Carolus Online Academy Fixed Assets Policy and Procedures

OFFICE OF RESPONSIBILITY: Finance **EFFECTIVE DATE**: 7/20/2023

Carolus Online Academy RESERVES THE RIGHT TO REVISE THE CONTENT OF THIS DOCUMENT, IN WHOLE OR IN PART.

POLICY:

To establish a basic structure for the accurate inventory of property in **Carolus Online Academy**, the **Carolus Online Academy** has established the following policy and procedure.

Carolus Online Academy is responsible for setting up a system to maintain an accurate inventory of materials, equipment, and real estate in **Carolus Online Academy** in accordance with accounting standards and all state and federal laws governing such.

Carolus Online Academy has developed a property management tracking system for items according to certain dollar limits and for the security of inventory with sufficient data to permit:

- The preparation of fiscal year-end financial statements in accordance with Generally Accepted Accounting Principles (GAAP) and any State/District-specific reporting requirements.
- Adequate insurance coverage.
- Control, accountability and security.

PROCEDURES:

General Information

For purposes of **Carolus Online Academy**, a fixed asset is defined as a building, property or equipment acquired by **Carolus Online Academy** (whether purchased, donated, or traded) that is actively used in the operations, must have significant value, and provides benefit for a period exceeding one year. Fixed assets are reported and, with certain exceptions, depreciated in the financial statements.

Items purchased at a cost up to the federal capitalization rate (currently $5,000) will be considered as supplies and expensed in the 400 series object code. However, single items costing $1,000 or more and having a life of at least one year or technology equipment and software, such as laptops, desktops, LCD projectors, IPADs, computers, etc., even though expensed as supplies, will be included in **Carolus Online Academy**'s inventory tracking system, but are not considered fixed assets and will not be capitalized or depreciated.

Fixed Asset Classifications

The Fixed Assets will be divided into the following classifications: Land, Land Improvements, Buildings, Building Improvements, Machinery and Equipment, Licensed Vehicles, Textbooks and Library Books, Mobile Classrooms, Construction in Progress and Works of Art and Historical Treasures.

Land

The land account includes all land purchased or otherwise acquired. It should be capitalized but not depreciated. Purchased land should be carried on the records at historical cost and should remain at that cost until disposal. Donated land should be recorded at its appraised value at the time of the donation. If land and a building are acquired as a single parcel, the value of the land should be determined separately from the building and only that amount carried in the land account; the value of the building should be recorded in the building account. Costs relating to the demolition of a structure on newly purchased land and other costs relating to the land are normally capitalized and included in the land account. A gain or loss on the sale of land is reported as a special item in the statement of activities.

LAND IMPROVEMENTS

Land improvements include permanent improvements that add value to land. It would include such items as site improvements (e.g. excavation, fencing, and retaining walls) and some infrastructures (e.g. driveways, roads, sidewalks, bridges, parking lots, and outdoor lighting). If items categorized as infrastructure are purchased during the construction of a new building, they will be included in the cost of the building. Items *not included* in land improvements are landscaping, demolition, and land acquisition.

These would be included in the land account. Other items not included in land improvements are picnic tables and stadium bleachers. These are included in machinery and equipment.

BUILDINGS
The buildings account normally includes the value of all buildings at their acquisition costs or construction costs. The cost should include all charges applicable to the building, including broker fees, architect's fees, permits, and interest on borrowed money during construction. For a donated building, appraised fair market value at the date of donation should be used. In addition, buildings include components (e.g. roof, air conditioning system) that should be recorded separately when they have significant values because these building components have different useful lives. The value of each component should be determined and placed within its own category. A building will be added to fixed assets inventory after all costs have been calculated and final payment has been made to the contractors.

BUILDING IMPROVEMENTS
Improvements that extend the useful life of the building should be classified as building improvements and should be capitalized. They are recorded at either acquisition cost or appraised fair market value in cases of donated assets. Examples of building improvements include roofing projects, remodeling, additions to buildings and replacing major building components. Major maintenance projects should be evaluated periodically to determine if they should be included in this account.

MACHINERY AND EQUIPMENT
Machinery and equipment includes a wide range of assets. A few examples are as follows: furniture, computer equipment, office machinery, athletic equipment, uniforms, etc. The property should be recorded at acquisition cost, including freight, installation and other charges incurred to place the asset into use. If acquired through donation, fair market value should be determined and assigned to the asset. The assets' materiality and significance should be considered when determining how it is reported.

LICENSED VEHICLES
Licensed vehicles include aircraft, watercraft and other motorized forms of transportation (e.g. buses, vans, cars, trucks, etc.). All licensed vehicles should be recorded at acquisition cost or fair market value if donated.

TEXTBOOKS AND LIBRARY BOOKS
Textbooks and library books will not be classified as fixed assets due to the capitalization policy.

MOBILE CLASSROOMS
Mobile classrooms are temporary structures added to the building site. They are of significant value and should be recorded as a fixed asset and depreciated over their useful lives.

CONSTRUCTION IN PROGRESS
The account should be used when reporting amounts expended on an uncompleted building or other capital construction project. Construction in progress should not be depreciated. Three subclasses, such as building, improvements and equipment, might be used. When the project is complete, the cumulative costs are transferred to another appropriate fixed asset account. Unspent debt proceeds from capital assets related debt should be reported in the net assets section of the statement of net assets as "restricted for capital projects."

WORKS OF ART AND HISTORICAL TREASURES
Works of art and historical treasures should be recorded at historical costs or, if donated, fair market value. Depreciation is not required for collections or works of art that are inexhaustible. An example of a work of art might be an original painting.

Capitalization Policy
Capitalization is an accounting method used to delay the recognition of expenses by recording the expense as long-term assets. The capitalization of assets acquired by **Carolus Online Academy** shall equal the Federal capitalization rate (currently $5,000). All additions to fixed assets with an individual value greater than or equal to the capitalization rate will be capitalized and depreciated, if applicable. An exception to this is as follows and will be capitalized when applicable to a single location:

- groups/classes of assets where individual asset items are less than the capitalization limit, but when all assets of that group (that function as one asset) are added together the dollar amount far exceeds the capitalization limit (eg. security systems, public address systems, etc.).

Items purchased at a cost up to the federal capitalization rate will be considered as supplies and expensed in the 400 series object code. However, single items costing $1,000 or more and having a life expectancy of at least one year or technology equipment and software, such as laptops, desktops, LCD projectors, IPADs, computers, etc., even though expensed as supplies, will be included in the **Carolus Online Academy**'s inventory tracking system, but are not considered fixed assets and will not be capitalized or depreciated.

- Regular non-technology equipment costing less than $5,000 per unit should be recorded under the 400 series object code.
- Regular non-technology equipment costing $5,000 or more per unit should be recorded under object code 540.
- Any technology equipment costing less than $5,000 per unit including shipping, handling, tax, etc. should be recorded under object code 445.
- Any technology equipment costing $5,000 or more per unit including shipping, handling, tax, etc. should be recorded under object code 545.

Depreciation
All fixed assets, with the exception of land, will be depreciated. Depreciation is the process of allocating the cost of tangible property over a period of time, rather than deducting the cost as an expense in the year of acquisition. The decline in the value of fixed assets must be considered if the **Carolus Online Academy**'s net assets are to be correctly stated. It shall be the policy of the **Carolus Online Academy** to depreciate fixed assets in excess of the federal capitalization rate (currently $5,000) over their useful lives. Factors which must be known in order to calculate depreciation: the date the asset was placed in service, the asset's cost or acquisition value, estimated useful life, and the depreciation method.

The following exhibit summarizes tracking, inventory, capitalization and depreciation.

	Tracking and Inventory	**Capitalize and Depreciate**
Land		Capitalize only
Land Improvements	$1,000	$5,000
Building		$5,000
Building Improvements		$5,000
Machinery and Equipment	$1,000 or technology equipment and software described under "Capitalization Policy."	$5,000
Vehicles	Any	$5,000

Date Placed into Service
When acquiring a new asset, the date placed into service will be easily determined. When adding an asset to the **Carolus Online Academy**'s records which was already placed into service but omitted from the Fixed Assets Inventory, this date may not be readily available. Inquiring to the appropriate department to assign an estimated date will be sufficient.

Cost or Acquisition Value
Fixed assets should be reported at historical cost and should include the cost of freight, site preparation, architect and engineering fees, etc. The vendor name and current location must also be reported. If something other than cash is used to pay for the asset, then the fair market value of the non-cash payment or consideration determines the asset's cost or acquisition value. If the asset is of significant value (e.g. land or building), an appraisal will be needed to determine its value. In situations where assets are identified that have been omitted from the Fixed Assets Inventory, the historical cost may be researched. If there is no information available on the original cost of the asset, the amount will then be estimated based on the values of similar assets.

Estimated Useful Life
The estimated useful life of an asset is the number of months or years that an asset will be able to be used for the purpose for which it was intended. Estimated life for fixed assets shall follow IRS guidelines.
Fixed assets shall be classified as follows:
- Furniture - 3 - 5 years
- Equipment – 3 - 5 years
- Software – Amortized 3 - 5 years

- Leasehold Improvements – Life of Lease
- Structures and improvements – 15 years
- Land – Unlimited useful life
- Improvements other than buildings – 15 years

Depreciation Method
The straight-line method of depreciation will be used to calculate depreciation on the **Carolus Online Academy**'s fixed assets. The annual depreciation will be calculated by dividing by the estimated useful life. Under this method, the asset is written off evenly over its useful life (i.e. the depreciation is the same every year). The total amount depreciated can never exceed the asset's historic cost. An asset placed in service at any time during a given month is treated as if it had been placed in service on the first day of that month (depreciation taken for the entire month in which the asset is placed in service). If disposed of before the end of the month, no depreciation is taken for the month of disposition.

Fixed Assets Inventory Procedures

It is the ultimate responsibility of each charter school's Executive Director to maintain the accuracy of the fixed assets inventory for their school. All stolen items must be reported to the appropriate police agency, and a copy of the police report must be sent to the Operations Manager. Donated or purchased used equipment meeting the definition of a capital asset or inventory item must be operational. All fixed assets and items identified in physical inventories that are donated and/or purchased through grants or donations given in the school's name must be reported to the school's Executive Director within 10 days of donation or acquisition.

The Executive Director or their designee should complete a physical inventory at the beginning and end of each school year. A copy of these inventories will be saved in the school's records. Reviewing inventory is a vital part of the fixed asset system. Without proper maintenance and monitoring of the Fixed Asset Inventory Tracking System, the accuracy of the fixed assets and inventory will deteriorate quickly requiring inventory to be re-created.

Physical Asset Controls:

- An annual inventory must be performed.
- Physical inventory must be performed for all capitalized items, as well as, all computers that do not meet the capitalization threshold.
    - The inventory is performed to determine that all assets are present, in usable condition, located in the assigned area, and accurately recorded on the fixed asset or inventory records.
    - Upon completion, the Executive Director, Operations Manager, or other school designee must review and approve the results. Review includes a comparison of physical inventory to accounting records and fixed asset schedule.
    - Any discrepancies must be communicated to the Executive Director.
- Computer and software asset list must be submitted to the Regional Technology Manager for maintenance of IT equipment inventory to ensure continued supportability, license compliance and information security.
- All fixed assets are tagged with a School fixed asset tag.

Disposals, Transfers, And Stolen Assets
Any asset with a fair market value greater than or equal to $5,000 must be approved by the Board Chair, Board Treasurer, or Board designee prior to retirement. Disposals and transfers of unserviceable equipment and fixed assets should only occur after proper authorization by the Board Chair, Board Treasurer, or Board designee. This procedure is to maintain the accuracy of the records, ensure the assets are properly safeguarded and to obtain the best possible terms upon disposal. In many cases, parts from an asset to be

disposed of may be salvaged and used with an existing asset or saved for future utilization. Any computer tape, disk (hard drive, CD or floppy), tablets, laptops, servers or other storage medium used to store the school's and students' data must be totally erased or rendered unreadable before it is disposed. This is the sole responsibility of the school leader. ***No asset should be disposed of or transferred without proper authorization by the Executive Director of the school (s).***

Examples of reasons for retirement:

- Asset is damaged beyond repair.
- Asset is damaged and the cost to repair it exceeds the current fair market value.
- Asset is not able to support current technology needs.

Any impairment to Fixed Assets needs to be communicated to the Regional Technology Manager and/or Executive Director immediately in order to assess the impairment.

- Fixed assets that are deemed obsolete or beyond repair should be communicated to the MSA Accountant prior to disposal.

Surplus supplies, property purchased with ***state and/or federal funding, and donated items*** shall be disposed of through competitive sealed bids and public auction. **Carolus Online Academy** requires that all schools dispose of **fixed assets** through South Carolina's State Surplus Property Management Office. If the State Surplus Property Management Office screen the item(s) and finds that the assets are not salvage items, then it is required of the school to auction off the items on www.govdeals.com. In the event some types and classes of items can be sold or disposed of more readily and advantageously by other means, **Carolus Online Academy** may employ such other means including, but not limited to, barter or appraisal.

The Executive Director of the school(s) is required to complete the Fixed Assets Disposals form and save this in the school's records. In the case that assets are misplaced or stolen from the school's property, it is the Executive Director's responsibility to provide written justification to the Board for removal of the inventory out of **Carolus Online Academy**'s Masterfile. If item(s) are reported stolen, local authorities should be contacted immediately and a police report should be filed with a copy being attached to the Fixed Assets Disposals form.

The Fixed Asset Inventory will be updated to include reason for retirement and date of write-off anytime an asset is disposed of or transferred.

MSA will comply with any State/District policies that may supersede the aforementioned disposal process.

Technology Procedures

General Information

The Executive Director or approved school designee may issue business equipment to an employee for work-related communication based on the job duties of the employee and the needs of **Carolus Online Academy**. Employees in possession of **Carolus Online Academy**-owned devices are expected to protect the equipment from loss, damage, or theft. Upon resignation or termination of employment, or at any time upon request, the employee may be asked to produce the devices for return or inspection.

Purchase of Technology Devices

All technology purchases must be made in alignment with **Carolus Online Academy**'s Accounts Payable Policy, Procurement Policy, and Credit Card Policy. When purchasing devices, **Carolus Online Academy** must take into consideration the cost of the device and ensure that the purchase is to the advantage of **Carolus Online Academy**. **Carolus Online Academy** must review and accept all promotional and saving deals into consideration prior to authorizing purchases. All purchases must be approved by the Director and CEO/Superintendent prior to purchase.

Purchase of Cellular Device

Carolus Online Academy may only purchase cellular devices from **Carolus Online Academy**'s wireless service provider. When purchasing devices, **Carolus Online Academy** must take into consideration the cost of the device and ensure that the purchase is to the advantage of **Carolus Online Academy**. **Carolus Online Academy** must review and accept all promotional and saving deals into consideration prior to authorizing purchases. All purchases must be approved by the Director and CEO/Superintendent in alignment with the Procurement Policy and Accounts Payable Policy.

Cellular Device Upgrades
Carolus Online Academy may annually upgrade all cellular devices. **Carolus Online Academy** must review and accept all promotional and saving deals into consideration when making upgrades. All upgrades must be approved by the Director and CEO/Superintendent in alignment with the Procurement Policy and Accounts Payable Policy.

Cellular Device Protections
Carolus Online Academy will provide a screen protector and a phone case for all devices.

Depreciation
All purchased cellular devices will have a 18 months depreciation timeline. The depreciation value is determined by 5.6% of the original purchase cost each month.

All remaining technology devices will have a 3-year depreciation timeline. The depreciation value is determined by the following schedule:

End of Year 1	Devices will depreciate in value by 33% of the purchase cost	Monthly depreciation value of 2.5 %
End of Year 2	Devices will depreciate in value by 66% of the purchase cost	Monthly depreciation value of 2.5 %
End of Year 3	Devices will depreciate in value by 100% of the purchase cost	Monthly depreciation value of 2.5 %

Disposal of technology devices
Carolus Online Academy may offer the device first to the employee and / or fellow staff members once the device's value is depreciated in full. Devices that are no longer in use and are not fully depreciated may be purchased for the current depreciated value by a member of **Carolus Online Academy** staff. Any remaining devices can be donated to a qualified 501(c)3 organization if eligible, or disposed of through a qualified vendor.

MSA will comply with any State/District policies that may supersede the aforementioned disposal process.

Physical Assets Purchased with Restricted Funds

- All items purchased with restricted funds need to be tracked and inventoried by the School. The information must be maintained in a secure environment (i.e. system or network) with restricted access.
- All items (assets and inventory) purchased with restricted funds need to be tagged with an asset tag, tracked for physical location and inventoried annually.
  - The tag must read "Purchased with XYZ funds for SCHOOL NAME.
  - Any item (asset or inventory) assigned to a student or teacher also needs to be tagged, tracked for physical location and inventoried annually
  - An annual inventory must be performed. The physical inventory must be performed for all restricted fund purchase to catalog for restricted fund audit purposes

Physical assets purchased with restricted funds meeting the following criteria must also follow the fixed asset policy in the previous section in addition to the criteria laid out above.

- All items the asset has a useful life of one (1) year or more
- The cost of the asset is greater than $1,000.00

Tracking and Reconciliation

- A restricted fund fixed asset schedule must be maintained by the Executive Director, Operations Manager, or other school designee.
- The restricted fund schedule must be updated monthly to include new purchases, retirements and/or transfers of assets.

- The Executive Director, Operations Manager, or other school designee must also reconcile the restricted fund schedule to the accounting records as part of the month-end financial reporting process.

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