

Fixed asset accounting is an important part of the stewardship responsibility of school officials. It allows school officials to properly account for the financial and economic resources of the school system. An inventory control system shall be established for all tangible fixed assets owned or possessed by the board of education. The superintendent shall ensure that a physical account of fixed assets is taken on an annual basis.

Each employee involved in purchasing furniture or equipment or who is involved in contracting for an improvement shall follow the procedures the Superintendent authorizes to assure that all capital purchases are properly recorded in the fixed assets inventory system. In addition to assisting in the process of recording capital purchases in the fixed assets inventory system, each employee of the school system shall participate in conducting annual physical inventories of all fixed assets under his or her control as determined by the Superintendent.

A. DEFINITION OF FIXED ASSETS AND CAPITAL OUTLAY

Beginning with fiscal year 2001-02, Buncombe County Schools was required to use the new governmental accounting model established by GASB Statement 34. This new model requires accumulated depreciation to be computed for all fixed assets as of the date of conversion to the new governmental accounting model and additional depreciation to be calculated annually and expensed through the income statement. The Local Government Commission has urged local education agencies to review their definitions of fixed assets to assure that only items of significant value are recorded in the process of converting to the new governmental accounting model.

The Department of Public Instruction has for several years enforced a \$5,000 threshold for capitalization of equipment in the Federal Grants Fund, although local education agencies have been able to set a lower limit for capitalization of equipment in other funds that they maintain.

Not all equipment purchased from the Capital Outlay Fund has to be capitalized (meaning added to a Fixed Asset Inventory and depreciated). The Chart of Accounts established by the Local Government Commission provides two different sets of object of expenditure codes, one for “non-capitalized equipment” and another for “capital equipment,” both of which may be used in the Capital Outlay Fund.

It is also not necessary for all items of furniture to be recorded individually on the fixed assets system for reimbursement to be received from an insurance carrier in the event of a catastrophic loss. Other units in the State have had good experience with recovering replacement cost from an insurance carrier for student chair/desks, teacher desks, file cabinets, chairs, cafeteria tables, and other furniture items by estimating the number of such

furniture items from the number of classrooms and/or or students in the facility that suffered the loss.

In order to implement the new governmental accounting model in an efficient manner, the following definitions are made.

Fixed Assets Defined

Fixed assets are items of tangible property, both real and personal, having a value of \$500 or more and an estimated useful life of two years or more. Fixed assets are distinguishable from intangible property, such as money or securities, and consumable tangible property, such as office supplies.

Capital Outlay Fund Expenditures Defined

The Capital Outlay Fund shall record expenditures for the acquisition of furniture and equipment having a useful life of more than two years. It shall also record expenditures for land or existing buildings, improvement of grounds, construction of buildings, additions to buildings, remodeling of buildings, initial equipment, additional equipment, and replacement of equipment. Those items or projects that have an individual acquisition cost of \$5,000 or more shall be added to the Fixed Assets Inventory system and depreciated annually in accordance with generally accepted accounting principles as detailed in GASB Statement 34. It is not necessary for an item to be added to the Fixed Assets Inventory system and depreciated annually if its acquisition cost is less than \$5,000. A reconciliation shall be performed as a part of the annual audit process to demonstrate that all items and projects paid from the Capital Outlay Fund during the preceding fiscal year that had an individual acquisition cost of \$5,000 or more were added to the fixed assets inventory system.

B. CATEGORIES OF FIXED ASSETS

For the purposes of accounting and inventorying fixed assets, they shall be divided into the following categories:

1. Land: Real property owned in fee simple, easements, rights-of-ways and leases and other interests in land.
2. Land Improvements: Permanent improvements (excluding buildings as defined in Section 3 below) that add value to the land or improve the use of land, such as sidewalks, parking lots, driveways, fences and drainage systems.
3. Buildings: Any permanent or portable, man-made structure owned by the board of education and used to house or shelter persons or property, including schools, offices, warehouses, garages, sheds and similar structures.
4. Equipment: Any portable, tangible personal property not permanently affixed to

real property that is owned, leased or used by the school system, including such items as machinery, tools, furniture, computers and motor vehicles.

C. RECORD KEEPING

The superintendent shall develop an appropriate record keeping and inventory system for the school system’s fixed assets.

All Board of Education employees are charged with the responsibility for following the procedures for recording fixed assets and for undertaking the annual physical inventory of fixed assets as established by the Chief Financial Officer.

Those employees having control over federal funds are charged with the additional responsibility of tracking and preserving records on the use of assets purchased with federal funds as required under the terms of the federal grant.

D. RECORDING ITEMS IN FIXED ASSETS INVENTORY/CALCULATING DEPRECIATION EXPENSE

The Buncombe County Board of Education recognizes its responsibility to maintain an adequate detailed inventory of fixed assets owned by the Board in order to:

- A. Safeguard a sizeable investment.
- B. Fix responsibility for the custody and control of buildings and equipment at individual site locations.
- C. Assist budgeting and recording depreciation expense, with the acquisition, maintenance, retirement, and replacement of fixed assets.
- D. Conform with Generally Accepted Accounting Principles (GAAP) and financial reporting procedures.
- E. Provide information for insurance purposes.

The following guidelines are hereby established for the fixed asset inventory and for the calculation of straight-line depreciation expense:

Land	Land and permanent rights to land (e.g., easements) should be recorded in the fixed assets inventory system if the acquisition cost is \$5,000 or more. Depreciation is not applicable to land and land rights-of-way/easements.
Buildings	Building acquisitions and additions and improvements to buildings should be recorded in the fixed assets inventory system and depreciated annually if the cost is \$5,000 or more, utilizing the following life

	expectancies: buildings and additions to buildings -50 years, and improvements to buildings (non-structural) -15 years.
Improvements Other Than Buildings	Acquisitions of improvements other than buildings and additions to these improvements should be recorded in the fixed assets inventory system and depreciated annually if the cost is \$5,000 or more, utilizing the following life expectancy: land/site improvements and structural improvements -25 years.
Capitalized Equipment	All furniture and equipment costing \$5,000 or more each should be recorded in the fixed assets inventory system and depreciated annually, utilizing the following life expectancies: furniture and equipment -5 years and vehicles -12 years. School nutrition equipment should be recorded in the fixed assets inventory system and depreciated annually, utilizing the following life expectancies: -12 years.
Non-Capitalized Equipment	No equipment costing less than \$5,000 each should be depreciated. However, non-capitalized equipment that is motorized, electronic, or computerized should be added to the fixed assets inventory system for fiduciary purposes only so that its existence can be verified during the annual physical inventory process.
Furniture	No furniture items costing less than \$5,000 each should be added to the fixed assets inventory system or depreciated.
Maintenance Department Labor Costs	When Maintenance Department staff provide the labor associated with a significant capital project, the actual cost of the labor may be charged to the Capital Outlay Fund. When the total cost on a project equals or exceeds \$5,000, that cost should be recorded as an addition to the fixed assets inventory system and depreciated, as delineated above.

For buildings and improvements other than buildings accumulated depreciation through June 30, 2001 is to be calculated for a full year, including the year the asset was acquired.

Beginning with 2001-02 for each fiscal year an asset is acquired, depreciation is calculated for one-half the year the asset is added to the system, then a full year thereafter up to the asset's life expectancy.

For capitalized equipment, depreciation is calculated beginning with the month an asset is placed in service up to the asset's life expectancy.

Legal References: G.S. 58-31A-35; 115C-36, -47, -102.6A(c)(5), -529

Cross References:

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