

# FIXED ASSETS

## Fixed Asset Summary

School districts are responsible for accounting for capital assets. Capital assets have certain properties that distinguish them from other types of assets. Capital assets are:

- Tangible in nature
- Long-lived (have a life of longer than one year)
- Of a significant value at purchase or acquisition time
- Reasonably identified and controlled through a physical inventory system

A variety of data relating to a school district's capital assets must be accumulated to maintain control and accountability over them. These data include:

- Quantity
- Cost
- Location
- Condition
- Life expectancy

### DEFINITION

Pflugerville ISD defines fixed assets as those tangible items with:

- (1) a useful life longer than one year; and
- (2) a unit cost of \$5,000 or more.

This includes land, buildings, machinery, furniture and equipment which are intended to be held and used over a long period of time. "Fixed" denotes probability or intent to continue use of an asset, and does not indicate immobility of an asset. All fixed assets are recorded at historical cost.

### CLASSIFICATION OF FIXED ASSETS

Fixed assets are divided into two basic categories: depreciable and non-depreciable.

Depreciable fixed assets are those assets that are subject to wear, decay, or expiration over a period of time greater than one year and for which the useful life can be reasonably estimated. Pflugerville ISD fixed assets are depreciated over the estimated useful lives using the straight line method of depreciation.

Non-depreciable fixed assets are those assets that are inexhaustible, such as land, or any other fixed asset whose economic benefit or services is used up so slowly that its estimated useful life is extraordinarily long. Construction-In-Progress is defined as a non-depreciable fixed asset until it is put into use and transferred to Buildings.

### PROPERTY ACCOUNTS AND ASSOCIATED COSTS

Accounting for capital assets requires the proper classification of individual assets within recommended asset classes. Appropriate associated costs and charges are capitalized with the assets within each class.

- **Land** recorded asset cost should include, in addition to the purchase price, such ancillary costs as legal and title fees, surveying fees, appraisal and negotiation fees, damage payments, site preparation costs (clearing, filling, and leveling) and demolition of unwanted structures.
- **Costs of building and improvements** include purchase price, contract price, professional fees of architects, attorneys, appraisers, financial advisors, etc.; damage claims, cost of fixtures attached to a building or other structure; construction insurance premiums, interest, and related costs incurred during the period of construction; and any other expenditures necessary to put a building or structure into its intended state of operation.
- **Construction work in progress** represents a temporary capitalization of labor, materials, equipment, and overhead costs of a construction project. Upon completion such costs should be cleared or moved by transfer of the capitalized costs to one or more of the other classes of assets.

- **Furniture and equipment** should include the total purchase price, before any trade-in allowance, and minus any discounts. Other costs which should be capitalized as equipment include transportation charges, installation costs, taxes or any other expenditure required to place the asset in its intended state of operation.

## ACCOUNTING FOR MAINTENANCE, ADDITIONS AND BETTERMENTS

Accounting for costs related to capital assets after their acquisition requires careful differentiation between maintenance expenditures, additions and betterments. Maintenance costs are those outlays which are necessary to keep an asset in its *intended operating condition* but which do not materially increase the value or physical properties of the asset. Maintenance costs should be charged to appropriate expenditure accounts and not capitalized as capital assets.

In contrast, all additions and betterments to capital assets should be capitalized at cost when acquired or when construction or installation is completed. An addition refers to a physical extension of some existing asset or the acquisition of an entirely new asset which does not merely replace one of similar function and value. A betterment exists when a part of an existing asset is replaced by another and the replacement provides a *significant increase* in the life or value of the property.

## SUB-CATEGORIES OF DEPRECIABLE FIXED ASSETS

Depreciable fixed assets are further divided into sub-categories according to type and estimated useful life. The sub-categories of depreciable fixed assets and their estimated useful lives are as shown in the table below.

<u>Asset Type</u>	<u>Estimated Useful Life</u>
Land	not applicable
Buildings	50
Portable buildings	25
Site improvements	20
Construction in progress	not applicable
Outdoor equipment	20
Grounds equipment	15
Musical instruments/equipment	10
Licensed vehicles	10
Computer equipment	5
Network System	5
Telephone System	5
Other equipment	Various

\*These items are assigned useful lives based on the guidelines issued by the Association of School Business Officials International.

## INVENTORY OF FIXED ASSETS

The Pflugerville ISD Finance Department maintains detailed subsidiary records of fixed assets by category. Fixed asset purchases are coded to Specific Object Codes within the Expenditure Account Code which have been designated to identify fixed assets. Only these codes should be used to procure these type items. Each month a Capital Outlay Expenditure Report is generated which details all expenditures for these Object Codes. This report is used to enter the information on the District's detailed subsidiary records. Additions and deletions to the fixed asset accounts in the general ledger are posted on a quarterly basis.

The Executive Director of Facilities Management and the Executive Director of Technology Services will be responsible for overseeing the inventory for their respective departments. In addition, the band director of each secondary campus will be

responsible for maintaining an inventory of all band instruments in their possession. All movable capital assets should be marked numerically, or with some kind of code, to permit positive identification. Any transfer or removal of these assets should be reported to the fixed asset accountant.

Annually, a listing of fixed assets is requested from each of the above asset custodians. The fixed asset accountant is responsible for comparing this listing to the detailed subsidiary records and verifying that all assets are still in use. Any discrepancies are investigated by the fixed asset accountant.

## **DISPOSAL OF FIXED ASSETS**

Surplus items no longer needed by the district will be properly disposed of or sold according to state laws and guidelines.

All surplus technology equipment will be handled by the Technology Department due to restrictions regarding disposal of these items.

### **Federal Assets/Items:**

When property purchased with grant funds is no longer needed for the original purpose or for other activities currently or previously supported by TEA or the USDE, disposition will be made as follows:

- A. **Items of equipment with a current per-unit fair market value of less than \$5,000:** may be retained, sold or otherwise disposed of with no further obligation to TEA or the federal government.
- B. **Items of equipment with a current per-unit fair market value in excess of \$5,000:** Disposition approval is required when equipment originally purchased with federal grant funds is no longer needed for the original project, programs currently funded by other USDE grants, or projects previously supported by USDE grants. The campus principal must contact the Director of Federal & State Programs to obtain the TEA Inventory Disposition Request Form. This form must be completed and submitted to TEA to request approval to dispose of equipment, or supplies and materials purchased with federal grant funds. Proceeds from the sale of this equipment will be returned to TEA to return to the federal government.