

Van Buren County Board of Education

Monitoring: Review: Annually, in January	Descriptor Term: General Fixed Assets	Descriptor Code: 2.704	Issued Date: 06/16/05
		Rescinds: 2.704	Issued: 06/17/04

1 The purpose of this policy is to provide guidelines and regulations for departments of the Van Buren
2 County Board of Education to follow regarding purchases made with county funds that represent fixed
3 assets. Capitalization of general fixed assets is recorded in the General Fixed Assets Account Group
4 (GFAAG) in the financial statements. This account maintains management control and continuing
5 accountability for investment in general, government fixed assets with public funds.

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7 Capitalization includes land, buildings and improvements, machinery and equipment, and construc-
8 tion in progress. The amount represented in the financial statements should be documented by an
9 inventory listing supported with detailed records of each asset.

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11 It is also theresponsibility of the Van Buren County Board of Education to ensure proper accountability
12 of certain other purchases made with county funds that do not represent investment in general fixed
13 assets. This policy will encompass that responsibility as well.

14 15 ADMINISTRATIVE POLICIES

16 17 A. Fiscal Responsibility

18 19 1. Board of Education:

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21 a. Provide administrative officials with listings of inventory for which they are held account-
22 able.
23 b. Determine policy for proper disposal and transferal of fixed assets and policy for notifica-
24 tion to Inventory Control (See Sections H and I)
25 c. Notification of administrative officials of findings related to internal audits conducted by
26 Inventory Control or external audits conducted by the State /IPA firm of said departments
27 and disposition thereof.
28 d. Approve list of items declared surplus and suggested disposal methods (i.e., sale, scrap,
29 etc.)

30 31 2. Inventory Control Office:

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33 The office of Inventory Control is under the direction of the Van Buren County Board of Educa-
34 tion agent that provides for fiscal procedure. Inventory Control operates with respect to the
35 duties of the County Executive as fiscal agent of the county, and the Van Buren County Board
36 of Education which governs the operation of the schools. A full cooperative effort of all par-
37 ties allows Inventory Control to maintain records in accordance with General Accounting and
38 FidAreas of responsibility are outlined below:

- 39
40 a. Maintain inventory listing of all assets included in the GFAAG and of other assets (control-
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3 lable) determined to be tracked by officials. Copies of documentation on all assets will be
4 maintained in separate files as long as asset is actively on the books.

- 5 b. Tagging of all assets as determined by this policy and input of all relative information to
6 the computer system.
7 c. Removal of tags and retirement of assets from computer records upon proper notification
8 by appropriate departments of the Van Buren County Board of Education.
9 d. Verify audits of all departments to determine that assets are being properly accounted for.
10 e. Prepare annual inventories for all departments of general fixed assets and controllable
11 assets.

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13 3. Administrative Officials:

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15 Administrative officials (Board of Education personnel, school principals, department supervisors,
16 etc.) are responsible for the custody and maintenance of all assets purchased for or assigned
17 to their office.

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19 a. Report the theft or loss of property, immediately, to Inventory Control by telephone, to
20 be followed by a letter to the Board of Education and Inventory Control. A police report
21 should be obtained on all losses suspected of being stolen.
22 b. Report to the Board of Education/Inventory Control (as appropriate) any assets deemed to
23 be surplus and unneeded by this department so that transferal or disposal can proceed.
24 c. Any transferal or disposal of assets by administrative officials shall be documented in writ-
25 ing to relieve that official of said responsibility.
26 d. Allow Inventory Control access to all records necessary to aid in the determining of proper
27 disclosure of fixed assets for reporting purposes.
28 e. Designate person(s) for the custody and control of departmental property (Departmental
29 Property Coordinator.) The name of this person shall be submitted to Inventory Control
30 for direct communication purposes.

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32 4. Departmental Property Coordinator:

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34 a. Maintain all records of fixed assets and controllable assets accountable to the office. These
35 records would include transferals, disposals, and assets surplus to the county.
36 b. Notify Inventory Control of new asset acquisitions not currently tagged.
37 c. Reconcile and report differences between annual fixed asset inventory and actual physical
38 inventory to Inventory Control.

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40 B. Assets:

- 41
42 1. Recording Land — Land is to be capitalized but not depreciated. It is recorded at historical
43 cost and remains at that cost until disposal.
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45 2. Recording Land Improvements —
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47 a. Non-Exhaustible - Expenditures for improvements that do not require maintenance or
48 replacement are capitalized but not depreciable.
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b. Exhaustible - Other improvements that are part of a site, such as parking lots, landscaping and fencing, are depreciable.

3. Recording Buildings — Buildings should be recorded at either their acquisition costs or construction costs. Each building components (e.g., roof, air conditioner system, etc.) should be recorded separately when significant because these have different useful lives. The value of each component needs to be determined and placed within its own category.

4. Recording Building Improvements — Building improvements that extend the useful life of a building and meet the capitalization threshold should be capitalized. (For retroactive recognition of site and facility improvements, only those projects completed within the last five years will be considered, unless meaningful data are readily available for preceding years).

5. Recording Construction in Progress — Construction in progress should be capitalized and not depreciated.

6. Recording Vehicles — Vehicles should be identified, inventoried, and if applicable, depreciated.

7. Recording Furniture and Equipment — Assets such as furniture, machinery and equipment should be identified and inventoried. If they meet the threshold levels, they should be capitalized and depreciated.

C. Costs:

Fixed assets shall be recorded at historical cost or if the cost is not reasonably determinable, at estimated cost. Donated fixed assets should be recorded at their estimated fair value at time received.

1. Actual Costs - this will include not only the purchase or construction cost (which can be obtained through invoice, purchase order and paid warrant files) but also charges necessary to place the asset in its intended location. This includes costs such as freight and transportation, site preparation expenditures, interest costs, professional fees and legal claims directly attributed to asset acquisition.

2. Estimated Cost - this will be based on as much documentary evidence that can be found to support the cost such as interviews with personnel and price level adjustment for each asset.

3. Donated cost - these assets will be based on their estimated fair value at time of acquisition. A determination as to be the fair value basis will be included with property records.

D. Accumulated Depreciation:

Depreciation is a method for allocating the cost of buildings and equipment over their useful lives. Generally accepted accounting principles dictate that the value of capital assets must be written off as an expense over the life of the asset as an indirect cost. (Annual depreciation expense will be calculated using the straightline method.)

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3 E. *Dollar Value and Life Expectancy Tests:
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5 Assets purchased with a dollar value of \$25,000 or more and with a life expectancy of three years
6 will be included in the GFAAG. Items under this dollar value will not be presented in the financial
7 statements; however, controllable assets will be tracked in inventory records for accountability
8 purposes.
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10 F. Controllable Assets:
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12 Controllable assets are assets which do not meet the criteria for a fixed asset but will be included
13 in property management's records for control purposes. Such property would include individual
14 items with a replacement dollar value of at least \$500 (\$1,000 for schools) and not already included
15 in Section E above.
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17 G. Cancelable Lease Assets:
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19 Assets with a cancelable lease clause will not be included in the GFAAG; however, these items will
20 be tracked in inventory records for accountability purposes.
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22 H. Asset Reduction:
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24 Assets no longer owned by or in the possession of the Van Buren County Board of Education shall
25 be removed from the GFAAG.
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- 27 1. Sold and/or retired - These assets will be removed from the GFAAG upon formal notification
28 from the responsible party of such disposition. School and/or departments should be cautious
29 about retiring assets still depreciating on books. This will result in the Board having to write
30 off a loss in the year the asset was retired.
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- 32 2. Obsolete - These assets will be removed from the GFAAG upon formal notification and upon
33 said determination by responsible party whether they are sold or not.
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- 35 3. Transferred or Proprietary or Trust Fund - Assets in good working order may be removed from
36 one department's responsibility and placed in storage for future use by other departments.
37 These assets will be removed from the GFAAG upon formal notification from responsible party
38 and shall be accounted for in that fund.
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- 40 4. Missing - Assets not seen for two consecutive annual inventories will be classified as missing
41 and will be removed from the GFAAG and controllable asset listing upon formal notification to
42 Inventory Control. These assets will no longer be searched for in regular annual inventories.
43 However, if an asset is located at some time in the future, it will be reactivated in the system.
44 A list of missing assets by department/schools will be presented to the Board of Education.
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46 I. Surplus Equipment:
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1. A list of surplus items must be presented to the Board of Education.
2. Each department/school may bid out any surplus equipment. A complete accounting of the assets and any proceeds must be reported back to Inventory Control so that these items can be removed from the system. County and school employees will be prohibited from personally taking possession of any items declared surplus, other than those purchased throughout the sealed bid process or public auction.
3. Be cautious of co-mingling Board of Education owned assets with other assets in possession of the schools. A clear record must be kept of ownership.
4. Items for which no bids are received; or their salvage value is determined to be less than the cost of handling/advertising and will create negative cash flow, may be destroyed or sold as scrap. A list of these items must be forwarded to Inventory Control so they can be removed from the system.

ACCOUNTING POLICIES

A. Capitalization and Depreciation:

The following items will be capitalized in the General Fixed Assets Account Group:

1. Land	\$ 1	Capitalize Only
2. Land Improvements	\$5,000	
3. Buildings	\$5,000	
4. Building Improvements	\$5,000	
5. Vehicles	\$5,000	
6. Machinery and Equipment*	\$5,000	
7. Furniture and Fixtures	\$5,000	
8. Construction in Progress	\$5,000	

B. Tracking and Inventory:

The following items will be tracked and inventoried:

1. Land	\$ 1
2. Land Improvements	\$ 1
3. Buildings	\$ 1
4. Building Improvements	\$ 1
5. Vehicles	\$ 5,000
6. Machinery and Equipment*	\$ 5,000

Capital Assets of Local Governments
Suggested Useful Lives

Asset Type	Maximum Depreciable Examples	Life in years*
Non-Infrastructure		
Furniture, office equipment	Desk, tables, chairs	5
Computer Hardware	Monitors, CPU, printer, scanner	5
Telephone Equipment		10
Motor Vehicles		
Cars and light trucks		5
Buses	School	8-15
Buildings - Temporary	T-buildings, sheds, other portables	25
Buildings		40
HVAC Systems	Air-conditioners, heating, ventilation systems	20
Roofing		20
Carpet Replacement		7
Electrical/Plumbing		30
Kitchen Equipment	Appliances	12
Engineering, Scientific Equip.	Lab Equipment	10
Traffic Control Equipment	School Zone Lights	10
Radio, Communications Equip.	Mobile, portable radios	10
Recreational/Athletic Equipment	Weight machines, mats, golf equip/cart	
	Treadmills, pitching machine, lights, etc.	10
Library Books	Collections	5-7
Artwork	Collections	5-7
Outdoor Equipment	Playground equip, scoreboards, bleachers	
	Radio towers	20
Custodial Equipment	Floor scrubbers, vacuums, other	12
Grounds Equipment	Mowers, tractors and attachments	15
Land Improvements - structure	Parking lots, sidewalks, bus ramp, Fencing, running track, flagpole, etc.	20
Land Improvements - ground work	Golf course, ball field, tennis court, Landscaping, etc.	30
Land		No depreciation
Sewage treatment plants		25
Infrastructure		
Easements		No depreciation
Roads		
Paved		40
Non-paved		50

* May be less but not more than Maximum Depreciable Life