

### **Background GASB 34**

The Governmental Accounting Standards Board (GASB) issued Statement No. 34 on June 30, 1999. GASB 34 significantly changed the way governments account and report financial information. This new reporting affects every public school organization that issues financial statements in accordance with generally accepted accounting principles (GAAP). Among the many new requirements, GASB 34 requires schools to capitalize and depreciate certain types of assets.

### **Policy Summary**

It is the policy of the Jaffrey-Rindge School District (the District) to: 1) Maintain adequate records of its material capital assets including: a) The cost to acquire, maintain and improve the capital asset, b) The costs associated with the usage (or depreciation) of the capital asset, and c) The costs associated with the disposal or retirement of the capital asset. 2) Report material capital assets in District's financial reports, which are subject to the annual audit, in conformance with the generally accepted accounting principles.

### **Definitions and Concepts**

**Capital Assets:** Property that have a significant cost and have a useful life in excess of one year. As defined by the Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (GASB 34), "capital assets include land,... buildings, building improvements, vehicles, machinery, equipment,... infrastructure, and all other tangible or intangible assets that are used in operations... Infrastructure assets are 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... Infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams..."

**Useful Life:** The estimated number of years that the asset will be able to be used for the purpose for which it was purchased by the District. Assets that are consumed, used-up or worn-out in one year or less should not be capitalized. Reference the Capital Asset Procedures Manual for a Schedule of Depreciation Lives.

**Material Capital Asset:** An asset with an estimated useful life greater than one year that exceeds the District's capitalization threshold.

**Capitalization:** The process of recording the cost of the property, as an asset, on the Districtwide Balance Sheet and depreciating the asset over its useful life.

**Depreciation:** In accounting terms, depreciation is the process of allocating the cost of the asset over a period of time (its useful life), rather than including the total cost as an expense in the year the asset was purchased, acquired, or constructed.

### **Policy**

The District's capitalization threshold has been set at \$5,000 per item except for land and constructed assets, which will have a threshold of \$100,000.

Records will be maintained by the SAU office for all assets exceeding the capitalization threshold.

The acquisition of a quantity of items, none of which have an individual cost of more than \$5,000 but which in aggregate cost more than \$5,000, will not be considered capital assets.

The cost basis of an asset shall be the historical acquisition or actual construction cost of the item (including applicable ancillary costs), adjusted upward if a repair, maintenance or addition results in significantly increasing the value, capacity or useful life of the asset.

Donated capital assets shall be recorded at the fair market value of the item at the time of its donation and otherwise treated, for financial record purposes, the same as any similarly situated capital asset.

The costs associated with the purchase of computer software, upgrades, annual license fees, or maintenance charges, are not regarded as a capital asset and will be expensed in the year acquired, except for the purchase cost of the Advanced Data System software (or replacement software) and any other enterprise-wide software systems for the District.

Each capital asset record shall consist of documentation of the acquisition cost(s) of the asset, a determination of probable useful life, adjustments to the historic cost due to additions or improvements, the source of funds used to acquire or improve the asset (for example, bond proceeds, appropriations, etc.), the disposition costs of the item (including any salvage realized at disposal), and the location of the asset.

Adequate documentation, such as invoices, lease contracts, annual reports, etc., should be maintained to justify and support all costs associated with the capital asset. If the actual acquisition cost is not readily determinable an estimated historical cost can be used. All costs must be documented, including methods and sources used to establish any estimated costs.

Capital asset records shall be preserved and accessible for audit purposes for the life of the asset and for seven (7) years after the final disposal of the item.

The capital asset records shall be maintained and updated, not less than annually, by the Finance Manager (or a designated individual assigned by the Superintendent).

At the end of each fiscal year, a person(s) independent of the record keeper, shall perform a complete physical inventory of the District's material capital assets and shall reconcile the inventoried items to the master capital asset records. Any discrepancies shall be reported to the Finance Manager and resolved no later than September 1st following the fiscal year that just ended.

For detailed procedures regarding the accounting of capital assets, examples of asset classifications and depreciation, and procedures for recording assets in the District's software system, reference the District's Capital Asset Procedures Manual.

**Legal References:**

*GASB Statement No. 34*

*GASB Statement No. 34 Implementation Recommendations for School Districts by the ASBO International Accounting, Auditing and Budgeting Committee*