the estimated useful lives generally shall be twenty years. However, if the remaining term of the lease is less than twenty years, the estimated useful life is limited to the remaining term of the lease.
- E. Equipment and furniture are depreciated on a straight-line basis over their estimated useful lives. The estimated salvage value shall be zero and the estimated useful lives shall be five years for computer, software, audio-visual, motor vehicles, and ten years for all other equipment and furniture, except as otherwise determined by the District based upon all available information.

IV. CAPITALIZATION POLICY

- A. Historical Cost. Consistent with generally accepted accounting principles all capital assets are valued at historical cost or estimated cost or estimated historical cost if their historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.
- B. Minimum Capitalization Requirements.
 - 1. **Capitalization**. Costs for any item, unit, or set are to be capitalized if they equal or exceed in the aggregate, a minimum threshold of



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\$1,000 and:

- a. acquire an item with a useful life of more than two years; and/or
- b. add value to a capital asset; and/or
- c. prolong the useful life of a capital asset for more than two years; and/or
- d. adapt a capital asset to a new or different use.

The minimum threshold for capitalization shall be increased to \$2,000 for FY2018-19 and \$5,000 for FY2019-20 and beyond. Costs that do not meet these capitalization requirements shall be expended.

2. **Repairs.** Costs of repairs and maintenance that keep capital assets in ordinary efficient operating condition during the assets normal lifecycle shall be expended. However, if the repair arrests the deterioration and prolongs the life of the capital asset for more than two years, it shall not be expended, but, instead shall be capitalized, provided its costs meets the minimum dollar threshold described above.
3. **Noncapital items.** Common expenditures that do not qualify for capitalization include, but are not limited to: maintenance agreements, warranties, and relocation of existing capital assets.

C. Land and Buildings. The purchase price or the cost of construction. Also includes other charges such as legal and title fees, closing costs, appraisal fees, surveying, land preparation costs, demolition costs, and architect fees.

D. Land and Building Improvements.

1. Improvements or remodeling that adds items and services which did not exist prior to the remodeling; for example:
 - a. air conditioning
 - b. elevator
 - c. fire alarm system
 - d. sprinkler system



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- e. acoustical treatment
- f. surveillance and security equipment
- g. sidewalks

2. Remodeling that increases the structural or functional aspects of the land or a building; for example:

- a. removal, relocation, or upgrading of walls or partitions
- b. upgrade of lighting
- c. improvement to roof structure
- d. repaving parking lots

3. Replacement of major building systems or portions of building components; for example:

- a. replacement of light fixtures in a section of a building
- b. replacement of plumbing fixtures in a section of a building
- c. replacement of electrical wiring in a building
- d. replacement of carpeting in a section of a building
- e. replacement of the air conditioning system
- f. replacement of floor covering in a section of a building

E. Fixed and Moveable Equipment.

Any item, unit or set that in aggregate, meets the minimum dollar threshold and has a useful life of two years or more is to be capitalized.

- 1. Ancillary costs, such as freight, installation, and setup, should be capitalized.
- 2. Equipment accessories and modifications which add costs to an item that is already a capital asset should be capitalized.



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V. CAPITAL ASSETS INVENTORY

- A. To provide reasonable assurance that the accounting records reflect materially the total value of capital assets reported in the financial statements, periodic cycle counts of capital assets shall be taken.
- B. Wherever practical, capital assets having acquisition values equal to or greater than \$5,000 shall be assigned MATC property identification tags in order to facilitate the taking of periodic cycle counts.
- C. Information technology (IT) network infrastructure assets, including servers, switches, and hubs shall be assigned MATC property identification tags regardless of acquisition value.
- D. Computers, mobile devices, copier/faxes, and network printers shall be assigned MATC property identification tags regardless of acquisition value. This tagging requirement does not apply to computer monitors acquired for less than \$5,000.
- E. Equipment records in the capital assets database should include purchase order numbers or voucher numbers for tracking purposes.
- F. Capital assets that cannot be found during cycle counts must be written off in the accounting records. The capital asset database will be updated for other changes that are noted such as physical location changes.

VI. CAPITAL ASSET DISPOSITIONS AND TRANSFERS

- A. Capital asset custodians shall be responsible for safeguarding all capital assets assigned to their departments. This includes capital assets that are no longer needed by the department and are waiting to be disposed or transferred.
- B. Capital assets that are no longer needed by the District are to be disposed through sale by bid, trade-in, or scrapping. The donation of capital assets that are no longer needed by the District is not allowed. These surplus capital assets shall be disposed of according to procedure GG0201 established by the District. Capital assets to be transferred to a different area of the College should be transferred in accordance with procedure GG0201 established by the District.