

Capital Asset Threshold and Classification Guidance

1. Capitalization Threshold: What Costs Are Included?

When determining if an item meets the **\$5,000 capitalization threshold**, the **per-item cost** includes more than just the purchase price. It must also include any **direct costs** necessary to prepare the asset for its intended use, such as:

- Sales tax
- Shipping and delivery charges
- Installation or setup fees
- Any other costs directly attributable to bringing the asset to the location and condition necessary for operation



Example:

If an item costs \$4,000, and tax, shipping, and installation total an additional \$1,000, the **total cost is \$5,000**. In this case, the asset qualifies for capitalization and should be **coded to 6490**.

2. Policy Update – Effective July 1, 2019

The District updated its asset capitalization and tagging thresholds:

Capital Equipment

- Item cost is **\$5,000 or more**
- **Code to 64XX**
- Subject to **asset tagging** and recorded in the District's **PeopleSoft Asset Management System (AMS)**

Noncapital Equipment

- Item cost is **between \$200 and \$4,999.99**
 - **Code to an appropriate supply account**
 - **Not subject to tagging**
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3. Equipment Coding – 2-Step Decision Guide

Use this process to determine how to code equipment purchases:

Step 1: Is the per-item cost \$5000 or more (including related costs)?

- **Yes** → Proceed to Step 2
- **No** → Code to a **supply account** (4XXX)

 **Note:** This step helps distinguish between **equipment** and **general supplies**. Items under \$5000 are considered consumables and should not be evaluated as equipment.


Step 3: Does the item have a useful life greater than one year?

- **Yes** → This is **capital equipment**. **Code to 64XX**
- **No** → This is **noncapital equipment**. **Code to a supply account (4XXX)** and assign the appropriate **category code**

4. Grouped or Functional Assets

Even if individual items cost less than \$5,000, they may still be capitalized as a group if:

- The **total group cost exceeds \$5,000**, and
- The group functions as a **single, integrated asset**, and
- **Removing one item significantly reduces** the value or functionality of the whole

 **Example:** A teaching skeleton is made of individually priced bones, each under \$5,000. However, the full skeleton exceeds \$5,000. Since removing a part would impair its function, it is capitalized as one asset.

5. Capital vs. Repairs & Maintenance

When incurring additional costs on an existing asset, use the guidance below:

Capitalize if the cost:

- Extends the asset's **useful life by more than one year**
- Increases the asset's **capacity, efficiency, or functionality**

Expense as Repairs & Maintenance if the cost:

- Maintains the asset's current condition
 - Restores it to its original functionality without extending its useful life
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6. Exception: Initial Complement of Furnishings for New Buildings

As a special exception, **group or mass purchases** of similar items for a **newly constructed or renovated building** may be capitalized when:

- Each item individually costs **less than \$5,000**,
- The **total cost exceeds \$5,000**,
- The items are purchased as part of the **initial complement of furnishings**, and
- Each item has a **useful life greater than one year**

These assets are capitalized as a group and **depreciated over the average useful life** of the items.