



OPERATING POLICIES — SECTION 500

NUMBER: 588

SUBJECT: CAPITALIZATION AND CLASSIFICATION OF FIXED ASSETS

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BOARD APPROVAL: 5/20/2020

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1.1 POLICY

1.1.1 Capitalization of Fixed Assets

1.1.1.1 Mountainland Technical College (MTECH) adheres to Utah System of Higher Education policy R561 which provides the capitalization thresholds for state institutions.

1.1.1.2 As required by policy R561, depreciation is calculated using the straight-line method.

1.1.2 Equipment

1.1.2.1 The capitalization threshold for equipment is \$5,000. The determination of useful lives for equipment shall be as reflected in the State of Utah Useful Life Table. Residual values of equipment will be determined by the Finance Department on a case-by-case basis.

1.1.3 Land

1.1.3.1 All land shall be capitalized and not depreciated.

1.1.4 Buildings

1.1.4.1 The capitalization threshold for buildings is \$20,000. Buildings are determined to have a 40-year useful life at the time initial construction is completed. Residual values of equipment will be determined by the Finance Department on a case-by-case basis.

1.1.5 Building Improvements, Infrastructure, and Land Improvements

1.1.5.1 The capitalization threshold for building improvements, infrastructure, and land improvements is \$20,000. When an improvement extends the useful life of a building, the building and the improvement shall be determined to have a remaining useful life equal to the length of time which the improvement extends

the building's useful life. When an improvement does not extend the useful life of a building, the useful life of the improvement shall be determined to be the remaining useful life of the building. Residual values of equipment will be determined by the Finance Department on a case-by-case basis.

1.2 RESPONSIBILITY

1.2.1 Finance Department

1.2.1.1 The Finance Department is responsible to oversee the physical inventory of all capital assets and to ensure that all assets have been properly tagged and recorded. Inventory counts are conducted annually for capital assets, equipment, and inventory held for resale in various departments.

1.2.1.2 Any discrepancies between counted and recorded amounts are reconciled and corrected, if needed. All discrepancies are documented and held for review by internal and external auditors.