

**Board of Trustees
Douglas County School District**

PROPERTY

CAPITALIZATION AND DEPRECIATION OF FIXED ASSETS

The accounting and reporting policies of the Douglas County School District must conform to generally accepted accounting principles (GAAP) applicable to state and local governments, and the Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental and financial reporting principles to which the District will adhere. GASB Statement #34 is the guiding document for this policy.

Depreciation is the periodic cost assigned for the reduction in usefulness and value of a long-term tangible asset, and is used to allocate the cost of capitalized assets over their useful life. A capitalized item's cost is allocated to future reporting years through depreciation utilizing the matching principle to align amortized cost of an asset to the period of its useful life. Depreciation is a functional management tool for estimating market value which can be used to set sales prices for items in the surplus process and to make decisions on replacement purchases.

A capitalized fixed asset is property such as land, land improvements, infrastructure, buildings, building improvements, machinery and equipment, vehicles, and construction in progress with a cost equal to or greater than the capitalization threshold and an estimated useful life of greater than one reporting year. The District's capitalization threshold is calculated as an initial, individual cost of \$5,000 or more at the time of purchase. Capitalized assets received by gift or donation shall be capitalized at their fair market value on the date of gift or donation. All capitalized assets shall be entered into the District's Fixed Asset System.

A capital asset is to be reported and depreciated in government-wide statements. However, land and construction in progress are not depreciated. Capital assets that are depreciated utilize the straight-line method over the estimated useful life which varies depending on the classification of the asset, and is annually audited by an external auditor.

Items that do not meet the capitalization threshold are to be charged to consumable supply or repair accounts in the District's accounting system. The costs of normal maintenance and repairs that do not add to the value of the asset or extend the asset's life by at least two years are not capitalized.

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Capitalized Assets:

Land: The Land account includes all land and land improvements purchased or otherwise acquired. The acquisition of land will be recorded as a capitalized asset regardless of dollar value.

Improvements Other Than Buildings: The Improvements-Other-Than-Buildings account records infrastructure items such as parking lots, sidewalks, drainage systems, playgrounds, roads, bridges, and fences.

Buildings: The Buildings account includes the value of all buildings at purchased price or construction cost. Additions and major modifications or improvements to buildings (e.g., a new heating and ventilating system) or other permanently attached fixtures should be added to the building account when these costs extend the useful life of the asset by at least two years.

Equipment: The Equipment account includes vehicles, machinery, furniture, and equipment. Equipment must not lose its identity when removed from its location, is not permanently attached to a structure or infrastructure, and is not changed materially or expended in use. Software may be capitalized if it is an integral part of the system or identifiably enhances the functionality of the system. These types of assets should be recorded at cost, including freight, installation, and other charges incurred to place the asset in use.

Reference: GASB #34

Adopted: 03/12/02

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