CAPITALIZATION AND ACCOUNTING FOR FIXED ASSETS

Capital Assets Accounting – GASB 34 Policy

The North Merrick Board of Education defines capital assets as non-consumables assets with an expected service life of more than two years. In order to provide for the proper control and conservation of district property, the Superintendent or designee shall maintain Inventory Records and account for Capital Expenditures in accordance with the following guidelines:

Inventory Records

- All equipment items costing in excess of $2,500 shall be inventoried.
- All equipment costing less than $2,500 shall be inventoried for accountability purposes if requested by the responsible program administrator.

Capital Expenditure Accounting:

- Fixed Assets having an estimated useful life of at least two years following the date of acquisition will be capitalized.
- Capitalization thresholds will be applied to individual fixed assets rather than groups of fixed assets.
- The threshold to be used for capital assets is $2,500.
- All non-equipment capital assets costing in excess of $15,000 shall be inventoried.

Capitalization of Assets

- Equipment items that cost more than $2,500 will be capitalized and depreciated for GASB 34 reporting purposes.
- Equipment items costing less than $2,500 shall be expenses for GASB 34 reporting purposes.
- All non-equipment assets costing in excess of $15,000 shall be capitalized and depreciated for GASB 34 reporting purposes.
- All non-equipment capital assets costing less than $15,000 shall be expenses for GASB 34 reporting purposes.

Some assets individually may fall below the capitalization threshold but may be purchased in large quantities by the District. Examples include library books, textbooks and computers. The District may choose to capitalize these assets in groups.

Note: Property inventory requirements and capitalization thresholds are different subjects that are commonly confused because of their overlapping terminology.

- An inventory is an itemized list for tracking and controlling property.
- Capitalization is an accounting treatment whereby an item is recorded as a long-term asset on the balance sheet rather than as a consumable expense of the current period.

The following information must be maintained on the equipment/fixed asset inventory:

- Name and description of property
- Location of equipment
- Serial number and other identification number
- Cost of the asset at acquisition
- Acquisition date
- Estimated useful life

Donated items will be capitalized at a fair-market value on the date of the donation.

All assets will be depreciated using the straight-line method. Residual value will be considered.

Useful lives will be determined in the year of purchase based on general guidelines obtained from professional organizations and asset's present condition. Depreciation expense will be calculated beginning in the year of acquisition.

The Assistant Superintendent for Business & Operations shall be responsible for accounting for general fixed assets according to the procedures outlined by the Uniform System of Accounts for School Districts and GASB 34 Regulations.

These accounts will serve to:

a) maintain a physical inventory of assets;
b) establish accountability;
c) determine replacement costs; and
d) provide appropriate insurance coverage.

Fixed assets with a minimum value of $2,500 by the Board that have a useful life of two (2) years or more and physical characteristics not appreciably affected by use or consumption shall be inventoried and recorded on an annual basis. Fixed assets shall include land, buildings, equipment and materials.

The Board shall establish a dollar threshold as a basis for considering which fixed assets are to be depreciated. Such threshold shall ensure that a least 80 percent of the value of all assets is reported. A standardized depreciation method and averaging convention shall also be established for depreciation calculations.

Fixed assets acquired having a value equal to or greater than the established threshold are considered depreciable assets and shall be inventoried for the purposes of GASB 34 accounting practices and placed on a depreciation schedule according to its asset class and estimated useful life as stipulated by the New York State Comptroller's Office or the IRS.

The Assistant Superintendent for Business & Operations shall develop and maintain a system of internal controls for all fixed assets and other inventoried district property, including a property record which shall be updated on an ongoing basis. The Assistant Superintendent for Business shall have the responsibility to oversee such a system.

Capital assets shall be recorded at initial cost, or, if not available, at estimated initial cost. Gifts of fixed assets shall be recorded at estimated fair value at the time of the gift. A property record will be maintained for each asset and will contain, where possible, the following information:

a) date of acquisition;
b) description;
c) cost or value;
d) location;
e) asset type;
f) estimated useful life;
g) replacement cost;
h) date and method of disposition; and
i) responsible official

The Assistant Superintendent for Business & Operations shall arrange for the annual inventory and appraisal of School District property, equipment and material. Any discrepancies between an inventory and the District's property records on file should be investigated.

Adopted: July 1, 2008
Revised/Adopted: April 4, 2023
Revised/Adopted: November 12, 2024