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Revision Date(s):	

Arts Academy Charter School
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Board Policy 8.6

Capital Assets

Capital assets include land, improvements to land, easements, buildings and building additions, building improvements, furniture, fixtures and equipment, equipment under lease, vehicles, works of art and historical treasures, construction-in-progress, and infrastructure. Capital assets are tangible assets used in operations and have initial useful lives extending beyond a single reporting period. Equipment will not change its original shape, appearance or character with use and it can be expected to last more than one year with reasonable care and maintenance.

The following significant values will be used for different classes of assets:

Class of Capital Asset	Significant Value
Machinery and Equipment	$2,500 or more
Buildings & Building Improvements	$2,500 or more
Land Improvements	$2,500 or more
Land	Any amount

Capital assets may be acquired through donation, purchase or may be self-constructed. The asset value for donations will be the fair market value at the time of the donation. The asset value, when purchased, will be the initial cost plus the trade-in value of any old asset given up, plus all costs related to placing the asset into operation. The cost of self-constructed assets will include all costs of construction.

Land

- Land acquired by purchase is recorded at cost to include the amount paid for the land itself and all incidental costs.
- Land acquired by gift or bequest is recorded at the fair market value at the date of the acquisition.
- When land is acquired with buildings erected thereon, total cost is allocated between the two in reasonable proportion at the date of acquisition. If the transfer document does not

show the allocation, other sources of the information may be used such as an expert appraisal or the real estate tax assessment records.
- Land is not depreciable.

Land Improvements

- This category will include parking lots, outdoor lighting, covered walkways, fences, tennis courts, running tracks, and grandstands, etc.
- The Board does not capitalize landscaping.
- Land Improvements will be depreciated over their estimated useful lives.

Buildings

- Buildings will be recorded at either their acquisition cost or construction cost. If a building is acquired by purchase, the capitalized cost will include the purchase price and other incidental expenses at the time of acquisition.
- If a building is constructed, the capitalized cost will include all construction costs. The constructed building will be capitalized upon completion of the project. For the first year, all the component units of the building, such as HVAC, plumbing system, sprinkler systems, elevators, etc will be included in the capitalized cost of the building.

Building Additions

- Building additions will be recorded at their construction cost.
- Building additions will be capitalized separately and depreciated over their useful life.

Building Improvements

A. Component Units – (HVAC, plumbing systems, sprinkler systems, elevators, etc.)

When building component units are replaced, the new component unit will be capitalized separately, and the old component (subsequent to original construction) will be removed from the property report. However, if the original component unit was included in the original construction, it will not be removed since it was not a separately valued component. The new component unit will be depreciated over the remaining useful life of the building.

B. Major Renovations or Alterations

Any major renovations or alterations within an existing building will be added to the cost of the original building. These renovations/alterations will be depreciated over the remaining life of the building/structure.

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Construction in Progress

- This includes all projects for buildings or land improvements construction that are not completed at the end of the fiscal year.

Machinery & Equipment

- Expenditures for machinery, equipment or furnishings costing $2,500 or more per item and have an estimated life of more than one year will be capitalized.
- Library books will not be capitalized.

Donations

Donated Capital Assets shall be reported at fair market value plus ancillary charges, if any, at the time of donation. Donated assets are depreciated over their useful lives as determined for each asset class. If determining historical costs is not practical due to inadequate records, as determined by the CFO, reporting shall be based on estimates of fair market value at the date of donation.

Collections

Works of art, historical treasures and similar assets shall not be capitalized at their historical cost or fair value at date of donation (estimated if necessary), regardless of whether they are held as individual items or in a collection.

Capitalized collections or individual items that are exhaustible shall be depreciated over their useful lives. Depreciation is not required for collections or individual items that are inexhaustible.

Infrastructure

Definition: Infrastructure assets are long-lived capital assets that normally are stationary in nature and can normally be preserved for a significantly greater number of years than most capital assets. Infrastructure includes roads, electrical distribution systems, street lighting, water wells, etc.

Infrastructure assets shall be depreciated over the useful lives.

Routine repairs and maintenance costs shall be charged and expensed to operations as incurred. Expenditures that extend the useful life of the infrastructure shall be capitalized new assets, associated to the original asset as an improvement and depreciated over the newly established useful life.

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ASSET DEPRECIATION

The "straight line" method of depreciation should be utilized to depreciate capital assets, except for land, over the estimated useful lives of the related assets principally as follows:

Land:	N/A (land assets do not depreciate)
Buildings:	
Permanent Buildings	39 years
Building Additions	Remaining Useful Life up to 39 years
Building Improvements	Remaining Useful Life up to 39 years
Machinery & Equipment:	
Mobile Classrooms	15 to 25 years
Vehicles (trucks, vans, tractors, forklifts, etc)	10 to 20 years
Kitchen Equipment	5 to 10 years
Computer Hardware	3 to 5 years
Outdoor Equipment	5 to 10 years
Miscellaneous Equipment	3 to 10 years
Buses	15 to 30 years
Land Improvements:	20 to 80 years

DISPOSITION OF ASSETS

When capital assets are sold or otherwise disposed of, the inventory of Capital Assets should be relieved of the cost of the asset and the associated accumulated depreciation. Assets will be removed on an annual basis in conjunction with the annual update. The appropriate depreciation will be taken for the year of disposal.

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