

CHAPTER 7.00 – BUSINESS SERVICES

CAPITAL ASSETS

7.771

PURPOSE:

To provide for the safeguarding of capital assets and to provide School Board of Sarasota County (SBSC) personnel with accounting guidance applicable to the several categories of capital assets.

The policy of the SBSC is to capitalize assets when a piece of property meets all of the following requirements:

1. The asset is tangible and real or personal property.
2. The asset is used in the operation of the school system's activities.
3. The asset has a useful life of greater than one year.
4. The asset has a value equal to or greater than the capitalization threshold for their respective asset class set by the SBSC in accordance with state and federal guidelines and the Governmental Accounting Standards Board (GASB).

CAPITAL ASSET DEPRECIATION:

Capital assets shall be depreciated over their estimated useful lives unless they are:

- Inexhaustible (i.e. land and land improvements)
- Construction in progress

SCSB uses the straight-line method of depreciation over the following estimated useful lives:

<u>Asset Category</u>	<u>Useful Life</u>
Improvements Other than Buildings	5 – 40 years
Buildings and Fixed Equipment	10 – 50 years
Furniture, Fixtures, and Equipment	3 – 15 years
Motor Vehicles	5 – 10 years

Capital assets may be acquired through donations, purchase or may be self-constructed. The asset value for donations will be the fair market value at the time of the donation. The value of the purchased asset will be the initial cost plus the value received for any asset traded in, plus all costs related to placing the asset into service (i.e. installation, delivery), or estimated historical cost. The cost of self-constructed assets will include all costs associated with construction.

THRESHOLD TABLE

	<u>Tracking</u>	<u>Capitalization</u>
Land	\$1	\$1
Land Improvements (non-depreciable)	N/A	\$750
Improvements Other Than Buildings	\$750	\$750
Buildings	\$750	\$750
Building Improvements	N/A	\$1,000,000
Construction In Progress	N/A	\$750
Furniture, Fixtures and Equipment	\$750	\$750
Enterprise Software Systems	N/A	\$50,000
Vehicles	\$750	\$750

ASSET CATEGORIES:

1. LAND

- Land shall be capitalized at its purchase price or at fair market value if donated.
- The capitalized cost shall include the following: Commissions, Professional fees (title insurance, title searches, legal, engineering, architect, appraisal, surveying, environmental assessments, etc.), recording fees, demolition of existing buildings and improvements and removal, relocation or reconstructing the property of others (railroad, telephone and power lines, etc.)
- Land is not depreciable.

2. LAND IMPROVEMENTS (NON-DEPRECIABLE)

Land improvements consist of betterments, site preparation and site improvements that ready land for its intended use. Land improvements are characterized as having an unlimited life and are therefore **not depreciated**.

- Includes: right-of-way, excavation, fill grading, site work, landscaping, roads, bridges, drainage systems, water & sewer systems, irrigation, outdoor lighting systems (i.e. parking lot lights, ball field lights, traffic lights), fiber optic & telephone distribution systems (between bldgs), fire hydrants, radio/TV transmitting tower, street signage, etc.

3. IMPROVEMENTS OTHER THAN BUILDINGS (DEPRECIABLE)

Improvements other than buildings are used for permanent (i.e., non-moveable) improvements, other than buildings, that add value to land, but do NOT have an indefinite useful life, and therefore are depreciated.

- Includes: recreation & athletic fields, outdoor bleachers, fences, gates, retaining walls, parking lots, driveways, tracks, plazas, pavilions, etc.
- Useful lives vary depending on the asset.
- Capitalize if it meets the dollar threshold.

4. BUILDINGS

Buildings are defined as permanent structures to house persons, animals, plants, materials, or equipment and are not intended to be transportable or moveable. The structure must be attached to a foundation and roofed.

Examples of specific cost of buildings, whether constructed or purchased, include:

1. Original contract price or cost of construction.
2. Expenses incurred in reconditioning or altering a building to make it available for the purpose for which it was acquired.
3. Temporary access roads, fencing, road repair allowance, etc.
4. Expenses incurred for the preparation of plans, specifications, and blueprints.
5. Cost of building permits.
6. Architects' and engineers' fees for design and supervision.
7. Temporary buildings used during the construction period.
8. Fixed Equipment consisting of equipment, components, machinery, and other furnishings that are attached to a building. Fixed equipment generally cannot be removed without detaching the item from the building itself. Fixed equipment acquired after the original construction of a building will be capitalized and depreciated under the capitalization standards for Furniture, Fixtures and Equipment. Such equipment might include bleachers (inside & bolted), gym equipment, cafeteria equipment, etc.
9. Demolition of old buildings

In following the Governmental Finance Officers Association guidelines in their "Accounting for Capital Assets" publication, components with a significantly shorter useful life (e.g., roof, HVAC, telecommunication systems, etc.) shall be deemed to be an integral part of the larger asset (i.e. building) and shall be depreciated over the useful life of the building. Therefore, the subsequent replacement of the roof, HVAC, etc. shall be treated as a repair (i.e., an expense of the period), unless meeting requirements of a capitalized building improvement (see below).

5. BUILDING IMPROVEMENTS

Building Improvements consist of significant costs incurred to extend the useful life or increase the functionality of a building in a period subsequent to the initial acquisition or construction. Improvements shall be capitalized if they first meet the appropriate threshold and then, meet one of the following criteria:

- The improvement adds square footage to the existing building.
- The improvement is a major renovation that prepares an existing building for a new use.
- The improvement expenditure increased the life or value of the building by 25 percent of the original life or cost.

Building improvements will be recorded at their construction cost. Building improvements will be capitalized separately and depreciated over their useful lives if they meet the above requirements.

Definitions and Categories of Building Improvements:

A. Remodeling/Improvement:

From Red Book: Takes place within existing floor area.

From FL Statutes: Changing of existing facilities by rearrangement of spaces and their uses.

B. Renovations:

From Red Book: Expenditures for major permanent structural alterations and the initial installation of HVAC systems, electrical systems, plumbing systems, fire protection systems, and other service systems in existing buildings.

From FL Statutes: Rejuvenating or upgrading of existing facilities by installation or replacement of materials and equipment and includes but is not limited to, interior or exterior reconditioning of facilities and spaces, HVAC equipment, fire alarm systems, emergency lighting, electrical systems, and complete roofing or roof replacement of membrane or structure.

If improvements, remodeling, or renovations prepare the building for a new use or extend the life or value of the building by 25 percent of the original life or cost, these costs shall be capitalized as Building Improvements if they meet the capitalization threshold.

C. Repairs & Maintenance

From Red Book: Maintenance of plant.

From FL Statutes: Upkeep of educational and ancillary plants, including, but not limited to, roof or roofing replacement short of complete replacement of membrane or structure; repainting of interior or exterior surfaces; resurfacing of floors; repair or replacement of glass; repair of hardware, furniture, equipment, electrical fixtures, and plumbing fixtures; and repair or resurfacing of parking lots, road, and walkways.

Maintenance and repair expenses shall NOT be capitalized. Repairs keep the property in ordinary efficient operating condition. The cost of the repair does not add to the value or prolong the life of the asset.

6. CONSTRUCTION IN PROGRESS

This includes all projects for capital assets that are not completed at the end of the fiscal year. Projects are considered complete and moved to the appropriate capital asset category when the District has received a transfer of title for land acquisition, or the latter of a final Certificate of Occupancy issued from the local governmental entity or the date the asset is placed into service.

7. FURNITURE, FIXTURES AND EQUIPMENT

This class includes any fixed or movable tangible assets to be used for District operations, the benefits of which extend beyond one year from date of acquisition.

Library Books will not be capitalized.

All donated equipment will be recorded at the fair market value at the date of the gift. Generally, the fair market value of such an item is the price at which the item or a comparable item would be sold at retail, taking into consideration the age and condition of the property on the date of the gift.

8. ENTERPRISE SOFTWARE SYSTEMS

Enterprise software systems that are used to support district-wide administration or state mandated reporting requirements shall be capitalized and depreciated over its useful life if the cost of the software meets the capitalization threshold. Retail off the shelf software is deemed to be intangible property and is not considered to be a capital asset under this policy. Costs associated with software maintenance, licensing and customer support will NOT be capitalized. The value of software may be included in the capitalized value of a computer if it is pre-loaded at the time of purchase and the value of the software is not separately identified on the invoice.

9. VEHICLES

This includes all types of motor vehicles. When an equipment item is acquired for a permanent installation in/on a vehicle and that item will not be removed, transferred, or in any way separated from the vehicle during its depreciable life, the cost of the item will be recorded as part of the vehicle. Equipment items that are installed in/on a vehicle that may be removed transferred, or separated from the vehicle during the depreciable life of the vehicle shall not be recorded as part of the vehicle, but rather as a separate piece of equipment subject to their own capitalization threshold.

ASSET IMPAIRMENT

As part of the inventory process, a determination will be made by the Cost Center Head as to whether any assets should be considered impaired.

Definition of Impairment:

Asset impairment is a significant, unexpected decline in the service utility of a capital asset. The events or changes in circumstances that lead to impairments are not considered normal or ordinary. That is, at the time the capital asset was acquired, the event or change in circumstances would not have been expected to occur during the useful life of the capital asset. Service utility, in turn is defined as the usable capacity that a capital asset was expected to provide at its acquisition.

- **Evidence of physical damage:** Examples would include a building damaged in a natural disaster (i.e. hurricane or fire), or a buildings facing the costs associated with mold remediation or asbestos removal.
- **Technological change or obsolescence:** Examples would include equipment that is rarely used because a newer model provides better service or results.
- **Changes in manner or duration of use:** Examples would include an office building now used as a warehouse,.
- **Permanent construction stoppage:** Examples would include the halting of building construction due to a lack of funding or a stoppage following the discovery of an endangered species at the construction site.

Should an asset be deemed to be impaired, all reasonable attempts shall be made to salvage all or part of any item of property. Any remaining asset impairment shall be included in the recommendation for disposition and handled in the manner described in the Asset Disposition section of this policy.

ASSET DISPOSITION

When capital assets are sold or otherwise disposed of, the cost of the asset shall be removed from the records with the associated accumulated depreciation. Pursuant to Sarasota County School Board Rule 7.77, recommendations for the disposition of obsolete and surplus equipment beyond economical repair including any property that has been lost or stolen shall be presented to the School Board for approval. Once approved, the assets will be removed from the Fixed Assets system with the appropriate depreciation taken in the year of disposal.

STATUTORY AUTHORITY: 1001.41; 1001.42; 1001.43, F.S.

LAWS IMPLEMENTED: Chapter 274; 1001.42, 1001.43(2); 1011.011; 1011.012; 1013.01

STATE BOARD OF EDUCATION RULE: 6A-1.001

HISTORY:

ADOPTED:

REVISION DATE(S):

FORMERLY: NEW