

### Accounting of Fixed Assets

The Board of Education of the Valley Stream Union Free School District #24 ("the Board") designates the Assistant Superintendent to have the responsibility for accounting for general fixed assets according to the procedures outlined by the Uniform System of Accounts for School Districts. These accounts will serve to:

- a) Maintain a physical inventory of assets
- b) Establish accountability
- c) Determine replacement and depreciation costs
- d) Provide appropriate insurance coverage
- e) Provide for the accounting for capital assets under General Accounting Standards Board #34 (GASB-34).

All fixed assets carrying a minimum value established by the Board of Education that have a useful life of one year or more and physical characteristics which are not appreciably affected by use or consumption shall be inventoried and recorded on an annual basis. Fixed assets shall include land, buildings, equipment and materials.

Assets shall be recorded at initial cost, or if not available, at estimate cost; gifts of fixed assets shall be recorded at estimated fair value at the time of the gift. A property record will be maintained for each asset and will contain, where possible, the following information:

- a) Date of acquisition
- b) Description
- c) Cost or value
- d) Location
- e) Responsible official
- f) Initial assessed and (as appropriate) Reassessed Estimated Useful Life
- g) Identification of capitalization level for both inventorial items and depreciation
- h) Date and method of disposition

The Assistant Superintendent shall arrange for the annual inventory and appraisal of District property, equipment and material. Any discrepancies between an inventory and the District's property records on file should be traced and explained.

## Definitions

### *Capital Assets –*

Capital Assets are reported at actual cost of acquisitions subsequent to June 30, 2002. For assets acquired prior to June 30, 2002, estimated historical costs, based on a fixed asset appraisal conducted by third-party appraisal company professionals. Donated assets at estimated fair market value at the time received.

As defined in the GASB #34 statement, Capital Assets “includes land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period”. The Capitalization limits and Depreciation methods employed, as defined and adopted with this policy shall be consistent from year to year, and reasonable.

### *Capitalization Thresholds –*

The dollar value above which asset acquisitions are added to the capital asset account.

Capitalization threshold rates used for GASB-34 Reporting Purposes are as follows:

Land Parcels	1
Buildings/Structures:	10,000
Machinery and Equipment	5,000
Site Improvements	10,000
Licensed Vehicles	5,000
Capital Improvements	10,000

Note: The Capitalization Rate levels utilized for activities attendance to future General Operating Fund budgeting for Machinery and Equipment and Building Improvements are \$500 and \$1,000 respectively.

### *Original Cost:*

The actual or normal cost of new property in accordance with market prices as of the date the property was first constructed or originally installed.

*Depreciation Methodology –*

All assets shall be grouped into general classes in order to assign a normal useful life to each asset. A schedule of these class codes and descriptions are included in the District's Fixed Asset Appraisal report. The normal useful life is used to calculate depreciation for each asset.

*Normal Useful Life –*

The physical life, usually in terms of years, that an asset will endure before it deteriorates to an unusable condition. Each asset's age is based on when the asset was acquired or underwent its most major renovation. When actual data is not available, the age of the asset shall be estimated based on the asset's condition or data from comparable assets.

*Depreciation Method –*

Only a Generally Accepted Accounting Principle (GAAP) approach is acceptable and shall be used to calculate the depreciation provisions for each asset.

The Depreciation method used for GASB-34 Reporting and District purposes is as follows:

	<u>Depreciation Method</u>
Land Parcels	Straight Line
Buildings/Structures	Straight Line
Machinery and Equipment	Straight Line
Site Improvements	Straight Line
Licensed Vehicles	Straight Line
Capital Improvements	Straight Line

*Accumulated Depreciation –*

The asset's cumulative depreciation at a point during the asset's life. The accumulated depreciation shall be calculated from the date of each asset and improvement was acquired.

*Book Value –*

The original cost less any allowance for depreciation.

*Cost of Reproduction New –*

The amount required to reproduce property in like kind and materials at one time in accordance with the current market prices for materials, labor and manufactured equipment, contractor's overhead, profit and fees, but without provisions for overtime and bonuses for labor and premiums for materials.

*Land Parcels –*

The historical cost of land purchase includes the purchaser's price, legal and title fees, surveying fees, appraisal and negotiating fees, and damage payments. Lane is recorded based on original cost and date of purchase.

*Site Improvements –*

These assets are located outside of a building and particular to a parcel of land including, but not limited to, paving, curbing, fencing and lightning. Site improvements are typically based on actual historical cost data when available. When no data is available, original cost estimates are derived based on costing techniques such as Direct, Standard or Normal Costing.

*Building/Structures –*

A description of each building shall be developed and recorded, depicting construction type and materials used. Building improvements and additions are to be individually recorded as capital improvement assets. Building/Structures are typically based on actual historical cost data when available. When no data is available, original cost estimates are derived based on costing techniques such as Direct, Standard or Normal Costing.

*Capital Improvements –*

To comply with GASB Statement 34, the cost of additions and improvements should be capitalized and subsequently depreciated under both the modified and traditional depreciation approaches to reporting infrastructure. The capital improvements must (1) increase the level of service provided by the asset or (2) maintain the same level of service but a lower cost. Capital Improvements are typically based on actual historical cost data when available. When no data is available, original cost estimates are costing techniques such as Direct, Standard or Normal Costing.

*Machinery and Equipment –*

A physical inspection and inventory must be conducted annually of all capitalized machinery and equipment assets with a unit cost at or above the capitalization rate at the time of purchase and a service life greater than one year. Data collected and reported on each asset shall include:

- Bar Code Tag Number
- Manufacturer
- Site Class Code
- Acquisition Date
- Depreciation Schedules
- Asset Description
- Model
- Building
- Account Quantity
- Fund Source
- Department
- Serial Number
- Room Number
- Normal Life
- Original Cost

Machinery and Equipment is typically based on actual historical cost data when available. When no data is available, original cost estimates are derived based on costing techniques such as Direct, Standard or Normal Costing. New Replacement Cost is not provided for vehicles, because vehicles are typically covered under an insurance policy separate from the fixed assets.

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