

## **Policy 802.4 CAPITAL ASSETS MANAGEMENT SYSTEM**

The school district will establish and maintain a fixed assets management system for reporting capitalized fixed 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 of 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 an historical cost equal to or greater than ~~\$1,000~~ **\$5,000**, except for intangible right to use lease assets. 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 except for right to use lease assets with a purchase price equal to or greater than ~~\$1,000~~ **\$5,000** 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, amortization should be recorded.

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 district recognizes the importance of classifying leases of intangible assets as assets or liabilities in financial statements. When operating as a lessor, the district will recognize a lease liability and an intangible right-to-use lease asset. When operating as a lessee, the district will recognize a lease receivable and a deferred inflow of resources consistent with the requirements established in GASB 87.

The district recognizes a lease liability and an intangible right-to-use lease asset with an initial value of \$5,000 or more. At the commencement of a lease, the district initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal

portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date plus certain initial direct costs to place the asset in service. The lease asset is amortized on a straight-line basis over the life of the lease.

The capital assets management system must be updated monthly to account for the addition/acquisition, disposal, relocation/transfers of capital assets. It shall be the responsibility of the superintendent to count and reconcile the fixed assets listing for the general fixed assets account group and for each proprietary and fiduciary fund with the fixed 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](#) (2005).

**I.C. Iowa Code Description**

[Iowa Code § 257.31](#) Finance Program - Committee

[Iowa Code § 279.8](#) Directors – General Rules – Bonds of Employees

[Iowa Code § 297](#) School Houses/Sites

[Iowa Code § 298A](#) School District Fund Structure

**Cross Reference:**

709.1 Insurance Program

701.5 Financial Records

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**New Hampton Community School District**