



## CAPITAL EXPENDITURES

### Definition

#### 1. Capital

The term *capital* shall mean equipment with a useful life of more than one year and valued at one thousand dollars (\$1,000) or more, including actual or estimated tax, shipping and handling, and land, buildings, and improvements, other than buildings valued at five thousand dollars (\$5,000) or more. All items over one thousand dollars (\$1,000) with a useful life of more than one year shall be capitalized. Assets under one thousand dollars (\$1,000) with a useful life of more than one year may be capitalized only upon permission of the Principal.

#### 2. Equipment Classified as Capital

In addition, in order to maintain property control, the following are recorded and tracked the same as capital even though they may be less than one thousand dollars (\$1,000) or have a useful life of less than a year: (1) equipment purchased with grant funds or required by the terms of the grant to be tracked as capital; (2) furnishings for new spaces; (3) cameras; (4) musical instruments; and (5) television sets, VCR units, AV projectors, computer systems (PC, keyboard, monitor, printer and hard drives).

#### 3. Capital Improvements and Expenses

A guiding principle for distinguishing between a capital improvement and a repair and maintenance expenditure is that a capital improvement results in an improved asset. If expenditure increases the utility or significantly extends the useful life of an asset, the expenditure should be capitalized. If an expenditure only maintains the original condition of the asset, the expenditure should be classified as an expense.

### Budget: Capital Expenditures

Except in emergencies or for reasons of economy, the purchase of major pieces of equipment classified as capital shall be scheduled so that annual budgetary

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appropriations for capital purposes either will be of similar size or will show a continuous trend without severe fluctuations.

The Governing Board in cooperation with the Principal shall draft a capital improvements program which will project Charter School needs for a six-year period. Individual capital projects shall be assigned priorities. The schedule shall be reviewed and updated annually. Copies shall be provided to the Governing Board for review and consideration.

In addition to items specifically included in the Charter School Annual Budget, the Principal may purchase capital items costing up to five thousand dollars (\$5,000). The purchase of capital equipment exceeding these limits, which has not received prior budget approval, must be approved by the Governing Board.

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