Rock Valley College

Capital Assets and Depreciation
RVC Administrative Procedure (5:10.090)

Purpose

Governing Authority
The College follows the guidelines set forth by the Governmental Accounting Standards Board (GASB) Statement 34 and 35, as well as GASB Statement 87, Lease Accounting Standards and GASB 96-Subscription-Based Information Technology Arrangements (SBITAs).

The College shall capitalize, record, depreciate, inventory, and dispose of capital assets in accordance with generally accepted accounting principles (GAAP), applicable governmental accounting standards, federal and state regulations, and College procedures. All capital assets meeting the capitalization thresholds established in this procedure shall be recorded in the College's fixed asset system and safeguarded throughout their useful lives.

Scope
This Administrative Procedure applies to all College departments and employees responsible for acquiring, managing, safeguarding, or accounting for capital assets. It covers all capital assets purchased or acquired by the College, regardless of funding source, including institutional funds, grants, donations, leases, and subscription-based information technology arrangements (SBITAs).

Definitions
Capital Asset – a tangible or intangible asset with an estimated useful life of more than one fiscal year and a cost that meets or exceeds the College's capitalization thresholds.

Capitalization – the process of recording an expenditure as a long-term asset rather than an expense.

Historical Cost – the actual cost incurred to acquire an asset and place it into service.

Construction in Progress (CIP) – cost accumulated for capital projects that are not yet substantially complete.

Department and Primary Point of Contact Involved
Business Services:
Inventory Coordinator
Manager of Business Services
Mail and Distribution Center staff

Rock Valley College

Financial Services:
Accounting Manager
Senior Accountant
Staff Accountants

Procedure

A. Capitalization Thresholds

Any equipment or software with a cost over $10,000 each and a useful life over a year. Land and buildings are capitalized.

B. Asset Valuation

Capital Assets are recorded at historical costs, which includes

- Purchase price
- Freight and delivery
- Installation and testing
- Professional Fees (architectural, engineering, consulting)
- Site preparation and related costs

C. Useful Lives and Deprecation

The College depreciates capital assets using the straight-line method, which begins when the asset is placed into service.

Asset Category	**Useful Life**
Land	Not depreciated
Construction in Progress	Not depreciated until complete
Fine Art/Historical Treasures	Not depreciated
Buildings	40 years
Building Improvements	15-20 years
Infrastructure/Land Improvements	10-20 years
Vehicles	3 years
Equipment, Furniture & Fixtures	3-5 years
Computer Equipment	3-5 years
Computer Software	3-10 years

D. Improvement, Repairs, and Maintenance

- Capital improvement that extends an asset's useful life, increase capacity, or improve efficiency are capitalized if they meet applicable capitalization thresholds.
- Routine repairs and maintenance that maintain assets in normal operating conditions are expensed in the period occurred.

E. Lease (GASB 87)

Lease assets represent tangible right-of-use assets and are initially recorded at cost, measured as the present value of expected lease payments over the term of the lease, less any lease incentives received. The initial measurement also includes payments made to the lessor at or prior to the commencement of the lease term, as well as certain direct costs necessary to place the asset into service.

The College will capitalize lease assets and corresponding lease liabilities when the initial measurement is $10,000 or greater.

Capitalized lease assets are amortized using the straight-line method over the shorter of:

- The lease term, or
- the estimated useful life of the underlying asset, based on the applicable asset classification.

A short-term lease is defined as a lease that, at the commencement of the lease term, has a maximum possible term of 12 months or less, including any extension options, regardless of the likelihood of those options being exercised. Lease agreements that do not meet capitalization criteria, including short-term leases, are recognized as outflows or inflows of resources in the period incurred in accordance with the payment provisions of the lease agreement.

F. Subscription-Based Information Technology Arrangements (SBITA) (GASB96)

The College recognizes SBITAs as intangible right-to-use subscription assets and corresponding subscription liabilities when the arrangement conveys control of the right to use another party's information technology software, either alone or in combination with tangible capital assets, for a period of time in an exchange or exchange-like transaction.

SBITA assets are initially measured at the present value of subscription payments expected to be made over the subscription term, including:

- Fixed payments
- Variable payments that depend on an index or rate
- Payments associated with renewal or termination options, if reasonably certain to be exercised

The initial measurement also includes:

- Subscription payments made to the vendor at or before the commencement of the subscription term
- Capitalizable implementation costs (e.g., configuration, coding, installation)
- The College will capitalize SBITA assets and related liabilities when the initial measurement is $10,000 or greater.

SBITA assets are amortized using the straight-line method over the shorter of:

- The subscription term, or the useful life of the underlying software, if applicable.
- A short-term SBITA is defined as an arrangement with a maximum possible term of 12 months or less, including any options to extend, regardless of the likelihood of exercise. Short-term SBITAs are recognized as outflows of resources as payments are made. Ongoing subscription payments that do not meet capitalization criteria, as well as non-capitalizable costs such as training, data conversion, and maintenance, are expensed as incurred.

Related Documents

Governmental Accounting Standards Board (GASB) Statement 34 and 35
GASB Statement 87, Lease Accounting Standards
GASB 96-Subscription-Based Information Technology Arrangements (SBITAs)

Reference: Board Report 6429
Implemented: November 10, 2026 (Initiated grants prior to 11/10/2026, effective date is July 1, 2027)
Revised: November 11, 2026