

Billings School District 2

FINANCIAL MANAGEMENT

Fixed Asset Recording and Capitalization Procedures

1. Procedure/Purpose

The general purpose of these procedures are to provide guidance for the safeguarding, stewardship, efficiency and effectiveness of use, and accountability of school district resources invested in fixed assets.

As used herein, the term “fixed asset” refers to the land, building, improvements, machinery, equipment, furnishings, facilities, property, vehicles and other resources purchased, leased under a capital lease, or otherwise acquired by the district to be utilized in accomplishing the district’s goals for a period of time that extends beyond one budget period.

1.1 General Responsibility For Fixed Assets

School district personnel, at all levels, are responsible to the Board of Trustees for the safeguarding, stewardship, efficiency and effectiveness of use, and accountability for fixed assets under their jurisdiction and/or control. The superintendent shall designate school principals and administrative department heads as the responsible person (RP) of the fixed assets assigned to their respective schools or administrative departments.

- a) Each RP shall be responsible for the safekeeping and proper use of the fixed assets entrusted to their care. A RP cannot transfer this responsibility to subordinates; however, they may assist in meeting this responsibility.
- b) Each RP shall be responsible for maintaining and furnishing such records of fixed assets as shall be prescribed by the Superintendent and for furnishing such reports concerning lost or stolen property as shall be prescribed later. Losses resulting from negligence may result in personal liability.
- c) The superintendent shall report to the Board of Trustees all property that has been lost, stolen, recovered, or discarded that comes to his or her attention.

1.2 Acquisition of Fixed Assets

The purchase or acquisition of all fixed assets shall be in accordance with all applicable federal, state, local, and school district statutes, regulations, policies and procedures.

Unless otherwise determined by the Superintendent, the responsible persons shall be deemed to be responsible for assuring that fixed assets under their control have been acquired in accordance with applicable statutes, regulations, policies and procedures.

1.3 Utilization Of Fixed Assets

The use of fixed assets shall be in accordance with all applicable federal, state, local, and school district statutes, regulations, policies and procedures. All district personnel shall share the responsibility for assuring that all district fixed assets are used efficiently and effectively in accordance with district policy to achieve the goals and objectives of the district.

It is the general policy of the district that the use of fixed assets may be extended to persons or groups not directly related to or under the jurisdiction of the district provided that such use is compatible with the policies and procedures as established by the district.

1.4 Disposal of Fixed Assets

The disposal of fixed assets shall be in accordance with all applicable federal, state, local, and school district statutes, regulations, policies and procedures.

1.5 Accounting and Reporting For Fixed Assets

Accounting records for fixed assets and fixed asset transactions shall be maintained in such a manner as to provide information to promote sound fiscal management, to assess management accountability, and to assist interested parties with decision making about the district's management of fixed assets.

The district's accounting system must make it possible to account and report for the district's fixed assets whose capitalized value equals or exceeds \$5,000.00 in conformity with generally accepted accounting principles and to determine and demonstrate compliance with legal and contractual provisions.

2. Definitions

Acquisition cost – the cost of the asset including freight and set-up charges to get the asset in place and in a useable condition. These costs shall include, but are not limited to architect fees, cost of removing old assets, installation cost, freight, etc.

In the case of donated assets, the acquisition cost is the estimated fair value of the asset at the time of donation; fair market value is the amount one could reasonably expect a willing seller to receive from a willing buyer in an arms-length transaction. Care must be taken in using reasonable fair market value for donation. An independent appraisal is the best source of a reasonable fair market value. The donated items will be noted monthly in the minutes of the school board.

In the case of a capital lease, where the asset title will pass to the District at the end of the lease, the acquisition cost is the net present value of the future minimum lease payments.

Building – structures or additions to buildings for housing pupils, personnel, or property whether purchased, constructed, or donated.

Building Components – modifications or improvements to existing structures that are “betterments” to the property. These include new heating or ventilation systems, new floors, etc.

Capital Asset – any fixed asset including land, construction in progress, buildings, improvements other than buildings and machinery, and equipment that have an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. These can be purchased, constructed or contributed assets. Carpeting is an exception to the \$5,000.00 capitalization rule. See Carpeting definition below.

Capital Lease – a lease where the asset title will pass to the District at the end of the lease term for a nominal cost.

Carpeting - carpeting as part of a capital improvement project will be capitalized if over the \$5,000.00 capitalization threshold. The cost of replacing carpeting as a stand-alone project, at any cost, will not trigger the capitalization rule.

Controllable Asset – any asset that does not meet the capital asset \$5,000 threshold but has a useful life of greater than one year, an initial, individual cost of greater than \$500, or are \$150 to \$500 in initial, individual cost and are considered “theft sensitive” items therefore needing to be tagged. “Theft sensitive” assets are those assets defined as easily moveable, concealable, portable or desirable items. “Theft Sensitive” assets include but are not limited to TV’s, monitors and display units, DVD recorders and players, projectors, cameras, microphones, all PC’s, printers, copiers, scanners, faxes and data processing equipment, telephone systems, AV equipment, scientific/laboratory equipment, health/medical equipment, musical equipment, amplifiers and speakers. Controllable assets also include High School, Middle School, and Elementary Primary Resource Textbooks, as well as maintenance and janitorial equipment which have a serial number and have an initial, individual cost of \$150 or more. These will include such items as a lawnmower, weed eater, leafblower, snowblower, etc.

Disposal/Transfer Form – Record showing that a fixed asset is no longer useful at a location and is to be transferred or sent to surplus. This form is to be completed any time a capital asset or controllable asset is no longer needed by a department. This form shall include a description of the asset, the asset tag number, serial number, location it is being transferred from, the signature of the person relinquishing the asset, reason for disposing of the asset and the signature of the responsible person receiving the asset. If the asset has no value, the warehouse department will dispose of the asset in accordance with all applicable federal, state, local, and school district statutes, regulations, policies and procedures. The Disposal/Transfer form (7510-F2) shall be completed for each disposal.

Equipment – any items such as instruments, machinery, tools, appliances, furniture, fixtures, equipment, and vehicles with a useful life of more than one year. (Equipment is considered to be movable from one location to another without significant impact on any building.)

Fixed asset – land, building, improvements, machinery, equipment, furnishings, facilities, property, vehicles and other resources purchased, leased under a capital lease or otherwise

acquired by the district to be utilized in accomplishing the district's goals for a period of time that extends beyond one budget period.

Fixed asset accountant – person in the District Accounting Office with the primary responsibility for maintaining the fixed asset listings, summarizing fixed assets, and overseeing the fixed asset accounting for the district.

Repair and Maintenance – Maintenance are those costs, such as lubrication, cleaning, adjustments, and painting, which are incurred on a continuous basis to keep operational assets in usable condition. Repairs are outlays for parts, labor, and related supplies which are necessary to keep the asset in operating condition but neither

(a) Add materially to the use value of the asset, nor

(b) Prolong its life appreciably. (Replacing a minor part or component is considered a repair; painting a building is considered maintenance.)

Replacements, Major Repairs, Betterments, and Improvements – involve the removal of a major part or component of plant or equipment and the substitution of a new part or component that either significantly extends the useful life of the equipment or significantly improves the performance of the equipment. (Replacing part of a boiler with a new, improved part that will extend the life of the boiler for an additional 10 years is considered to be betterment. Replacing a part of a boiler that merely allows it to keep functioning but does not extend its life is a repair.)

Responsible Person – designated person responsible for safeguarding assets and ensuring all records are properly completed and maintained for specific locations. The superintendent shall designate school principals and administrative department heads as the responsible person (RP) of the fixed assets assigned to their respective schools or administrative departments.

Site – includes land and improvements to the land, including curbs and gutters, roads and sewers in existence at the date of acquisition of the land.

Site component – Improvements to land after its purchase. This includes curbs, gutters, sewers and landscaping

3. Acquisition Procedures

3.1 Purchased Assets

The accounting department, purchasing department, and facilities department will review all purchase orders, invoices and shopbuilts to determine which assets meet the definition of fixed assets. Any item purchased on a Purchase Order that meets the requirements for a capital or controlled asset and is received at the warehouse will be entered into the fixed asset system, assigned a control number and a fixed asset tag will be placed on that asset by the purchasing/receiving department. Any district employee purchasing any item meeting the requirements of a capital or controlled asset on a Procurement-card(P-card) and having that asset delivered directly to the purchaser will need to complete an Acquisition/Donation Form (7510-

F1). This form will be sent to the purchasing department so the fixed asset will be assigned a fixed asset number. A fixed asset tag will be sent to the responsible person at the location where the asset was received for tagging the fixed asset.

3.2 Donated Assets

Any donation of fixed assets must be first approved by the Purchasing department. Any location receiving a donation of a fixed asset that has an estimated fair market value of \$5,000 or more must complete an Acquisition/Donation Form (7510-F1). The form will include a description of the donated asset, the estimated fair market value of the item, the name of the donor, any restriction on the donation (i.e. to be used only at a specific school) and the date the donation was received.

Any items purchased by the PTA's, PTO's or any other organization and then given to the school are considered to be donated items. If the purchase price for any of these items is \$5,000 or more, the item must be reported to accounting as a donated asset using the Acquisition/Donation Form (7510-F1).

Any donated item with an estimated fair market value in excess of \$5,000 will be reviewed with the purchasing department to determine whether the fair market value of the item is reasonable based on the current market. (In the case of specialized equipment such as music or computer equipment, the appropriate department will be consulted.) The fair market value and how it was established will be documented and retained.

3.3 Relocation/Transfer Of Fixed Assets

Any fixed asset that is moved from one location to another location for continued use must be reported to the fixed asset accountant on the Disposal/Transfer Form (7510-F2). The fixed asset accountant will then record the transfer of the asset and the reassigned responsibility.

3.4 Disposal of Fixed Assets

The responsible person may make a determination that an asset is no longer useful at the location. The responsible person must then prepare a Disposal/Transfer Form (7510-F2). This form shall include a description of the asset, the asset tag number, serial number, location it is being removed from, the signature of the responsible person relinquishing the asset and the reason for disposing of the asset. The receiving warehouse personnel will sign the form to acknowledge acceptance of the asset. The responsible person disposing of the asset must retain a completed copy of the Disposal/Transfer Form (7510-F2). The warehouse personnel must also retain the original Disposal/Transfer Form (7510-F2).

Burglary Vandalism-Loss Report Procedure

The following are the procedures for reporting incidents involving burglaries, break-ins and vandalism:

- a. If the responsible person discovers the incident, he/she must notify the police department. All others will report the burglary to the responsible person who in turn will notify the police.
- b. The responsible person will verify that an incident has occurred, being careful not to disturb any equipment/materials that may be used as evidence by the Police department in conducting an investigation.

Procedures for requesting replacement of stolen items:

1. All stolen equipment must be reported to the fixed asset accountant via the Disposal/Transfer Form (7510-F2). The form should list all items that have been stolen and note on it which items must be replaced.
2. Attach copies of the police department's Burglary/Vandalism/Loss Report to verify that items were reported stolen.
3. Purchase requisition must be submitted to initiate purchase by the location requesting replacement of items.
4. Items will be replaced to the extent that the insurance proceeds will cover. Other items will need funding approval by the Chief Financial Officer.

3.5 Inventory Of Fixed Assets

Each year the accounting department will prepare a listing of all fixed assets for each location in the District. The listing will include the description, asset tag number, serial number, responsible person, etc. The listing will be distributed to the responsible person at each location.

The responsible person must locate each asset and agree the serial number and asset tag number on the asset matches the fixed asset listing. The responsible person must note the condition of the asset on the listing (still useable, no longer useable).

The responsible person must return a copy of the fixed asset listing to the fixed asset accountant indicating that all listed assets are still in their proper location and that those assets are still useable. The responsible person and the fixed asset accountant must resolve any discrepancies.

4. Audits

Each year, the fixed asset accountant will select several locations to visit and verify the fixed asset inventory at that location. The fixed asset accountant will take the fixed asset listing to the building and with the help of the responsible person verify each asset on the fixed asset listing for that location. The fixed asset accountant will then compare the serial number etc. from the fixed asset listing to the fixed asset. The fixed asset accountant will also observe any unrecorded fixed assets at the location. The responsible person must resolve any discrepancies.

Periodically, the external auditors may perform selected tests of the fixed asset inventory. The fixed asset accountant and the responsible person will assist the external auditors as required in performing these tests.

Implementing Policy 7510

Cross References:

Procedure History:

Issued by Superintendent on: September 27, 2010

Presented to Board on: September 27, 2010

Revised on: