

PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL

Book:	Policy Manual
Section:	Financials
Title:	Fixed Asset Policy
Adopted:	November 15, 2004
Revised:	December 3, 2012

PURPOSE: The purpose of this policy is to set forth the requirements for the identification, inventory and reporting of all property owned by the Board of Trustees.

SCOPE: This policy applies to all fixed assets which

- Have a value of \$5,000 or more
- Have a useful life of one year
- Meet the definition of one of the major Asset Classes of Land, Buildings, Building Improvements, Furniture & Fixtures, Equipment, Computers & Software, or Construction-In-Progress
- Must be of a tangible, distinguishable nature (possess unique physical substance)
- Are not repair parts, component parts or supplies, maintenance or service fees.

POLICY AUTHORITY: Policy draft is reviewed by the CEO of PDLCS; then (1) sent to the Board of Trustees, and (2) presented at the next formal, public Board Meeting for review, public comments and approval.

DETAILED POLICY STATEMENT:

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 the acquisition. Appraisal costs are not capitalized.

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 accountability for replacing or improving the component parts and avoid pyramiding the asset valuation.

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 with the building. A building improvement must have a significant impact and be a material amount (\$2,500 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 the buildings.

FURNITURE & FIXTURE: Furniture and Fixtures are defined as personal property not attached to land, building or improvements and which remains movable. Costs associated with direct purchase include shipping, site preparations and installation unless these are nominal. Fixed asset records should include the location, original voucher numbers 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 remain movable. Costs associated with direct purchase include shipping, site-preparations and installation unless these are nominal. Fixed asset records should include the location, original voucher numbers and any identifying descriptions (manufacturer's model, serial number, etc.). Examples: business machines, compressors, power tools.

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

CONSTRUCTIONS-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:

- The invoice must specify “Used” as appropriate.
- The acquisition cost, as noted on the invoice, will determine original cost-value.
- 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 FY2017”.

Publications detailed Capital Asset federal grant regulations include the following:

- 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-Rate 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 probably years of service. The Board has established the following categories of useful lives for its capital assets:

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|-----------------------------------|----------|
| • Land Improvements | 10 years |
| • Buildings & Additions | 20 years |
| • Building Improvements | 20 years |
| • Furniture, Fixtures & Equipment | 5 years |
| • Computers | 3 years |
| • Software | 3 years |

FIXED ASSET SYSTEM MAINTENANCE:

- Initial identification of qualified fixed assets.
- Maintaining the data records, as required.
- Assignment of actual cost, useful life and other required information.
- Determining Book Value for authorized sale items.
- Initiating the annual physical inventory process.

MANAGEMENT COMPANY RESPONSIBILITIES: The Board has delegated to the management company, the following responsibilities:

- Ensuring all disposition forms are processed as required in a timely manner.
- Ensuring that, where necessary, property reporting of stolen items is communicated.
- Ensuring an accurate annual inventory be conducted and reported.

PHYSICAL INVENTORY OF FIXED ASSETS: A periodic physical inventory of fixed assets is necessary for accountability and control. The inventory conforms or refutes the reliability of the property management system. The inventory taking process is initiated by the Board to:

- Confirm and validate fixed asset records and/or
- Comply with legal, auditing/reporting and insurance requirements.

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

The actual comparison is the responsibility of the management company. The management company will forward the completed report and a copy of the inventory to the Board for final review and comparison semi-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 listed location to determine if they are improperly recorded elsewhere, retraining inventory takers and/or department 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: The Management Company shall be responsible for the placement of tags identifying proper Board ownership of all assets purchased at a cost in excess of \$5,000.