Policy 2030 Capital Asset

PURPOSE

The primary purpose of this Capital Asset Policy is to (a) provide direction to staff on the application of generally accepted accounting principles (GAAP) for governmental entities, including Governmental Accounting Standards Board (GASB) standards, as they relate to capital assets, and (b) to inform the public and readers of the District's financial statements of decisions made and implemented where such discretion is allowed within the accounting standards.

POLICY

The intent of capitalizing assets owned by the District is to allocate the cost of capital outlay expenditures over the useful life of the asset, rather than show the entire acquisition cost as an expense in the year it was acquired.

The capitalization of an asset is accomplished by (a) recording the full value (cost) on the statement of net position, (b) showing each year, as an expense (depreciation), that part of the asset which is used during a particular twelve month period, and (c) tracking on the statement of net position the sum of the annual expenses (accumulated depreciation) charged since the asset was first placed into service.

Capital projects or composite group purchases reported as capital outlay expenditures and approved as part of the Capital Budget shall be capitalized at the end of the fiscal year that the project or purchase is completed and accepted by the District's Board of Directors as an asset.

It is the District's policy not to capitalize any tangible or intangible project or purchase with a value of less than $10,000 unless an individual purchase can be associated with a completed project or composite group of approved purchases. Capital outlay expenditures with a value under the applicable capitalization parameters will be expensed on the financial statements in the year purchased.

Capital outlay expenditures exceeding the capitalization parameter will be reported on the District's Fiscal Year-End Financial Statements by increasing the value of total assets based on the historical cost in the year acquired. If an item is donated, it will be recorded at its estimated fair value at the time of the donation.

The straight-line method of depreciation will be used.

Intangible assets are defined as assets that lack physical substance, are nonfinancial in nature, and have a useful life extending beyond one year. Examples may include purchased or internally developed software, easements, water rights, and other similar rights.

Intangible assets shall be capitalized only when they are directly associated with a specific capital asset and exceed the District's capitalization threshold. Planning, engineering, or master plan studies that are not directly associated with the acquisition of a tangible or intangible capital asset shall not be capitalized, regardless of cost, and shall be expensed in the year incurred.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life will not be added to the value of the asset.

(Adopted 06-30-2020, Revised 01-27-2026)