I. Purpose

The purpose of this policy is to establish the criteria under which certain assets will be capitalized for financial reporting purposes.

II. Definitions

A. **Capitalized** means the cost of the asset shall be recorded in the accounting system, depreciated over its estimated useful life, and reported in the annual financial statements.

B. **Fixed assets** are items acquired with a useful life of at least two years from the date of acquisition.

C. **Inventory** refers to logs or lists of noncapitalized items maintained by a school or department.

D. **Noncapitalized** means the fixed asset has a useful life of at least two years from the date of acquisition but does not satisfy the minimum dollar threshold established in this policy.

III. Statement of Policy

A. Fixed assets with a useful life of at least two years from the date of acquisition and having a value of $5,000 or greater shall be capitalized. This policy is applicable to individual assets rather than to a group of assets (e.g., desks, tables).

B. Fixed assets acquired under federal awards shall be controlled in accordance with the applicable federal requirements whether capitalized or noncapitalized.

C. Control of noncapitalized fixed assets occurs at the department and school level.

   a. Each department/school will determine those items to be inventoried based on their heightened risk of theft, necessity to report to an external agency, or other factor deemed appropriate.

   b. Each department/school will determine the method of maintaining their
inventories of said items.

c. Such inventories will be made available for audit by the Finance Office, Internal Auditor, or other State or federal agency.

Board Approval Acknowledged By:

Patricia L. Skebeck, Interim Superintendent
Board of Education of Harford County
Policy Action Dates

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Responsibility for Policy Maintenance & References

LAST EDITOR/DRAFTER NAME: John Markowski
JOB POSITION OF LAST EDITOR/DRAFTER: CFO

PERSON RESPONSIBLE: John Markowski
JOB POSITION OF PERSON RESPONSIBLE: CFO

DESIGNEE NAME: N/A
JOB POSITION OF DESIGNEE: N/A

REFERENCE 1 TYPE: Legal
REFERENCE 1 NO.: Government Accounting Standards Board Statement #34 Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments

REFERENCE 2 TYPE: Guidance
REFERENCE 2 NO.: Government Finance Officers Association (GFOA) Recommended Practice - Establishing Appropriate Capitalization Thresholds for Capital Assets

REFERENCE 3 TYPE: Guidance
REFERENCE 3 NO.: GFOA Recommended Practice - Ensuring Control over Noncapitalized Items

REFERENCE 4 TYPE: Reference 4 NO.
REFERENCE 5 TYPE: Reference 5 NO.

POLICY NUMBER PRIOR TO NOVEMBER 1, 2005: General Administration .02.09.063