

OYSTER RIVER COOPERATIVE SCHOOL BOARD	Policy Code: DID
School Board First Read: June 15, 2011 School Board Second Read/Adoption: July 20, 2011 Reviewed By Policy Committee: July 9, 2014 School Board First Read: July 16, 2014 School Board Second Read/Adoption: August 20, 2014 Policy Committee Review: May 13, 2021 ~ No Change	Page 1 of 2 Category: Recommended

## **FIXED ASSETS POLICY**

### A. Objective

The Governmental Accounting Standards Board (GASB) issued Statement 34, significantly changing the content and layout of the annual financial statements. The objective of this policy is to facilitate compliance by the School District with GASB 34.

### B. Overview

Fixed assets are specific item(s) of property that: (1) are tangible in nature; (2) have a life longer than three years; and (3) have a significant value. The significant value test is important because the ORCSD has individual assets that are tangible and long-lived, but whose value is so small that the time and expense incurred in maintaining the detailed accounting and inventory records for these item(s) are not justified.

The District's administration is responsible for establishing an accounting and internal control structure designed to maintain a complete and accurate accounting of fixed assets with significant value. This is important for several reasons. Adequate accounting procedures and records for fixed assets are essential to effective asset management and control as well as reporting fixed assets to conform with generally accepted accounting principles (GAAP). The responsibility involved in safeguarding such a large public investment is of importance to sound management and financial administration. The internal control structure is designed to provide reasonable, but not absolute, assurances that these objectives are attained.

### C. Capitalization Policy

"Fixed Assets" are all items purchased that have a useful life of more than three years, are of a tangible nature and have a value of \$10,000 or more, gross cost, not including trade-ins or any taxes, licenses, etc.

Items of less than \$10,000 are not to be considered as fixed assets unless they form an integral and essential part of another piece of equipment or structure considered to be a fixed asset or a part of a Capital Project.

Land and Buildings will be considered to be a fixed asset regardless of cost.

### D. Classification of Fixed Assets

1) Land and improvements: Purchased land will be carried on the Fixed Assets Schedule at acquired cost. All costs for legal services incidental to the acquisition and other charges incurred in preparing the land for use shall be included in the cost. In order for improvements to be capitalized, the improvement should be considered permanent and should add value or improve the use of the land. Examples of improvements are fences, retaining walls, landscaping, drainage systems, sewer or water lines, utilities, etc. All land will be considered a fixed asset, regardless of the value.

2) Buildings: All buildings will be valued at purchase price or construction cost. Cost should include all charges applicable to the building acquisition including fees for brokers, appraisers, engineering consultants, legal services, and architects.

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3) Equipment and Machinery: All items of tangible property not permanently affixed to real property, which are needed in carrying out the operations of the District, are considered fixed assets. Installation cost should be included in the capitalized amount. Examples are furniture, machinery, heavy equipment, computers, etc. that have an individual item acquisition cost of \$10,000 or more and a life expectancy of three years or more.

4) Construction Work in Progress: This is primarily used in conjunction with Capital Projects. Capital Project costs are accumulated until completion, when cumulative costs are transferred to the appropriate fixed asset account. The capitalization policy does not apply in these cases, and all costs must be recorded to give accurate values.

5) Infrastructure: The construction of new street(s), sewer and bridge infrastructure and the improvements to the existing infrastructure are added to the fixed asset schedule.

6) Additions and Modifications to Existing Assets: Costs are often incurred in connection with fixed assets after the original acquisition cost has been established. In general, any expenditure which is an addition to a fixed asset, or an integral part of it, that significantly increases the value of, enhances the performance of or changes its useful life, should be classified as a capital expenditure and the original acquisition cost adjusted. The addition to a building or a dump body to a truck chassis where none existed before are some examples. When modifications, which enhance the performance or life of an asset, are made, the value of the asset should be adjusted by the difference in cost between the original and the modification.

#### E. Disposal of Fixed Assets/School Property

No equipment or supplies shall be disposed of until permission has been received from the Business Administrator's office. The Business Administrator and or designee will determine whether the material involved has salable value, and if such shall be the case, authorize the sale of the material. If the material does not have salable value, the proper disposal of the books, equipment, and/or supplies shall be determined by the Business Administrator and disposed of in such a way as to be environmentally safe.

- Single items up to \$500 in value may be sold by the Business Administrator.
- Single items, which may exceed \$500 in value, are to be sold by sealed bids presented to the Business Administrator.
- The above guidelines may be waived by the School Board in lieu of a public auction conducted by the District.
- Items remaining unsold after advertising and/or an auction shall be declared non-salvageable and shall be disposed of in the most expeditious manner, and whenever possible items will be disposed in an environmentally safe manner.

#### School Properties Disposal Procedure

The Board authorizes disposition of obsolete items according to the following priority actions:

- By selling to the highest bidder or whatever other business arrangement is in the best interest of the Oyster River Cooperative School District.
- When practicable, the Board shall donate such items to charitable organizations and schools.
- By public auction.
- By removal to a town transfer station and/or environmental safe facility.