

# **FIXED ASSETS POLICY AND PROCEDURES**

**THE SCHOOL RESERVES THE RIGHT TO REVISE THE CONTENT OF THIS DOCUMENT, IN WHOLE OR IN PART.**

## **POLICY:**

To establish a basic structure for the accurate inventory of property at the school, the school has established the following policy and procedures.

The school is responsible for setting up a system to maintain an accurate inventory of materials, equipment, and real estate in the school in accordance with accounting standards and all state and federal laws governing such.

The school must have a property management tracking system for items according to certain dollar limits and for the security of inventory.

## **PROCEDURES:**

### **General Information**

For purposes of the school, a fixed asset is defined as a building, property or equipment acquired by the school (whether purchased, donated, or traded) that is actively used in the operations, must have significant value, and provides benefit for a period exceeding one year. Fixed assets are reported and, with certain exceptions, depreciated in the financial statements.

Items purchased at a cost up to the federal capitalization rate (currently \$5,000) will be considered as supplies and expensed in the 400 series object code. However, single items costing \$500 or more and having a life of at least one year or technology equipment and software, such as laptops, desktops, LCD projectors, iPads, computers, etc., even though expensed as supplies, will be included in the school's inventory tracking system, but are not considered fixed assets and will not be capitalized or depreciated.

### **Fixed Asset Classifications**

The Fixed Assets will be divided into the following classifications: Land, Land Improvements, Buildings, Building Improvements, Machinery and Equipment, Licensed Vehicles, Textbooks and Library Books, Mobile Classrooms, Construction in Progress and Works of Art and Historical Treasures.

### ***LAND***

The land account includes all land purchased or otherwise acquired. It should be capitalized but not depreciated. Purchased land should be carried on the records at historical cost and should remain at that cost until disposal. Donated land should be recorded at its appraised value at the time of the donation. If land and a building are acquired as a single parcel, the value of the land should be determined separately from the building and only that amount carried in the land account; the value of the building should be recorded in the building account. Costs relating to the demolition of a structure on newly purchased land and other costs relating to the land are normally capitalized and included in the land account. A gain or loss on the sale of land is reported as a special item in the statement of activities.

### ***LAND IMPROVEMENTS***

Land improvements include permanent improvements that add value to land. It would include such items as site improvements (e.g. excavation, fencing, and retaining walls) and some infrastructures (e.g. driveways, roads, sidewalks, bridges, parking lots, and outdoor lighting). If items categorized as infrastructure are purchased during the construction of a new building, they will be included in the cost of the building. Items *not included* in land improvements are landscaping, demolition, and land acquisition. These would be included in the land account. Other items not included in land improvements are picnic tables and stadium bleachers. These are included in machinery and equipment.

## ***BUILDINGS***

The buildings account normally includes the value of all buildings at their acquisition costs or construction costs. The cost should include all charges applicable to the building, including broker fees, architect's fees, permits, and interest on borrowed money during construction. For a donated building, appraised fair market value at the date of donation should be used. In addition, buildings include components (e.g. roof, air conditioning system) that should be recorded separately when they have significant values because these building components have different useful lives. The value of each component should be determined and placed within its own category. A building will be added to fixed assets inventory after all costs have been calculated and final payment has been made to the contractors.

## ***BUILDING IMPROVEMENTS***

Improvements that extend the useful life of the building should be classified as building improvements and should be capitalized. They are recorded at either acquisition cost or appraised fair market value in cases of donated assets. Examples of building improvements include roofing projects, remodeling, additions to buildings and replacing major building components. Major maintenance projects should be evaluated periodically to determine if they should be included in this account.

## ***MACHINERY AND EQUIPMENT***

Machinery and equipment include a wide range of assets. A few examples are as follows: furniture, computer equipment, office machinery, athletic equipment, uniforms, etc. The property should be recorded at acquisition cost, including freight, installation and other charges incurred to place the asset into use. If acquired through donation, fair market value should be determined and assigned to the asset. The assets' materiality and significance should be considered when determining how it is reported.

## ***LICENSED VEHICLES***

Licensed vehicles include aircraft, watercraft and other motorized forms of transportation (e.g. buses, vans, cars, trucks, etc.). All licensed vehicles should be recorded at acquisition cost or fair market value if donated.

## ***TEXTBOOKS AND LIBRARY BOOKS***

Textbooks and library books will not be classified as fixed assets due to the capitalization policy.

## ***MOBILE CLASSROOMS***

Mobile classrooms are temporary structures added to the building site. They are of significant value and should be recorded as a fixed asset and depreciated over their useful lives.

## ***CONSTRUCTION IN PROGRESS***

The account should be used when reporting amounts expended on an uncompleted building or other capital construction project. Construction in progress should not be depreciated. Three subclasses, such as building, improvements and equipment, might be used. When the project is complete, the cumulative costs are transferred to another appropriate fixed asset account. Unspent debt proceeds from capital assets related debt should be reported in the net assets section of the statement of net assets as "restricted for capital projects."

## ***WORKS OF ART AND HISTORICAL TREASURES***

Works of art and historical treasures should be recorded at historical costs or, if donated, fair market value. Depreciation is not required for collections or works of art that are inexhaustible. An example of a work of art might be an original painting.

## **Capitalization Policy**

Capitalization is an accounting method used to delay the recognition of expenses by recording the expense as long-term assets. The capitalization of assets acquired by the school shall equal the Federal capitalization rate (currently \$5,000). All additions to fixed assets with an individual value greater than or equal to the capitalization rate will be capitalized and depreciated, if applicable. An exception to this is as follows and will be capitalized when applicable to a single location:

- groups/classes of assets where individual asset items are less than the capitalization limit, but when all assets of that group (that function as one asset) are added together the dollar amount far exceeds the capitalization limit (e.g. security systems, public address systems, etc.).

Items purchased at a cost up to the federal capitalization rate will be considered as supplies and expensed in the 400 series object code. However, single items costing \$1,000 or more and having a life expectancy of at least one year or technology equipment and software, such as laptops, desktops, LCD projectors, iPads, computers, etc., even though expensed as supplies, will be included in the school’s inventory tracking system, but are not considered fixed assets and will not be capitalized or depreciated.

- Regular non-technology equipment costing less than \$5,000 per unit should be recorded under the 400 series object code.
- Regular non-technology equipment costing \$5,000 or more per unit should be recorded under object code 540.
- Any technology equipment costing less than \$5,000 per unit including shipping, handling, tax, etc. should be recorded under object code 445.
- Any technology equipment costing \$5,000 or more per unit including shipping, handling, tax, etc. should be recorded under object code 545.

**Depreciation**

All fixed assets, with the exception of land, will be depreciated. Depreciation is the process of allocating the cost of tangible property over a period of time, rather than deducting the cost as an expense in the year of acquisition. The decline in the value of fixed assets must be considered if the school’s net assets are to be correctly stated. It shall be the policy of the school to depreciate fixed assets in excess of the federal capitalization rate (currently \$5,000) over their useful lives. Factors which must be known in order to calculate depreciation: the date the asset was placed in service, the asset’s cost or acquisition value, estimated useful life, and the depreciation method.

The following exhibit summarizes tracking, inventory, capitalization and depreciation.

	<b>Tracking and Inventory</b>	<b>Capitalize and Depreciate</b>
Land		Capitalize only
Land Improvements	\$1,000	\$5,000
Building		\$5,000
Building Improvements		\$5,000
Machinery and Equipment	\$1,000 or technology equipment and software described under “Capitalization Policy.”	\$5,000
Vehicles	Any	\$5,000

**Date Placed into Service**

When acquiring a new asset, the date placed into service will be easily determined. When adding an asset to the school’s records which was already placed into service but omitted from the Fixed Assets Inventory, this date may not be readily available. Inquiring to the appropriate department to assign an estimated date will be sufficient.

**Cost or Acquisition Value**

Fixed assets should be reported at historical cost and should include the cost of freight, site preparation, architect and engineering fees, etc. If something other than cash is used to pay for the asset, then the fair market value of the non-cash payment or consideration determines the asset’s cost or acquisition value. If the asset is of significant value (e.g. land or building), an appraisal will be needed to determine its value. In situations where assets are identified that have been omitted from the Fixed Assets Inventory, the historical cost may be researched. If there is no information available on the original cost of the asset, the amount will then be estimated based on the values of similar assets.

**Estimated Useful Life**

The estimated useful life of an asset is the number of months or years that an asset will be able to be used for the purpose for which it was intended.

## **Depreciation Method**

The straight-line method of depreciation will be used to calculate depreciation on the school's fixed assets. The annual depreciation will be calculated by dividing by the estimated useful life. Under this method, the asset is written off evenly over its useful life (i.e. the depreciation is the same every year).

## **Fixed Assets Inventory Procedures**

*It is the ultimate responsibility of the school principal to maintain the accuracy of the school's fixed assets inventory and inventory tracking system. All stolen items must be reported to the appropriate police agency, and a copy of the police report must be sent to the charter authorizer's Assistant Director of Finance.*

*Donated or purchased used equipment meeting the definition of a capital asset or inventory item must be operational. All fixed assets and items identified in physical inventories that are donated and/or purchased through grants or donations given in the school's name must be reported to the school principal within 10 days of donation or acquisition.*

The principal or their designee should complete a physical inventory at the beginning and end of each school year. A copy of these inventories will be due to the charter authorizer's Assistant Director of Finance no later than September 30 and June 30, respectively. This inventory does not include items captured during a contracted fixed asset visit. Such items not included would be printers, computers, iPads, tablets, laptops, digital cameras, LCD projectors, or any asset that received a barcode label. Reviewing inventory is a vital part of the fixed asset system. Without proper maintenance and monitoring of the Fixed Asset Inventory Tracking System, the accuracy of the fixed assets and inventory will deteriorate quickly requiring inventory to be re-created.

The day-to-day monitoring of on-site technology assets (i.e. desktops, laptops, monitors, peripherals, student-issued Chromebooks, will occur at the school and be the responsibility of the school principal or a delegate. Written procedures outlining the steps to maintain such an inventory should be available and followed, at such time updates and modifications may otherwise warrant. The monitoring should be in a database and reconciled with the physical count that occurs twice annually. Technology assets are maintained at the school and monitored on a regular basis.

## **Disposals, Transfers, And Stolen Assets**

Disposals and transfers of unserviceable equipment and fixed assets should only occur after proper authorization by the school principal. This procedure is to maintain the accuracy of the records, ensure the assets are properly safeguarded and to obtain the best possible terms upon disposal. In many cases, parts from an asset to be disposed of may be salvaged and used with an existing asset or saved for future utilization. Any computer tape, disk (hard drive, CD or floppy), tablets, laptops, servers or other storage medium used to store the school's and students' data must be totally erased or rendered unreadable before it is disposed. This is the sole responsibility of the school principal. ***No asset should be disposed of or transferred without proper authorization by the principal/director of the school(s).***

Surplus supplies, property purchased with ***state and/or federal funding, and donated items*** shall be disposed of through competitive sealed bids and public auction. The school is required to dispose of fixed assets through South Carolina's State Surplus Property Management Office. If the State Surplus Property Management Office screen the item(s) and finds that the assets are not salvage items, then it is required of the school to auction off the items on [www.govdeals.com](http://www.govdeals.com). In the event some types and classes of items can be sold or disposed of more readily and advantageously by other means, the school may employ such other means including, but not limited to, barter or appraisal.

The school principal is required to complete the Fixed Assets Disposals form and return it to the charter authorizer's Assistant Director of Finance at the time of disposal. In the case that assets are misplaced or stolen from the school's property, it is the principal's responsibility to provide written justification to the charter authorizer's Assistant Director of Finance for removal of the inventory. If item(s) are reported stolen, local authorities should be contacted immediately and a police report should be filed with a copy being attached to the Fixed Assets Disposals form.

## **Technology Procedures**

### **General Information**

The school principal may issue business equipment to an employee for work-related communication based on the job duties of the employee and the needs of the school. Employees in possession of school-owned devices are expected to protect the equipment from loss, damage, or theft. Upon resignation or termination of employment, or at any time upon request, the employee may be asked to produce the devices for return or inspection.

### **Purchase of Technology Devices**

All technology purchases must be made in alignment with the *Accounts Payable Policy*, *Procurement Policy*, and *Credit Card Policy*. When purchasing devices, the school must take into consideration the cost of the device and ensure that the purchase is to the advantage of the school. The school must review and accept all promotional and saving deals into consideration prior to authorizing purchases. All purchases must be approved by the school principal prior to purchase.

### **Purchase of Cellular Device**

The school does not purchase or issue cellular devices to its teachers or staff.

### **Document History**

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