



**Accounting, Auditing and Financial Reporting
Capitalization of Fixed Assets**

Policy 8.1.0

(Replaces Policy 8.1.0, 9.1.0 and Practice 2.9.0)

Policy. Capital assets include land, improvements to land, water rights, easements, buildings, building improvements, vehicles, machinery, equipment, right to use, infrastructure, construction in process (CIP), and all other tangible or intangible assets that are used in District operations that have initial useful lives of three years or more and meet defined capitalization thresholds.

1.0 Classification of Capital Assets. The District classifies capital assets in the following groups for financial reporting:

- Land
- Buildings and structures
- Venue Improvements
- Service Infrastructure
- Equipment and Vehicles
- Right to Use
- Construction in progress

2.0 Capitalization Thresholds. The District's capitalization threshold shall be as follows:

<u>ASSET CLASS</u>	<u>CAPITALIZATION THRESHOLD</u>
Land.....	All
Right to Use.....	All
Building and Structures	\$25,000
Venue Improvements	\$10,000
Service Infrastructure.....	\$ 25,000
Equipment and Vehicles.....	\$ 10,000

2.1 Capitalization thresholds are typically to be applied to individual items. Thresholds may be applied to a network or group of items when:

- 1) Similar types of assets are grouped together as a class (example: golf carts when they are components of a fleet; banquet facility furnishing)
- 2) The items represent components of a system or network



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(components of a computer/telephone network; snow-making system)

In cases where any asset is established to be a group of items, rather than being capitalized individually, the District will document justification to support the grouping of the assets.

3.0 Cost Basis. Capital assets purchased by the District are recorded at cost, and shall include purchase price, constructions cost, value of donated goods and/or services, and ancillary charges.

3.1 Ancillary charges mean incidental costs necessary to place a capital asset into its intended location, condition, or use. Examples include title fees, attorney or architect fees, freight charges, taxes, and site preparation costs. Ancillary charges are capitalized in addition to the purchase price and/or construction cost of capital assets.

3.2 Capital assets donated to the District are recorded at fair value on the date accepted.

4.0 Useful Life of Capital Assets. Assets should only be capitalized if they have an estimated useful life of three years or more.

4.1 Capital assets are depreciated using the straight-line method over the following estimated useful life:

<u>Asset Class</u>	<u>Years</u>
Building and Structures	10-40
Venue Improvements	10-25
Service Infrastructure	5-40
Equipment and Vehicles	3-20

Note: The Accounting Division will maintain Schedule of Useful Life for specific assets.



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5.0 Criteria for Capitalization of Fixed Assets

- 5.1. Capital projects will be capitalized if they meet one of the following criteria:
 - 1) The project is creating a new asset for the District
 - 2) The project extends the useful life of an asset beyond what was originally established as the estimated useful life for that asset, and/or
 - 3) Significantly increases the service capacity of the asset
- 5.2 Right to Use assets represent leased equipment and will be capitalized using the current value of all future lease payments per GASB 87. If the lease does not have a stated interest rate to determine current value with, an imputed rate will be determined by other similar leases.
- 5.3 Expenditures that simply maintain a given level of service or repair an item to its intended function should be expensed.
- 5.4 Three major categories of costs subsequent to original construction or acquisition are incurred relative to capital assets:
 - 1) Capital Improvements - an improvement is the substitution of a better component for which possesses superior performance capabilities, whereas a replacement is the substitution of a similar component.
 - 2) Capital Replacement - a replacement, which is a substitution of a component of the asset with one of similar quality is to be expensed. On rare occasions, a replacement can be considered improvements and be capitalized if it meets criteria for capitalization (5.1).
 - 3) Capital Maintenance - activities budgeted as capital projects will be expensed as repair and maintenance expenses if they meet one of the following criteria:



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- a. The activity is performed on a regular and recurring basis to keep the District's assets in their normal operating condition over the course of the originally established useful life.
- b. The project represents a repair activity that restores an asset to its original function.

6.0 Capital Project Phases. Major capital projects, as defined in Board Policy 12.1.0, will be managed through defined project phases. These may include:

- Feasibility
- Planning
- Design
- Construction

6.1. Costs incurred in pre-planning phases, including Master Plans and Project Feasibility Studies, which explore potential capital projects are to be expensed. Once a master-planning or feasibility study results in a defined project, with a specific scope and cost estimate, and the Board determines that a funding plan is to be developed for inclusion in the District's Capital Improvement Budget, costs associated with advancing the capital project are to be capitalized.

6.2 To facilitate the tracking of capital project costs to be expensed versus capitalized, the District will establish separate capital project codes to distinguish between phases where costs will be expensed and those capital project phases where costs are to be capitalized.

6.3 Capital project costs to be capitalized will be reported as Construction-In-Progress until the capital project is completed and the capital asset is placed into service.



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7.0 Responsibility and Roles

- 7.1 The Board of Trustees approves District policy governing capital classes, thresholds, and useful lives.
- 7.2 The Senior Accountant will capitalize assets, process monthly depreciation, and perform year-end reconciliation of capital assets.
- 7.3 The Controller is responsible for approving items to be capitalized, modified, or disposed.

Note: The disposal of capital assets are to be accounted for consistent with the procedures detailed in the District's Policy and Procedures Manual for Accounting and Financial Control (Section IX.5.0)