

Delaware Area Career Center

PLAN FOR INVENTORY AND CONTROL OF FIXED ASSETS

THE ASSET MANAGEMENT SYSTEM IS DESIGNED TO FACILITATE:

1. Management control of all fixed and movable property for more effective property accountability and utilization.
2. Reflection of dollar value of assets for insurance coverage, proof of loss and replacement of assets
3. Financial projections of depreciated assets and/or future capital expenditures.
4. Calculating depreciation expense.
5. Asset accountability for increased security against pilferage of vulnerable equipment.
6. Better space utilization through more efficient relocation and/or disposal of surplus equipment.
7. Provide information useful to the Delaware Area Career Center to be in compliance with following requirements:
 - New reporting requirements in GASB 34
 - Audit criteria
 - Internal reporting
 - Asset accounting
 - Proof of loss/property insurance
 - Federal or state grant reporting
 - Bond/Debt rating
 - Replacement cost accounting
 - Replacement year estimates
 - Maintenance scheduling
 - Planning and budgeting

DEFINITION OF A FIXED ASSET

The Delaware Area Career Center defines a fixed asset as tangible property, owned by the Delaware Area Career Center, used in a productive capacity by the Delaware Area Career Center for a period of at least one year.

The following types of assets are included in the Fixed Asset Definition:

1. **Capital Assets**
 - for financial reporting purposes only, must have a value of \$2,500 or more;
 - have a useful life of one year or more;
 - must meet the definition of one of the major Asset Classes of Land, Land Improvement, Building, Building Additions, Building Improvements, Furniture Fixtures & Equipment, Capital Leases, Vehicles, Infrastructure and Construction in Progress
 - must be of a tangible, distinguishable nature (possess unique physical substance)
 - are not repair parts, component parts or supplies
2. **Control Assets**
 - have a value of \$250.00 to \$2,499.99
 - have a useful life of one year or more
 - are not consumable supplies
 - have value outside the school setting
 - are movable property requiring loss control
 - unit or batch assets will not be tracked or capitalized for financial reporting purposes

TYPES OF ASSET CLASSES TO BE INCLUDED:

- **Land**

Land is real property, which generally includes both surface and content of the land. Land costs include not only the original contract price, but also such related costs as liens assumed, legal and title fees and surveying. 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.
- **Land Improvements**

Land improvements consist of land attachments with limited lives, including driveways, walls, fences, parking lots, playground built ins, irrigation systems, athletic courts or tracks, and the like. These are recorded separately from land so they can be depreciated over their useful lives and insured. This group includes all improvements to the grounds in excess of \$5,000 per improvement.
- **Buildings and Building Additions**

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, and 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. These latter assets may be replaced several times during the life of the structure shell. Segregation 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 a building; they expand area, increase safety, improve climate control, extend the useful life of the structure or improve handicapped accessibility within the building. Examples are the installation of a sprinkler system, central air conditioning or boiler replacement. A building improvement must have a significant impact and be a material amount (\$5,000 or more per improvement and 25% or more of the cost of the original component) in order to be capitalized. For this reason, partitioning, lighting or flooring renovations will generally be expensed. 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, Fixtures and Equipment**

Furniture, fixtures and equipment are defined as personal property not attached to land, buildings or improvements and which remains movable. Included in this category are business machines, power tools, computers, etc. Costs associated with the direct purchase include shipping, site preparation, and installation, unless these are nominal. Fixed asset records should include the location code, original voucher numbers with activity/function coding, and any identifying descriptions (manufacturer's model, serial number, etc.).
- **Equipment Under Capital Lease**

This should be considered separately or as a special component of furniture, fixtures and equipment. In accordance with FASB #13, any non-cancelable lease agreement that meets one or more of the following criteria should be capitalized:

 1. The lease transfers ownership of the property to the Delaware Area Career Center at the end of the lease term.
 2. The lease contains a bargain purchase option.
 3. The lease term is equal to 75% or more of the estimated economic life of the leased asset.
 4. The present value of minimum lease payments equals or exceeds 90% of the fair value of the leased asset.

Capital leases are reported in the financial statements at net present value of the lease payments.
- **Vehicles**

Vehicles include all over the road, licensed vehicles as well as school buses owned by the Delaware Area Career Center.

- **Collections**

Library books and other collections of material value having a useful life of more than one year are not considered capital assets. Library books and textbooks are maintained as a unit or batch asset and consist of large number of books with a relatively modest value per book. The collection is listed for insurance purposes only and will not be tracked for financial reporting purposes.

ASSET VALUATION

According to GASB Statement 34, "Capital assets should be recorded at historical cost. The cost of a capital asset should include capitalized interest and ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include costs that are directly attributable to asset acquisition such as freight and transportation charges, site preparation costs, and professional fees. Donated fixed assets should be recorded at their estimated fair value at the time received plus any ancillary charges, if any."

Cost is defined as the cash price, or its equivalent, plus all other costs necessary to place the asset in its intended location and condition for use.

Sources of historical cost data can include: invoices, purchase orders, cancelled checks, vouchers, contracts, board minutes, general ledger records, real estate closing documents, tax assessment records, grant records, inventory cards, maintenance records, price lists, vendors, etc.

LAND AND LAND IMPROVEMENTS

Items included as part of the acquisition cost for land: purchase price, legal and title fees, site preparation, including demolition of existing buildings, and damage payments.

The purchase of land sometimes assumes certain obligations related to the land, such as liens on the property. In such situations, the cost of the land is the cash paid, plus the liens or other liabilities. In addition, if an improvement is permanent in nature, such as landscaping, then the item is properly chargeable to a non-depreciable, land improvement account. Improvements with limited lives, such as driveways, walks, fences and parking lots, are recorded as depreciable land improvements.

BUILDINGS, ADDITIONS AND BUILDING IMPROVEMENTS

The cost of buildings includes all expenditures related to the acquisition of construction of said building or addition or improvement. These include the 1) purchase price, 2) direct costs of materials and labor, 3) indirect costs of construction such as fees and permits, and 4) interest charges incurred during the construction in progress phase.

Buildings are reported in general fund and various functions depending on the use of the building. The split among functions was determined by examining a floor plan of each building and determining how each room is used by fund and function. Each room is considered a unit, excluding bathrooms and hallways. After determining how many total units, a percentage was arrived at by dividing how many of each function by the total units.

CAPITAL LEASES

The capital lease document must be analyzed and the liability determined at the inception of the lease agreement, based on the computed present value of the future minimum lease payments. The fixed asset should be capitalized, based on the same determination, as of the date originally placed in service. If no interest rate is stated in the lease, the discount rate applied should be the incremental borrowing rate or fair market value, whichever is less. If the asset acquired is a general capital asset, the present value of the amounts owed by the Delaware Area Career Center for future lease payments as well as the capitalized asset will be accounted for on the Statement of Net Assets.

DONATIONS

Donations of assets can occur as gifts from individuals or organizations. Valuation of these assets should be established based on fair market value on the date of the gift, plus any ancillary costs necessary to put the asset into use. Donations are to be submitted to the Board for acceptance. The Board in its motion to accept will state the value of the donation.

SCHOOL CONSTRUCTED PROPERTY

Property manufactured, constructed, fabricated or otherwise produced by a Delaware Area Career Center organization for use within the Delaware Area Career Center must be given a value based upon the cost of labor and materials. The property must also be included in the inventory of the user-operating unit if it meets the capitalization criteria.

DEPRECIATION

Depreciation is required for the Delaware Area Career Center's capital assets. Depreciation is calculated using the Straight Line Method and reported by area of activity (function) in the accounts of each fund. The Delaware Area Career Center calculates depreciation on all capital assets reported in the Delaware Area Career Center 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. Ideally speaking, 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 relate to the life expectancy as used by the specific governmental unit. The Delaware Area Career Center has established the following general categories of useful lives for its capital assets:

- Land Improvements 25 years
- Building and Improvements 10 to 50 years
- Furniture, Fixtures and Equipment 5 to 20 years

Useful lives are assigned to each asset unit. They are expressed in terms of the probable total years of service.

CODING SYSTEM

The Delaware Area Career Center's coding system for fixed asset records defines the required data elements to establish and maintain the fixed asset information. Depending on the information available and the category of the asset, key data elements will include all or part of the following and any future items required by law:

- Department responsible for asset generally the USAS operational unit code
- Asset number tag number assigned
- Asset status active, disposed of, etc.
- Description
- Purchase order number
- Warrant
- Asset class
- Serial number
- Cost
- Location
- Acquisition date
- Estimated useful life
- Costing method
- Acquisition method - purchase, donation, etc.
- Source of funding
- Salvage value
- Accumulated depreciation
- Depreciation expense
- Maintenance agreement information
- Capital lease information
- Function assignment beginning and current
- Quantity
- Replacement cost
- Disposition code manner of disposal, auction, trade in, sale, etc.
- Date of asset disposal

FIXED ASSET SYSTEM MAINTENANCE

Treasurer's Office Responsibilities: The Treasurer's office, in order to comply with state- mandated financial reporting requirements and generally accepted accounting principles and property insurance requirements, is responsible for coordinating the property management function of the Delaware Area

Career Center. Working in cooperation with the operating unit administrators and the clerical staff, the property management function is specifically responsible for:

- Initial identification of qualified fixed assets through the purchasing system.
- Reporting of related financial results to appropriate local, state and federal authorities.
- Designing the programs that produce the required financial and other reporting elements.
- Maintaining the data records centrally as required.
- Maintaining appropriate documentation for property management programs.
- Ensuring all physical acquisitions, dispositions, transfers and relocations are supported by the appropriate forms.
- Ensuring that necessary police reports are on file for all thefts and reports are communicated to the Superintendent's office.
- Assignment of actual cost, useful life and other required information.
- Tagging.
- Determining book value for authorized sale items.
- Initiating the annual physical inventory process at each location.
- Establishing edit/input procedures.

Administrator Responsibilities: The Superintendent shall establish the sale price of any asset offered for sale with a book value of less than \$10,000. Assets with a book value greater than \$10,000 must be disposed of by auction and in conformance with State law.

Each building principal is responsible for: 1) ensuring all disposition forms are processed as required in a timely manner; 2) ensuring that, where necessary, proper reporting of stolen items is communicated; 3) ensuring donated property is properly recorded; 4) ensuring an accurate annual inventory be conducted and reported.

Whenever a building principal has knowledge or reason to believe that any property of the Delaware Area Career Center is lost, stolen, damaged, or destroyed through vandalism, fire, theft or other acts of God, they shall immediately notify the Superintendent's and Treasurer's offices and file an appropriate disposition form.

PHYSICAL INVENTORY OF FIXED ASSETS

A periodic physical inventory of fixed assets is necessary for accountability and control. The inventory confirms or refutes the reliability of the property management system.

The inventory taking process is initiated by the Treasurer's office to: 1) confirm and validate fixed asset records and/or 2) 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, fixtures and equipment characterized as movable. Periodic inventories are costly and time consuming, and must be planned around the Delaware Area Career Center's existing resources to accomplish them.

The Treasurer's office generates a list of fixed assets located in each classroom, office, storage area, etc. and sends it to the person in charge of that area. That person then confirms whether the items listed are, indeed, still located in that specific area. Any new items are added, and any items no longer there are reported, along with a disposal form.

TAGGING FIXED ASSETS

The primary purpose of tagging is to maintain a positive identification of capital assets owned by the Delaware Area Career Center. Effective tagging results in: 1) providing an accurate method of identifying individual assets; 2) facilitating the inventory process on a periodic basis; 3) controlling the location of all physical assets; 4) assisting in maintaining fixed assets; 5) providing a common ground of communication for both the finance department and the asset's users.

A numeric tag system will be used to identify the Delaware Area Career Center's fixed assets. Tagging will occur at time of acquisition confirmation and be done by the building principals or their designee. Computers and technology equipment will be tagged by the Technology Coordinator. Tags will be placed where they can be easily seen.

ACQUISITIONS

New assets acquired by the Delaware Area Career Center must be reported immediately to the Treasurer, using the prescribed form. This information should be provided to the Treasurer's office at the time the purchase order is submitted for approval. If the order is for replacement equipment, the disposition portion of the form should also be completed. Upon approval of the purchase, a copy of the acquisition form with the tag affixed will be returned to the unit administrator and a copy will be retained in the Treasurer's office. Upon receipt of the asset, the inventory tag must be affixed. Any additional

information such as serial number, etc., not available at the time the purchase order was issued, must be communicated to the Treasurer's office on the receiving copy of the purchase order used for payment of the invoice.

The Treasurer's office should be on the alert for fixed assets that appear to have been purchased out of expenditure codes not directly corresponding to the asset's functional activity or not expended from a Capital Outlay account code. These purchases may not properly report on the EIS Pending List for entry into the system at year end. Corrective action may be needed to assure all assets are properly recorded.

DISPOSITIONS

Delaware Area Career Center fixed assets are retired through several means, including sale, trade in, loss by theft, etc. All disposals by any means must be reported to the Treasurer using the prescribed form. The inventory tag should be attached to the form. Any acquisitions involving a trade in should also be thoroughly reviewed to properly record the disposal of the asset relinquished.

Assets disposed of by sale with a current book value in excess of \$10,000 must be sold at auction (pursuant to Ohio Revised Code Section [3313.41](#)). Assets with a current book value less than \$10,000 will be disposed of by the Superintendent according to Board policy. All sale or trade in of assets, regardless of value, must have prior written approval of the Delaware Area Career Center Superintendent or his/her designee, who will, based upon the asset records, establish a fair market value for sale purposes.

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