

## Fixed Asset and Inventory Policy

The **Intergenerational Schools** (the “Board”) has issued the following Fixed Asset Policy in order to set forth the requirements for the identification, inventory, reporting and disposition of all property owned by the Board and to establish which assets must be capitalized once depreciated.

Assets satisfying the qualifications below are Fixed Assets and must be capitalized:

- a. have a value of \$5,000 or more
- b. have a useful life of one year or more
- c. must meet the definition of one of the major Asset Classes of Land, Buildings, Building Improvements, Furniture & Fixtures, Equipment, Computers & Software, or Construction-In-Progress (as set forth below)
- d. must be of a tangible, distinguishable nature (possess unique physical substance)
- e. are not repair parts, component parts or supplies, maintenance or service fees

### Asset Classes

#### Land

Land is real property which generally includes both surface and content of the land. 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.

#### 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 purchase 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 accounting for replacing or improving the component parts.

### **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 to 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 improvement in its finished state. Building improvements are capitalized and depreciated separately from buildings.

### **Furniture & Fixture**

Furniture & Fixtures are defined as personal property not attached to land, building or improvements and which remain movable and including costs associated with a direct purchase for example shipping, site-preparations and installation unless these are nominal. Fixed asset records should include the location, purchase date, amount of purchase, funds used to make the purchase and any identifying descriptions (manufacturer's model, serial number, etc.). Examples: standard classroom furniture and office furniture.

### **Equipment**

Equipment is defined as personal property not attached to land, building or improvements and which remains movable and including costs associated with a direct purchase for example shipping, site-preparations and installation unless these are nominal. Fixed asset records should include the location, purchase date, amount of purchase, funds used to make the purchase and any identifying descriptions (manufacturer's model, serial number, etc.). Examples: business machines, compressors, power tools.

### **Computers & Software**

Computers & Software are defined as personal property not attached to land, building or improvements and which remains movable. Costs associated with a direct purchase include shipping, site-preparations and installation unless these are nominal. Fixed asset records should include the location, and any identifying descriptions (manufacturer's model, serial number, etc.).

## **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.

## **Used Equipment**

When the Board 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, may determine original cost-value.
3. For determining useful life, one-half of a similar new asset useful life will be used.

## **Federal Program Property**

All acquisitions of federal property must be placed into the Board’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 I FY2016”.

The following publications detail Capital Asset treatment pursuant to federal grant regulations:

OMB Circular A-87  
OMB Circular A-102  
OMB Circular A-110  
OMB Circular A-21

## **Depreciation**

Depreciation is required for the Board’s capital assets. Depreciation is calculated using the Straight-Line Method. The Board calculates depreciation on all capital assets reported in the Board’s financial statements other than land, permanent improvements to land and construction-in-progress.

Pro-Rata 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**

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

|                                    |          |
|------------------------------------|----------|
| Land Improvements                  | 10 years |
| Buildings & Additions              | 40 years |
| Building Improvements              | 25 years |
| Furniture, Fixtures, and Equipment | 5 years  |
| Computers                          | 3 years  |
| Software                           | 3 years  |
| Vehicles                           | 3 years  |

### **Management Responsibilities**

#### **Fixed Asset System Maintenance and Physical Inventory**

School Management has the following responsibilities with respect to the Fixed Asset System Maintenance and Board-owned property inventory:

1. Initially identify depreciable and non-depreciable fixed assets.
2. Maintaining the data records as required.
3. Assign an actual cost, useful life and other required information.
4. Determine Book Value for authorized sale items.
5. Ensuring all disposition forms are processed as required in a timely manner.
6. Ensuring that, where necessary, proper reporting of stolen items is communicated.
7. Ensuring an accurate inventory be conducted and reported.

A periodic physical inventory of all property owned by the School and non-Board assets located at the School excluding consumables (e.g. furniture, fixtures, equipment and textbooks) is necessary for accountability and control.

The inventory taking process is initiated to:

1. Confirm and validate asset records and/or
2. Comply with legal, auditing/reporting and insurance requirements regarding all Board-owned assets.

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

School Management is responsible for comparing the actual inventory on hand to the property records. School Management will prepare and forward a completed report of said comparison and a copy of the inventory to the Board for final review and comparison 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 insure all purchases and disposals are recorded, tracking assets not on the list to determine if they are improperly recorded elsewhere, retraining inventory takers and/or departments to adhere to fixed asset policies, etc. It is important to follow up on any problem identified to insure it has been corrected.

### **Tagging of Assets**

School Management shall be responsible for the placement of tags identifying proper Board ownership of all assets in accordance with this Policy. All untagged assets will be presumed to belong to the Board.

Any purchases of furniture, computers, software, equipment, or other personal property for use in the operation of the School with state funds that were paid to a management company by the School as payment for services rendered shall be the property of the School and is not property of the management company.

### **Disposition of Property**

School Management shall be responsible for the disposition and replacement of property after consultation and approval from the Board of Directors. The disposition may be via sale, donation, trade or a discard of property no longer required for school purposes. The Board of Directors and School Management shall follow all procedures set forth in state and federal laws regarding the disposition of property and the use of proceeds received from such disposition if applicable.