

C.1.11 (Policy) Accounting for Capital Assets

Responsible Department: Vice Chancellor for Finance and Administration

Board Adoption: 2-23-10

Last Board Action: 2-23-10

This policy establishes the minimum cost value (capitalization amount) that shall be used to determine the capital assets to be recorded in College District annual financial statements.

Capital Asset Definition

Capital assets are tangible and intangible assets that are used in operations, have a value equal to or greater than the capitalization threshold (see table below) and meet the minimum useful life for the particular asset classification. They include land, land improvements, buildings and improvements, equipment, infrastructure, software, library books, works of art, historical treasures, leasehold improvements and technology systems.

Capitalization Method

Capital assets are reported in the Statement of Net Assets at historical cost. The cost of a capital asset should include ancillary charges (i.e., installation, freight and transportation charges) necessary to place the assets into use. Donated capital assets should be reported at their estimated fair market value at the time of donation, plus ancillary charges, if any.

Capitalized interest is included when material. In accordance with Statements of Financial Accounting Standards Numbered 34 and 62, *Capitalization of Interest Cost* and *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants - an Amendment of FASB Statement No. 34*, the College District considers the capitalization of interest cost on construction in progress that has been financed by long-term debt. These standards require that the interest cost offset by interest earnings on the related construction proceeds be capitalized as a part of each project unless the net effect is not considered material. No interest cost is capitalized when the interest earned has approximately equaled the interest cost to the College District.

With the exception of land and works of art/historical treasures, capital assets are depreciated over their estimated useful lives. Depreciable assets are reported net of accumulated depreciation in the Statement of Net Assets with accumulated depreciation disclosed in the Notes to Financial Statements. Capital assets that are not being depreciated, such as land, are reported separately.

Capitalization Thresholds

Capital assets purchased or constructed by the College District have a useful life of at least five years and a value equal to or greater than the established capitalization threshold. The following class of asset categories, capitalization thresholds, useful lives and salvage values are used by the College District:

C.1.11 (Policy) Accounting for Capital Assets

Responsible Department: Vice Chancellor for Finance and Administration

Board Adoption: 2-23-10

Last Board Action: 2-23-10

Class of Asset Categories, Capitalization Thresholds, Useful Lives and Salvage Values

Class of Asset	Capitalization Threshold	Useful Life (Years)	Salvage Value
Land	\$5,000	N/D (1)	-
Land Improvements (Except Tennis Courts)	\$100,000	20	0%
Tennis Courts	\$10,000	7	0%
Buildings	\$100,000	40	10 %
Building Improvements	\$100,000	20	0%
Portable Buildings	\$10,000	10	10%
Machinery and Equipment (2)	\$5,000	5 - 10	0 %
Infrastructure	\$100,000	20	10 %
Software	\$5,000	5	0 %
Library Books	All	15	0 %
Works of Art/Historical Treasures	\$5,000	N/D (1)	-
Leasehold Improvements (3)	\$10,000	Life of Lease	0%
Technology Systems (3)	\$50,000	5	0%

(1) Not Depreciated

(2) For control and accountability purposes, non-library book assets costing less than \$5,000 may be recorded in the inventory system but are not depreciated.

(3) See [C.1.11.1](#) “Leasehold Improvements” and “Technology Systems”