

FIXED ASSET CAPITALIZATION

I. Purpose

The Fort Dodge Community School District Fixed Asset Capitalization Policy follows the requirements set forth by the Government Accounting Standards Board Statement No. 34 as it pertains to Capital Asset Reporting.

II. Definition

The policy applies to the Fort Dodge Community School District's acquisition and depreciation of capital assets. Capital assets include land, improvements to land, easements, buildings and building additions, building improvements, furniture, fixtures and equipment, equipment under lease, vehicles, works of art and historical treasures, construction-in-progress and all intangible assets. Capital assets are tangible and intangible assets used in operations and have initial useful lives extending beyond a single reporting period. 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. Equipment will not change its original shape, appearance or character with use and it can be expected to last more than one year with reasonable care and maintenance.

III. Authority

Participation of the school entity in any such activity shall be in accordance with Board policy.

IV. Delegation of Authority

The Board of School Directors delegates to the Director of Financial Services the responsibility to coordinate the compilation and preparation of all information necessary to implement this policy. The Board Secretary/Director of Financial Services shall be responsible for inventory, including depreciation schedules.

V. Guidelines

CAPITAL ASSET ADDITION OVERVIEW

- A. Purchased Capital Assets greater than \$3,000, site improvements greater than \$10,000, building improvements greater than \$25,000, all land purchases and all intangible assets greater than \$100,000 should be recorded at historical/original cost. The cost of a capital or intangible asset should include capitalized interest and ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include costs that are directly attributable to asset acquisition – such as freight and transportation charges, site preparation costs, and professional fees.

Purchases less than \$3,000, but greater than \$500 and have lives that extend beyond one year and need

to be controlled for insurance purposes, should be classified as non-capital equipment expenditures, and coded to the object specified by the Uniform Financial Activity Manual for Iowa LEA's and AEA's.

Purchases less than \$3,000 and are consumed within the fiscal year are treated as supplies and coded to the supply objects prescribed by the Uniform Financial Activity Manual for Iowa LEA's and AEA's.

- B. Capital Assets should be depreciated over their useful lives as determined for each asset class. Land, and some land improvements, are considered inexhaustible, and are therefore not subject to depreciation.
- C. If determining historical costs is not practical due to inadequate records, reporting should be based on estimates of original cost at the date of construction or purchase.
- D. Nutrition fund fixed assets with a historical cost equal to or greater than \$500 will be capitalized and depreciated over 12 years. A straight-line depreciation method will be used and assets will be depreciated for a full year in the year of acquisition.

DEPRECIATION

- A. Depreciation is required for the District's Capital Assets. Depreciation is allocated to expense in a systematic and rational manner. Depreciation is calculated using the Straight Line method and reported by area of activity (function). The District calculates depreciation on all capital assets reported in the District financial statements other than land, permanent improvements to land, and construction in progress.
- B. Depreciation may be calculated for a class of assets, a network of assets or individual assets.

USEFUL LIVES

Useful lives of fixed assets relate to the life expectancy as used by the specific government unit. The following table should be used to assist the district in estimating the useful life of a capital asset.

Asset Class	Examples	Years/Range
Land		N/A
Site Improvements	Paving, flagpole, retaining walls, sidewalks, fencing, outdoor lighting	20
School Buildings		50
HVAC Systems	Heating, ventilation, and air conditioning systems	20
Roofing		20
Interior Construction		25
Carpet Replacement		7

Electrical/Plumbing		30
Sprinkler/Fire System		25
Outdoor Equipment	Playground, radio towers, fuel tanks, pumps	20
Machinery & Tools	Shop & maintenance equipment, tools	15
Kitchen Equipment	Appliances	12
Custodial Equipment	Floor scrubbers, vacuums, other	15
Science & Engineering	Lab equipment, scientific apparatus	10
Furniture & Accessories	Classroom and office furniture	20
Business Machines	Fax, duplicating & printing equipment	10
Copiers		5
Communication Equipment	Mobile, portable radios, non-computerized	10
Computer Hardware	PC's, printers, network hardware	5
Computer Software	Instructional, other short-term	10
Computer Software	Administrative/Long-term	10
Audio Visual Equipment	Projectors, cameras (still & digital)	10
Athletic Equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical Instruments	Pianos, string, brass, percussion	15
Library Books	Collections	7
Licensed Vehicles	Buses, other on-road vehicles	8
Contractors Equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10
Grounds Equipment	Mowers, tractors, attachments	15
Intangible	Easements or land use rights, patents, trademarks, copyrights, and computer software that are purchased; licensed or internally generated.	2 – 99

Legal Reference: Iowa Code Chapter 279.8, 297.22 & 297.25, Governmental Accounting Standards Board Statement 34.

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