

A. Capital Assets Management System

The Superintendent, and/or other designated staff, shall:

1. Conduct the capital assets physical count;
2. Develop the capital assets listing;
3. Tag capital assets included in the capital assets management system with a bar code identification number;
4. Make a recommendation of a computer software program for managing the capital assets management system;
5. Enter the necessary data into the capital assets management system and compile the appropriate reports;
6. Develop forms and procedures for maintaining the integrity of the capital assets management system; and,
7. Maintain responsibility for an accurate capital assets management system.

B. Determining historical cost

1. The historical cost of a capital asset is based on the actual costs expended in making the capital assets serviceable.
2. Gifts of capital assets are valued at the estimated fair market value at the addition/acquisition date.
3. Capital assets purchased under a capital lease are valued at historical cost of their net present value of the minimum lease payments on the addition/acquisition date.
4. The historical cost of capital assets must include capitalized interest.

C. Annual capital assets listing reconciliation

1. The superintendent, and/or other designated staff, in conjunction with the capital assets management team, will conduct an annual capital assets physical count to develop the annual capital assets listing in a manner similar to the initial capital assets listing process in B above. At least every three years, someone other than the person in custody of the capital assets in the building/department/room will perform the capital assets physical count for the building/department/room.
2. Upon completion of the annual capital assets listing, the capital asset listing is reconciled to the capital assets management system data base.
3. Capital assets found to have been excluded from the data base are added to the capital assets management system. The capital assets management system process should be reviewed to prevent future incidents of excluding a capital asset.
4. Capital assets unaccounted for are reported to the superintendent who contacts the supervisor of and the individual in charge/control/custody of the capital asset. The individual in charge/control/custody of the capital asset has thirty days to account for the capital asset.
5. Capital assets unaccounted for after thirty days are reported to the superintendent for appropriate action and documentation. "Appropriate

action” may include discipline, up to and including discharge, and may require the employee/person in charge/control/custody of the capital asset to replace the asset.

6. The superintendent is responsible for documenting the reasons each asset was not reconciled to the capital assets management system.

D. Addition/acquisition of capital assets

1. The school district’s purchasing policy and administrative regulations must be followed when acquiring capital assets. The school district’s policy and administrative regulations must be followed for receiving a gift of capital assets.
2. The capital assets addition/acquisition documentation must be completed for each additional capital assets with an addition/acquisition cost of equal to or greater than \$2,500. The following information should be collected, if applicable.
  - a. Name of location-building/department/room;
  - b. Location-building/department/room code;
  - c. Balance sheet accounting/class code;
  - d. Government or BTA program;
  - e. Addition/acquisition date;
  - f. Check/purchase order number or gift;
  - g. Bar code identification number assigned to and placed on the capital asset;
  - h. Serial/model number;
  - i. Cost-historical;
  - j. Fair market value on acquisition date (donated assets only);
  - k. Estimated useful life;
  - l. Vendor;
  - m. Purchasing fund and function;
  - n. Description of capital asset;
  - o. Department/person charged with custody;
  - p. Method of addition/acquisition-purchase, trade, gift, etc.;
  - q. Quantity;
  - r. Replacement cost;
  - s. Addition/acquisition authorization; and,
  - t. Function for depreciation.
3. Capital assets acquired in a month must be entered into the capital assets management system in the same month.
4. The actual costs of construction in progress, other than infrastructure, is entered into the capital assets management system in the month in which costs are incurred until the total cost of addition/acquisition is entered. Upon completion of construction, the total costs accumulated over the period of construction are reclassified to buildings.
5. Capital assets acquired in a month must be entered into the capital assets management system in the same month.

E. Relocation/transfer of machinery and equipment capital assets.

1. A capital asset relocation/transfer documentation must be completed prior to removing machinery and equipment capital assets from their current location. The following information must be collected:
  - a. Relocation/transfer date;
  - b. Quantity;
  - c. Bar code identification number;
  - d. Current location-building/department/room code;
  - e. Name of current location-building/department/room;
  - f. New location-building/department/room code;
  - g. Name of new location-building/department/room;
  - h. Date placed at new location-building/department/room;
  - i. Department/person charged with custody; and
  - j. Relocation/transfer authorization.
2. Capital assets relocated/transferred in a month must be entered into the capital assets management system in the same month.

F. Disposal of capital assets

1. A capital assets disposal documentation must be completed prior to disposing of real property. The following information must be collected:
  - a. Disposal date;
  - b. Quantity;
  - c. Bar code tag identification number;
  - d. Legal description;
  - e. Location/address;
  - f. Purchaser;
  - g. Disposal methods for real property trade, sale, stolen, etc.; and,
  - h. Disposal authorization
2. Capital assets disposed of in a month must be entered into the capital assets management system in the same month.
3. When assets are sold or disposed of, it is necessary to calculate and report a gain or loss in the statement of activities. The gain/loss is calculated by subtracting the net book value (historical cost less any accumulated amortization) from the net amount realized on the sale or disposal.

G. Lost, damaged or stolen capital assets.

1. A lost, damaged or stolen capital assets report must be completed when a capital asset has been lost, damaged or stolen. The following information must be collected:
  - a. Date of loss, damage or theft;
  - b. Employee/person discovering;
  - c. Quantity;
  - d. Description of capital asset;
  - e. Bar code tag identification number;
  - f. Location-building/department/room;
  - g. Description of loss, damage, etc.;

- h. Filing of police report-yes or no;
  - i. Filing of insurance report-yes or no;
  - j. Sent for repair-yes or no;
  - k. Date returned from repair;
  - l. Date returned to location-building/department/room;
  - m. Department/person charged with custody; and,
  - n. Authorization.
2. Capital assets damaged, lost or stolen in a month must be entered into the capital assets management system in the same month.

#### H. Capital assets reports

- 1. Annual reports for June 30 each year.
  - a. Capital assets listing including the following items:
    - i. Balance sheet accounting/class code;
    - ii. Purchasing fund, function and depreciation function;
    - iii. Bar code tag identification number;
    - iv. Description of the capital asset;
    - v. Historical cost or other;
    - vi. Location;
    - vii. Current year depreciation/expense; and,
    - viii. Accumulated depreciation/amortization.
  - b. Capital assets listing by location/building;
  - c. Capital assets listing by department/employee/person charged with custody; and,
  - d. Capital assets listing by replacement cost.

#### **Capital Assets-Management System Definitions:**

**Back trending/standard costing** – an estimate of the historical original cost using a known average installed costs 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. The 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 extends 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 presumed 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 assets** – 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 (GFAAG)** – 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 nonfiduciary 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 GFAAG 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.

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