

***COLUMBUS TECHNICAL COLLEGE FOUNDATION, INC***  
***CAPITALIZATION POLICY FOR CAPITAL ASSETS***

A capital asset is a piece of property that meets all of the following requirements:

1. The asset is tangible and complete.
2. The asset is used in the operation of the school system's activities.
3. The asset has a useful life of longer than the current fiscal year.
4. The asset is of significant value.

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

<u>Class of Capital Asset</u>	<u>Significant Value</u>
Machinery and Equipment	\$500.00 or more
Buildings & Building Improvements	\$5,000.00 or more
Land Improvements	\$10,000.00 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 should include the purchase price and other incidental expenses at the time of acquisition.
- If a building is constructed, the capitalized cost should 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.

## **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 \$500.00 or more per item and have an estimated life of more than one year will be capitalized.
- Library books will not be capitalized.

## **DEPRECIATION POLICY**

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:

**Buildings:**

Permanent Buildings	50 years
Building Additions	Remaining Useful Life up to 50 years
Building Improvements	Remaining Useful Life up to 50 years

**Machinery & Equipment:**

Mobile Classrooms	15 years
Vehicles (trucks, vans, tractors, forklifts, etc)	10 years
Kitchen Equipment	15 years
Computer Hardware	5 years
Outdoor Equipment	15 years
Miscellaneous Equipment	10 years
Buses	15 years

**Land Improvements** 20 years

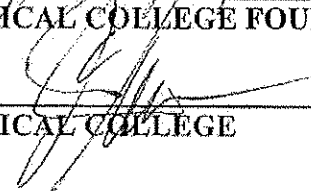
Depreciation will be calculated utilizing the "Half-Year convention." Under this convention, an asset is treated as though it were placed in service or disposed of the first day of the seventh month of the fiscal year. One-half of a full year's depreciation is allowed for the asset in its first year placed in service, regardless of when it was actually placed in service during that year.

**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.

**APPROVED**

CHAIR  DATE 12-17-09  
COLUMBUS TECHNICAL COLLEGE FOUNDATION, INC

PRESIDENT  DATE 12-17-09  
COLUMBUS TECHNICAL COLLEGE