

REPORTING

Note X – Capital Assets

Capital assets are defined by the District as assets with initial individual cost of more than \$_____ and an estimated useful life in excess of _____ year(s).

Major expenses for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. (Obligations under capital leases are disclosed in Note (Lease Commitments Note No.)).

Utility plant in service (and other capital assets) (is/are) recorded at cost (where the historical cost is known). Where historical cost is not known, assets are recorded at _____.^[1] Donations by developers (and customers) are recorded at (the contract price and donor cost or appraised value).

Utility plant activities for the year ended December 31, 20_ were as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Utility plant not being depreciated:				
Land	_____	_____	_____	_____
Construction in progress	_____	_____	_____	_____
Intangible Assets ^[2]	_____	_____	_____	_____
<u>Total utility plant not being depreciated</u>	_____	_____	_____	_____
Utility plant being depreciated:				
Buildings	_____	_____	_____	_____
Equipment	_____	_____	_____	_____
Intangible Assets ^[2]	_____	_____	_____	_____
<u>Total utility plant being depreciated</u>	_____	_____	_____	_____
<u>Less accumulated depreciation for:</u>				
Buildings	_____	_____	_____	_____
Equipment	_____	_____	_____	_____
Intangible Assets ^[2]	_____	_____	_____	_____
<u>Total accumulated depreciation</u>	_____	_____	_____	_____
<u>Total utility plant being depreciated, net</u>	_____	_____	_____	_____
TOTAL UTILITY PLANT, NET	\$ _____	\$ _____	\$ _____	\$ _____

(The original cost of operating property retired or otherwise disposed of and the cost of installation, less salvage, is charged to accumulated depreciation.) (However, in the case of the sale of a significant operating unit or system, the original cost is removed from the utility plant accounts, accumulated depreciation is charged with the accumulated depreciation related to the property sold, and the net gain or loss on disposition is credited or charged to income.)

(An allowance for funds used during construction is capitalized as part of the cost of utility plant. While cash is not received currently from such allowance, it is realized under the rate-making process over the service life of the related property through increased revenue resulting from a higher rate base and higher depreciation expense. The procedure is intended to remove the cost of financing construction activity from the income statement and to treat such cost in the same manner as construction labor and material costs.)

(During 20__, the district capitalized \$ _____ of net interest costs for funds borrowed to finance the construction/acquisition of capital assets. Interest costs of \$ _____ in 20__ were offset by interest income of \$ _____.)[3]

Capital assets are depreciated using _____ method(s)[4] over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Building	_____
Building Improvements	_____
Vehicles	_____
Equipment	_____
_____	_____
_____	_____

(Initial depreciation on utility plant is recorded in the year subsequent to purchase.)

(Preliminary costs incurred for proposed projects are deferred pending construction of the facility. Costs relating to projects ultimately constructed are transferred to utility plant; charges that related to abandoned projects are expensed.)

_____ expenses include an impairment loss of _____ due to _____.[5]

NOTES TO PREPARER

[1] Describe the method of valuation.

[2] If the types of intangible assets differ in nature and usage, then they should not be reported collectively as a single major class of capital assets.

[3] Disclose:

- For an accounting period in which no interest cost is capitalized, the amount of interest cost incurred and charged to expense during the period.

- For an accounting period in which some interest cost is capitalized, the total amount of interest cost incurred during the period and the amount thereof that has been capitalized.

[4] Insert *straight-line* or the particular accelerated method used.

[5] If it is not otherwise apparent from the face of the financial statements, the district should disclose a general description, the amount, and the financial statement classification of the impairment loss.

If the district received an insurance recovery related to the impaired asset, its amount and financial statement classification should be disclosed.

The district needs to disclose the carrying amount of impaired capital assets that are idle at year-end, regardless whether the impairment is considered permanent or temporary.

For more details see the GASB Statement 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*.