

SECTION XII--INTERPRETATIONS

ACCOUNTING INTERPRETATION NO. 13

Subject: Purchases from Capital Outlay Fund

Purchases from the Capital Outlay Fund are guided primarily by SDCL 13-16-6 and SDCL 13-13-37. SDCL 13-16-6 states:

The capital outlay fund of the school district is a fund provided by law to meet expenditures of which result in the acquisition of or lease of or additions to real property, plant, or equipment. Such an expenditure shall be for land, existing facilities, improvement of grounds, construction of facilities, additions to facilities, remodeling of facilities, or for the purchase or lease of equipment. It may also be used for installment or lease-purchase payments for the purchase of real property, plant or equipment, which have a contracted terminal date not exceeding twenty years from the date of the installment contract or lease-purchase and for the payment of the principal of and interest on capital outlay certificates issued pursuant to SDCL 13-16-6.2. ...

Any purchase of one thousand dollars or less may be paid out of the general fund. The total accumulated unpaid principal balances of such installment contracts and lease-purchase and the outstanding principal amounts of such capital outlay certificates may not exceed three percent of the taxable valuation. The school district shall provide a sufficient levy each year under the provisions of § 13-16-7 to meet the annual installment contract, lease-purchase and capital outlay certificate payments, including interest.

A school district which contracts its student transportation may expend from the capital outlay fund an amount not to exceed fifteen percent of the contract amount.

The capital outlay fund may be used to purchase textbooks, instructional software and warranties.

SDCL 13-13-37 states, "The total general fund expenditures may not include any capital outlay fund expenditures as defined in SDCL 13-16-6, except for any school district that receives money under Public Law 81-874. However, no school district that receives money under Public Law 81-874 may expend general fund money for new construction."

Equipment to be purchased from the Capital Outlay Fund is defined as equipment which meets the definition in Section II of the School Accounting Manual (also see listings) and which is **\$1,000** or more per invoice per asset type. Therefore, purchases of equipment per invoice per asset type exceeding **\$1,000** may not be purchased from the General Fund, but equipment less than **\$1,000** may be purchased from either the General Fund or Capital Outlay Fund.

Minor federal grant program monies may be spent out of the General Fund for equipment.

All purchases from the Capital Outlay Fund are not necessarily capitalized as some purchases may be less than the amount capitalized for capital assets as determined by the school's capitalization policy.