Administrative Procedure 526

CAPITAL ASSETS

Background

This document sets forth the capital accounting practices for the School District.

1. Capital Assets

1.1. Capital Assets include

1.1.1. Land

1.1.2. Buildings

1.1.3. New Equipment or other assets where:

1.1.3.1. The useful life greater than one year, and

1.1.3.2. A unit value of $5,000 or more.

1.1.4. Betterments – Upgrades to buildings and equipment where a material cost is incurred to enhance the service potential (useful life or capacity) of a tangible capital asset.

1.1.4.1. A betterment will:

1.1.4.1.1. Increase the physical output or service capacity,

1.1.4.1.2. Lower associated operating costs,

1.1.4.1.3. Extend the life of the property being improved, or

1.1.4.1.4. Improve the quality of output.

2. Capital Valuation

2.1. Tangible capital assets acquired or constructed are recorded at cost which includes amounts that are directly related to the acquisition, design, construction, development, improvement, or betterment of the assets. Cost also includes overhead directly attributable to construction as well as interest costs that are directly attributable to the acquisition or construction of the asset.

2.2. Donated tangible capital assets are recorded at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, which are then recognized at nominal value.

2.2.1. Transfers of capital assets from related parties are recorded as a direct increase in net assets (Investment in Capital Assets).

2.2.2. Donated assets will be capitalized and set up as a deferred capital contribution and amortized.

2.3. Work-in-progress will be recorded as an acquisition to the applicable asset class at the date of substantial completion.

2.3.1. Buildings will be deemed to be substantially complete as of the date upon which the Certificate of Completion has been issued by the Project Payment Certifier per the Builders Lien Act.

2.3.2. Betterments and improvements will be deemed to be substantially complete as of the date upon which the final invoice has been approved and paid.

2.4. Tangible capital assets are written down to residual value when conditions indicate they no longer contribute to the ability of the School District to provide services or when the value of future economic benefits associated with the sites and buildings are less than their net book value. The write-downs are accounted for as expenses in the Statement of Operation.

2.5. Buildings that are demolished or destroyed are written-off.

2.6. Works of art, historic assets and other intangible assets are not recorded as assets in the financial statements.

3. Capital Leases

3.1. Leases that, from the point of view of the lessee, transfer substantially all the benefits and risks incident to ownership of the property to the School District are considered capital leases. These are accounted for as an asset and an obligation.

3.2. Capital lease obligations are recorded at the present value of the minimum lease payments excluding executor costs, e.g., insurance, maintenance costs, etc. The discount rate used to determine the present value of the lease payments is the lower of the School District's rate for incremental borrowing or the interest rate implicit in the lease.

3.3. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

4. Asset Classes

4.1. Expenditures related to capital assets will be assigned to the following asset classes:

4.1.1. Sites
4.1.2. Buildings
4.1.3. Furniture and Equipment
4.1.4. Vehicles
4.1.5. Computer Hardware
4.1.6. Computer Software

4.2. Furniture and equipment and computer hardware and software, funded as part of a new, replacement or school betterment, will be capitalized in the appropriate asset class.

5. Amortization

5.1. The cost, less residual value, of tangible capital assets (excluding sites), is amortized on a straight- line basis over the estimated useful life of the asset.

5.2. Estimated useful life is as follows:

Buildings	40 years
Furniture & Equipment	10 years
Vehicles	10 years
Computer Software	5 years
Computer Hardware	5 years

5.3. Where betterments and improvements are likely to extend the useful life of a building, but the extension cannot be reasonably estimated, an amortization period of 20 years will be used.

6. Disposal of Assets

6.1. Furniture and equipment, vehicles, computer hardware and computer software will be removed from the asset class upon disposal.

6.1.1. These assets, when fully amortized, will be considered deemed disposals, thus the asset class and accumulated amortization will be reduced accordingly.

6.1.2. Disposal of assets process is detailed in Administrative Procedure 518 – *Disposal of Furniture and Equipment.*

6.2. The gain/loss on disposal of a building or site must be calculated in accordance with CICA Section 4430.30.

6.2.1. The balance of unamortized deferred capital contributions is recognized as revenue.

6.2.2. Disposal of building and sites process is detailed in Administrative Procedure 520, *Disposal of Real Property.*

7. Asset Retirement Obligation Costs

7.1 Liabilities are recognized for statutory, contractual, or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development, or normal operation of the assets.

7.2 The obligation should only include the cost of removal and disposal of hazardous material and the resulting cost should be capitalized in the carrying amounts of the related tangible capital asset.

7.3 The capitalized environmental remediation costs are amortized on the same basis as the related asset.

Reference: Section 65, 85, School Act

Last revised: May 2023