

**Cochise College
Administrative Policy**

**Category: Fiscal Management
Policy Number: 2005
Title: Capital Expenditures**

In general, capital expenditures are those purchases that are made to acquire high-value, long-lived assets that are then depreciated over a number of years. Purchases of assets with useful lives greater than one year and with an initial acquisition value of five thousand dollars (\$5,000) or more per item (including taxes, licenses, freight, installation and any other incidental expenditures necessary to place the asset into service) are considered to be capital expenditures. Asset types that typically are classified as capital include land, buildings, building equipment or improvements, other equipment and certain furniture and fixtures. Books for the library are capitalized and depreciated.

Additionally, certain other assets are recorded and tracked by the College as though they were capitalized in order to maintain necessary property control procedures, e.g., computers and computer systems, assets purchased for or designated by the grantor as capitalized assets, complete furnishings for new spaces and “system purchases,” where the total value of all components of a system meets or exceeds the \$5,000 threshold amount. Where furnishings are purchased to replace existing assets, such replacements are expensed unless they individually meet the capitalization threshold requirements (above) or significantly extend the useful lives of any related assets (below).

Expenditures made on an existing College asset are capitalized if the expenditure results in an improved asset, *i.e.*, it significantly extends the useful life or increases the utility of the asset. Alternatively, spending that largely maintains the original condition of an asset is considered to be a repair or maintenance expenditure and is expensed.