

## **CAPITALIZATION POLICY**

### **1. PURPOSE**

The School Committee recognizes the need to implement the required accounting and financial reporting standards promulgated by the Governmental Accounting Standards Board (GASB). GASB Statement 34 was issued to provide new and additional information to the diverse users of district financial statements. In addition to the information contained in previous financial reporting, GASB 34 will now provide information in a highly aggregated manner looking at the long term financial health of the school district. This new information will require school districts to account for capital assets in a manner different than previously recorded. The intent is to provide an additional set of entity-wide financial statements more similar to the private sector.

The primary objectives of GASB 34 include:

- 1) new entity-wide financial statements reflecting the overall financial position of the district
- 2) long-term focus for school district activities
- 3) narrative overview and analysis
- 4) information on major funds
- 5) expanded budgetary reporting

It is important to note that the methods, calculations and procedures for determining the budgetary process of the school district will not be affected by the implementation of the new standards. The information contained in previous financial statements will largely be in the same format.

### **2. AUTHORITY**

Governmental Accounting Standards Board Statement 34

### **3. DELEGATION OF AUTHORITY**

The School Committee delegates to the Business Manager, in cooperation with the local independent auditor, the responsibility to coordinate the compilation and preparation of all information necessary to implement this policy in accordance with district administrative procedures.

### **4. REQUIREMENTS**

#### **A. Capitalized Assets**

A capitalized asset shall be any asset acquired by donation or purchase that has a useful life of longer than three years or extends the life of another capitalized asset or increases its value and meets a specific dollar threshold. At the business manager's discretion, and in conjunction with the local auditor, capital assets purchased with long-term debt may be capitalized regardless of the specific dollar threshold for the type of class of asset acquired.

#### B. Value of Assets

All capitalized assets shall be recorded at historical cost at acquisition date or estimated cost if acquired prior to the date of the initial inventory. Any donated capital asset shall be recorded at the date of donation using the fair market value of the item at that date.

#### C. Other Assets

Detail records shall be maintained in-house for all items that should be safeguarded from loss. The business manager in consultation with an independent auditor shall determine the items that are to be considered as "other assets".

#### D. Depreciation

Depreciation shall be based on the straight-line method of depreciation over the estimated useful life of each depreciable asset or group of assets. Periodically, management shall evaluate the estimated useful life of each depreciable asset to determine if revision of such estimate is required.

#### E. Dollar Threshold

A dollar threshold for each asset shall be set at \$5000. The School Committee shall periodically review these levels with assistance from the business manager and independent auditor and make any modifications necessary.

#### F. Inventory Control

A physical Inventory of all capital assets and other assets shall be taken at least once a year. A summary of the results of the physical inventory shall be reported to the School Committee.

Adopted: June 2, 2004

Reviewed: