

DZA - Capital Asset Policy

A. Capitalization Policy and Useful Life: The charter school records as capital assets those assets that meet its formal capitalization policy. The capitalization policy is as follows:

<u>Type of Asset</u>	<u>Capitalization Threshold</u>	<u>Useful Life</u>	
Buildings/Infrastructure	\$1,000	Lease Term	
Building Improvements	\$1,000	Lease Term	
Furniture	\$1,000	5 -7 Yrs	
Computer Hardware and Software License	\$1,000	3 -5 Yrs	
Office Equipment	\$1,000	3 – 5 Yrs	
Other Equipment	\$1,000	3 – 5 Yrs	
Vehicles (15% salvage)	\$1,000	5 Yrs	

Library Books & Materials	\$1,000	3 Yrs	
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B. Useful Lives of Capital Assets: The charter school groups assets into types, using the predetermined useful life for most assets in that asset type. This life may be overridden on any specific asset purchase by the school if, based on history and experience, a useful life which is more reflective of the asset's use than the "default life" has been determined and can be supported. The "default" useful lives of types of assets are stated in the following item C.

Other considerations:

- Items that meet certain criteria as noted in GASB 34, par 27, are not depreciated; Such items include special library collections and works of art which are:
 - Held for public exhibition, education or research in furtherance of public service, rather than financial gain
 - Protected, kept unencumbered, cared for and preserved
 - Subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections

Other library, museum, and related items not meeting the above criteria are capitalized at cost or our best estimate of fair market value upon donation and are depreciated.

- The charter school may choose to track certain assets that are not capitalized, in an off-line system.
- Group purchases of individual assets are not aggregated for capitalization purposes totaling \$5,000 or less. Group purchases totaling more than \$5,000 will be capitalized. For example, a purchase of 50 chairs at \$100 each, though totaling \$5000, is not capitalized. Similarly, several individual improvement projects to one building are considered separate

assets and are capitalized only if each project meets the \$1,000 capitalization threshold.

C. Basis of Capital Assets: The charter school records capital assets at their total cost. Total cost includes ancillary costs such as freight or site preparation which are directly associated with the acquisition of the asset and placing it into service. Donated capital assets are recorded at either the estimated fair market value or at the appraised value at the time they were donated.

In recording additions or betterments, only additions or betterments that significantly affect the asset's usefulness or useful life are to be capitalized. In the area of building improvements, even though a project might exceed the capitalization threshold of \$1,000, the project should not be capitalized if it does not significantly change the asset's usefulness. For example, a project to make aesthetic improvements to a school may exceed \$1,000 and not be capitalized, whereas a project to convert a teachers' lounge to a computer lab would be capitalized.

D. Depreciation/Amortization Convention: The charter school computes depreciation periodically and asset will be depreciated/amortized based on date of acquisition or disposal.

E. Depreciation/Amortization Method: The charter school uses straight-line method of depreciation/ amortization for all capitalized assets.

F. Salvage Value: The charter school generally does not attach a salvage value to assets. Assets are generally kept in good working condition and remain useful throughout their depreciable lives.

G. Gain or Loss on Disposal: The charter school records a gain or loss each time a capital asset is disposed of, unless the sales proceeds are equal to the net book value of the asset at the time of disposition.

H. Componentizing: The charter school will not componentize any type of capital assets upon implementation of GASB 34/35: however, on a prospective basis, if a building or land improvement is replaced, the old asset, if separately identifiable, will be removed from the capital asset records upon replacement.

I. Reporting of Depreciation and Amortization Expense on Capital Assets:

Depreciation expense is reported separately as depreciation an operating expense- in the statement of revenues, expenditures, and changes in net assets, as a separate program. Capital assets are reported net of accumulated depreciation in the statement of net assets. Accumulated depreciation is disclosed in the footnotes of the financial statements, and will not be reported on the face of the statement of net assets.

J. Infrastructure: The charter school primary infrastructure assets may include its fiber optic network, telephone system, utility distribution networks, etc. The charter school follows the criteria mentioned earlier (i.e. the threshold of \$100,000 and useful life of 20-75 years) in determining whether or not specific infrastructure items should be capitalized.

K. GASB 34/35 Transition: Each building's cost includes portions of infrastructure capitalized within the building cost. Because of buildings' and infrastructure's differing capitalization thresholds, the infrastructure portion may not be capitalized. Due to a lack of records and the relative immateriality of these infrastructure pieces (see GASB 34 ruling that infrastructure less than 10% of total capital assets need not be capitalized), The charter school will not go to lengthy efforts to dissect building cost from infrastructure costs on existing buildings and improvements.

However, infrastructure systems for which records are available and which are material will be separated from their related buildings and/or land and/or improvements

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