

CAPITAL ASSETS

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 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 a historical cost equal to or greater than \$5,000 except for intangible right-to-use leased assets, the measurement of which is discussed in the ensuing lease. Intangible assets include those purchased or internally generated as well as right-to-use leased intangible 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. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds and estimated useful life in excess of two years.

All intangible assets (except for right- to-use lease assets) with a purchase price equal to or greater than \$150,000 with a 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.

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, individual 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 less any lease incentives received at or before the lease commencement date, plus certain initial direct costs to place the asset in service. Subsequently, the lease asset is amortized on a straight-line basis over the life of the lease.

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

Legal Reference: Iowa Code §§ 257.31(4); 279.8; 297.22-.25; 298A (2013).

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Cross Reference: 709 Insurance Program
 701.3 Financial Records

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