STATE OF IOWA
DEPARTMENT OF ADMINISTRATIVE SERVICES
GASB 34 IMPLENTATION, AMENDED BY GASB 72

Capital Assets Including Infrastructure

Policy

GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*, defines capital assets as, "land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible and intangible assets used in operations and that have initial useful lives extending beyond a single reporting period."

Capital assets should be reported at historical cost, including capitalized interest and ancillary charges. Ancillary charges include costs that are directly attributable to asset acquisition, including transportation and freight, site preparation costs, and professional fees.

Donated capital assets acquired

- prior to FY2016, are to be reported at their estimated fair value at the time of acquisition plus any ancillary charges.
- in FY2016 and after, are to be reported at their acquisition value at the date of acquisition. Per GASB 72, paragraph 79, acquisition value is defined as the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date.

The capital asset capitalization thresholds have been established by the Capitalization Committee and approved by the GAAP Oversight Committee. These thresholds are to be consistently applied by all agencies, universities, and component units of the State of Iowa for financial reporting purposes. All capital assets (including improvements to existing assets) ***at or above*** the following thresholds must be reported, all other capital assets are excluded, for the Comprehensive Annual Financial Report (CAFR):

Infrastructure	$ 1,000,000
Land & Land Improvements	$ 50,000
Buildings & Building Improvements	$ 50,000
Equipment (except for Regents)	$ 5,000
Equipment (Regents only)	$ 2,000

Funds or component units that utilize proprietary fund type accounting will continue to report infrastructure and are not subject to the infrastructure threshold.

This policy must be applied to all capital assets. If an asset that meets the threshold criteria is fully depreciated, the asset must be reported at the historical cost and the applicable accumulated depreciation must also be reported. It is not appropriate to "net" the asset and depreciation to avoid reporting.

Furthermore, the thresholds apply to individual assets and it is not acceptable to account for items in aggregate to meet the threshold limitations. (For example, it would not be appropriate to capitalize 5 desks that cost $1,000 each, which in aggregate meet the $5,000 limitation.)

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These assets are defined as:

Infrastructure – long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets and are normally stationary in nature, and generally of value only to the government. Examples include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, street lighting systems, and buildings, such as rest area facilities and road maintenance shops, that are an ancillary part of a network of infrastructure assets.

Land & Land Improvements – land and improvements to land that ready land for its intended use, such as excavation, fill, grading, retaining walls, parking lots, fencing, landscaping, and utility installation.

Buildings & Building Improvements – permanent structures owned or held by the government and the permanent improvements that add value to the building.

Equipment – tangible property that does not lose its identity when removed from its location and is not changed materially or consumed immediately (within one year) by use.

Collections of works of art, historical treasures and similar assets are one or more items that are held for public exhibition, education, or research in furtherance of public service. Collections will not be capitalized if they meet the criteria for exclusion under GASB Statement 34. However, collections already capitalized at June 30, 1999, will remain capitalized and all additions to those collections will be capitalized. Capitalized collections or items may require depreciation. Collections defined as inexhaustible do not require depreciation, but exhaustible collections or items must be depreciated over their estimated useful lives. *(See policy on Works of Art, Historical Treasurers and Similar Assets)*

Capital assets meeting the criteria for inclusion in the CAFR should be depreciated over their estimated useful lives. The straight-line depreciation method should be used unless assets are either inexhaustible (land and certain land improvements) or are infrastructure assets reported using the modified approach. Land improvements that produce permanent benefits (fill and grading costs) are not depreciable, while improvements that deteriorate with use or the passage of time (parking lots and fencing) are subject to depreciation. Estimated useful lives are based on industry standards or other "standardized" measures when industry standards are not available. The following ranges for useful lives are used in absence of industry guidance:

Infrastructure	10-50 years
Buildings & Improvements	20-50 years
Equipment	2-20 years
Vehicles	3-10 years

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The modified approach applies exclusively to infrastructure assets that are part of a network or subsystem of a network. This can exclude infrastructure assets from depreciation if two requirements are met:

1) The eligible infrastructure assets use an asset management system that provides:
   a) An up-to-date inventory of eligible assets
   b) A performance of condition assessments (which can be replicated) of eligible infrastructure assets and summarizes the results using a measurement scale
   c) An estimate each year of the annual amount to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the State.

And

2) The State documents that the eligible infrastructure assets are being preserved approximately at (or above) a condition level established and disclosed by the government. The following should be documented:
   a) Complete condition assessments of eligible infrastructure assets are performed in a consistent manner at least every three years
   b) The results of the three most recent complete condition assessments provide reasonable assurance that the eligible infrastructure assets are being preserved approximately at (or above) the condition level established and disclosed by the State.

If infrastructure assets meet the above criteria, they are not depreciated. All expenditures for these assets (except additions and improvements) should be expensed in the period incurred. Additions and improvements to eligible infrastructure should be capitalized. Additions or improvements increase the capacity or efficiency of infrastructure assets rather than preserve the useful lives of the assets.

If the conditions for using the modified approach are no longer met, the infrastructure assets must be depreciated in the subsequent year and the change is reported as a change in accounting estimate.

When capital 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 depreciation) from the net amount realized on the sale or disposal. This applies to all capital assets, including infrastructure that is accounted for using the modified approach.