

## BUILDINGS & SITES

### Series 800

Policy Title Capital Assets

Code No. 802.04

The school district will establish and maintain a capital assets management system for reporting capitalized assets owned or under the jurisdiction of the school district in its financial reports in accordance with generally accepted accounting principles (GAAP) as required or modified by law; to improve the school district's oversight of capital assets by assigning and recording them to specific facilities and programs and to provide for proof loss of capital assets for insurance purposes,

Capital assets, including tangible and intangible assets, are reported in the government-wide financial statements (i.e. governmental activities and business type activities) and the proprietary fund financial statements. Capital assets reported include school district buildings and sites, construction in progress, improvements other than buildings and sites, land and machinery and equipment. Capital assets reported in the financial reports will include individual capital assets with a historical cost equal to or greater than \$2,500. The federal regulations governing school lunch programs require capital assets attributable to the school lunch program with a historical cost of equal to or greater than \$500 be capitalized. Additionally, capital assets are depreciated over the useful life of each capital asset.

All intangible assets with a purchase price equal to or greater than \$2,500 with useful life of two or more years, are included in the intangible asset inventory for capitalization purposes. Such assets are recorded at actual historical cost and amortized over the designated useful lifetime applying a straight-line method of depreciation. If there are no legal, contractual, regulatory, technological or other factors that limit the useful life of the asset, then the intangible asset needs to be considered to have an indefinite useful life and no amortization should be recorded.

Phase III districts, as determined under GASB 34, *will or will not* retroactively report intangible assets. If actual historical cost cannot be determined for intangible assets due to lack of sufficient records, estimated historical cost will be used.

This policy applies to all intangible assets. If an intangible asset that meets the threshold criteria is fully amortized, the asset must be reported at the historical cost and the applicable accumulated amortization must also be reported. It is not appropriate to "net" the capital asset and amortization to avoid reporting. For internally generated intangible assets, outlays incurred by the government's personnel, or by a third-party contractor on behalf of the government, and for development of internally generated intangible assets should be capitalized.

The capital assets management system must be updated monthly to account for the addition/acquisition, disposal, relocation/transfers of capital assets. It is the responsibility of the superintendent to count and reconcile the capital assets management system on June 30 each year.

It is the responsibility of the superintendent to develop administrative regulations implementing this policy. It will also be the responsibility of the superintendent to educate employees about this policy and its supporting administrative regulations.

**Legal Reference:**

Iowa Code §§ 257.31(4); 279.8; 297.22-.25; 298A (2011).

**Cross Reference:**

709.00 Insurance Program

701.03 Financial Records

Date of Adoption: (Revised)

Related Administrative Rules and Regulations: \_\_\_\_\_

## **CAPITAL ASSETS MANAGEMENT SYSTEM DEFINITIONS**

**Back trending/standard costing** - an estimate of the historical original cost using a known average installed cost for like units as of the estimated addition/acquisition date. This cost is only applied to the capital assets initially counted upon implementation of the capital assets management system when the historical original cost cannot be determined. It is inappropriate to apply the back trending/standard costing method to any capital assets acquired after the assets management system implementation date.

**Balance sheet accounting/class codes** - the codes set out for assets in the Iowa Department of Education Uniform Accounting Manual. They are: 200-capital assets; 211-land and land improvements; 221-site improvements; 222-accumulated depreciation on site improvements; 231-buildings and building improvements; 232-accumulated depreciation on buildings and building improvements; 241-machinery and equipment; 242-accumulated depreciation on machinery and equipment, 251-works of art and historical treasures; 252-accumulated depreciation on works of art and historical treasures, 261-infrastructure; 262-accumulated depreciation on infrastructure; and 271-construction in progress.

**Book value** - the value of capital assets on the records of the school district, which can be the cost or the cost less the appropriate allowances, such as depreciation.

**Buildings and building improvements** - a capital assets account reflecting the addition/acquisition cost of permanent structures owned or held by a government and the improvements thereon.

**Business-type activities** - one of two classes of activities reported in the government-wide financial statements. Business-type activities are financed in the whole or in part by fees charged to external parties for goods or services. These activities are usually reported in enterprise funds.

**Capital expenditures/expenses** - expenditures/expenses resulting in the addition/acquisition of or addition/acquisition to the school district's capital assets.

**Capital Assets** - Capital assets with a value of equal to or greater than \$2,500 based on the historical cost include: long-lived assets obtained or controlled as a result of past transactions, events or circumstances. Capital assets include buildings, construction in progress, improvements other than facilities, land, machinery and equipment, and intangible assets.

**Capitalization policy** - the criteria used by the school district to determine which capital assets will be reported as capital assets on the school district's financial statements and records.

**Capitalization threshold** - the dollar value at which a government elects to capitalize tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

**Capitalized interest** - interest accrued and reported as part of the cost of the capital assets during the construction phase of a capital project. The construction phase extended from the initiation of pre-construction activities until the time the asset is placed in service.

**Construction in progress** - buildings in the process of being constructed other than infrastructure.

**Cost** - the amount of money or other consideration exchanged for goods or services.

**Depreciation/Amortization** - expiration in the service life of capital assets, other than wasting assets, attributable to wear and tear, deterioration, action of the physical elements, inadequacy and obsolescence. In accounting for depreciation/amortization, the cost of a capital asset, less any salvage value, is prorated over the estimated service life of such an asset, and each period is charged with a portion of such cost.

**Fixtures** - attachments to buildings that are not intended to be removed and cannot be removed without damage to the buildings. Those fixtures with a useful life presume to be as long as that of the building itself are considered a part of the building. Other fixtures are classified as machinery and equipment.

**General capital asset** - capital assets that are not capital assets of any fund, but of the governmental unit as a whole. Most often these capital assets arise from the expenditure of the financial resources of governmental funds.

**General capital assets account group (GCAAG)** - a self-balancing group of accounts established to account for capital assets of the school district, not accounted for through specific proprietary funds.

**Government activities** - activities generally financed through taxes, intergovernmental revenues, and other non-exchange revenues. These activities are usually reported in governmental funds and internal service funds.

**Government-wide financial statements** - Financial statements that incorporate all of a government's governmental and business-type activities, as well as its non-fiduciary component units. There are two basic government-wide financial statements the statement of net assets and the statement of activities. Both basic government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

**Historical (acquisition) cost** - the actual costs expended to place a capital asset into service. For land and buildings, costs such as legal fees, recording fees, surveying fees, architect fees and similar fees are included in the historical cost. For machinery and equipment, costs such as freight and installation fees and similar fees are included in the historical cost.

**Improvements** - in addition made to, or change made in, a capital asset, other than maintenance, to prolong its life or to increase the efficiency or capacity. The cost of the addition or change is added to the book value of the asset.

**Improvements other than buildings** - attachments or annexation to land that are intended to remain so attached or annexed, such as sidewalks, trees, drives, tunnels, drains and sewers. Sidewalks, curbing, sewers and highways are sometimes referred to as "betterments," but the term "improvements" is preferred.

**Infrastructure** - long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include; roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems.

**Investment in general capital assets** - an account in the GCAAG representing the school district's investment in general capital assets. The balance in this account generally is subdivided according to the source of the monies that finance the capital assets addition/acquisition, such as general fund revenues and special assessments.

**Land and buildings** - real property owned by the school district.

**Machinery and equipment** - capital assets which maintain their identity when removed from their location and are not changed materially or consumed immediately (e.g., within one year) by use. Machinery and equipment are often divided into specific categories such as: transportation machinery and equipment which includes school buses and school district owned automobiles, trucks and vans; other motor machinery and equipment which includes lawn maintenance machinery and equipment, tractors, motorized carts, maintenance machinery and equipment, etc.; other machinery and equipment which includes furniture and machinery and equipment contained in the buildings whose original cost is equal to or greater than \$2,500, and capital assets under capital leases and capital assets being acquired under a lease/purchase agreement.

**Proprietary funds** - funds that focus on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.

**Replacement cost** - the amount of cash or other consideration required today to obtain the same capital assets or its equivalent.