

# Infinity Charter School

**SECTION:** FINANCES

**TITLE:** Property, Plant and Equipment Capitalization and Depreciation Policy

**APPROVED:** March 18, 2007

**REVISED:**

## 608. Property, Plant and Equipment Capitalization and Depreciation Policy

### **PURPOSE:**

The purpose of this policy is to set guidelines for the acquisition and depreciation of property, plant and equipment.

### **DEFINITIONS:**

**Property, Plant and Equipment** – Land, buildings, machinery, equipment and furniture and fixtures acquired or constructed for use in the operation of the business, the benefits of which extend to a future period of two or more years beyond the date placed in service.

### **Categories of Property, Plant and Equipment:**

Fixed assets – Furniture and fixtures: Includes all major moveable furnishings normally found in an office area such as desks, tables, chairs, bookcases, filing cabinets, safes, movable or reusable partitions.

Fixed assets – Building improvements: Includes expenditures for equipment and fixtures to improve property that are integral to the office and building and cannot be removed. This includes, but is not limited to, data and voice communications wiring and equipment, carpet, security systems.

Fixed assets – Equipment and Computer Equipment/Software: Includes science equipment, data projectors, postage machines, telephones, fax machines, copiers shredders, electronic office machines. Computer equipment includes business computers, network servers and related peripheral hardware (tape and disc drives, printers, plotters, etc.); telecommunications hardware related to computer processing. Computer software includes all programs and documentation to describe and maintain those programs. Also included are outside consultant costs for the modification, customization or systems integration of purchased software.

### **GUIDELINES:**

Expenditures for additions, replacements, reconstructions and betterments of property, plant and equipment will be capitalized provided the expenditure meets the minimum capitalization requirements in this policy. Other expenditures related to capital projects will be charged as an expense of the current period. The Business Manager has the responsibility for determining the proper accounting in accordance with this policy and U.S. generally accepted accounting principles.

**Minimum Capitalization Requirements:**

To qualify for capitalization, an expenditure must equal or exceed \$2,500 and benefit at least two future years. Assets acquired or invoiced as a group must individually meet the \$2,500 minimum to be capitalized. When doubt exists, a conservative approach should be used and the item(s) should be expensed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**Depreciation:**

The annual amounts of depreciation expense provides for the systematic distribution of the cost of property, plant and equipment to the accounting periods occurring over the estimated useful lives of the assets.

Depreciation is calculated using the straight line method over the useful lives of the assets as listed below.\* Depreciation recognition begins the first of the month in which the assets are placed in service until the asset is retired or the depreciation life expires.

Book depreciable lives are generally based on the expected useful life of the asset, with consideration for the expected life of the organization.

- \* Fixed assets – Furniture and fixtures – 5 years
- Fixed assets – Building improvements – 3-20 years
- Fixed assets – Equipment – 5 years