

<u>Section D:</u> Fiscal Management	Knox County Board of Education Policy		
	Descriptor Term: Capital Asset Investment and Management	Descriptor Code: D-211	Issued: 5/16
		Reviewed: 11/24	Revised: 3/23

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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.

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2 C. The Director of Schools is to prepare CIP project proposals and present the requests to the
3 Board. Once a request has been approved by the Board, the request shall be forwarded to
4 the Knox County Department of Finance.
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6 D. The Knox County Department of Finance and County Mayor will review the CIP requests
7 and make recommendations to the County Commission. The final CIP recommended by
8 the County Mayor will include financing of the CIP request. Budget appropriations for
9 projects included in the first year of the CIP are included in the district's annual Capital
10 Budget which is subject to Board and County Commission review and approval.
11 Financing for the Capital Budget will come from General Obligation Bonds and other
12 sources. If a specific current revenue source is identified for a CIP request, then that
13 funding is included in the CIP.
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15 Budget appropriations included in the first year of the approved CIP, for which financing
16 is planned for the upcoming fiscal year, are required to be approved by the County
17 Commission. Budgetary approval for projects planned for subsequent years, for which
18 financing is planned in those future years, is generally not obtained during the first year
19 of the CIP and is subject to revision in subsequent years.
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21 E. Capital assets, whether purchased or constructed, are recorded at historical acquisition cost
22 (or estimated historical cost, if historical cost is not available). Donated capital assets are
23 recorded at estimated fair market value at the date of donation. Historical acquisition cost
24 includes the purchase price of the asset, plus related ancillary charges necessary to place
25 the asset in its intended location or to prepare it for its intended use. Such charges include,
26 for example, legal and title fees, closing costs, land-preparation costs, architect fees, and
27 transportation charges.
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29 F. The capitalization threshold is used to determine the proper reporting of capital asset
30 additions based on the expenditures, individually or in the aggregate, incurred to acquire
31 the asset. For district capital asset additions (for example land, buildings and building
32 improvements, vehicles, machinery and equipment, and intangible assets), the
33 capitalization threshold is \$10,000.
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35 G. Additions to existing capital assets are recorded as capital assets only if (1) the additional
36 expenditures, individually or in the aggregate, exceed \$10,000 and (2) the addition extends
37 the useful life of an existing asset or enhances its functionality. Costs of routine recurring
38 maintenance and repairs that do not add to the value of an asset or do not materially extend
39 the useful life of an asset are not capitalized. Such items are reported as
40 expenditures/expenses in the period in which they are incurred.
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42 H. Capital assets that meet the capitalization threshold and, therefore, are recorded as district
43 assets are depreciated, the exception being land, which is not depreciated. Depreciation is
44 calculated using the straight-line method over the estimated useful lives of classes of
45 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 3/18/2024
/Gary T. Dupler/Deputy Law Director