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## **POLICY 201: FIXED ASSET CAPITALIZATION**

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The Iowa State Fair Authority will follow the following fixed asset capitalization policy, developed in conjunction with GASB 34 and the State of Iowa's capitalization policy:

The assets will be valued at historical cost, which would include any necessary costs incurred to bring it to the condition and location necessary for its intended use.

Site preparation costs such as clearing, draining, filling, leveling the property, and razing existing buildings, minus any proceeds (such as timber sales) are costs of the land, not the building to be constructed thereon.

Land improvements include such things as landscaping, or beautification of the land. These items will not be depreciated.

Driveways, parking lots, sidewalks, roads, fences, sewers, and utility work have limited lives and are depreciable and classified as infrastructures.

Depreciation is not recognized until the assets are placed in operation and begin to contribute economic benefits, that is, to participate in generating revenues with which such costs should be matched. Because no direct traceable relationship ordinarily exists between the consumption of service potential and specific revenues, the expense (depreciation) must be allocated to the periods expected to be benefited (the estimated useful life) in a systematic and rational manner. The Fair chooses the following depreciation method and guidelines:

Depreciation method - GAAP

Rate - Straight Line

Convention - Full Month

Recovery period - As follows:

- Land - none
- Land Improvement - none
- Buildings - New buildings - 40 years
- Buildings - Full Renovation - 20-30 years
- Buildings - Partial Renovation (electrical, roofing, concrete) - 10-20 years
- Office Equipment - 10 years

- Capital Equipment - 5-15 years
- Vehicles - 3-10 years
- Construction in Progress - none
- Infrastructures - 10-50 years
- Intangibles – as determined by contract

The following thresholds will match the State's thresholds for the following:

- Land & Land Improvements: \$100,000
- Buildings & Building Improvements: \$100,000
- Equipment and Vehicles: \$10,000
- Infrastructure: \$1,000,000
- Items such as computer equipment or chairs which each piece may value to be less than \$5,000 separately, but as a grouping, values to be more than \$5,000 will not be included.

Deletions: All assets disposed of during the year will be taken off the listing and the appropriate journal entry will be made to the general ledger. Any gain or loss will be recognized on the sale of the asset.

GASB 51 defines intangible assets as assets that are identifiable and possess all the following characteristics: lack of physical substance, nonfinancial nature, and initial useful life extending beyond a single reporting period. Examples of intangibles include easements, land use rights, patents, trademarks, and copyrights. In addition, these types of assets include computer software that is purchased, licensed or internally generated (including websites) as well as outlays associated with an internally generated modification of computer software.

Amortization: The useful life of an intangible asset that arises from contractual should not exceed the period to which the service capacity of the asset is limited by those contractual provisions. Straight Line method will be used. However, if there is not legal or contractual factors that limit the useful life then the intangible should be considered to have an indefinite useful life and no amortization should be recorded.

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