

FIXED ASSET PROCEDURES

To comply with the fixed asset capitalization and inventory policy adopted by the Governing Board, and to ensure compliance with the GASB 34 (Government Accounting Board Statement 34) reporting requirements, all district assets must be properly tagged and entered into the Escape fixed asset system.

Responsibilities

Originator

1. A standard requisition must be issued for all fixed assets. Include complete specifications, description, manufacturer name, part numbers to properly identify an item.
2. The location assignment information must be specified on the requisition for annual inventory purposes. Include the room number, building, site or department location that will be recorded in the Escape fixed asset record.
3. If a fixed asset is transferred to another location, a "Transfer Request" must be completed. Each site will be responsible for the location assignment for each fixed asset.
4. Each school site or department must prepare the fixed asset inventory sheets on an annual basis that will be reviewed by outside auditors.

Purchasing/Warehouse

1. A barcode tag will be placed on all fixed asset items.
2. Fixed asset data will be input into the Escape system.
3. Location assignment changes, disposal or sale status information will be updated on the system so all records are accurately maintained.

The fixed asset capitalization and inventory policy is summarized below:

Capital Assets

1. Capital assets have an estimated useful life of one year or more, and
2. The unit cost of the assets is \$15,000 or more.
3. Capital assets are reported as assets and depreciated on financial statements.
4. Capital assets are charged to Capital Outlay accounts, i.e. object codes 6xxx series.

Non-Capitalized Assets

1. Non-Capitalized assets have an estimated useful live of one year or more, and
2. The unit cost of the assets is in excess of \$500 and less than \$15,000.
3. Non-Capitalized assets are charged to Non-Capitalized Equipment accounts, i.e. object codes 44xx series.

Cost Basis

1. Fixed assets should be accounted for at historical cost – cost at the time of original construction or purchase.
2. The cost of the assets includes all necessary charges to acquire the assets , e.g. transportation costs, site preparation costs, installation costs, and etc.
3. Donated assets should be recorded at estimated fair market value at the time of donation.
4. Unit cost is the cost of an individual unit or a group of items, e.g. an entire computer system including keyboard, monitor and CPU is a single fixed asset; a collection of books and media is a single unit when equipping new school libraries or when it is a major acquisition for expanding libraries.

Inventories

1. All fixed assets (capitalized or non-capitalized) should be inventoried and tagged.
2. An inventory record is maintained by Purchasing Department.
3. Physical inventory should be conducted annually.
4. Addition, disposal, and change of location of fixed assets should be reported to Purchasing Department in a timely manner.
5. The following information is needed for inventory record:
 - a. Description
 - b. Manufacturer's ID or Serial No.
 - c. Date & Cost of acquisition
 - d. Budget Code
 - e. Location – including Site & Room Nos.
 - f. Tag No.
 - g. Disposal information
 - h. Method of acquisition (e.g. purchase, donation)
 - i. Additional information for restricted program items:
 - Use & condition of items
 - % of federal participation
 - j. Additional information for capital assets:
 - Salvage value, if any
 - Estimated useful life
 - Function/Program that uses the asset
 - Depreciation method
 - Depreciation expense and accumulated depreciation

FIXED ASSET CAPITALIZATION AND INVENTORIES

In order to provide for the proper control and conservation of district property as well as proper accounting for financial reporting, the Superintendent or designee shall maintain fixed asset capitalization and inventory in accordance with the law for the following:

1. Capital Assets

All fixed assets, including real and personal properties, which have a useful life of more than one year **and** a value equal to or greater than the capitalization threshold of \$15,000. (GASB 34)

2. Non-Capitalized Fixed Assets

a. All items currently valued in excess of \$500 **and** less than the capitalization threshold of \$15,000. (Education Code 35168)

b. All items purchased with federal funds or restricted state funds that have a useful life of more than one year with an acquisition cost per unit of \$5,000 **and** less than the capitalization threshold of \$15,000. (34 CFR 80.3)

The policies herein are effective July 1, 2001. This board policy shall be reviewed and revised, if necessary.

(cf. 3270 – Sale and Disposal of Books, Equipment and Supplies)
(cf. 3290 – Gifts, Grants and Bequests)

Legal Reference:

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
Statement 34 – Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments
EDUCATION CODE
35168 Inventory of Equipment
CODE OF REGULATIONS, TITLE 5
3946 The Control, Safeguards, and Disposal of Equipment Purchased with State and Federal Consolidated Application Funds
16023 Class 1 – Permanent Records
16035-16036 Historical Inventory of Equipment
34 CODE OF FEDERAL REGULATIONS
80.1-80.52 Uniform Administration Requirements for Grants and Cooperative Agreements
OFFICE OF MANAGEMENT AND BUDGET
OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments

Policy adopted: November 9, 1995

Revised: May 24, 2001

FAIRFIELD-SUISUN UNIFIED SCHOOL DISTRICT
Fairfield, California

FIXED ASSET CAPITALIZATION AND INVENTORIES

The Governmental Accounting Standards Board requires state and local government agencies to report capital assets and depreciate all exhaustible capital assets in government-wide financial statements. The Education Code requires local education agencies to maintain inventory records, which properly account for equipment.

Fixed Asset Capitalization

While all fixed assets should be inventoried, not all inventoried items should be capitalized. The criteria for fixed asset capitalization are as follows:

1. The asset acquired has an estimated useful life of one year or more, **and**
2. The cost of the asset is equal to or greater than \$15,000.

This capitalization threshold is applied to individual units of fixed assets. In general, all fixed assets, including real or personal properties, which meet the fixed asset capitalization criteria are classified as capital assets and subject to the following capitalization accounting and reporting requirements:

1. All capital assets are inventoried and reported as assets rather than as expenses of the current period in the statement of net assets as part of the government-wide financial statements, and
2. All capital assets, with the exception of inexhaustible items such as land, are depreciated in the government-wide financial statements.

Fixed assets that have an estimated useful life of one year or more **and** have a current value in excess of \$500 but less than \$15,000 are classified as non-capitalized fixed assets.

Expenditures for capital assets should be charged to a capital outlay account. Expenditures for non-capitalized fixed assets should be charged to non-capitalized equipment account.

Capital Assets

Capital assets should be accounted for at historical cost, or if the historical cost is not practicably determinable, at estimated historical cost. Historical cost of the asset means the cost at the time of original construction or purchase. The cost of capital asset includes all ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include costs that are directly attributable to asset acquisition, such as freight and transportation charges, site preparation costs, and professional fees. Donated capital assets should be recorded at their estimated fair market value at the time of acquisition plus ancillary charges, if any.

FIXED ASSET CAPITALIZATION AND INVENTORIES (continued)

Capital assets include the following real and personal properties:

A. Real Property

1. Land

- a. All expenditures incurred to acquire land and to place it ready for use should be capitalized. The acquisition cost of land should include: (1) the purchase price; (2) professional fees and closing costs (title searches, architect, legal, engineering, appraisal, surveying, environmental assessments, etc.); (3) cost incurred in preparing the land in condition ready for its intended use; (4) assumption of any liens or mortgages on the property; and (5) improvements made to the land that have indefinite lives and are permanent in nature.
- b. When land is acquired with buildings erected thereon, total cost is allocated between land and building in reasonable proportion at the date of acquisition. If the transfer document does not show the allocation, other sources of the information may be used, such as an expert appraisal or the real estate tax assessment records.
- c. Land is **not** a depreciable asset.

2. Site Improvements

- a. Site improvements include improvement of new and old sites and adjacent ways, and acquisition of physical property of a permanent nature attached to land.

Examples

Excavation, non-infrastructure utility installation, driveways, parking lots, playground surfacing, fixed playground apparatus, flagpoles, retaining walls, fencing, outdoor lighting, and other non-building improvements intended to make the land ready for its intended purpose, and removal, relocation, or reconstruction of property of others.

- b. Site improvements are depreciated if they are exhaustible, such as parking lots, landscaping and fencing, which are parts of a site.

FIXED ASSET CAPITALIZATION AND INVENTORIES (continued)

- c. Site improvements are **not** depreciated if they are inexhaustible. Expenditures for improvement that do not require maintenance or replacement, expenditures to bring land into condition to commence erection of structures, and expenditures for improvements not identified with use or passage of time are additions to the cost of land and are generally not exhaustible and therefore not depreciable, such as excavation.
3. Buildings
 - a. Buildings include all permanent structures and all integral fixtures, machinery, and other appurtenances that cannot be readily moved without disrupting the basic building structure or services to the building.
 - b. Buildings are recorded at either construction cost or acquisition cost including advertising costs, architectural and engineering fees, blueprints, inspection tests and examinations, demolition, the razing of existing obsolete or old buildings to clear sites for new buildings, building fixtures and service systems, and any other expenditures directly related to the construction or acquisition of buildings.
 - c. When buildings are constructed, the cost of each phase of the project should be evaluated separately because each phase may have a different useful life and salvage value.
 - d. Construction in progress is **not** depreciated, but the cost is included as an asset in the government-wide financial statements.
 4. Building Improvements
 - a. Building improvements that extend the useful life or increase the capacity of the building are capitalized, such as roofing projects, major energy conservation projects, or remodeling and replacing major building components.
 - b. Maintenance projects that do not extend the useful life or increase the capacity of the building are expensed, such as painting and plumbing repairs.
 - c. To be classified as either a building fixture or a service system, as opposed to maintenance, an item must conform to five criteria:

FIXED ASSET CAPITALIZATION AND INVENTORIES (continued)

- (1) The item is attached permanently to the building.
- (2) The item functions as part of the building.
- (3) Removal of the item would result in appreciable damage to the building or would impair the designed use of the facility.
- (4) The item is generally accepted as real property (not personal property).
- (5) The item loses identity as a separate unit.

B. Personal Property

1. Furniture and Equipment

- a. Furniture and equipment are items of movable tangible assets of a relatively permanent nature having an estimated useful life greater than one year and an acquisition cost per unit of \$15,000 or more.
- b. A unit of furniture or equipment is defined for the purposes of this policy as an individual item, or group of items, which is usable for its intended function and which cannot be separated without a diminishment in the usability of the item for its intended purpose. For example, a keyboard, monitor and central processing unit purchased as components of a computer system will not be evaluated individually against the capitalization threshold. The entire computer system will be treated as a single fixed asset.
- c. For furniture or equipment purchased, the valuation is the net amount paid through Accounts Payable, which is the invoice price less all discounts (except trade-in allowances). Freight and installation costs are also included if they are shown on the original invoice, or if they are readily available on related freight bills. If furniture or equipment is constructed by employees, the costs of the materials and labor as well as indirect costs should be recorded as the total costs of the item that is produced.

FIXED ASSET CAPITALIZATION AND INVENTORIES (continued)

2. Capital Leases

- a. Leased equipment is capitalized if the lease-purchase agreement meets the capitalization criteria **and** any one of the following criteria as required by Governmental Accounting and Financial Reporting Standards (GASB Codification) Code Section L20.109:
 - (1) The lease transfers ownership of the property to the lessee by the end of the lease term.
 - (2) The lease contains a bargain purchase option.
 - (3) The lease term is equal to 75 percent or more of the estimated economic life of the lease property.
 - (4) The value at the beginning of the lease's term of the minimum lease payments, excluding that portion of the payments representing executory costs to be prepaid by the lessor but including any profit thereon, equals or exceeds 90 percent of the excess of the fair value of the leased property to the lessor at the inception of the lease.
- b. The leased equipment is recorded at the total cost net of interest expense (the present value at inception of the lease).
- c. Leases that do not meet any of the above requirements should be recorded as operating leases and should not be capitalized.

3. Vehicles

- a. Vehicles include school buses, trucks, vans, pick-ups, and cars that have a useful life greater than one year, and have an acquisition cost per unit of \$15,000 or more.
- b. The cost of a capitalized vehicle includes the purchase cost, expenditures for significant improvements and any other necessary expenditures required to place the asset into its intended state of operation.

4. Library Collections

- a. Books and media for equipping new school libraries or a major acquisition of books and media for the purpose of expanding libraries should be capitalized if the collections meet the capitalization criteria.

FIXED ASSET CAPITALIZATION AND INVENTORIES (continued)

Depreciation

Capital assets should be depreciated over their estimated useful lives unless they are inexhaustible. The straight-line depreciation method (historical cost less estimated salvage value, divided by estimate useful life) and full-month convention should be used for capital assets. Under a full-month convention, an asset placed in service at any time during the month is considered to have been placed in service on the first day of the month.

Inventories

Local educational agencies are required to maintain inventory of all fixed assets, including non-capitalized equipment. The criteria for distinguishing equipment from supply items according to the California School Accounting Manual are as follows:

1. The item will last more than one year.
2. The district will repair rather than replace.
3. The item is an independent unit rather than being incorporated into another unit item.
4. Cost of tagging and inventory is a small percent of item cost.
5. The minimum dollar value exceeds \$500. (Education Code 35618)

Each site administrator or designee shall be responsible for, and maintain an inventory of all fixed assets. The Director of Purchasing will keep records of fixed asset inventory for all sites and departments within the district.

Copies of the inventory shall be kept at the school site, as well as the district office. A physical inventory shall be conducted annually by the site administrator or designees. Changes to site inventory, i.e., corrections, change of location assignments, replacement and disposal of surplus or obsolete fixed assets, will be noted and sent to the district purchasing office in a timely manner throughout the year, for computer input and updating the district's fixed asset inventory.

The following information is to be recorded in the fixed asset inventory:

1. Description (manufacturer's name, and/or model number).
2. Manufacturer's identification and/or serial number.
3. Date and cost of acquisition (estimate, If unknown).

