

ACCOUNTING INTERPRETATION NO. 13

Subject: Accounting for Capital Accumulations

As set out in SDCL 7-21-51, funds may be reserved for up to five years for "capital outlay purposes." Capital outlay purposes are those which are extraordinary in nature, exceed the funding ability of a single budget year and may result in the purchase of services, materials, supplies or equipment. The resolution to establish the reserve shall CLEARLY SET FORTH the purpose for which the funds are to be accumulated and the maximum amount that may be accumulated.

The accounting entries in the General Fund to record the assignments are as follows:

Unassigned Fund Balance	xx	
Fund Balance Assigned for		
Capital Outlay Accumulations		xx

To establish a fund balance assigned for capital accumulations. GAAP requires an assigned account to be established so that unassigned fund balance only represents financial resources available for appropriations.

For government-wide financial statements, General Fund assignments should be reported as an unrestricted net position.

Periodically, each year as additional monies are raised, the above entries may be made to increase the balance of the assignment. Each year the amount to be accumulated should be built into the annual budget. (See CAM, Section III)

In the year of the actual purchase, the item purchased should be budgeted within the related function. For example, a motor grader under highway or a countywide reappraisal under assessor.

It is permissible to dissolve the assignment by board resolution and to establish a different assignment to meet a county's ever-changing needs. However, SDCL 7-21-51 should NOT be used to save up for an item to be purchased in the subsequent year.