
Community College of Beaver County

BOARD OF TRUSTEES POLICY STATEMENT

Section 3 Finance, Facilities, and Technology

Policy 3.170 Capitalization Policy

Background

Beginning with the 2002-2003 fiscal year, the College will be required to meet the reporting requirements of the Governmental Accounting Standards Board (GASB) Statements 34 and 35, "Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities." In order to meet these financial reporting requirements, institutional policy for capitalization of assets must be defined.

Fixed Assets

- For financial statement purposes, any asset acquired, donated, or purchased by the College, with a useful life of longer than one year, and a unit cost of \$3000 or greater, will be capitalized and depreciated.
- A related group of assets acquired at the same time, with a total values are less than \$3000, but with a total value of \$3000 or greater, will be considered as a unit, and depreciated.
- Assets with a useful life of over one year, but a value of less than the threshold, will be charged as an expense.

Value of Assets

- Existing capital assets will be recorded at historical cost at acquisition date, or at estimated cost if adequate records are not available.
- Newly purchased assets will be recorded at cost.
- Donated assets will be valued at fair market value at date of receipt.

Depreciation

- Depreciation will be calculated using the straight-line method with half-year convention, over the useful life of the asset or group of assets.

Useful Life

Guidelines for useful life, based on experience and circumstances (and subject to revision when necessary):

- Land will be capitalized but not depreciated.
- Infrastructure will be depreciated over expected useful life.

- Buildings will be depreciated over a life of 30 years.
- Building Improvements that extend the useful life of the building will be depreciated over a life of 20 years.
- Technology equipment, including computer hardware and software, will be depreciated over a useful life of 3 years.
- Furniture, fixtures, and equipment not categorized as technology equipment, will be depreciated over a life of 7 years.

Depreciation expense is recognized for financial statement purposes only. For budgetary purposes, the full cost of a capital asset is recognized at the time of acquisition.