

Capitalization of District Property

AP 3210

1. Real or personal property acquired by gift or purchase with an estimated useful life greater than one fiscal year shall be capitalized and depreciated according to the capitalization thresholds and estimated useful lives assigned to each category of capital assets. Property, plant and equipment will be categorized by the following broad asset types and depreciated using straight line depreciation in accordance with the following established capitalization thresholds and estimated useful lives:

<u>Asset Type</u>	<u>Capitalization Threshold</u>	<u>Useful Life</u>
Land	\$150,000.00	N/A
Land Improvements	150,000.00	10 yrs
Buildings	150,000.00	50 yrs
Building Improvements	150,000.00	10 yrs
Construction in Progress	150,000.00	N/A
Machinery and Equipment	5,000.00	8 yrs
Furniture, Fixtures and Office Equipment	5,000.00	8 yrs
Computer Equipment	5,000.00	3 yrs

The capitalization thresholds listed above will apply to all District assets with the exception of assets acquired through State Economic Development Funds. The capitalization threshold for machinery and equipment, furniture, fixtures and office equipment, and computer equipment is \$1,000.00 for assets acquired using State Economic Development Funds.

Expenditures incurred in construction such as materials, labor, engineering, supervision, legal, insurance, and overhead will be capitalized as “construction in progress” until the project is completed and placed in service. No depreciation will be taken on construction in progress.

2. Accurate records will be maintained of the location, cost and accumulated depreciation of capital assets. Cost includes the acquisition cost as well as any ancillary costs, such as freight, installation and setup costs, associated with preparing the asset for its intended use. Detailed capital asset ledgers will be maintained to include the following asset information:

- Asset Type
- Description
- Tag Number
- Serial Number
- Location
- Account Code
- Cost (Original/Historical)
- Useful Life
- Depreciation Expense
- Accumulated Depreciation

*Foothill-De Anza Community College District
Administrative Procedures*

The physical existence of capital assets will be verified and reconciled to the fixed assets records. An inventory of assets will be performed on a periodic basis based on a random selection of assets listed on the capital asset ledgers. If an asset is moved from one location to another, management approval will be required on the "Property Transfer Form." Property Transfer Forms need to be mailed to District Accounting whenever an asset is moved in order to enter the appropriate information in the capital asset ledgers.

3. The cost (less salvage value) of all capitalizable assets, with the exceptions of land and construction in progress, will be allocated (depreciated) over the estimated useful lives in a rational and systematic manner. The District will use the straight line method and the half-year convention to allocate depreciation. The straight line method allows for an equal amount of the cost of an asset to be allocated to each accounting period in its useful life. The half-year convention allows for a half year of depreciation expense in the first year and a half year of depreciation expense in the final year of an assets useful life, without regard to the actual date that the asset was acquired or placed in service during the fiscal year.
4. Control over the disposition of property will be maintained not only to preserve the accuracy of the capital assets records but also to ensure that assets are safeguarded, improper disposal is avoided, and the best possible terms are received for disposal. If a department wants to dispose of a capital asset, they must prepare a "Surplus Disposal Form" and submit it to the Director of Purchasing. Purchasing will ensure that the asset is picked up and disposed of in accordance with Board Policy 3211. Purchasing will send a copy of the Surplus Disposal Form to District Accounting in order that the capital asset records may be updated to reflect the retirement and disposition of the specified capital assets.