

## **FIXED ASSET ACCOUNTING SYSTEM**

The Board of Education recognizes the responsibility to protect the community's investment in the fixed assets of the district. Therefore, the Board shall establish and maintain a functional fixed asset management system.

### Definition of a Fixed Asset

A fixed asset is tangible property, obtained or controlled as a result of past transactions, events, or circumstances, which is to be used in a productive capacity by the district and which will benefit the district for a period of more than five (5) year(s).

To qualify for inclusion as a capitalized asset in the Board's fixed asset system, the following five (5) criteria must be observed:

- A. The asset must have a cost or dollar value of \$5,000.00 or more.
- B. The asset must have a useful life exceeding five (5) years or more (based on reasonable estimates).
- C. The asset must be land, building, building improvement or be of a tangible nature (possess physical substance).
- D. The asset does not lose its identity as part of a larger unit.
- E. The asset is not a repair part or supply item.

The Board has determined that assets having a value under \$5,000.00, regardless of their useful life, will not be used for financial reporting purposes. However, assets having a value of at least \$500.00 but less than \$5,000.00 may be entered into the fixed asset inventory system for control purposes only.

### Classification of Fixed Assets

The Board conforms with Government Accounting Standards Board ("GASB") guidelines in classifying fixed assets in either the general fixed asset group or within individual proprietary funds.

### Types of Assets To Be Included

- A. Land;
- B. Buildings;
- C. Land improvements;

- D. Furniture, fixtures, machinery, and equipment;
- E. Vehicles;
- F. Equipment under capital lease; and
- G. Infrastructure.

#### Types of Assets to be Excluded

- A. Public domain infrastructure assets including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems and similar assets.
- B. Inventories of materials and supplies to be consumed in the normal course of the district's operations. These items, if material in amount, are included on the Board's balance sheet but are not intended to be accounted for on the fixed asset system.

#### Depreciation

Depreciation is required only for the Board's proprietary fund assets. Depreciation of fixed assets accounted for in a proprietary fund should be calculated through the fixed asset system and reported in the accounts of that fund.

#### Depreciation Method

Unless otherwise noted, all depreciation is calculated using the straight line method.

#### Useful Lives

Useful lives of fixed assets relate to the life expectancy as used by the specific governmental unit. The Board has established the following general categories of useful lives for its fixed assets:

|   |             |
|---|-------------|
| Buildings                                   | 30-50 years |
| Building Improvements                       | 10-40 years |
| Improvements other than Buildings           | 10-20 years |
| Furniture, Fixtures and Equipment:          |             |
| Hand Tools                                  | 5 years     |
| Transformers and meters                     | 5 years     |
| Misc Equipment (Over \$500)                 | 5 years     |
| Computers                                   | 5 years     |
| Telephones and systems                      | 8 years     |
| Office Machines-typewriters,<br>calculators | 8 years     |

|                                      |          |
|--------------------------------------|----------|
| Radio and TV Communication equipment | 8 years  |
| Furniture & Fixtures                 | 10 years |
| Books                                | 10 years |
| Picnic Tables                        | 10 years |
| Pump Motors                          | 10 years |
| Audio Visual                         | 10 years |
| Mowers & Yard Machinery              | 5 years  |
| Power Tools                          | 10 years |
| Autos                                | 5 years  |
| Trucks                               | 5 years  |
| Appliances                           | 10 years |
| Signs                                | 10 years |
| Playground Equipment                 | 15 years |
| Machinery                            | 15 years |
| Lab Equipment                        | 10 years |
| Utility Poles                        | 15 years |
| School Buses                         | 10 years |
| Fences                               | 30 years |

Useful lives are assigned to each asset unit or determined on an average for the group. They are based on actual experience, whenever possible, or engineering evidence or practice if the Board has no actual experience. They are expressed in terms of the probable total years of service.

#### Coding System

The Board's coding system for fixed asset records defines the required data elements to establish and maintain the volumes of fixed asset information. Depending on the information available and the category of the asset, key data elements will include all or part of the following and any future items required by law:

- Department responsible for assets (school/dept)
- Asset Number
- Description
- Purchase Order Number
- Warrant Voucher Number
- Asset Class Code
- Asset Serial Number
- Cost (Purchase Price)
- Location
- Acquisition Date
- Estimated Useful Life
- Costing Method
- Acquisition Method
- Source of Funding

Manner of Asset Disposal  
Date of Asset Disposal  
Salvage Value (Proprietary Funds)  
Accumulated Depreciation (Proprietary Funds)  
Depreciation Expense (Proprietary Funds)  
Whether the asset is covered by a maintenance agreement  
Who the maintenance agreement is with  
When the maintenance agreement expires  
The condition of the asset

### Fixed Asset Valuation

Generally, fixed assets are valued at historical cost. There are, however, different ways to compute historical cost depending on the method in which the asset is obtained.

Sources of historical data can include: invoices, purchase orders, cancelled checks, vouchers, contracts, Board minutes, general ledger records, real estate closing documents, tax assessment records, grant records, inventory cards, maintenance records, price lists, vendors, etc.

Sources of reproduction/standard cost data can include: manufacturer's price list, catalogs and quotations, distributors and supply company catalogs, industry publications, magazines, etc.

Source of normal cost data can include published prices, such as the Consumer's Price Index.

Inclusions to cost or reproduction cost should be analyzed during the valuation process to ensure that full cost information (the acquisition cost to place the asset in use) is obtained and included in the capitalized amount for a fixed asset, in compliance with generally accepted accounting principles. Examples of the cost to be included in the capitalized amounts of the following assets, assuming direct purchases, are:

Land: Include purchase price, legal and title fees, damage payments, site preparation and demolition.

Buildings, Building Improvements and Improvements Other Than Buildings: Include purchase price, contract price, fees, claims, interest and related cost during construction.

Furniture and Equipment: Include purchase or assembled cost, freight and installation.

Donations of assets can occur in a governmental setting, with assets being acquired as gifts from individuals or organizations. Valuation of these assets should be established based on the fair market value on the date of the gift.

Special care must be given when determining if an outlay qualifies for capitalization as an improvement. Expenditures relating to fixed assets are made throughout the useful life of the asset. Whether these costs should be capitalized or charged to the current period as incurred is

difficult to determine. Generally, significant expenditures that result in additional asset service, more valuable asset service, or extensions of the useful economic life of an asset should be capitalized. Expenditures to repair assets or simply maintain assets in good operating condition should not be capitalized, but charged to the current period as an operating cost.

Construction in progress is an accounting valuation of assets (typically buildings) currently being built or assembled, in terms of the cumulative cost incurred up to the balance sheet date. The construction accounts are typically supported by capital project or construction funds and should be used to accumulate and record construction-related transactions and costs until such time as the asset is complete and placed into service. It is at this point that the construction accounts and the fixed asset(s) obtained are recorded on the fixed asset accounting system.

Transfers of property between governmental funds are merely a change in location, department responsibility, etc., of fixed assets. A transfer of property from a governmental fund to a proprietary fund with no monetary consideration involved is a capital contribution that should be valued, in the proprietary fund, at the fair market value of the transferred asset on the date of transfer. Likewise, a transfer of property from a proprietary fund to a governmental fund, with no monetary consideration involved should be considered as a donated asset in the general fixed asset account group for its fair market value on the date of transfer.

Exchange or trade-ins of fixed assets sometimes take place in the course of asset acquisitions. When this occurs, the fixed asset property records are updated to reflect the fixed assets exchanged or traded-in for new assets. The valuation procedure depends on whether the asset is part of the general fixed asset account group or a proprietary fund. The former does not record a gain or loss. The value of the new asset is calculated as the trade-in or exchange value allowed for the new asset, plus any cash paid. The capitalized cost of the new asset is not to exceed its fair market value.

All relevant information regarding exchanges or trade-ins of fixed assets should be noted and described on the related purchase orders and communicated to the Treasurer's office at the time fixed asset disposals and acquisitions are reported.

#### Fixed Asset System Maintenance

##### Responsibility:

The responsibility for accounting policies and procedures of the Board's fixed asset records rest with the Treasurer's office. On an annual basis, depreciation should be calculated and summary reports run indicating accumulated and current depreciation for all fixed assets that are being depreciated. The Treasurer's office also has the responsibility to ensure that amounts reported on the fixed asset system records reconcile with one another, as appropriate, and are verifiable and traceable to source documents, departmental records, etc.

### Physical Inventory of Fixed Assets

A periodic physical inventory is necessary for accountability and control. It confirms the reliability (or lack of reliability) that can be placed on the fixed asset accounting system by verifying the actual existence of the items represented by the fixed asset records.

The Board acknowledges that it does not have the manpower and other resources needed to conduct an annual physical inventory. For fixed asset control the Board will rely on the following four comparisons of fixed assets on hand to fixed asset records:

- A. Compare a sample of fixed asset purchases to the fixed asset records to make sure they are properly recorded.
- B. Compare a sample of fixed assets sold to the fixed asset record to make sure the asset records now indicate the sale.
- C. Compare a sample of assets selected by observation from throughout the district to the fixed asset record to make sure they are identified on the record and the associated information has been properly recorded.
- D. Select a sample of assets from the fixed asset record and trace the records to the locations identified to verify the physical existence of the assets.

The actual comparison is the responsibility of the principal/department head. This individual then forwards the completed report and a copy of the building/department inventory to the Treasurer's office for final review and comparison.

### Tagging Fixed Assets

Tags should be placed on the assets so that they are not easily removed or destroyed by asset use. All tags used by the district shall contain both the Board's name and an identification number.

The numerical designation appearing on the tag will be a simple consecutive series of numbers which are assigned to assets in consecutive order, without regard for type of asset and location. The use of a consecutive number allows each asset to carry the assigned number throughout its entire life, regardless of its location. Once disposition has occurred, the number should be retired. Tag numbers should be assigned by the Treasurer's office.

### Disposals

Board fixed assets are retired through several means including sale, trade-in, loss by theft, etc. All disposals by any means, must be reported to the Treasurer's office using the prescribed asset disposal form.

Pursuant to O.R.C. §3313.41, an asset to be disposed of by sale which has a current value in excess of \$10,000 must be sold at an auction. Before the property may be sold, the Board must declare the property as being no longer needed for school purposes. The Treasurer's office shall be informed of such auctions and shall be provided with a full report and accounting of all assets disposed of for use in updating the fixed asset records. All sale or trade-in of assets, regardless of value, must have prior written approval of the Treasurer's office.

For the disposal of property which is valued at less than \$10,000, the Administration is required to follow these procedures:

1. The Superintendent shall determine that the value of the property is less than \$10,000. The property shall be valued pursuant to a reasonable method as determined by the Superintendent.
2. The Board of Education shall adopt a resolution declaring that the real or personal property is no longer needed for school purposes and directing that the property be sold and that the value of the property is less than \$10,000.
3. The Superintendent shall sell the property by bids, general sale, negotiated sale, or by trade as determined by the Superintendent or the Board on an individual basis.

#### General Fixed Asset Account Group

Gains and losses are not recognized for retirements with the general fixed asset account group. If the asset is sold, the appropriate record is removed from the account group, along with the applicable "investment in general fixed asset" record (on the general ledger). The cash received is posted to the appropriated governmental fund in the current period as an other financing source – proceeds from the sale of fixed assets. For assets exchanged for replacements, refer to the section on exchanges or trade-ins in this policy.

#### Proprietary Funds

Retirement of assets within proprietary fund types incorporate gains and losses due to the income determination nature of these funds. If an asset is sold, the gain or loss basis is book value. The asset record and its related accumulated depreciation are removed from the individual proprietary fund general ledger to retire the fixed asset. For assets exchanged for replacements, refer to the section on exchanges or trade-ins in this policy.