



SOUTH CAROLINA PUBLIC CHARTER SCHOOL DISTRICT FIXED ASSETS ACCOUNTING PROCEDURES

Created July 2013/Last updated July 2015

FIXED ASSETS ACCOUNTING

Accurate fixed assets records are vital to our school district. In addition to providing values for insurance coverage and proper reporting in the preparation of our financial statements, accurate fixed asset records are instrumental in formulating adequate policies and guidelines regarding acquisition, maintenance, retirement and replacement of fixed assets. Without adequate records, it is impossible to fix responsibility for the custody of fixed assets or to safeguard the School District's sizeable investment. The purpose of these procedures is to provide a strategy to ensure that the District maintains accurate, complete, and up-to-date records of fixed assets.

FEDERAL PROGRAMS

See Appendix A

DEFINITION OF FIXED ASSETS

For purposes of the District, a fixed asset is defined as a building, property or equipment acquired by the District or its charter schools (whether purchased, donated, or traded) that is actively used in the operations, must have significant value, and provides benefit for a period exceeding one year. Fixed assets are reported and, with certain exceptions, depreciated in the financial statements.

Items purchased at a cost up to the federal capitalization rate (currently \$5,000) will be considered as supplies and expensed in the 400 series object code. However, single items costing \$1,000 or more and having a life of at least one year or technology equipment and software, such as laptops, desktops, LCD projectors, IPADs, computers, etc., even though expensed as supplies, will be included in the District's inventory tracking system, but are not considered fixed assets and will not be capitalized or depreciated.

FIXED ASSET CLASSIFICATIONS

The Fixed Assets will be divided into the following classifications: Land, Land Improvements, Buildings, Building Improvements, Machinery and Equipment, Licensed Vehicles, Textbooks and Library Books, Mobile Classrooms, Construction in Progress and Works of Art and Historical Treasures.

LAND

The land account includes all land purchased or otherwise acquired. It should be capitalized but not depreciated. Purchased land should be carried on the records at historical cost and should remain at that cost until disposal. Donated land should be recorded at its appraised value at the time of the donation. If land and a building are acquired as a single parcel, the value of the land should be determined separately from the building and only that amount carried in the land account; the value of the building should be recorded in the building account. Costs relating to the demolition of a structure on newly purchased land and other costs relating to the land are normally capitalized and included in the land account. A gain or loss on the sale of land is reported as a special item in the statement of activities.

LAND IMPROVEMENTS

Land improvements include permanent improvements that add value to land. It would include such items as site improvements (e.g. excavation, fencing, and retaining walls) and some infrastructures (e.g. driveways,

roads, sidewalks, bridges, parking lots, and outdoor lighting). If items categorized as infrastructure are purchased during the construction of a new building, they will be included in the cost of the building. Items *not included* in land improvements are landscaping, demolition, and land acquisition. These would be included in the land account. Other items not included in land improvements are picnic tables and stadium bleachers. These are included in machinery and equipment.

BUILDINGS

The buildings account normally includes the value of all buildings at their acquisition costs or construction costs. The cost should include all charges applicable to the building, including broker fees, architect's fees, permits, and interest on borrowed money during construction. For a donated building, appraised fair market value at the date of donation should be used. In addition, buildings include components (e.g. roof, air conditioning system) that should be recorded separately when they have significant values because these building components have different useful lives. The value of each component should be determined and placed within its own category. A building will be added to fixed assets inventory after all costs have been calculated and final payment has been made to the contractors.

BUILDING IMPROVEMENTS

Improvements that extend the useful life of the building should be classified as building improvements and should be capitalized. They are recorded at either acquisition cost or appraised fair market value in cases of donated assets. Examples of building improvements include roofing projects, remodeling, additions to buildings and replacing major building components. Major maintenance projects should be evaluated periodically to determine if they should be included in this account.

MACHINERY AND EQUIPMENT

Machinery and equipment includes a wide range of assets. A few examples are as follows: furniture, computer equipment, office machinery, athletic equipment, uniforms, etc. The property should be recorded at acquisition cost, including freight, installation and other charges incurred to place the asset into use. If acquired through donation, fair market value should be determined and assigned to the asset. The assets' materiality and significance should be considered when determining how it is reported.

LICENSED VEHICLES

Licensed vehicles include aircraft, watercraft and other motorized forms of transportation (eg. buses, vans, cars, trucks, etc.). All licensed vehicles should be recorded at acquisition cost or fair market value if donated.

TEXTBOOKS AND LIBRARY BOOKS

Textbooks and library books will not be classified as fixed assets due to the capitalization policy.

MOBILE CLASSROOMS

Mobile classrooms are temporary structures added to the building site. They are of significant value and should be recorded as a fixed asset and depreciated over their useful lives.

CONSTRUCTION IN PROGRESS

The account should be used when reporting amounts expended on an uncompleted building or other capital construction project. Construction in progress should not be depreciated. Three subclasses, such as building, improvements and equipment, might be used. When the project is complete, the cumulative costs are transferred to another appropriate fixed asset account. Unspent debt proceeds from capital assets related debt should be reported in the net assets section of the statement of net assets as "restricted for capital projects."

WORKS OF ART AND HISTORICAL TREASURES

Works of art and historical treasures should be recorded at historical costs or, if donated, fair market value. Depreciation is not required for collections or works of art that are inexhaustible. An example of a work of art might be an original painting.

CAPITALIZATION POLICY

Capitalization is an accounting method used to delay the recognition of expenses by recording the expense as long-term assets. The capitalization of assets acquired by the District and its charter schools shall equal the Federal capitalization rate (currently \$5,000). All additions to fixed assets with an individual value greater than or equal to the capitalization rate will be capitalized and depreciated, if applicable. An exception to this is as follows and will be capitalized when applicable to a single location:

- groups/classes of assets where individual asset items are less than the capitalization limit, but when all assets of that group (that function as one asset) are added together the dollar amount far exceeds the capitalization limit (eg. security systems, public address systems, etc.).

Items purchased at a cost up to the federal capitalization rate will be considered as supplies and expensed in the 400 series object code. However, single items costing \$1,000 or more and having a life expectancy of at least one year or technology equipment and software, such as laptops, desktops, LCD projectors, IPADs, computers, etc., even though expensed as supplies, will be included in the District's inventory tracking system, but are not considered fixed assets and will not be capitalized or depreciated.

- Regular non-technology equipment costing less than \$5,000 per unit should be recorded under the 400 series object code.
- Regular non-technology equipment costing \$5,000 or more per unit should be recorded under object code 540.
- Any technology equipment costing less than \$5,000 per unit including shipping, handling, tax, etc. should be recorded under object code 445.
- Any technology equipment costing \$5,000 or more per unit including shipping, handling, tax, etc. should be recorded under object code 545.

DEPRECIATION

All fixed assets, with the exception of land, will be depreciated. Depreciation is the process of allocating the cost of tangible property over a period of time, rather than deducting the cost as an expense in the year of acquisition. The decline in the value of fixed assets must be considered if the Districts' net assets are to be correctly stated. It shall be the policy of the District to depreciate fixed assets in excess of the federal capitalization rate (currently \$5,000) over their useful lives. Factors which must be known in order to calculate depreciation: the date the asset was placed in service, the asset's cost or acquisition value, estimated useful life, and the depreciation method.

The following exhibit summarizes tracking, inventory, capitalization and depreciation.

	Tracking and Inventory	Capitalize and Depreciate
Land		Capitalize only
Land Improvements	\$1,000	\$5,000
Building		\$5,000
Building Improvements		\$5,000
Machinery and Equipment	\$1,000 or technology equipment and software described under "Capitalization Policy."	\$5,000
Vehicles	Any	\$5,000

DATE PLACED INTO SERVICE

When acquiring a new asset, the date placed into service will be easily determined. When adding an asset to the District's records which was already placed into service but omitted from the Fixed Assets Inventory, this date may not be readily available. Inquiring to the appropriate department to assign an estimated date will be sufficient.

COST OR ACQUISITION VALUE

Fixed assets should be reported at historical cost and should include the cost of freight, site preparation, architect and engineering fees, etc. If something other than cash is used to pay for the asset, then the fair market value of the non-cash payment or consideration determines the asset's cost or acquisition value. If the asset is of significant value (e.g. land or building), an appraisal will be needed to determine its value. In situations where assets are identified that have been omitted from the Fixed Assets Inventory, the historical cost may be researched. If there is no information available on the original cost of the asset, the amount will then be estimated based on the values of similar assets.

ESTIMATED USEFUL LIFE

The estimated useful life of an asset is the number of months or years that an asset will be able to be used for the purpose for which it was intended. Appendix B provides the useful lives of the District's assets by Equipment Categories.

DEPRECIATION METHOD

The straight-line method of depreciation will be used to calculate depreciation on the District's fixed assets. The annual depreciation will be calculated by dividing by the estimated useful life. Under this method, the asset is written off evenly over its useful life (i.e. the depreciation is the same every year). The total amount depreciated can never exceed the asset's historic cost. An asset placed in service at any time during a given month is treated as if it had been placed in service on the first day of that month (depreciation taken for the entire month in which the asset is placed in service). If disposed of before the end of the month, no depreciation is taken for the month of disposition.

FIXED ASSETS INVENTORY PROCEDURES

It is the ultimate responsibility of each charter school's principal/director to maintain the accuracy of the fixed assets inventory for their school. All stolen items must be reported to the appropriate police agency, and a copy of the police report must be sent to the District's Assistant Director of Finance. Donated or purchased used equipment meeting the definition of a capital asset or inventory item must be operational. All fixed assets and items identified in physical inventories that are donated and/or purchased through grants or donations given in the school's name must be reported to the school's principal/director within 10 days of donation or acquisition.

Each principal/director or their designee should complete a physical inventory (Appendix C) at the beginning and end of each school year. A copy of these inventories will be due to the District's Assistant Director of Finance no later than September 30 and June 30, respectively. This inventory does not include items captured during our contracted fixed asset visit. Such items not included would be printers, computers, iPads, tablets, laptops, digital cameras, LCD projectors, or any asset that received a barcode label. Reviewing inventory is a vital part of the fixed asset system. Without proper maintenance and monitoring of the Fixed Asset Inventory Tracking System, the accuracy of the fixed assets and inventory will deteriorate quickly requiring inventory to be re-created.

For inventory purposes, the District's Finance Department will maintain a list of fixed asset inventory by charter school in its accounting system. The inventory of the charter schools will not be capitalized or depreciated in the District's accounting system. Annually, the District will contract with an outside vendor to perform a physical fixed asset inventory and update the records in the accounting system. A copy of the

most current records will be emailed to each school's principal/director and finance contact.

FIXED ASSETS INVENTORY SPREADSHEET

During the year, each principal/director or their designee is required to maintain a Fixed Assets Inventory Spreadsheet (Appendix D) or an equivalent Fixed Asset Report. This spreadsheet should include items that were purchased after the annual fixed asset visit with the contractor and before the next annual visit. The District office can randomly request this data for review at any time.

RECOMMENDATIONS FOR PLACEMENT OF SCHOOL TAG ON EQUIPMENT

See Appendix E

DISPOSALS, TRANSFERS, AND STOLEN ASSETS

Disposals and transfers of unserviceable equipment and fixed assets should only occur after proper authorization by the principal/director of the school(s). This procedure is to maintain the accuracy of the records, ensure the assets are properly safeguarded and to obtain the best possible terms upon disposal. In many cases, parts from an asset to be disposed of may be salvaged and used with an existing asset or saved for future utilization. Any computer tape, disk (hard drive, CD or floppy), tablets, laptops, servers or other storage medium used to store the school's and students' data must be totally erased or rendered unreadable before it is disposed. This is the sole responsibility of the school leader and not South Carolina Public Charter School District's Department of Technology. No asset should be disposed of or transferred without proper authorization by the principal/director of the school (s).

Surplus supplies, property purchased with *state and/or federal funding, and donated items* shall be disposed of through competitive sealed bids and public auction. South Carolina Public Charter School District requires that all schools dispose of fixed assets through South Carolina's State Surplus Property Management Office. If the State Surplus Property Management Office screen the item(s) and finds that the assets are not salvage items, then it is required of the school to auction off the items on www.govdeals.com. In the event some types and classes of items can be sold or disposed of more readily and advantageously by other means, the School District may employ such other means including, but not limited to, barter or appraisal. Please see Appendix A.

The principal/director of the school(s) is required to complete the Fixed Assets Disposals form (Appendix F) and return it to the District's Assistant Director of Finance at the time of disposal. In the case that assets are misplaced or stolen from the school's property, it is the principal/director's responsibility to provide written justification to South Carolina Public Charter School District's Assistant Director of Finance for removal of the inventory out of the District's Masterfile. If item(s) are reported stolen, local authorities should be contacted immediately and a police report should be filed with a copy being attached to the Fixed Assets Disposals form (Appendix F).

If a school leader decides to transfer item(s) to another school for further use, please contact the District's Assistant Director of Finance with the item information. The Assistant Director of Finance will send out a mass email to all school leaders with the item information, location, and whom should be contacted if interested. At that time, the school leaders should then work with one another to create arrangements. The school that is transferring the assets should remove the item(s) from their inventory records and the school that will be receiving the items should then add the item(s) to their inventory records. If the asset falls within the \$1000 threshold and/or technology items(s), **then during the contracted fixed asset visit the asset will be automatically transferred within the District's Masterfile.**

APPENDIX A

South Carolina Public Charter School District

Federal Programs

Definition of Equipment

For the purpose of this document, the South Carolina Public Charter School District defines a fixed asset as equipment purchased with any Federal funds, costing \$1000 or more and having a useful life of more than one year. Fixed assets are property that is governed by audit requirements associated with control, accounting, and disposal. Examples of such fixed assets are computers, laptops, tablets, printers, monitors, and workstations.

Allowable Equipment

Once approved, the school may purchase or lease equipment with Federal funds if: 1) it is reasonable and necessary to operate its federal programs effectively, 2) existing equipment will not be sufficient, and 3) the costs are reasonable.

Guidelines for Equipment

Purchasing – No school-level equipment may be purchased with Federal funds without written approval from the Director of Federal Programs. Equipment purchases without this approval will not be reimbursed.

Equipment purchased with Federal funds must be written into the applicable plan or application (i.e. IDEA application, Title 1 plan, CATE plan, etc.).

Once approved, the school may purchase the specific piece of equipment. Within thirty days of receipt, the school must submit to the Director of Federal Programs: a Federal Asset Reporting Form, a copy of the invoice (if purchased through a vendor), and a copy of the receipt.

At any time throughout the year, if there are fixed assets that need to be disposed of (broken or stolen), please complete a Fixed Asset Accounting Disposals Form and send it to the Director of Federal Programs. Surplus supplies and property purchased with *state and/or federal funding* shall be disposed of through competitive sealed bids and public auction. South Carolina Public Charter School District requires that all schools dispose of fixed assets through South Carolina's State Surplus Property Management Office. If the State Surplus Property Management Office find that the assets are not salvage items, then it is required of the school to auction off the items on www.govdeals.com. In the event some types and classes of items can be sold or disposed of more readily and advantageously by other means, the School District may employ such other means including, but not limited to, barter or appraisal.

Annual Equipment Audit:

Annually, the District will contract with an outside vendor to perform a physical fixed asset inventory and update the records in the accounting system. A copy of the most current records will be emailed to each school's principal/director and finance contact. All correspondence and/or questions regarding Fixed Assets for Federal Programs should be directed to the District's Director of Federal Programs, Vamshi Rudrapati at 803-734-1105 or vrudrapati@sccharter.org.

APPENDIX B

South Carolina Public Charter School District Recommended Useful Lives of Fixed Assets

Object Code	Asset Category	Useful Life
510	Land	Not Applicable
530	Land Improvements	20
525	Buildings (existing)	40
520	Buildings (new)	40
525	Building Improvements	25
550	Licensed Vehicles	10
580 (function 253)	Mobile Classrooms (modular units)	15
545	Technology Equipment & Software	5
540	Furniture & Machinery*	10
540	Outdoor Recreational Equipment	20
540	Athletic Equipment/Uniforms	5
585	Works of Art & Historical Treasures**	7

* Furniture & Machinery includes office furnishings, office machines, instructional furnishings, instructional machines, communications equipment, films, tapes, records, kits, etc., science laboratory equipment, machinery/shop furnishings, appliances and equipment for home economics and kitchen, musical instruments and access, cafeteria furnishings, nurses equipment and maintenance equipment.

** Works of Art and Historical Treasures should be depreciated over a period of 7 years, unless the asset is determined to be inexhaustible.

APPENDIX C
South Carolina Public Charter School District
Physical Inventory

School Name: _____

INVENTORY	TOTAL
Furniture:	
Teacher Desks	
Teacher Chairs	
Student Desks	
Student Chairs	
Student Desk/Chair Combos	
Stools	
File Cabinets	
Bookcases	
Tables	
Other (specify):	
Technology:	
Digital Cameras	
Video Cameras	
iPods	
Other (specify):	
Other:	
Other (specify):	

APPENDIX D

South Carolina Public Charter School District

Fixed Assets Inventory Spreadsheet

School Number- Populates when “School Name” is chosen

School Name- Choose from drop down box

Date of Purchase _____

Asset Description _____

Purchase Order Number _____

Funding Source-Choose from drop down box

Date Received _____

Invoice Number _____

Amount Paid _____

Manufacturer _____

Asset Group-Choose from drop down box

Asset Classification-Choose from drop down box

Model # (if applicable) _____

Serial # (if applicable) _____

School Tag (if applicable) _____

Room Location of Asset _____

School

Comment _____

APPENDIX E

Placement of School Tag on Equipment

The placement of the tag is important. Tags must be placed consistently, and they must be accessible. It is important to know where to find a tag when verifying the asset record. For some items, there is no good place to put a tag. *If an asset tag cannot be placed on an item, such as a building or land, the tag needs to be filed in a binder designated for fixed assets with copies of applicable documentation related to that item.*

If and when a tag is used, it should be consistent. The tag should be placed in an area where the number can be seen easily and identified without disturbing the operation of the item, and if applicable, it should be placed where a minimum amount of grease, oil, vibration or heat will affect it. This type of placement will allow for easy periodic inventories. The following are some tips for tag placement:

- Air Compressors** - by manufacturer's identification plate
- Appliances** – upper right corner on side
- Band Saws** - by manufacturer's identification plate on upper head
- Battery Chargers** - by manufacturer's identification plate located on front or side panels
- Benches, sofas, etc.** – under seat by right back leg
- Bookcase** – upper right hand corner
- Brake Service Equipment** - by manufacturer's identification plate located on face of unit
- Buffers/Grinders** - on motor by manufacturer's plate
- Cabinets** – upper right hand corner
- Cameras** – on bottom (avoid covering tripod mount and rewind release)
- Carts** - on frame right side
- Centrifuges** - by manufacturer's identification plate located on base
- Chair** – back side under seat
- Check Signers and Protectors** – by manufacturer's identification plate
- Choppers** - by manufacturer's identification plate
- Credenzas** – under top right side or right end close to top
- Desks** – inside the knee well on the right pedestal
- Dictation Equipment** – by manufacturer's identification plate
- Dishwashers** - by manufacturer's identification plate or upper right corner
- Display Cabinets** – right corner of base
- Distributor Tester** - by manufacturer's identification plate on back panel
- Drafting Machines** - by manufacturer's identification plate located on table clamp
- Drafting Tables** - by manufacturer's identification plate front panel of base under side of top right corner
- Drill Presses** - by manufacturer's identification plate on side of head
- Dryers** - upper front corner of right panel
- Dynamometers** - by manufacturer's identification plate located on control
- Electronic Equipment** - by manufacturer's identification plate located by controls
- Engine Analyzers** - by manufacturer's identification plate located on main unit
- File cabinet** – upper right hand corner by lock
- Floor Buffers/Scrubbers** - by manufacturer's identification plate located on side of motor
- Food Warmers** - by manufacturer's identification plate or upper right corner
- Generator Regulator Tester** - by manufacturer's identification plate located on back panel
- Generators** - by manufacturer's identification plate
- Hardness Testers** - by manufacturer's identification plate located by controls
- Hoist, Cranes and Winches** - by manufacturer's identification plate on hoist portion where accessible; where not accessible, on main frame right side.
- Hydraulic & Mechanical Presses** - by manufacturer's identification plate located on frame
- Jointers** - by manufacturer's identification plate or back of jointer table

Lab Ovens & Dryers - by manufacturer's identification plate located on lower front panel
Lathes - by manufacturer's identification plate located on head
Lubrication Equipment - by manufacturer's identification plate located on pump
Metal Formers - by manufacturer's identification plate on back side of machine
Metal Shears - by manufacturer's identification plate located on machine base back side
Meters - on back panel
Microfilm Equipment – by manufacturer's identification plate
Mixers - by manufacturer's identification plate
Oscilloscopes - by manufacturer's identification plate usually located on front panel
Ovens - upper right side of oven
Paint Spray Booths - by manufacturer's identification plate located on right
Paint Sprayers - by manufacturer's identification plate on compressor
Parts Cleaner - by manufacturer's identification plate on right side exterior
Pipe Threaders - by manufacturer's identification plate on side of unit
Planer - by manufacturer's identification plate
Power (Hydraulic, Electric or Pneumatic) Lifts - by manufacturer's identification plate located on pump unit
Power Hand Tools - by manufacturer's identification plate (try to affix tag in a location that does not interfere with operation and does not receive heavy wear)
Power Supplies - by manufacturer's identification plate located on back; if not accessible, tag on face panel upper right corner
Projectors – by manufacturer's identification plate
Pumps - on base or by manufacturer's identification plate
Radial Arm Saws - by manufacturer's identification plate located on back right side of column
Radial Drills & Boring Machines - by manufacturer's identification plate located on drill head
Ranges - upper right side of range
Refrigerators - upper front corner of right panel
Sand Blasters - by manufacturer's identification plate on base of unit
Sanders - by manufacturer's identification plate usually on base of controls
Service Jacks - by manufacturer's identification plate located on base or center column
Serving Counters - upper right corner on serving side
Shaper - by manufacturer's identification plate or back of base
Shelving Units – upper right hand corner (where practical)
Slicers (Food) - by manufacturer's identification plate or back side away from cutting blade
Sound Generators - by manufacturer's identification plate
Spectrophotometers - by manufacturer's identification plate
Spray Guns - on gun portion not exposed to heavy wear
Steam Cleaners - by manufacturer's identification plate located by controls
Stills - by manufacturer's identification plate
Table Saws - by manufacturer's identification plate located on back side of base
Tables – under the top by right front leg
Tape and Cassette Recorders – by manufacturer's identification plate
Telescopes – on body right side middle
Televisions – by manufacturer's identification plate
Tire Changers - by manufacturer's identification plate located on base
Typewriters – on back in the corner
Vacuum Cleaners - by manufacturer's identification plate located on motor housing
Valve Refacers - by manufacturer's identification plate on unit
Valve Seat Grinder Sets - by manufacturer's identification plate located on major unit
Washing Machines - upper front corner of right panel
Welders (Arc) - upper right hand corner on front panel
Welders (Oxygen, Acetylene) - on back of regulators
Wheel Alignment Units - by manufacturer's identification plate located on major component (i.e. Hunter Unit - located on cabinet)
Wheel Balancers - by manufacturer's identification plate on base of controls

Workbenches - under top right side

Appendix F
Fixed Assets Accounting
Disposals Form

School Name:

Location #:

Date:

Prepared By:

*****Any property reported as lost or stolen requires that written justification for removal from inventory must be attached to this form, signed by the school leader. Stolen items must be reported to your local authorities and a police report is required and should be attached to this form.*****

Return to: SCPCSD Assistant Director of Finance

District Barcode (if any)	Description	Model # (if applicable)	Manufacturer (if applicable)	Serial # (if applicable)	*Disposal Code
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** Disposal Codes= Lost, Stolen (police report required), State Surplus (documentation proof required), Govdeals.com (documentation proof required)*

*****If additional space is needed for disposals, please continue to sheet 2*****

Any computer tape, disk (hard drive, CD or floppy), tablets, laptops, servers or other storage medium used to store the school's and students' data must be totally erased or rendered unreadable before it is disposed. This is the sole responsibility of the school leader and not SCPCSD Department of Technology. HAS ALL SENSITIVE SCHOOL AND STUDENT DATA BEEN TOTAL ERASED? (Initial by response)

YES

NO

Hard Drive Removed

Memory Removed

School Leader Authorization (please sign)

School Leader Authorization (please print)

Date