

BARRE UNIFIED UNION SCHOOL DISTRICT
Barre City Elementary & Middle School
Barre Town Middle Elementary School
Spaulding High School

August 13, 2019
Updated August 12, 2022

Capitalization and Depreciation of Assets Procedures

The purpose of this procedure is to ensure that the business of Barre Unified Union School District (BUUSD) will be conducted according to the BUUSD Capitalization of Assets Policy (F23).

Capitalization - BUUSD will capitalize all assets that have both an individual purchase price or production value of \$5,000 or more, and an expected useful life of more than one year.

Capitalization method and procedure - All Capital Assets will be recorded at historical cost as of the date acquired. If historical cost is not applicable, as would be the case with donated items, the capital asset will be recorded at fair market value.

Recordkeeping - Invoices substantiating an acquisition cost of each unit of property, appraisal documents (or documentation showing how fair market was determined) and documentation of disposition will be kept for the life of the asset.

1. Equipment records will be maintained and will include the following:
 - a. Description of equipment
 - b. Serial # or other identification number
 - c. Source of funding
 - d. Federal Award Identification Number (FAIN)
 - e. Title holder
 - f. Acquisition date
 - g. Acquisition cost
 - h. Percentage of federal participation
 - i. Location
 - j. Use
 - k. Condition
 - l. Date of last physical inventory
 - m. Date of disposition
 - n. Method of disposition
 - o. Sale price

2. A physical inventory of the equipment will be taken at least once every two years and the results reconciled with the equipment records (item 1).

3. Adequate safeguards will be taken to prevent lost, damage or theft. Any loss, damage or theft will be investigated.
4. Equipment will be maintained in good working condition.
5. Equipment with a current per unit fair market value \$5,000 or less may be sold or otherwise disposed of at the discretion of the SU/District. The Equipment Record in item 1 will be updated with disposition information.
6. Equipment with a current per unit fair market value over \$5,000 requires disposition instructions from the federal awarding agency per 2 CFR §200.313(e). The Equipment Record in item 1 will be updated with disposition information.

Depreciation - BUUSD will depreciate (write off / expense) the value of the asset over its useful life (which is more than one year). BUUSD will utilize the straight-line, full-month method for depreciation.

Useful Life of the various categories of assets is:

| | |
|---|----------|
| Land | N/A |
| Land Improvements (fencing, parking lots, walkways – landscaping Will be expensed as a period cost regardless of amount spent) | 10 years |
| Buildings | 50 years |
| Building Improvements, additions, and renovations | 20 years |
| Furniture, Fixtures and Equipment | 10 years |
| Computer Equipment and Software | 5 years |
| Vehicles (including school buses) | 5 years |

Disposition of Assets – All Capital Assets will be disposed of as follows:

If the asset is no longer in working condition (and the cost of repair is prohibitive), it will be scrapped and any salvage value will be sought (scrap metal, etc.). The proceeds will be brought to the BUUSD business office for recording. If the asset has no salvage value, the business office will be informed that the asset has been disposed of with no salvage value.

If the capital asset still works and maintains some value, an advertisement will be posted on the BUUSD website and may be advertised in the Times Argus Newspaper. The highest bidder will be awarded the sale and the proceeds will be brought to the BUUSD business office for recording.

Inventory of Capital Assets – A physical inventory will be conducted in July of each year. The Business Office will prepare a listing of capital assets. The Director of Technology and Director of Facilities will conduct an annual inventory (checking for existence), location and condition (in working order, or not) of each capital asset. The Business Office will retain a copy of the capital asset inventory.

DEFINITIONS

Purpose of Capitalization Policy

Capitalization Definition - Capitalization means to record the amount of an item as an asset in a balance sheet account as opposed to an expense in an income statement account. Recording costs as an asset in the balance sheet allows for the writing off (expensing) of the value of the asset over its useful life (which is more than one year) through depreciation.

Capital Asset Definition - A “Capital Asset” is defined as a unit of property that: (1) has an economic useful life that extends beyond 12 months; **and** (2) was acquired or produced for a cost of \$5,000 or more. Capital Assets must be capitalized and depreciated for financial statement purposes.

Capitalization Threshold - BUUSD establishes \$5,000 as the threshold amount for minimum capitalization.

Historical Costs of the various categories include:

Land – includes the purchase price, legal and title fees, surveying and environmental fees, appraisal, and negotiating fees.

Land Improvements – includes the purchase price, contract price, or job order costs, and any other expenditure necessary to put a structure or improvement into its intended state of operation. Additional expenditures may include professional fees, insurance premiums, and related costs incurred during the period of construction.

Buildings – includes the purchase price, contract price, and any other expenditure necessary to put a building or structure into its intended state of operation. Additional expenditures may include professional fees, costs of fixed fixtures, insurance premiums and related costs during the period of construction.

Building Improvements – include any renovation or alteration to an existing building that **adds useful space** to the structure **or extends the facility’s useful life**. Conversely, improvements that

do not add useful space to the structure or extend the facility's useful life will be considered maintenance and repair and expensed.

Furniture, Fixtures and Equipment – includes the total purchase price less any applicable discounts. It also includes any ancillary payments required to place the asset in its intended state of operation.

Computer Equipment – includes the total purchase price less any applicable discounts. It also includes any ancillary payments required to place the asset in its intended state of operation. Systems (i.e. Servers) constructed that in the aggregate exceed the capitalization threshold will be capitalized. Any piece of a system or any computer that exceeds the capitalization threshold will be individually capitalized.

Computer Software – Purchased computer software costing more than \$5,000 with a useful life of more than one year will be capitalized. Annual computer license fees or support fees, even those costing more than \$5,000, will be expensed because they do not have a useful life of more than one year.

Vehicles – includes the total purchase price less any applicable discounts or trade-in value. It also includes any ancillary payments required to place the asset in its intended state of operation.

Infrastructure – consists of long-lived capital assets that normally are stationary in nature and normally can be preserved. Infrastructure assets include roads, bridges, drainage systems, water and sewer systems, and lighting systems.

The capitalized cost includes the purchase price, contract price, or job order costs, and any other expenditure necessary to put the asset into its intended state of operation. Additional expenditures may include professional fees, damage claims, insurance premiums, and related costs incurred during the period of construction.

Construction in Progress – includes the total amount expended to date on a construction project at a given time prior to accepting the project as completed.

Improvements, additions or renovations are capitalized if the historical cost of the asset, including the improvement, addition or renovation is \$5,000 or more **and** extends the life of the asset. If costs are incurred to keep an asset in its normal operating condition and the life of the asset is not extended the costs are expensed.