

Virtus Academy of South Carolina Fixed Assets Policy and Procedures

A fixed asset is defined as a building, property or equipment acquired by VASC 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 individual asset capitalization threshold of \$1000.00 will be considered supplies and expensed in the appropriate series object code.

Fixed Asset Classifications

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, and Construction in Progress.

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, then 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 and 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, then 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 1

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, then fair market value should be determined and assigned to the asset. The asset's materiality and significance should be considered when determining how it is reported.

Licensed Vehicles

Licensed vehicles include buses, vans, cars, trucks, utility trailer, 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 unless qualifying as a bulk purchase.

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 threshold of individual assets acquired by VASC shall be \$1000.00. 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 (e.g., security systems, public address systems, etc.).

Items purchased at a cost up to the capitalization threshold will be considered as supplies and expensed in the appropriate series object code.

- Regular non-technology equipment costing less than \$1,000 per unit should be recorded under the 400 series object code.
- Regular non-technology equipment costing \$1,000 or more per unit should be recorded under object code 540.
- Any technology equipment costing less than \$1,000 per unit including shipping, handling, tax, etc. should be recorded under object code 445.
- Any technology equipment costing \$1,000 or more per unit including shipping, handling, tax, etc. should be recorded under object code 545.

In accordance with Governmental Accounting Standards Board (“GASB”) updated guidance issued in Implementation Guide No. 2021-1, [*Implementation Guidance Update—2021*](#), An exception for bulk purchases applies when individual acquisition costs for an asset are less than the threshold for an individual asset but the bulk purchase of the asset in the aggregate is significant to VASC (computers, classroom furniture, and library books are examples). For bulk purchases, VASC will utilize the capitalization threshold of \$10,000.00.

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 VASC's net assets are to be correctly stated. It shall be the policy of VASC to depreciate fixed assets in excess of the capitalization threshold of \$1000.00 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.

Date Placed into Service

When acquiring a new asset, the date placed into service will be easily determined. When adding an asset to VASC's records that was already placed into service but omitted from the Fixed Assets Inventory, this date may not be readily available. Assigning 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. 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.

Depreciation Method

The straight-line method of depreciation will be used to calculate depreciation on VASC'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, then no depreciation is taken for the month of disposition.

Fixed Assets Inventory Procedures

The Principal, or his or her designee, should complete a physical inventory at the beginning and end of each school year. A copy of these inventories will be due to the Institute as requested. This inventory does not include items captured during the Institute's contracted fixed asset visit. The Institute contracted fixed asset visit includes would be printers, computers, iPads, tablets, laptops, digital cameras, LCD projectors, or any asset that received a barcode label.

Disposals, Transfers, And Stolen Assets

Disposals and transfers of unserviceable equipment and fixed assets should only occur after proper authorization by the Principal. This procedure is to maintain the accuracy of the records, ensure the assets are properly safeguarded, and 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 Principal and not the Charter Institute at Erskine's Department of PowerSchool and Technology. *No asset should be disposed of or transferred without proper authorization by the Principal.*

Surplus supplies, property purchased with state and/or federal funding, and donated items will be disposed of in accordance with applicable state and federal laws and regulations. Surplus supplies, property purchased with state and/or federal funding, and donated items may be disposed of through public auction or alternatively, may be offered to the Charter Institute of Erskine to see if the item(s) can be transferred to another school for further use. The Assistant Director of Finance will send out a mass email to all school leaders with the item information, location, and whom should be contacted if interested. At that time, the school leaders should then work with one another to create arrangements. The school that is transferring the assets should remove the item(s) from their inventory records and the school that will be receiving the items should then add the item(s) to their inventory records. If the asset falls within the \$1000.00 threshold and/or technology items(s), then during the contracted fixed asset visit the asset will be automatically transferred within the Institute's Masterfile. If no schools are interested in the item(s), the item(s) may be disposed of in a manner within the Principal's discretion or transferred to a 501(c)(3).

The Principal is required to complete the Fixed Assets Disposals form and return it to the Institute's Assistant Director of Finance at the time of disposal. In the case that assets are misplaced or stolen from the school's property, it is the Principal's responsibility to provide written justification to the Charter Institute at Erskine's Assistant Director of Finance for removal of the inventory out of the Institute's Masterfile. If item(s) are reported stolen, then local authorities should be contacted immediately and a police report should be filed with a copy being attached to the Fixed Assets Disposals form.

Technology Procedures

General Information

The Principal may issue business equipment to an employee for work-related communication based on the job duties of the employee and the needs of VASC. Employees in possession of VASC-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 VASC's Accounts Payable Policy, Procurement Policy, and Credit Card Policy. When purchasing devices, VASC must take into consideration the cost of the device and ensure that the purchase is to the advantage of VASC. VASC must review and accept all promotional and saving deals into consideration prior to authorizing purchases. All purchases must be approved by the Principal prior to purchase.

Purchase of Cellular Device

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

Cellular Device Upgrades

VASC may annually upgrade all cellular devices. VASC 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

VASC 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 %
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Year 2	the purchase cost	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

VASC will 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 VASC staff. Any remaining devices can be donated to a qualified 501(c)3 organization if eligible or disposed of upon approval by the Principal.

Adopted by the board 7-30-24

Dr. Machell Sprauve

Board Secretary