

SHAKER REGIONAL SCHOOL DISTRICT ADMINISTRATIVE RULES AND PROCEDURES

FIXED ASSETS ACCOUNTING INVENTORIES

CODE DID-R&P

DETERMINING ASSET COSTS

When determining and then reporting an asset's cost, use actual costs including the cost of freight, site preparation, architect and engineering fees, etc., or an estimated historical cost if actual cost records are not available. Bond documents associated with capital projects; expenditure records from capital project funds, and architectural and engineering documents are possible source documents for establishing initial actual costs. Calculating current replacement cost and then adjusted for price-level changes by using indexes or fair-market value at time of acquisition may establish historical costs. All donated assets are valued at fair-market value as of the date of donation. Source documents used to determine acquisition costs shall be maintained and referenced in the fixed asset inventory.

LEASED EQUIPMENT

Equipment shall be capitalized if the lease agreement transfers ownership of the property to the District by the end of the lease term.

ESTIMATED USEFUL LIFE

An asset must have an estimated useful life greater than one year to be considered for capitalization and depreciation. Assets that are consumed, used-up, habitually lost or worn-out in one year are not to be considered. In determining the useful life, the District should consider the asset's present condition, use of the asset, how it is maintained and how long it is expected to meet service demands. A suggested useful life table can be found in Appendix A.

ACQUIRING NEW ASSETS

All requisitions should be reviewed to ensure all items to be recorded in the fixed asset system are identified. When the asset is received, information is collected to complete the fixed asset record, including date, vendor, quantity, description, model and serial numbers, etc, and submitted to the Business Office on a Fixed Asset Acquisition Form (Appendix B). Partial shipments are recorded when received if they exceed the threshold; otherwise, the composite entry is made when the purchase is complete. The chart of accounts function and object codes correlate to the major functional category to be reported on the financial reports. Care should be taken to ensure the proper codes are used when recording the asset to make use of the features of the reporting system. When applicable, fixed assets shall be tagged with a unique tag number. Asset tags are to be obtained from the Business Office.

DISPOSAL OF ASSETS

A Fixed Asset Disposal Form (Appendix C) shall be completed and submitted to the Business Office when an item is retired from service, sold, or destroyed so the information can be entered into the fixed asset system. If an item is retired due to loss or theft, the Business Office needs to be notified so the incident can be reported to the insurance carrier and arrangements made for proof of loss and reimbursement, if appropriate.

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TRANSFER OF ASSETS

A Fixed Asset Transfer Form (Appendix D) shall be completed and submitted to the Business Office when an item is transferred to another location for continued use or storage.

CAPITAL ASSET CATEGORIES:

LAND:

Land Definition:

All land owned by the District, whether improved or unimproved. Land is characterized as having unlimited life.

Depreciation Methodology:

Land is an inexhaustible asset and does not depreciate over time. It is recorded at historical cost and remains at that cost until disposed.

Examples of Land Expenditures to be Capitalized:

- Acquisition Price
- Cost to acquire land, i.e. unpaid taxes, commissions, closing costs and professional fees

LAND IMPROVEMENTS – NOT DEPRECIABLE

Land Improvements (Not Depreciable) Definition:

The betterments, site preparation, and site improvements (other than buildings) that ready the land for its intended use.

Depreciation Methodology:

Land Improvements (Not Depreciable) are inexhaustible assets and do not depreciate over time. It is recorded at historical cost and remains at that costs until disposed.

Examples of Land Improvements (Not Depreciable) Expenditures to be Capitalized:

- Land excavation, fill, grading, drainage
- Demolition of building less salvage

LAND IMPROVEMENTS – DEPRECIABLE

Land Improvements (Depreciable) Definition:

Land Improvements are depreciated if the improvement is exhaustible and eventually will need to be replaced and/or repaired.

Depreciation Methodology:

The straight-line, full month depreciation method (historical cost less residual value, divided by the useful life) will be used for depreciable land improvements.

Examples of Land Improvements (Depreciable) Expenditures to be Capitalized:

- Driveways
- Parking Lots/Sidewalks
- Septic Systems
- Flagpoles
- Retaining walls

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- Bleachers
- Fencing
- Outdoor Lighting
- Other non-building improvements

BUILDINGS AND IMPROVEMENTS

Buildings Definition:

A building is a structure that is permanently attached to the land, has a roof, is partially or completely enclosed by walls, and is not intended to be moveable. Buildings should include all installed property that cannot be removed without impairing the use of all or a portion of the building, such as HVAC, Plumbing, Wiring, Alarm Systems, Sprinklers, Lighting, Flooring, Gym Bleachers, Lockers, Walk-in Freezers, etc.

Building Improvement Definition:

Building improvements are capital events that materially extend the useful life of a building, increase the value of the building, or both.

Depreciation Methodology:

The straight-line, full month depreciation method (historical cost less residual value, divided by useful life) will be used for Buildings and Building Improvements.

Examples of Buildings and Improvement Expenditures to be Capitalized:

- All school buildings owned by the District
 - School and Administration Buildings
 - Garages
 - Athletic facilities, exclusive of fields
- Measurable improvements performed in the last 20 years, if determinable and still have a remaining useful life, and all new measurable improvements
 - Roof replacements
 - Renovations
 - Major energy conservation measures

VEHICLES

Vehicle Definition

All vehicles owned by the District and separately identified on the District insurance policy

Depreciation Methodology

The straight-line, full month depreciation method (historical cost less residual value, divided by useful life) will be used for Vehicles.

Examples of Vehicle Expenditures to be Capitalized:

- Automobiles
- Trucks
- Lawn Tractors
- Other Grounds Maintenance Vehicles

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FURNITURE, EQUIPMENT AND MACHINERY

Furniture, Equipment & Machinery Definition

Fixed or movable tangible assets to be used for the operation of the educational system, the benefits of which extend beyond one year from the date placed in service. Note: Costs of extended warranties and/or maintenance agreements, which can be separately identified from the cost of the equipment, should not be capitalized.

Depreciation Methodology:

The straight-line, full month depreciation method (historical cost less residual value, divided by useful life) will be used for Furniture, Equipment & Machinery.

Capitalization Threshold

When the individual asset, or the aggregate of the asset, such as furniture and equipment, that meet the threshold level as set by policy DID, shall be capitalized and depreciated.

All electronic equipment, such as televisions, overhead projectors, and computers, shall be capitalized and depreciated.

Printed Materials, such as library books and textbooks, shall be capitalized and depreciated as an aggregate of the asset.

Examples of Furniture, Equipment & Machinery Expenditures to be Capitalized:

- Kitchen equipment
- Copiers
- Computers Servers, Computers, Peripherals, Software
- Library Books, Reference Materials and Media
- Science and Engineering Equipment
- Typical Classroom Furnishings
- Textbooks
- Office Furnishings
- Custodial Equipment
- Library Furnishings
- Grounds Equipment not separately identified on the District's Insurance Policy
- Athletic Equipment
- Musical Instruments and Equipment

ANNUAL RECONCILIATION & ASSET REVIEW

The Building Administrator shall receive a report of assets annually. The Building Administrator shall certify the assets of record and shall submit a notice of any discrepancy to the Business Office.

The Business Office shall reconcile purchases made during the fiscal year to the new assets recorded in the fixed asset system. The Business Office shall update the depreciation and shall prepare the annual reports for the year-end audit.

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<u>ASSET CLASS</u>	<u>CATEGORY DESCRIPTION</u>	<u>ESTIMATED USEFUL LIFE IN YEARS</u>
LAND	LAND	Not Depreciated
OUTDOOR EQUIPMENT	MACHINERY & EQUIPMENT	20
MACHINERY & TOOLS	MACHINERY & EQUIPMENT	15
KITCHEN APPLICANCES	MACHINERY & EQUIPMENT	15
CUSTODIAL EQUIPMENT	MACHINERY & EQUIPMENT	15
SCIENCE & ENGINEERING EQUIPMENT	MACHINERY & EQUIPMENT	10
FURNITURE	MACHINERY & EQUIPMENT	20
BUSINESS MACHINES	MACHINERY & EQUIPMENT	10
COMMUNICATIONS EQUIPMENT	MACHINERY & EQUIPMENT	10
COMPUTER EQUIPMENT	MACHINERY & EQUIPMENT	5
COMPUTER SOFTWARE	MACHINERY & EQUIPMENT	5
AUDIOVISUAL EQUIPMENT	MACHINERY & EQUIPMENT	10
BOOKS & MULTI-MEDIA MATERIALS	MACHINERY & EQUIPMENT	5
ATHLETIC EQUIPMENT	MACHINERY & EQUIPMENT	10
UNIFORMS	MACHINERY & EQUIPMENT	5
MUSICAL INSTRUMENTS	MACHINERY & EQUIPMENT	10
LICENSED VEHICLES	VEHICLES	8
GROUNDS & MAINTENANCE EQUIPMENT	MACHINERY & EQUIPMENT	15
LAND IMPROVEMENTS	LAND IMPROVEMENTS	20
ART & HISTORICAL COLLECTIONS	MACHINERY & EQUIPMENT	Not Depreciated
STREETS – ASPHALT	LAND IMPROVEMENTS	20
SIDEWALKS & CURBS	LAND IMPROVEMENTS	20
STREET LIGHTING	LAND IMPROVEMENTS	15