

Introduction

This document sets forth the guidelines for the Fixed Asset Management Policy for the School Districts of SAU #7 . These policies define "fixed assets," present accounting principles and describe the system maintenance.

Definition of a Fixed Asset

The district defines a fixed asset as tangible property, obtained or controlled as a result of past transactions, events or circumstances, which are to be used in a productive capacity by the district and which will benefit the district for a period of more than one (1) year.

The district has determined that assets having a value under \$ 100.00, regardless of their useful life will not be used for financial reporting purposes. However, assets having a value of at least \$100.00 but less than \$5,000.00 may be entered into the fixed asset inventory system for control purposes only.

Types of Assets To Be Included

Land:

Land is real property that generally includes both surface and content of the land. Land costs include not only the original contract price but also such related costs, legal and title fees, surveying, filing, grading, drainage and other cost of preparation for the use intended. Salvage receipts on demolition of an old building or a similar circumstance may reduce the cost of land. Land acquired through donation is valued at the appraised fair market value at the date of acquisition. The cost of the appraisal itself should not be capitalized. Land records should include the assessor's parcel number and/or lot, book and tract, as well as an identification of use and location.

Buildings:

Buildings consist of structures erected above or below the ground. Building costs include construction and purchase cost 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 the like. Building records should, if possible, include a description of each structure segregating, where possible and practical, basic building construction from heating, ventilating equipment, roof, elevators, plumbing, lighting and phone system. These latter assets may be replaced several times during the life of the building shell and therefore, take a shorter useful life estimate.

Building Improvements:

Building improvements consist of additions, improvements and replacements made to existing buildings. Building improvements increase the service potential of a building; they expand area, increase safety, improve climate control or improve mobility within the building. Examples are the addition of a building wing, installation of a sprinkler system, central air conditioning or replacement of an elevator. A building improvement must have significant impact and be a material amount (\$5,000 or more per improvement) in order to be capitalized. For this reason, carpeting, partitions, installation of and/or renovation of an office wall structure will generally be expensed. Building improvement costs include construction costs,

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

Improvements Other Than Buildings:

This group includes all improvements outside a building or improvements to a parcel of land with a cost in excess of \$5,000 per improvement. Land improvements consist of land attachments with limited lives, including private driveways, walls, fences, parking lots and the like. These are recorded separately from land so they can be depreciated over their useful lives. Other improvements in this category include ball fields and playground areas, miscellaneous structures such as sheds, sign posts, bleachers, drinking fountains, area lighting, etc.

Machinery, Furniture, Fixtures and Equipment:

Furniture, fixtures and equipment are defined as personal property that is not attached to land, buildings or improvements and remains movable. Included in this category are school buses, tractors, computers and the like. Costs associated with direct purchase include shipping costs, related site preparation and installation charges unless these are nominal. Fixed asset records should include location and department codes and identifying descriptions (manufacturer, model and serial numbers, etc.). Standard descriptions are used when possible.

Educational Materials:

Materials such as textbooks, videos and software shall be identified as fixed assets if purchase price for the group is greater than one hundred dollars (\$100.00) and has a useful life exceed one year.

Construction in Progress:

Construction in progress is used to account for expenditures accumulated at the balance sheet date relative to construction of fixed assets. Expenditures include construction cost, contractor payments, interest costs (incurred to the period of construction) and other costs required to finish the project.

Types of Assets to be Excluded:

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 district's balance sheet but are not intended to be accounted for on the fixed asset system.

Individual treatment should be given to all assets, whenever feasible and practical, when they are being recorded on the fixed asset system. Consideration will be given to grouping assets, in situations where the asset cost or value individually does not meet capitalization criteria, but does so when grouped and/or in cases where the assets are only capable of being used together, are connected and are not intended to be dislocated or used individually.

Depreciation

Depreciation is required for the district's assets.

Depreciation Method

Unless otherwise noted, all depreciation is calculated using the straight-line method which is the method used by most governmental units.

Useful Lives

Useful lives of fixed assets relate to the life expectancy as used by the specific governmental unit. The district 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: 3-15 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 district has no actual experience. They are expressed in terms of the probable total years of service.

Identification of Assets:

Each asset will be tagged so that they are not easily removed. The following information should be attached to each item.

School Name, Inventory Number, Vendor purchased, warranty information, maintenance agreement, cost, source of funding if other than general fund and date acquired.

Upon receipt an item is identified as an asset, an information sheet will be filled out by each school (if direct ship) or at the SAU office. The bookkeeper or designated individual will be assigned to enter information into the fixed asset accounting system.

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 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.

The responsibility for accounting policies and procedures of the district's fixed asset records rest with the

Superintendent's Office. On an annual basis, depreciation should be calculated and summary reports prepared indicating accumulated and current depreciation for all fixed assets that are subject to depreciation.

Physical Inventory of Fixed Assets

A periodic physical inventory is necessary for accountability and control. An inventory will confirm the reliability (or lack of reliability) that can be placed upon the fixed asset accounting system by verifying the actual existence of the items represented by the fixed asset records. The district acknowledges that it may not have the manpower and other resources needed to conduct an annual physical inventory although every effort will be made. For fixed asset control the district will rely upon 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/or-designated individual. This individual then forwards the completed report and a copy of the building/department inventory to the Superintendent's office for final review and comparison.

Disposal of a fixed asset:

The Office of Superintendent will be notified through the annual update of any item in need of disposal. It shall be the policy of the Districts to purchase locally available goods of equal quality when such goods are available and at competitive prices.

The Districts should not feel bound to purchase any item locally that can be secured at a savings to the Districts from outside sources, nor shall he or she feel bound to purchase locally unless adequate service and delivery can be given by the local supplier.

SAU #7 Policy Committee: Recommended for Adoption March 29, 2018
Clarksville School Board: Adopted – September 19, 2018
Colebrook School Board Adopted: April 17, 2018
Columbia School Board Adopted: May 2, 2018
Pittsburg School Board Adopted: May 14, 2018
Stewartstown School Board Adopted: May 7, 2018