

DUDLEY-CHARLTON REGIONAL SCHOOL DISTRICT

POLICY

Capitalization Policy

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Purpose. To comply with Governmental Accounting Standards Board Statement #34 “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments” the District is adopting the following Capitalization Policy.

Definition of Capital Assets. Capital assets are major assets that benefit more than a single fiscal period whose historical cost equal or exceed the District’s capitalization threshold.

Valuation of Capital Assets. Capital assets should be reported at their historical cost. Historical cost is the amount of resources the District spends to purchase or construct a capital asset as well as the fair value of any donated components. Capitalized costs include costs of acquisition (purchase price), delivery, installation, and any other costs incurred to prepare the asset for its intended use. Acquisition costs are net of any related discounts. The historical cost of a capital asset should include the cost of any subsequent additions or improvements but exclude the costs of repairs. An addition or improvement will either enhance a capital asset’s functionality (effectiveness or efficiency) or it will extend a capital asset’s useful life. In the absence of historical cost information, the asset’s estimated historical cost should be used.

Donated capital assets should be valued at their fair market value at the time they were acquired plus all ancillary costs incurred to place the asset into service.

Capitalization Threshold. The District understands that it is not cost effective to track and inventory all of its assets. Accordingly, only assets with an original cost of \$5,000 or more per unit will be recorded as a capital asset.

Depreciation. All capitalized property and equipment, except land, will be depreciated over the estimated useful life of the asset on a straight-line basis with no salvage value. Capital replacements and improvements are to be depreciated for the remaining life of the asset. The remaining life includes any extension of the original life resulting from the replacement and improvement.

Inventory of Capital Assets. The District will keep an inventory of all its capital assets, which will be maintained and regularly updated by the Finance Director. Each inventory record shall include: a description of the asset, the year of acquisition, cost or estimated cost, salvage value, estimated useful life, and location of the asset. The District shall take an inventory of all capital assets prior to June 30 each year. The inventory will be reconciled with the perpetual inventory records maintained by the accounting department.

Disposition of Capital Assets. The disposal of a capital asset can result from the sale of the asset, retirement for parts, trade-in, theft, transfer, or scrapping.

The finance director must be notified prior to the disposal of any capital assets. The book value of the capital asset together with the accumulated depreciation must be removed from the accounting records and a gain or loss recognized on the disposal. Final approval is required by the school committee.

Adopted by School Committee December 17, 2003
Amended February 27, 2013