

<u>Section D:</u> Fiscal Management	Knox County Board of Education Policy		
	Descriptor Term:	Descriptor Code:	Issued:
	Capital Asset Investment and Management	D-211	5/16
		Reviewed:	Revised:
	12/16	2/17	

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I. Purpose:

The purpose of this policy is to establish guidelines for the acquisition and reporting of capital assets in order to provide information for capital investment and management decisions.

II. Definitions:

- A. Capital Asset – A capital asset is property that is used in district operations and has an initially estimated useful life in excess of three years following the date of acquisition.
- B. Capital Improvement Plan (CIP) – The plan that describes the acquisition and/or construction of capital facilities and assets (capital projects) and associated funding sources the district intends to undertake during future fiscal years.
- C. Capital Project – Construction projects and capital purchases that generally cost in the aggregate more than \$100,000 and/or have an initially estimated useful life greater than seven years.
- D. Capitalization Threshold – The monetary criterion used to determine whether a given capital asset should be reported as a long lived asset subject to depreciation in the financial statements.
- E. Depreciation – The systematic and rational allocation of the acquisition cost of a capital asset over its useful life.
- F. Operating Budget – Annual expense plan that details the expected costs associated with providing district services.

III. Policy:

- A. The purpose of the CIP is to document the planning, scheduling, approval, and anticipated financing for capital projects over a rolling multi-year period.
- B. Construction projects and capital asset purchases that generally cost in the aggregate more than \$100,000 and/or have a useful life of greater than seven years are included in the CIP.
- C. The Director of Schools is to prepare CIP project proposals and present the requests to the Board. Once a request has been approved by the Board, the district is to forward to the

1 Knox County Department of Finance the approved request along with the Director of
 2 Schools estimate of any and all future operating costs associated with the project that are
 3 not included in the CIP.
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- 5 D. The Knox County Department of Finance and County Mayor will review the CIP requests
 6 and make recommendations to the County Commission. The final CIP recommended by
 7 the County Mayor will include financing of the CIP request. Budget appropriations for
 8 projects included in the first year of the CIP are included in the district's annual Capital
 9 Budget which is subject to Board and County Commission review and approval. Financing
 10 for the Capital Budget will come from General Obligation Bonds and other sources. If a
 11 specific current revenue source is identified for a CIP request, then that funding is included
 12 in the CIP.
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14 Budget appropriations included in the first year of the approved CIP, for which financing is
 15 planned for the upcoming fiscal year, are required to be approved by the County
 16 Commission. Budgetary approval for projects planned for subsequent years, for which
 17 financing is planned in those future years, is generally not obtained during the first year of
 18 the CIP and is subject to revision in subsequent years.
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- 20 E. Capital assets, whether purchased or constructed, are recorded at historical acquisition cost
 21 (or estimated historical cost, if historical cost is not available). Donated capital assets are
 22 recorded at estimated fair market value at the date of donation. Historical acquisition cost
 23 includes the purchase price of the asset, plus related ancillary charges necessary to place
 24 the asset in its intended location or to prepare it for its intended use. Such charges include,
 25 for example, legal and title fees, closing costs, land-preparation costs, architect fees, and
 26 transportation charges.
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- 28 F. The capitalization threshold is used to determine the proper reporting of capital asset
 29 additions based on the expenditures, individually or in the aggregate, incurred to acquire
 30 the asset. For district capital asset additions (for example land, buildings and building
 31 improvements, vehicles, machinery and equipment, and intangible assets), the
 32 capitalization threshold is \$10,000.
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- 34 G. Additions to existing capital assets are recorded as capital assets only if (1) the additional
 35 expenditures, individually or in the aggregate, exceed \$10,000 and (2) the addition extends
 36 the useful life of an existing asset or enhances its functionality. Costs of routine recurring
 37 maintenance and repairs that do not add to the value of an asset or do not materially extend
 38 the useful life of an asset are not capitalized. Such items are reported as
 39 expenditures/expenses in the period in which they are incurred.
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- 41 H. Capital assets that meet the capitalization threshold and, therefore, are recorded as district
 42 assets are depreciated, the exception being land, which is not depreciated. Depreciation is
 43 calculated using the straight-line method over the estimated useful lives of classes of
 44 assets, which are:
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<u>Asset Class</u>	<u>Useful Life (Years)</u>
Buildings	45
Land Improvements	10-20
Public Doman Infrastructure	40
System Infrastructure	25
Vehicles	5
Machinery and Equipment	5-20
Intangible Assets	5-10

I. Any capital assets that are declared surplus property shall be disposed of in accordance with the Procurement Code of Knox County.

IV. Quality Control and Quality Assurance:

It is the responsibility of the Director of Schools to ensure the presence of procedures that provide sufficient guidance to affected KCS personnel to fulfill the intent of this policy.

Approved as to Legal Form
 By the Knox County Law Department 12/19/2016
 /Gary T. Dupler/Deputy Law Director