I. APPLICATION:

- PIHP Board
- PIHP Staff
- CMH Providers
- CMH Subcontractors
- SUD Providers

II. POLICY STATEMENT:

The Governmental Accounting and Financial Reports Standards (Codification), Section 1400.106, requires that fixed assets, other than those accounted for in proprietary funds or trust funds, be reported in the general fixed assets account group (GFAAG). It is important to note that the GFAAG is not a fund and does not report results of operations.

The GFAAG is simply a list of a government's general fixed assets. Additions and deletions from the GFAAG are disclosed in the notes to the financial statements. A government's general fixed assets should be reported by asset class. The most common classes used to categorize fixed assets in the public sector are as follows:

- Land
- Buildings
- Equipment
- Improvements other than buildings
- Construction in progress
- Intangibles

III. DEFINITIONS: N/A

IV. STANDARDS:

A. REGULATIONS:

The Governmental Accounting and Financial Reports Standards (Codification), Section 1400.106, requires that fixed assets, other than those accounted for in proprietary funds or trust funds, be reported in the general fixed assets account group (GFAAG).

It is important to note that the GFAAG is not a fund, and does not report results of operations. The GFAAG is simply a list of a government’s general fixed assets. Additions and deletions from the GFAAG are disclosed in the notes to the financial statements.
A government’s general fixed assets should be reported by asset class. The most common classes used to categorize fixed assets in the public sector are as follows:

- Land
- Buildings
- Equipment
- Improvements other than buildings
- Construction in progress
- Intangibles

Region 10 PIHP classifies its assets by the following category list:

- Furniture and fixtures
- Computer hardware
- Machinery and equipment
- Tools
- Vehicles
- Property and buildings

Region 10 PIHP reports only a single number for fixed assets on the face of the combined statement of net assets, with the required information by asset class provided in the notes to the financial statements. The cost of presenting information on general fixed assets has been justified historically on the basis of the control benefits to be derived from furnishing such data.

B. **VALUATION:**

The GASB’s Codification, Section 1400.111, indicates that assets reported in the GFAAG should be recorded at their historical cost. Cost, for this purpose, includes not only the purchase price or cost of construction, but also any other charges incurred “to place the asset in its intended location and condition for use.” Examples of capitalizable costs include the following:

- Legal and title fees
- Closing costs
- Appraisal and negotiations fees
- Surveying fees
- Damage payments
- Land-preparation costs
- Demolition cost
- Architect and accounting fees
- Insurance premiums during the construction phase
- Transportation charges

Interest capitalization is permitted, but not required, for general fixed assets. In practice, interest capitalization on general fixed assets is uncommon and is not recommended.

Donated assets should be reported in the GFAAG at their estimated fair value at date of acquisition. This rule applies only to donations made from outside the financial reporting entity.
When this is not available, an estimate of the historical cost is used but may not be used for financial reporting purposes. The method used to estimate the historical cost of fixed assets for which invoices and similar documentation of historical cost are no longer available is to use old vendor catalogs to establish the average cost of obtaining the same or similar asset at the time of acquisition.

C. **ACCUMULATED DEPRECIATION:**
Government funds report depreciation. The required information is provided in the notes to the financial statements.

D. **TRADE-INS:**
Governments often trade in existing fixed assets to obtain new ones. The accounting treatment for such trade-in transactions is the same regardless of whether the trade is made for a similar or dissimilar asset. In both cases, the old asset is removed from the GFAAG and the new asset is recorded at what would have been the cash price without a trade-in.

E. **CONTRIBUTIONS FROM PROPRIETARY FUNDS:**
Sometimes the GFAAG receives fixed assets from proprietary funds. Region 10 PIHP records the asset in the GFAAG at the net depreciated value reported in the proprietary fund as of the date of the “transfer.”

F. **CHANGES IN THE CAPITALIZATION THRESHOLD:**
There is no uniform rule governing when a given asset should be capitalized. A government is responsible for establishing a capitalization policy appropriate to its specific circumstances. The per-unit cost at which a given asset qualifies for capitalization (e.g., $1,000) is known as the government’s “capitalization threshold.” Typically, a government’s capitalization threshold correlates with its size. Cost/benefit considerations lead governments to conclude that a higher capitalization threshold may be appropriate in their circumstances. When a government decides to apply a new capitalization threshold from $1,000 to $5,000, all assets valued between $1,000 and $5,000 should be removed from the GFAAG. Such a change in the capitalization threshold should be reported as an adjustment to the beginning balance of fixed assets reported in the schedule of changes in fixed assets presented in the notes to the financial statements. Region 10 PIHP keeps a record of all capital equipment purchased that costs over $5,000.

G. **EFFECTIVE RETIREMENTS:**
Purchases automatically ensure that newly acquired assets are recorded in the GFAAG. In the year in which effective retirements are identified, they should be reported as an adjustment to the beginning balance of fixed assets reported in the schedule of changes in fixed assets in the notes to the financial statements.

H. **ASSET PROTECTION:**
Region 10 PIHP shall ensure adequate levels of assets protection through a comprehensive insurance policy. Group insurance arrangements will be entered into by Region 10 PIHP, when it is in the best interest of REGION 10, and will provide the best economic value.
I. **COMPUTER SOFTWARE COSTS:**
The computer software costs are less than established threshold not capitalized in the GFAAG. The cost of internally developed software is not capitalized because there is no arm's-length transaction to establish objectively that the development costs will benefit future periods.

J. **DEFINITION:**
Fixed Asset: a long-lived tangible asset obtained or controlled as a result of a past transaction, event, or circumstance. Fixed assets include equipment, improvements other than buildings and land. An asset is an item that shows a probable future economic benefit obtained or controlled by a particular entity as a result of past transactions or events.

V. **PROCEDURES:** N/A

VI. **EXHIBITS:** N/A