

## FIXED ASSET POLICY

### I. FIXED ASSETS DEFINED

The School's Fixed Assets (defined below) are accounted for and depreciated pursuant to Generally Accepted Accounting Principles ("GAAP"). To the extent that the following does not conflict with GAAP, this policy shall apply to the categories of assets (the "Fixed Assets"):

1. Assets that are wholly-owned by the School;
2. Assets that have a value of \$5,000 or more;
3. Assets that have a useful life of one year or more;
4. Assets that are of a tangible, distinguishable nature (possess unique physical substance);  
and
5. Assets that are not repair parts, component parts or supplies, maintenance or service fees.

### II. FIXED ASSET CLASSES

Each Fixed Asset shall be classified into one of the following categories:

#### A. Land

Land is real property which generally includes both surface and content of the land, including subterranean mineral rights. Land includes not only the original contract price, but also such related costs as liens assumed, legal and title fees and surveying. Land acquired through forfeiture is capitalized at the total amount of all tax liens and other claims surrendered (i.e. cost of acquiring ownership and perfecting title). Land acquired through donations is valued at the appraised fair market value at the date of acquisition. Appraisal costs are not capitalized. Land records should include the parcel number and or the lot, book and tract, as well as an identification of use and location.

#### B. Buildings

Buildings are real property consisting of structures erected above or below the ground for the purpose of sheltering persons or property. Building costs include construction and purchases costs and the cost of all fixtures permanently attached and made part of the building. For constructed buildings, costs include contractor payments, in-house labor costs, attorney fees, insurance during construction, architectural fees and similar types of costs.

Building records should include a quantitative and qualitative description of each structure segregating where possible the structure shell from the mechanical, roofing, electrical, plumbing, cafeteria and built-ins. The latter assets may be replaced several times during the life of the structure shell. Segregations of these costs will ease accountability for replacing or improving the component parts and avoid pyramiding the asset valuation.

#### C. Building Improvements

Building improvements consist of additions, improvements and replacements made to existing buildings. Building improvements increase the service potential of the building; they expand area, increase safety, improve climate control, extend the useful life of the structure or improve handicapped accessibility into and around the building. A building improvement must have a significant impact and be a material amount (\$5,000 or more) in order to be capitalized. Building improvement costs include construction costs,

contractor payments, engineering costs and other costs required to place the improvements in its finished state. Building improvements are capitalized and depreciated separately from buildings.

#### D. Furniture and Fixtures

Furniture and Fixtures are personal property not attached to land, building or improvements that remain movable and include costs associated with direct purchase include shipping, site-preparations and installation. Fixed asset records should include the vendor, purchase date, amount of the purchase, funds used to make the purchase, the asset's useful life, and any identifying descriptions (manufacturer's model, serial number, etc.). Examples: standard classroom furniture and office furniture.

#### E. Equipment

Equipment is personal property not attached to land, building or improvements that remains movable and includes costs associated with direct purchase include shipping, site-preparations and installation. Fixed asset records should include the vendor, purchase date, amount of the purchase, funds used to make the purchase, the asset's useful life, and any identifying descriptions (manufacturer's model, serial number, etc.). Examples: business machines, compressors, power tools.

#### F. Computers and Software

Computers and Software are personal property not attached to land, building or improvements that remain movable and include costs associated with direct purchase include shipping, site-preparations and installation unless these are nominal. Fixed asset records should include the vendor, purchase date, amount of the purchase, funds used to make the purchase, the asset's useful life, and any identifying descriptions (manufacturer's model, serial number, etc.).

#### G. Construction-In-Progress

Construction-in-progress is used for the temporary segregation and accounting of expenditures related to the construction or improvement of capital assets. Expenditures include construction costs, including costs held for retainage, architect, engineer and permit fees, equipment in storage, interest costs applicable to the period of construction, and other costs required to finish the project. Construction-in-progress should not be depreciated and should be shown separately on the Balance Sheet with other non-depreciable assets such as land and permanent land improvements.

#### H. Used Equipment

When the School acquires used equipment the following requirements must be adhered to:

1. The invoice must specify "Used" as appropriate;
2. The acquisition cost, as noted on the invoice, will determine original cost-value; and
3. For determining useful life, one-half of a similar new asset useful life will be used.

#### I. Federal Program Property

All acquisitions of federal property must be placed into the Governing Authority's inventory, consistent with the above capitalization requirements. In addition, all federal property must be appropriately tagged with the grant name and year, ex.: "Title 1 FY2002." Publications detailing Capital Asset federal grant regulations include: OMB Circular A-87; OMB Circular A-102; OMB Circular A-110; and OMB Circular A-21.

### III. DEPRECIATION

Depreciation is required for the Governing Authority's capital assets, including its Fixed Assets. Depreciation is calculated using the Straight-Line Method. The Governing Authority calculates depreciation on all capital assets, including Fixed Assets, reported in the School's financial statements other than land, permanent improvements to land, and construction-in-progress.

Pro-Rate convention states that Fixed Assets are acquired throughout an accounting period and, likewise are disposed of throughout an accounting period. The decision as to when depreciation begins or ends is as follows: Depreciation commences in the month of acquisition and the Book Value is removed in the year of disposal. The "Book Value" is the original cost less accumulated depreciation.

Useful lives of Fixed Assets are expressed in terms of the probable years of service. The School has established the following categories of useful lives for its capital assets:

Land Improvements	10 years
Buildings & Additions	20 years
Building Improvements	20 years
Furniture, Fixtures, and Equipment	5 years
Computers	3 years
Software	3 years

Fixed Asset System Maintenance requires the Operator to:

1. Perform an initial identification of Fixed Assets;
2. Maintain the data records as required;
3. Assign actual cost, useful life and other required information to Fixed Assets;
4. Determine Book Value for authorized sale items; and
5. Initiate the physical inventory process when needed.

Physical Inventory of Fixed Assets:

A periodic inventory of Fixed Assets is necessary for accountability and control. The inventory confirms or refutes the reliability of the property management system.

The inventory taking process is initiated by the School in order to:

1. Confirm and validate Fixed Asset records and/or
2. Comply with legal, auditing/reporting and insurance requirements.

Inventories should take place on a periodic basis (preferably near the fiscal year end), especially for furniture, fixtures and equipment characterized as movable.

The actual comparison is the responsibility of the Operator. The Operator will forward the completed record and a copy of the inventory to the School for final review and comparison semi-annually.

If a comparison indicates a problem exists or is beginning to develop, additional steps should be taken. These steps may include strengthening current controls to ensure all purchases and disposals are recorded, tracking assets not on the listed location to determine if they are improperly recorded elsewhere, retraining inventory takers and/or departments to adhere to this Fixed Asset Policy, etc. It is important to follow up on any problem identified to ensure it has been corrected.

#### IV. Disposal

Once property is no longer needed for school purposes, it shall be slated for disposal pursuant to the following procedures. These disposal procedures cover fixed assets that have been capitalized as well as fixed assets that have not been capitalized and do not represent consumable supplies. The complete listing of the capitalized assets and assets that have not been capitalized that have not been disposed make up the inventory listing. The board directs the Operator to provide the inventory listing to the sponsor on an annual basis. Any item that is less than \$100 or with an estimated life of one year or less is considered a consumable and will not be a part of the annual inventory listing.

##### A. Capitalized Assets.

1. An item is capitalized if the cost of the asset exceeds \$5,000 and the estimated life is greater than one year.
2. A capitalized asset is not immediately expensed and provisions for depreciation are made over its useful life.
3. The fiscal officer shall maintain a schedule of the capitalized assets and related depreciation.
4. The scheduled of capitalized assets shall include an identifier as to whether the purchase was made with federal funds.
5. The board directs the Operator to periodically review all capitalized assets and authorizes the disposition by sale, donation, trade or discard of any property that is not required for school purposes. The Operator shall review the schedule annually to determine if the items on the schedule are still operable, scraped, otherwise disposed or should be sold. The fiscal officer shall determine the value of the property pursuant to a reasonable method as determined by the fiscal officer.
6. The board shall annually approve dispositions made by the Operator.

##### B. Not Capitalized Assets

1. An item is not capitalized if the estimated life is greater than one year and the purchase is less than \$5,000.
2. An item that is not capitalized is expensed at the time of purchase.
3. The board directs the Operator to maintain a schedule of those items purchased.
4. The schedule of assets not capitalized shall include an identifier as to whether the purchase was made with federal funds.
5. The board directs the Operator to periodically review all assets that are not capitalized and are not consumables and authorizes the disposition by sale, donation, trade or discard of any property that is not required for school purposes. The Operator shall review the schedule annually to determine if the items on the schedule are still operable, scraped, otherwise disposed or should be sold. The fiscal officer shall determine the value of the property pursuant to a reasonable method as determined by the fiscal officer.
6. The Board shall annually approve dispositions made by the EMO.

##### C. Disposal of Assets Purchased with Federal Funds

The Board will be notified when any real or personal property, acquired with federal funds or with an acquisition value that meets or exceeds the fixed asset threshold, is no longer needed for school purposes. All such property shall be sold, donated, traded, or discarded pursuant to federal guidelines.