

CAPITALIZATION PROGRAM/LIMIT

I. Purpose

The purpose of Policy DIG is to set forth the procedures of the facilities capitalization program.

II. Background

The Financial Reporting Manual for Maryland Public Schools requires each Maryland school system to adopt specific criteria to account for and distinguish between supplies and equipment. Such a policy is necessary to ensure consistency within the financial statements, to provide for the proper capitalization and depreciation of assets, and to physically safeguard the school system's assets through the implementation of a fixed assets identification system.

III. Policy Statement/Procedures

A. The following factors typically determine whether or not an asset is capitalized:

1. The cost of the asset
2. ~~It's~~ Its useful life
3. Whether it is better to repair or replace the item if it becomes broken
4. Whether it is a stand-alone item or part of a system

B. Washington County Public Schools will capitalize tangible assets (property, plant, and equipment) owned by the Board of Education if they meet all of the following criteria:

1. The cost of the asset is ~~\$1,000~~ 5,000 or more
2. The asset has a useful life of ~~one~~ two (~~1~~ 2) years or longer
3. If broken, it would be better to repair the item than to replace it
4. It is either a complete system or a stand-alone item, not a component

C. In addition to being capitalized in the financial statements, all assets that meet the above criteria (except land, ~~and~~ buildings, vehicles, and other items where a tag would be impractical) will be tagged with Washington County Board of Education property tags and entered into the fixed asset ~~subsidiary ledger~~ system to ensure an accurate record of the cost, location, and accumulated depreciation of property and equipment.

D. Property, plant, and equipment includes, but is not limited to, the following:

1. Land and improvements
2. Buildings and improvements
3. Machinery and equipment
4. Furniture, fixtures, and office equipment
5. Computer equipment, including system software
6. Instructional equipment
7. Vehicles

E. All land and buildings, regardless of purchase cost, shall be capitalized.

Legal Reference: Financial Reporting Manual for Maryland Public Schools, ~~2009~~ 2014 Revision

Policy adopted: June 5, 2001. Amended: November 7, 2002. Amended: November 4, 2014. Amended:
Board of Education of Washington County