

APPENDIX B

**GENERAL FIXED ASSETS
ACCOUNTING FOR CALIFORNIA
SPECIAL DISTRICTS**



California State Controller

DIVISION OF ACCOUNTING AND REPORTING

LOCAL GOVERNMENT POLICY SECTION

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GENERAL FIXED ASSETS

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GENERAL FIXED ASSETS

1. Introduction.

This appendix provides the accounting guidelines to be used by California special districts with general fixed assets that are accounted for in the General Fixed Assets Account Group. Essentially, this appendix is an excerpt of Chapter 15, General Fixed Assets, from the Accounting Standards and Procedures for Counties Manual prescribed by the State Controller's Office, Division of Local Government Fiscal Affairs. Wording has been added or deleted as necessary to meet the requirements and needs of special districts.

Most governmental agencies exercise conscientious physical and accounting controls over the asset cash. However, with respect to fixed assets in which cash has been invested, controls are frequently inadequate or lacking. Fixed asset accounting is recommended for the following reasons:

- a. To safeguard a sizeable investment.
- b. To fix responsibility for the custody of equipment.
- c. To assist in the formulation of acquisition and retirement policies through accumulation of data regarding prices, sources of supply and useful life.
- d. To provide data for financial reporting.
- e. To provide record support and to account for reimbursement of depreciation under grants and proprietary service programs.
- f. To provide information for insurance purposes.

This discussion is limited to the accounting for general fixed assets - i.e., those which will be accounted for in the General Fixed Assets Account Group, regardless of the fund which may finance their acquisition. Fixed assets acquired by proprietary funds are not included in this category. Although it is possible that, under certain conditions, some of the principles outlined herein may be applicable to the accounting for fixed assets in proprietary funds, in general such accounting should follow the principles of commercial accounting.

This chapter is divided into four parts:

- a. *Definitions* (Sections 2. through 8.) presents the basic fixed asset definitions.
- b. *Valuations* (Sections 9. through 18.) sets forth rules for valuation.
- c. *Accounts and Procedures* (Sections 19. through 28.) discusses accounts, procedures, and statements.
- d. *Exhibits* (Exhibits 1 and 2) contains classification and posting examples.

GENERAL FIXED ASSETS

DEFINITIONS

2. Fixed Assets- Definition.

Fixed assets are tangible assets of significant value having a utility which extends beyond the current year, and are broadly classified as land, structures and improvements, and equipment.

3. Land.

Land includes the investment in real estate other than:

- a. Structures and improvements, and
- b. Land acquired for street and road purposes.

Any time that a determination is made that all or part of any land acquired for street or road purposes is no longer needed for those purposes, that portion shall be capitalized as a fixed asset. All land, as above defined, shall be capitalized without regard for significance of cost.

4. Buildings and Improvements.

Buildings and improvements are physical property of a permanent nature, examples of which are buildings, structural attachments, storage tanks, reservoirs and parking areas. Sidewalks, trees and drives in connection with other structures or parks should also be capitalized.

Structures and improvements is defined as a minimum value of \$5,000 to \$50,000 as established by the fiscal officer of the district and amounts over shall be capitalized. A governmental agency may exercise the option to consistently capitalize selected items of lesser value.

Construction costs of streets, roads, bridges, drainage or lighting systems, etc., have generally been excluded from the general fixed assets of governmental entities because they generally are immovable and of value only to the governmental unit. However, it is now recommended to record the asset for record keeping and stewardship purposes, if desired, provided appropriate disclosure is made in the notes of the agency's financial statements and that subsequent ongoing expenditures for streets and roads not be capitalized. Construction of a street or road system includes such appurtenances as traffic signs and signals, street name signs, street lights, bridges and grade separations. Item not an integral part of the system such as parking meters and portable traffic signals, are considered equipment and handled in manner described in the equipment category.

Fixtures are permanent attachments to structures which are not intended to be removed and which function as part of the structure, such as boilers, lighting fixtures or plumbing.

GENERAL FIXED ASSETS

DEFINITIONS - Continued

5. Equipment.

Equipment includes moveable personal property of a relatively permanent nature and of significant value, such as furniture, machines, tools, vehicles.

For "Computer Software" purchased, including software purchased from an internal service fund on a special task or "time and material" basis, capitalization is recommended but not required. Capitalizing the cost of internally developed software is optional.

"Relatively permanent" is defined as a useful life of one year and longer. "Significant value" is defined as a minimum value of \$100 to \$1,000 as established by the fiscal officer of the district.

For control purposes, assets valued below that at which they are capitalized may be included in inventory at zero value.

The cost test may be applied in some instances to aggregates of units of similar type or purpose, such as blocks of folding chairs, shelving and filing drawers, rather than to the unit itself.

Although a library's investment in books might be regarded as a fixed asset, practical considerations dictate that book purchases shall not be capitalized. With the exception of some of the more expensive volumes and sets, individual purchases do not meet the "Significant Value" test. Also, formal accounting could add little in the way of control to the card indices and chargeout procedures already in effect. The additional benefit does not justify the heavy expenditure of time and effort.

6. Treatment of Costs Subsequent to Acquisition.

Expenditures on fixed assets which are incurred after their original acquisition are defined and recorded as follows:

Maintenance is defined as expenditures, which neither materially add to the value of property nor appreciably prolong its life, but merely keep it in an ordinary efficient operating condition. Maintenance costs shall not be capitalized.

Capitalized Expenditures are defined as expenditures which materially add to the value of property or appreciably extend its life. The cost of capitalized expenditures should be added to the book value of the asset where the original cost of a component being improved can be specifically identified. This amount should be written off and the new cost capitalized. Capitalized expenditures are on occasion referred to as betterments.

The decision as to whether an expenditure should be capitalized shall be made by an evaluation of engineering, physical, or other relevant factors apart from cost.

With respect to structures and improvements, a "significant" betterment is defined as one which results in an improvement of at least \$5,000.

Additions are new and separate units, or extensions of existing units, and are considered to be fixed assets. As with betterments the test of significance should be applied.

Alterations are changes in the physical structure or arrangement of fixed assets, the cost of which does not qualify as an increase in fixed assets under the foregoing definitions of betterments and additions. Alterations shall not be capitalized.

GENERAL FIXED ASSETS

DEFINITIONS - Continued

7. Unit of Accountability.

It is essential to the application of capitalization policy that the unit of accountability be established. A fixed asset may be a small, integrated item such as a desk or adding machine, or it may be a complex aggregation of components, such as a building. As indicated in Section 5., it might also be a block of similar items. The classification of an expenditure between capital outlay and operating expense often is determined by its relationship to some existing unit.

8. Classification Independent of Financing Source.

The decision whether or not to capitalize an expenditure must be based on the definitions and rules given herein. The source of financing, although important in other respects (see Section 19.), has no bearing upon classification.

VALUATION

9. Reasons for Assigning Value.

A dollar-value should be assigned to each fixed asset item for the following reasons:

- a. Dollar amounts serve as a control device; they are an important aspect of identification of a particular item or group of items.
- b. Dollar amounts make it possible to present to the public the governmental agency's investment in fixed assets.
- c. Dollar amounts provide a check on the adequacy of the governmental agency's insurance coverage.
- d. Dollar amounts on individual items provide information for cost accounting.

10. Valuation Basis.

Fixed assets should be accounted for at cost, or if cost is not practically determinable, an estimated cost at the time acquired. Donated fixed assets should be recorded at their estimated fair market value on the date accepted by the Board.

Historical cost determination problems are most often encountered in the case of land or structures acquired in the distant past. The difference between the actual cost and the recorded estimate could be sizeable and still have no material impact on current financial statements. Also, as the fixed asset system ages, recorded value will tend to approach historical cost. For these reasons, large expenditures of resources to obtain sophisticated cost estimates are not advocated. However, recording current values instead of an estimated original cost is not acceptable.

GENERAL FIXED ASSETS

VALUATION - Continued

11. Land Cost.

The cost of land includes all expenditures in connection with its acquisition, such as:

- Purchase Price
- Appraisal and negotiation fees
- Title search fees
- Surveying fees
- Cost of consents
- Relocation costs
- Condemnation costs
- Clearing land for use
- Demolishing or removing structures
- Filing costs

Receipts from the sales of salvage should be credited against the land cost.

In establishing the fixed asset system, the assessor may be able to supply information about the location and value of land owned.

12. Structures and Improvements Cost.

The cost of structures and improvements includes all expenditures in connection with their acquisitions, such as:

- Purchase price of construction cost
- Fixtures attached to the structure
- Architects' fees
- Accident or injury costs
- Payment of damages
- Insurance during construction
- Cost of permits and licenses
- Net interest cost during construction

The cost should be reduced for:

- Sale of salvage from materials charged against the construction.
- Discounts, allowance and rebates secured.
- Amounts recovered through surrender of liability and casualty insurance.

Rentals of property during the construction period should be credited to revenue unless otherwise restricted. Actual or imputed interest costs associated with the construction period should be capitalized in accordance with Financial Accounting Standards Board (FASB) Statement No. 34 and supplemental updates. For a more detailed discussion of interest capitalization see FASB Statement No. 34.

In establishing the fixed asset system, information about the structures and improvements owned may be obtained from the Assessor and the insurance carrier.

GENERAL FIXED ASSETS

VALUATION - Continued

13. Equipment Cost.

The cost of equipment includes:

- Purchase price or construction cost less discounts.
- Freight or other carriage charges.
- Sale, use or transportation taxes.
- Installation costs.

(For surplus property cost see Section 15.)

In establishing the fixed asset system, information on equipment may be obtained from departmental inventories on file, insurance carriers and from special physical inventories.

14. Construction by Force Account.

Fixed assets constructed by the governmental agency are recorded in the same manner as those acquired by purchase or construction contract.

Costs are initially charged to the accounts of the cost center performing the construction and are then transferred to the project. These costs include direct labor, materials, equipment usage and overhead. Overhead is limited to those items, such as worker's compensation and employee group insurance premiums, retirement, sick leave and vacation allowances, which can be distributed on the basis of direct labor. Administrative overhead outside the cost center may be capitalized when clearly related to the construction. Principles of Section 12. also apply.

15. Donated Assets.

Fixed assets donated to the governmental agency should be entered in the accounts at their fair market value as of the date of acceptance by the Governing Board.

Surplus property purchases at nominal prices far below actual value are in part donations and should be so valued. (See Section 10.)

16. Assets Acquired Under Lease Purchase Agreements.

Lease contracts convey property to another for a specific period of time for a specified rent. Lease contracts are accounted for either by the "Operating Method" under which periodic payments are charged as expenditures, or by the "Financing Method" under which the payments are treated as debt service. For accounting treatment of capital leases, see Section 9119 of the Uniform System of Accounts for Other Districts prescribed by the State Controller's Office, Division of Local Government Fiscal Affairs.

GENERAL FIXED ASSETS

VALUATION - Continued

17. Transfers to Proprietary Funds.

For reasons indicated in the introduction, fixed assets used by proprietary funds are considered to belong to those funds, rather than being accounted for in the General Fixed Asset Account Group (see Section 19.). This circumstance requires that transactions involving general fixed assets and the aforementioned funds be regarded as taking place between independent financial entities.

Accounting for such fixed asset transfers must reflect the actual terms of the transactions. Fixed assets may be donated or sold to internal service or enterprise funds. If donated, no entries are required in the accounts of the funds which had originally purchased the assets because the donated assets are not accounted for as assets of the original fund. If sold, the original fund may:

- a. receive cash (accounted for as revenue),
- b. acquire a receivable which will be collected from future earnings of the fund purchasing the assets, or
- c. acquire a permanent investment which may be recovered only upon liquidation of the fund which purchased the assets. In any event, the assets must be removed from the General Fixed Assets Account Group.

Conversely, if operating funds purchase proprietary fund fixed assets, the purchase price must be recorded as an expenditure, just as though bought from an outside vendor.

18. Sources of Information.

Information regarding fixed asset additions is best taken from purchase invoices and contracts, even though there is sometimes an undue lag between physical possession of the property and the receipt of these documents.

In governmental agencies where a purchasing agent exists and is assigned the responsibility for handling surplus property sales, equipment abandonments and interdepartmental transfers of equipment, close cooperation with him/her facilitates the functioning of the property accounting system. In those agencies where a purchasing agent does not exist, and the individual department head controls the purchase, movement and disposition of assets, procedures and report forms must be designed to give the property accounting officer prompt notice of any change in the composition or physical location of the assets.

GENERAL FIXED ASSETS

ACCOUNTS AND PROCEDURES

19. General Fixed Assets Account Group.

General fixed assets, as distinguished from proprietary fund assets (See Section 17.), even though acquired from the resources of a particular fund, are accounted for in a separate fixed asset group of accounts. The asset accounts in this group are:

- Land
- Structures and improvements
- Equipment
- Construction in progress

The equity of the governmental agency in these assets is shown in a number of "Investment" accounts, set up according to the source of the outlay, such as:

- Investment in fixed assets- General Fund
- Investment in fixed assets- Special Revenue Funds
- Investment in fixed assets- General Obligation Bonds
- Investment in fixed assets- Accumulative Capital Outlay Fund
- Investment in fixed assets- Donations

These accounts are posted simultaneously with, but independently of, the related transactions recorded in the operating funds. On an all funds balance sheet the several investment accounts could be combined into one amount if a condensed presentation were desired.

20. Construction In Progress.

At the close of the fiscal period the recorded expenditures for fixed assets not yet completed should be recognized in the General Fixed Assets Account Group. This is accomplished by charging "Construction in Progress" and crediting the appropriate "Investment in Fixed Assets" account. If the project is uncompleted by the end of the following period, these accounts are adjusted to reflect any additional expenditures.

Upon completion, the proper asset, usually "Structures and Improvements", is charged with the total of the completed construction, the "Construction in Progress" account credited with previously recorded costs and the "Investment in Fixed Assets" account credited for the difference.

21. Disposition of Fixed Assets.

Fixed assets may be sold, abandoned or traded in on new assets. Regardless of the manner of disposition or the amount of the proceeds, the asset must be removed from the General Fixed Assets Account Group at its recorded value. The governmental agency, not being concerned with the amount of any gain or loss, records any disposition proceeds in the revenue accounts.

The Fixed Asset group deals only in terms of cost (or other basis) of the assets.

GENERAL FIXED ASSETS

ACCOUNTS AND PROCEDURES - Continued

22. Identification of Equipment.

There are two main reasons for affixing a sequence number to as many items as is possible and practical:

- a. *Ease of identification.* It is much quicker to identify equipment by number than either to search for obscurely placed serial numbers or to match physical characteristics to a word description. This is particularly true when dealing with many items of similar, but not quite identical, appearance.
- b. *Inventory-taking.* A department physical inventory may be taken rapidly, if a listing of items in sequence number order is available. Any item seen may be quickly located on the list and checked off. Otherwise the inventory must be taken in the order listed, or the entire listing must be searched to locate the item.

There are some items for which a number may not be practical such as:

- Equipment habitually coated with dirt and grease.
- Certain medical and laboratory instruments.
- Unique items, readily identifiable.

Judgement must be exercised as to which equipment is best left unnumbered. Probably no single method of numbering will prove adequate, but several will be necessary, depending upon the surface, composition and usage of the item. Some of the commonly-used devices are:

- Metal tags with precoated adhesive on the back.
- Metal tags affixed with rivets or nails.
- Decals.
- Stencilled numbers.
- Die-stamped numbers.

Standardization regarding the location for affixing tags to fixed assets is desirable.

23. Individual Records.

An individual record of each unit of accountability should be maintained. Information recorded should include:

- Date acquired.
- Department charged with the item.
- The sequence number assigned.
- An abbreviated word description.
- Cost, or other basis.
- Method by which acquired.
- Fund from which purchased.
- Vendors name, if purchased.
- Date and method of retirement.
- Posting reference.

Optional data might include value for insurance purposes, estimated life and equipment class code.

GENERAL FIXED ASSETS

ACCOUNTS AND PROCEDURES - Continued

24. Subsidiary Records.

For control purposes it is convenient to group detailed records by department or by location, in the case of equipment. Records filed by department constitute a subsidiary ledger to the General Fixed Assets Account Group control account "Equipment". Similarly, individual records for land, structures and improvements may be grouped by location to constitute subsidiary ledgers to the other control accounts.

Larger governmental agencies with thousands of assets may wish to install intermediate control records by the various departments and locations.

25. Physical Inventories.

To insure that the system is functioning as intended, complete physical inventories of equipment should be taken at intervals prescribed by Law, or, in the absence of applicable statute, the judgement of the local governing body.

The taking of inventories will be facilitated if the property accounting officer provides a current listing in numerical order of the equipment charged to departments. The listing form should provide space for checking each item present, notation of exceptions and certification.

In addition to the above, the property accounting officer, in the interests of internal control, should conduct test-check physical inventories of departments or item-groups selected at random. Failure to find any item should be discussed with the department head as promptly as possible.

26. Shortages and Overages.

An investigation of any shortages or overages should be made in cooperation with the department involved. Frequently such a condition is due to an accounting lag in recording acquisitions, transfers and dispositions. Overages are seldom unexplainable. Shortages may exist because of the above lag, or because of pilferage. Any shortage still unexplained after a reasonable effort to determine the cause should be reported to the legislative body for appropriate action.

27. Depreciation (Depletion).

Because of the nature of governmental financing and the absence of profit-determination, depreciation of general fixed assets has not been regarded as an expense of operation. Capital outlays are recorded as current expenditures, a situation not found in commercial accounting. Thus a depreciation expense super-imposed on the capital outlay expenditure would constitute a double charge.

However, it is generally recognized that a provision for depreciation is properly includable for reimbursable services performed for the benefit of other agencies or private parties.

The American Institute Certified Public Accountants (AICPA) Industry Audit Guide states four reasons for computing depreciation for governmental units:

- a. Revenue measurement for proprietary funds,
- b. Cost accounting for services and programs,

GENERAL FIXED ASSETS

ACCOUNTS AND PROCEDURES - Continued

27. Depreciation (Depletion). - Continued

- c. As a cost to be included in the basis for reimbursements or grants, and
- d. Systematic amortization of cost to recognize use or obsolescence.

The guide recognizes that acceptance of good reasons for computing depreciation is an entirely separate issue from maintaining such information and including it in financial statements.

The Guide states:

"Depreciation should be recorded on fixed assets financed primarily by charges to users, such as those included in enterprise and internal service funds. With respect to general fixed assets account group, some financial statement users may prefer that depreciation be computed and reported even though such amounts are not a charge against any fund . . . An allowance for depreciation may be deducted from the related assets in the general fixed assets account group, with a contra reduction in the investment in the general fixed assets account."

The same reasoning applies to the loss in value, called depletion, resulting from the removal of oil mineral deposits or timber from land. A depletion charge would amount to a second charge for the same asset, the original cost of the land having already been charged to operations at the time of purchase.

28. Statements.

The balance of general fixed assets is presented as a separate item on the governmental unit's all funds balance sheet. In addition, a statement of changes in general fixed assets should be prepared. Examples follow:

Governmental Unit Statement of General Fixed Assets June 30, 19__

General Fixed Assets:	
Land	\$ 750,000
Structures and Improvements	3,150,000
Equipment	1,200,000
Construction in Progress	150,000
Total General Fixed Assets	<u>\$5,250,000</u>
Investment in General Fixed Assets:	
From General Fund	\$1,750,000
From Special Revenue Fund	225,000
From General Obligation Bonds	2,750,000
From Accumulative Capital Outlay Fund	500,000
From Donations	25,000
Total Investment in General Fixed Assets	<u>\$5,250,000</u>

GENERAL FIXED ASSETS

ACCOUNTS AND PROCEDURES - Continued

28. Statements - Continued

**Governmental Unit
Statement of General Fixed Assets
Fiscal Year Ended June 30, 19__**

	Balance July 1, 19__	Additions	Deductions	Balance June 30, 19__
<i>Equipment:</i>				
Assessor	\$ 110,000	\$ 12,000	\$ 13,000	\$ 109,000
Fiscal Officer	74,000	14,000	11,000	77,000
Clerk	65,000	16,000	10,000	71,000
<hr/>				
OTHER TRANSACTIONS NOT SHOWN				
Equipment Total	\$1,050,000	\$340,000	\$190,000	\$1,200,000
Land	650,000	125,000	25,000	750,000
Structures and Improvements ...	3,004,000	150,000	4,000	3,150,000
Construction in Progress	<u>25,000</u>	<u>200,000</u>	<u>75,000</u>	<u>150,000</u>
Total	<u>\$4,729,000</u>	<u>\$815,000</u>	<u>\$294,000</u>	<u>\$5,250,000</u>

GENERAL FIXED ASSETS

EXHIBIT 1

Exhibit 1 Examples of Classification and Posting

For simplicity it is assumed that all transactions are cash. Departments mentioned are financed through the General Fund, unless otherwise stated.

Illustration of:	Example	Application of Policy
Fixed asset purchase	A recording machine is purchased for \$1,000 for the clerk	The asset is capitalized in the amount of the expenditure.
Distinction between fixed asset and maintenance expenditures.	A section of bleachers costing \$200 is purchased for the Parks & Recreation Building as a replacement for a damaged section of bleachers having 40 sections.	The section replaces a part of the larger accountability unit of 40 sections, and is therefore maintenance.
	Ten \$200 sections of bleachers are added to the above bleachers making a total of 50 sections.	This is an addition to the existing capitalized bleachers. Additions to such equipment blocks should be capitalized regardless of whether or not they meet the cost test.
	A new radiator is installed in a five-year old auto for the Administrator at a cost of \$145.	This is ordinary maintenance as defined.
	A boiler which is part of the hospital heating system is being replaced by a boiler purchased for \$5,000 as a replacement for an existing boiler, the original cost of which was included in the cost of the Hospital structure originally capitalized in the general fixed asset account group.	This is maintenance of the existing heating system, notwithstanding the fact that the old boiler may have cost \$3,500.
	A new 5-ton cooling system costing \$3,500 is installed in the Hospital, replacing an existing 3-ton system, which had originally cost \$1,500.	The expenditure is a capitalizable expenditure. Capitalize new item; writeoff replaced item.

GENERAL FIXED ASSETS

Exhibit 1 Examples of Classification and Posting (Continued)

Entries						
General Ledger			Subsidiary Expenditure (Revenue) Ledger			General Fixed Assets Account Group
Expenditures	1,000		Dr. Clerk- Equipment	1,000	Equipment	1,000
Cash		1,000			Investment in Fixed Assets- General Fund	1,000
Expenditures	200		Dr. Parks & Recreation		No entry.	
Cash		200	Building Maintenance of Equipment	200		
Expenditures	2,000		Dr. Parks & Recreation		Equipment	2,000
Cash		2,000	Building - Equipment	2,000	Investment in Fixed Assets - General Fund	2,000
Expenditures	145		Dr. Administrator -		No entry.	
Cash		145	Maintenance of Equipment	145		
Expenditures	5,000		Dr. Hospital -		No entry.	
Cash		5,000	Maintenance of Structures and Improvements	5,000		
Expenditures	3,500		Dr. Hospital - Structures and Improvements	3,500	Structures and Improve- ments	3,500
Cash		3,500			Investment in Fixed Assets - General Fund	3,500
					Investment in Fixed Assets -General Fund	1,500
					Structures and Improvements	1,500

GENERAL FIXED ASSETS

Exhibit 1 Examples of Classification and Posting (Continued)

For simplicity it is assumed that all transactions are cash. Departments mentioned are financed through the General Fund, unless otherwise stated.

Illustration of:	Example	Application of Policy
Distinction between fixed asset and maintenance expenditures.	\$1,750 is expended on the installation of new partitions in the Hospital lobby to provide additional office space.	The addition is less than \$5,000 and is accordingly charged to maintenance.
	A new building is painted at a cost of \$11,000.	Painting as part of the initial construction cost is regarded as capital outlay. Subsequent repainting is maintenance.
	An administration building was constructed with an unpainted exterior. After 15 years it is painted at a cost of \$15,000.	Although a theoretical case exists for classification as an addition, it is considered preferable to regard this as an expense of maintaining the original exterior of the building.
	A shop building is completely reshingled for \$1,700.	The replacement is in kind and is accordingly classed as maintenance.
	The shingles in the above roof are replaced with shake shingles at a cost of \$6,800.	The amount of the betterment is greater than \$5,000 as established by the fiscal officer of the district. Capitalize the new item; write off old item.
Purchase of a fixed assets with a trade-in for a governmental-fund type.	A new typewriter is purchased for the Assessor. The price is \$675. The vendor allows \$25 for an old typewriter which had originally cost \$250.	The new asset is recorded at cost. The old asset is removed at its recorded value. The trade-in value is recognized as revenue.

ALTERNATIVE

Using the same example as above.	Record purchase of typewriter net of trade-in allowance. Note the trade-in value is recognized only in the General Fixed Assets Account Group.
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GENERAL FIXED ASSETS

Exhibit 1 Examples of Classification and Posting (Continued)

Entries						
General Ledger			Subsidiary Expenditure (Revenue) Ledger	General Fixed Assets Account Group		
Expenditures 1,750 Cash		1,750	Dr. Hospital - Maint. of Structure and Improve- ments		No entry	
				1,750		
Expenditures 11,000 Cash		11,000	Dr. Structures and Improvements of Equipment	11,000	Structures and Improvements Investment in Fixed Assets - General Fund	11,000 11,000
Expenditures 15,000 Cash		15,000	Dr. Administration Bldg. - Maint. of Structures and Improvements	15,000	No entry.	
Expenditures 1,700 Cash		1,700	Dr. Shop Bldg. - Maintenance of Structures and Improvements	1,700	No entry.	
Expenditures 6,800 Cash		6,800	Dr. Shop Bldg. - Structures and Improvements	6,800	Structures and Improvements Investment in Fixed Assets - General Fund Investment in Fixed Assets - General Fund Structures and Improvements	6,800 6,800 1,100 1,100
Expenditures 675 Cash	675	650	Dr. Assessor - Equipment	675	Equipment Investment in Fixed Assets - General Fund	675 675
Other financing source-proceed from general fixed asset trade-in		25			Investment in Fixed Assets - General Fund Equipment	250 250

ALTERNATIVE

Expenditure Cash	650	650	Dr. Assessor - Equipment	675	Equipment Investment in Fixed Assets - General Fund Investment in Fixed Assets - General Fund Equipment	675 675 250 250
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GENERAL FIXED ASSETS

Exhibit 1 Examples of Classification and Posting (Continued)

For simplicity it is assumed that all transactions are cash. Departments mentioned are financed through the General Fund, unless otherwise stated.

Illustration of:	Example	Application of Policy
Purchase of a fixed asset with a trade-in.	The Parks Department was allowed \$1,000 on an old pick-up truck toward the purchase of a new one. The old truck originally cost \$3,000 and the price of the new truck is \$6,200 before any trade-in allowance.	Same as with preceding example.
Sale of a fixed asset.	The Public Works Department sells a truck, originally costing \$3,500, for \$600.	Assets sold must be removed from the General Fixed Asset Account Group at their recorded value, regardless of selling price.
Abandonment of a fixed asset.	Wooden shelving charged to the Library is abandoned with no salvage recovery. It had been valued at \$250.	Assets disposed of in any manner must be removed from the General Fixed Assets Account Group at their recorded value.
Construction in progress.	At June 30, \$30,000 has been expended in a Capital Projects Fund toward construction of a new health building.	The amount of the expenditure at the close of the fiscal year is recorded in the General Fixed Assets Account Group.
Capitalizing net interest cost during construction.	Construction of a new health building is financed with \$75,000 tax exempt issue at 10%. Proceeds have been invested at 9% until needed for payment of construction. Interest expenditures for the year (Debt Service Fund) amounted to \$3,750. Interest income (Capital Projects Fund) amounted to \$3,600.	Net interest cost of \$150 at the close of the fiscal year is recorded in the General Fixed Assets Account Group.

GENERAL FIXED ASSETS

Exhibit 1 Examples of Classification and Posting (Continued)

Entries						
General Ledger		Subsidiary Expenditure (Revenue) Ledger			General Fixed Assets Account Group	
Expenditures	6,200		Dr. Park Dept.-		Equipment	6,200
Cash		5,200	Equipment	6,200	Investment in Fixed	
Revenue		1,000			Assets- General Fund	6,200
					Investment in Fixed	
					Assets- General Fund	3,000
					Equipment	3,000
(Revenue Ledger)						
Cash	600		Cr. Sale of Fixed		Investment in Fixed	
Revenues		600	Assets	600	Assets- General Fund	3,500
					Equipment	3,500
No entry.			No entry.		Investment in Fixed	
					Assets- General Fund	250
					Equipment	250
No entry.			No entry.		Construction in Progress	30,000
					Investment in Fixed	
					Assets- from: Capital	
					Projects Fund general	
					obligation bonds	30,000
Expenditures	3,750		Dr. Interest	3,750	Construction in Progress	150
Cash		3,750	(Revenue Ledger)		Investment in Fixed	
Cash	3,600		Cr. Interest on Bonds	3,600	Assets- from: Capital	
Revenue		3,600			Projects Fund general	
					obligation bonds	150

GENERAL FIXED ASSETS

Exhibit 1 Examples of Classification and Posting

For simplicity it is assumed that all transactions are cash. Departments mentioned are financed through the General Fund, unless otherwise stated.

Illustration of:	Example	Application of Policy
Completion of construction formerly in progress. Net interest cost during final phase of construction is also capitalized.	At February 1 of the following year, the health building is completed. Total cost was \$77,950, including net interest cost of \$2,950 during construction.	The \$30,150 in construction in progress is transferred to Structures and Improvements. The additional expenditure of \$47,800; \$2,800 (net interest cost) for the final phase is also posted to this account.
A lease contract requiring "Operating Method" - Accounting	The library leased a van for two months at \$400 per month while their bookmobile was being overhauled.	The lease agreement contains no provision for acquiring title.
For a lease-purchase contract subject to the "Financing Method" of accounting, see Section 9119 of the Uniform System of Accounts for Other Districts.		

GENERAL FIXED ASSETS

Exhibit 1 Examples of Classification and Posting (Continued)

Entries					
General Ledger		Subsidiary Expenditure (Revenue) Ledger		General Fixed Assets Account Group	
Expenditure	4,375	Dr. Interest	4,375	No entry.	
Accrued Interest Payable	4,375			See next entry below.	
		(Revenue Ledger)			
Accrued Interest Received	1,575	Cr. Interest on Bonds	1,575		
Revenue	1,575				
Appropriation Revenue	80,000 1,575	Cr. Structures & Improvements	77,950	Structures & Improvements	77,950
Expenditures Budgetary Fund	75,000			Construction in Progress	30,150
Balance - (Closing entry)	6,575	(Closing entry)		Investment in Fixed Assets from Capital Projects Fund - General Obligation Bonds	47,800
Expenditures Cash	400 400	Library Operations	400	No entry.	

GENERAL FIXED ASSETS

Exhibit 2 Subsidiary Ledger

Equipment Ledger

					FIXED ASSET
<u>Date</u>	<u>Post Ref.</u>	<u>Description</u>	<u>Department</u>	<u>Vendor</u>	<u>Cost or Other Basis</u>
3	W11510	Type, Royal, X667372	Assessor	Smith & Co.	\$ 308.00
4	W11632	Tractor, AC 0581-498	Parks	BC Equipment Co.	6,000.00
6	JE 146	Grader	Public Works	BC Equipment Co.	9,500.00
6	JE 151	TV set, RCA 21"	Hospital		400.00
15	Tr 16	Adding machine	Public Works		350.00
25	Tr 17	10 sections shelving	Health Dept.		250.00
				Totals	<u>\$16,808.00</u>

					FIXED ASSET	
<u>Date</u>	<u>Post Ref.</u>	<u>Description</u>	<u>Department</u>	<u>I.D. No.</u>	<u>Cost or Other Basis</u>	<u>Traded-In</u>
6	DP 3770	Filing cabinet	Fiscal officer	8729	\$ 125.00	
7	W 11510	Typewriter	Assessor	5916	260.00	\$260.00
12	JE 182	Desk	Planning Comm.	2693	225.00	
24	Tr 16	Adding machine	Fiscal Officer	10168	350.00	
27	Tr 17	10 sections shelving	Library	9377	250.00	
				Totals	<u>\$1,210.00</u>	<u>\$260.00</u>