

AGENDA REQUEST FORM
Chattooga County Board of Education

Meeting Date September 21, 2023
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Agenda Item Number C-1

TITLE:	Update Board Regulation DIB-R(1): Capitalization Policy for Fixed Assets
REQUESTED ACTION:	Board consideration of Superintendent's recommendation to update Board Regulation DIB-R(1): Capitalization Policy for Fixed Assets (policy will lay until the October board meeting, to allow for public input).
SUMMARY EXPLANATION AND BACKGROUND:	See Attached
MAJOR SYSTEM PRIORITY:	Establishing internationally competitive standards
FINANCIAL IMPACT:	N/A
EXHIBITS: (List)	See Attached
BOARD ACTION: (For Official School Board Records Only)	SOURCE OF ADDITIONAL INFORMATION Erica Edmondson <u>Finance Director</u> (706) 857-3447 Name Phone

OFFICE OF THE SUPERINTENDENT OF SCHOOLS

Approved in Open Board Meeting on:

_____ Date

By:

_____ School Board Chairman

Regulation DIB-R(1): Financial Reports - Capitalization Policy for Fixed Assets

Status: DRAFT

Original Adopted Date: 07/14/2011 | Last Revised Date: 04/20/2023 | Last Reviewed Date: 04/20/2023

CAPITALIZATION POLICY FOR FIXED ASSETS

FIXED ASSETS

A record and inventory shall be maintained on all tangible and intangible fixed assets which has a normal expected life of one year or more. All such property shall be identified and marked in a prescribed manner through the use of sequentially-numbered bar code decals (with exception of land and buildings). Such decals will identify the fixed asset as being property of the Chattooga County Board of Education.

Each School Principal/Building Manager shall have the responsibility for the maintenance and control of all tangible personal property located in the school/building. Tangible personal property is defined within the asset class of Machinery and Equipment, and further defined to include kitchen equipment, computer hardware, outdoor equipment, miscellaneous equipment, trucks, vans, tractors, forklifts, etc.

The Superintendent and Director of Finance shall have the responsibility for the maintenance and control of all other tangible and intangible property, both real and personal owned by the

Chattooga County Board of Education. All other tangible/intangible personal property shall be defined as Machinery and Equipment, and shall include such items as kitchen equipment, computer hardware, outdoor equipment, miscellaneous equipment, trucks, vans, tractors, forklifts, etc., not located within the confines of a school building.

All tangible real property shall be defined as buildings, building additions, building improvements, construction in progress, land and land improvements.

A fixed asset is a piece of property that meets all of the following requirements:

1. The asset is tangible and complete or classifies as an intangible asset as defined in this regulation.
2. The asset is used in the operation of the school system's activities.
3. The asset has a useful life of longer than the current fiscal year.
4. The asset is of significant value.

The following significant values will be used for different classes of assets:

<u>Class of Fixed Asset</u>	<u>Significant Value</u>
Machinery and Equipment	\$10, 000 or more
Building & Building Improvements	\$25,000 or more
Land Improvements	\$25,000 or more
Land	Any Amount
Intangible Assets	\$200,000 or more \$100,000 or more

Fixed assets may be acquired through donation, purchase or may be self-constructed. The asset value for donations will be the fair market value at the time of the donation. The asset value, when purchased, will be the fair market value at the time of the donation. The asset value, when purchased, will be the initial cost plus the trade-in value of any old asset given up, plus all costs related to placing the asset into operation. The cost of self-constructed assets will include all costs of construction.

Land

Land acquired by purchase is recorded at cost to include the amount paid for the land itself and all incidental costs.

Land acquired by gift or bequest is recorded at the fair market value at the date of the acquisition.

When land is acquired with buildings erected thereon, total cost is allocated between the two in reasonable

proportion at the date of acquisition. If the transfer document does not show the allocation, other sources of the information may be used such as an expert appraisal or the real estate tax assessment records.

Land is not depreciable.

Land Improvements

This category will include parking lots, outdoor lighting, covered walkways, fences, tennis courts, running tracks, and grandstands, etc. The Board does not capitalize landscaping. Land Improvements will be depreciated over their estimated useful lives.

Buildings

Buildings will be recorded at either their acquisition cost or construction cost. If a building is acquired by purchase, the capitalized cost should include the purchase price and other incidental expenses at the time of acquisition. If a building is constructed, the capitalized cost should include all construction costs. The constructed building will be capitalized upon completion of the project. For the first year, all component units of the building, such as HVAC, plumbing system, sprinkler systems, elevators, etc will be included in the capitalized cost of the building.

Building Additions

Building additions will be recorded at their construction cost. Building additions will be capitalized separately and depreciated over their useful life.

Building Improvements

- **Components Units** (HVAC, plumbing systems, sprinkler systems, elevators, etc.)
When building component units are replaced, the new component unit will be capitalized separately, and the old component (subsequent to original construction) will be removed from the property report. However, if the original component unit was included in the original construction, it will not be removed since it was not a separately valued component. The new component unit will be depreciated over the remaining useful life of the building.
- **Major Renovations or Alteration**
Any major renovations or alterations within an existing building will be added to the cost of the original building. These renovations/alterations will be depreciated over the remaining life of the building/structure.

Construction in Progress

This includes all projects for buildings or land improvements construction that are not completed at the end of the fiscal year.

Machinery & Equipment

Expenditures for machinery, equipment or furnishings costing \$10,000 or more per item and have an estimated life of more than one year will be capitalized. Library books will not be capitalized.

Intangible Assets

Intangible Assets are defined as:

Software Agreements

Expenditures for computer software that is purchased, licensed or internally generated

Easements

Land Use Rights (water, timber, mineral rights)

Patents, Copyrights, and Trademarks

Equipment Leases

Depreciation Policy

The "straight line" method of depreciation should be utilized to depreciate fixed assets, except for land, over the estimated useful lives of the related assets principally as follows:

Buildings/Building Improvements.....10-60 years

Machinery & Equipment.....3-26 30 years

Land Improvements.....7-80 years

Intangible Assets.....Individually Determined Useful Life greater than 1 year

Depreciation will be calculated utilizing the "half-Year convention." Under this convention, an asset is treated as though it were placed in service or disposed of the first day of the seventh month of the fiscal year. One-half of a full year's depreciation is allowed for the asset in its first year placed in service, regardless of when it was actually placed in service during that year.

Disposition of Assets

When fixed assets are sold or otherwise disposed of, the property report should be relieved of the costs of the asset of the associated accumulated depreciation. Items will be removed on an annual basis in conjunction of the annual update. The appropriate depreciation will be taken the year of disposal.

Intangible Right to Use Assets

GASB 87

Leases, as a lessee, are included as intangible right to use assets and lease obligations on the Statement of Net position. An intangible right to use asset represents the School District's right to use an underlying asset for the lease term. Lease obligations represent the school district's right to liability to make lease payments arising from the lease agreement. Intangible right to use assets and lease obligations are recognized based on the present value of lease payments over the lease term, where the initial term exceeds 12 months. Even if intent is to renew every year, intent to renew does not override what is in lease agreement. If a lease is year-to-year & does not contain renewal options, then it does not meet GASB 87's definition of a lease even if intent is to renew for multiple years. Those agreements would be considered short term. Variable payments based on future performance or usage are not included in the measurement of the lease liability. Intangible right to use assets are amortized using a straight-line basis over the shorter of the lease term or useful life of the underlying asset. Capitalization threshold of intangible right-to-use assets are as follows:

Class of Right to use	Significant Value
Machinery & Equipment	\$10,000 or more
Building & Building Improvements	\$25,000 or more
Land Improvements	\$25,000 or more
Land	Any Amount

SBITA: Subscription Base Technology

GASB 96

IT software subscriptions allow governments to benefit from the use of IT software without maintaining a perpetual license or title to the software. Therefore, these arrangements are mutually beneficial for both the vendor and the government. Because of the increased popularity of subscription-based information technology arrangements (SBITAs), the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements (GASB 96) to address the accounting treatment and financial reporting for these agreements.

Procedure:

The Chattooga County Board of Education will follow guidelines provided for GASB 96 as they are provided. To make determinations on whether or not a SBITA (Subscription Based Technology Agreement) should be capitalized the BOE will utilize the following decision tree for every SBITA that exceeds \$100,000.00.
