**Coast Community College District**

**BOARD POLICY**

Chapter 6

Business and Fiscal Affairs

**AP 6902 Capitalization and Inventory of District Property**

**New**

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**References:**

 **Education Code 81600; Budget and Accounting Manual Chapter 5**

**Capitalization**

Capital assets are recoded at cost at the date of acquisition. Donated capital assets are recorded at their fair market value at the date of donation. For equipment, the District’s capitalization policy includes all items with a cost of $5,000 or more and an estimated useful life of greater than one year. Buildings valued at $5,000 or more, including renovations, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure, are capitalized.

The cost of normal maintenance and repairs that does not add to the value of the assets or materially extend the asset’s life is recorded as an operating expense in the year in which the expense was incurred.

**Depreciation**

The cost of all capital assets, with the exceptions of land and construction in progress, will be depreciated over the estimated useful life of the assets. The District will use the straight line method of depreciation, which allows for an equal amount of the cost of an asset to be allocated to each accounting period in its useful life. The useful lives of capital assets are as follows:

 Land Improvements – 10 years

 Buildings – 50 years

 Building Improvements – 20 years

 Equipment – 8 years

 Vehicles – 8 years

 Computer Equipment - 3 years

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 until it is placed in service.

**Recordkeeping**

Detailed records will be maintained to include the following information, when applicable:

* Asset Type
* Description
* Tag Number
* Serial Number
* Location
* Funding Source
* Cost (Original/Historical)
* Useful Life
* Depreciation Expense
* Accumulated Depreciation

Cost includes the acquisition cost, freight, installation, setup cost and other costs associated with preparing the asset for its intended use.

A reconciliation of expenditures from applicable account codes to the amount of assets capitalized will be completed on an annual basis to ensure completeness of the account balance reported on the District’s comprehensive audited financial statements.

Equipment purchased with State Economic Development Funds are required to be recorded and monitored. In addition to the above capital assets, the District will tag and monitor all of the listed items with a purchase cost between $1,000 and $4,999. However, these items will not be depreciated as capital assets.

**Inventory**

A full physical inventory will be conducted of all capital assets every two years. The inventory will be conducted jointly with District Fiscal Services and Facilities to ensure accuracy and completeness. The physical inventory will be reconciled to the existing asset listing. A periodic inventory of a random selection of assets will be conducted and reconciled to the asset listing. If an asset is moved from one location to another, it is the responsibility of the area housing the inventoried asset to inform District Fiscal Services, in writing, of the transfer of the asset to its new location so that the information is updated in the capital asset listing.

**Disposal**

Control over the disposition of property will be maintained to preserve the accuracy of the capital assets listing and to ensure that assets are safeguarded, improper disposal is avoided, and the best possible terms are received for disposal. When a department chooses to dispose of a capital asset, they must prepare a "Surplus Form- Equipment to be Declared Surplus” and submit it to the Director of Purchasing. Purchasing will ensure that the asset is disposed of in accordance with Administrative Procedure #6550. District Fiscal Services uses the form to update the capital asset listing, reflecting the retirement and disposition of the specified capital assets.

Ratified Date