







Measurement Focus

- Depends on resources/measurement focus of funds used to construct or acquire
 - Governmental funds
 - Current financial resources measurement focus
 - Capital expenditures
 - Proprietary/Fiduciary funds
 - Economic resources measurement focus
 - Capitalized/depreciation



Capitalization Policies

- Capitalization policies
 - Low capitalization threshold will increase number of items capitalized/accounted for
 - High capitalization threshold will decrease number of items capitalized/accounted for
- Different thresholds for different types of assets
 - Higher threshold for infrastructure assets
 - Lower threshold for smaller assets



Capital Asset vs. Repair

- Outlays extending useful lives or improving efficiency
 - Government-wide financial statements
 - Capitalize and depreciate
 - Governmental Fund financial statements
 - Capital expenditures
 - Proprietary Fund financial statements
 - Capitalize and depreciate
 - Fiduciary Fund financial statements
 - Capitalize and depreciate



Cost of Capital Assets

- Capitalized assets
 - Actual or estimated historical costs
 - If donated, at acquisition value
 - Ancillary charges
 - Charges necessary to place asset into intended location and condition for use
 - Freight and transportation charges
 - Site preparation costs
 - Professional fees



Types of Fixed Assets

- Types of capital assets
 - Inexhaustible
 - Nondepreciable
 - Land
 - Land improvements
 - Construction in progress
 - Exhaustible
 - Depreciable
 - Building
 - Building improvements
 - Machinery and equipment
 - Furniture and fixtures
 - Vehicles



Leases

- Leases – as lessee
 - Operating lease
 - Capital lease
 - Transfer of ownership
 - Bargain purchase option
 - Lease term greater than or equal to 75% of economic life of asset
 - Present value of lease payments greater than or equal to 90% of fair value of asset
- Capital lease recording
 - Capital asset
 - Lease liability
- New guidance on the way!



Depreciation of Capital Assets

- Depreciation of capital assets
 - Exhaustible capital assets
 - Systematic write-off of net cost (historical cost less estimated salvage or residual value) over estimated useful life
 - Depreciation method
 - Any “established” depreciation method
 - Straight-line used most of the time
 - Recognition of depreciation expense/accumulated depreciation
 - Government-wide financial statements – yes
 - Governmental fund financial statements – no
 - Proprietary fund financial statements – yes
 - Fiduciary fund financial statements – yes



Capitalized Interest

- Capitalized interest
 - Proprietary Fund
 - Include capitalized interest on related debt
 - Portion of interest expense that theoretically could have been avoided generally should be capitalized as part of the cost of assets constructed during the period
 - Cost of acquiring assets with proceeds of tax-exempt borrowings should be offset by interest earned on investment of proceeds if funds externally restricted to finance acquisition of specified qualifying assets or to service the related debt



Impairment

- Capital asset impairment
 - Impairment
 - Significant, unexpected decline in the *service utility* of a capital asset
 - *Service utility* of a capital asset is the usable capacity that at acquisition was expected to be used to provide service
 - The events or changes in circumstances that lead to impairment are not considered normal and ordinary
 - At the time the capital asset was acquired, the government did not expect the event or change in circumstances to occur during the useful life of the capital asset



Impairment

- Impairment determination
 - Identification of impairment
 - Evidence of physical damage such that restoration efforts are needed to restore service utility
 - Enactment or approval of laws or regulations or other changes in environmental factors
 - Technological developments or evidence of obsolescence
 - Change in the manner or expected duration of use of capital asset
 - Construction stoppage or development stoppage
 - Testing for impairment
 - Magnitude of the decline in service utility is significant
 - Decline in service utility is unexpected



Impairment

- Recognition of impairment loss
 - Government-wide financial statements
 - Reduce net carrying value of asset
 - Impairment loss as a program expense/special item/extraordinary loss
 - Governmental Fund financial statements
 - No recognition of impairment loss
 - Proprietary Fund financial statements
 - Reduce net carrying value of asset
 - Impairment loss as an operating expense/special item/extraordinary item
 - Fiduciary Fund financial statements
 - Reduce net carrying value of asset
 - Impairment loss as a deduction



Capital Asset Reporting

- Capital asset reporting
 - Government-wide financial statements
 - Capitalize assets
 - Donations as revenue
 - Governmental Fund financial statements
 - Capital outlay expenditures
 - Donations as a financing resource (optional, unless held for sale)
 - Proprietary Fund financial statements
 - Capital assets
 - Donations as capital contributions
 - Fiduciary Fund financial statements
 - Capital assets
 - Donations as additions



Accounting for Long-term Financing

- Financing major capital facilities
 - Bond issues
 - Special assessments
 - Intergovernmental grants
 - Donations from property developers or other nongovernmental entities



Types/Uses of Financing

- Types of long-term financing
 - Bond debt
 - General obligation
 - Revenue (impact aid/oil and natural gas)
 - Qualified zone academy
 - Qualified school construction
 - Intermediate term capital program (intercap)
- Uses of financing
 - Building fund
 - Acquisition, construction of capital assets
 - Debt service fund
 - Redemption of bonds
 - General fund
 - Redemption of bonds



Long-term Financing Reporting

- Long-term debt reporting
 - Government-wide financial statements
 - Proceeds as long-term debt (current and long-term)
 - Payments, when due, as:
 - Reduction in long-term debt
 - Interest expense
 - Governmental Fund financial statements
 - Proceeds as other financing source
 - Payments, when due, as:
 - Debt service expenditures
 - Proprietary Fund financial statements
 - Proceeds as long-term debt (current and long-term)
 - Payments, when due, as:
 - Reduction in long-term debt
 - Interest expense
 - Fiduciary Fund financial statements (trust funds, only)
 - Capital assets
 - Payments as deductions




