

## **ACCOUNTING FOR FIXED ASSETS**

Fixed assets are those tangible items, owned by or in custody of the system, which have a significant value, with a useful life of more than one year, and which will be used in conducting activities of the school system. The major classifications of General Fixed Assets are:

1. Personal Property  
Equipment
2. Real Property  
Land  
Land Improvements  
Buildings  
Building Improvement
3. Construction in Progress

Each of these will be discussed in detail.

Fixed assets, which a school system acquires through purchase (including construction in progress) will be recorded in the accounting records at cost. Cost includes not only the price paid for the asset itself, but also any other money spent in order to make the asset ready for use. For example, if the school system is required to pay freight charges on the purchase of furniture, the freight charges should be included as a cost of the asset.

Assets which the school system has received by donation will be recorded at estimated fair market value. The financial officer or custodian of school funds should obtain documentation to support the value assigned. For example, an estimate of the price for which the donated asset could be sold would support the value assigned to equipment items. Likewise, an independent professional appraisal is usually appropriate for “real property”. In situations where the exact fair market value is difficult to determine, the estimate should be conservative rather than excessive.

When a school system has not maintained records of the cost or estimated fair market value of its assets at the time of acquisition, it may be necessary to estimate the original cost or acquisition value on the basis of whatever documentary evidence is available, including price levels at the time of acquisition. In such instances, best available estimates of historical cost should be used. However, the extent to which fixed asset cost has been estimated must be disclosed in the “notes” to the financial statement.

### **Classification Codes for Fixed Assets**

The following classification codes will be used to identify fixed asset classifications. These classification codes are to be included (preferably prefixed) in your fixed asset inventory control numbers.

<b>Fixed Asset Classification</b>	<b>Code</b>
Land	10
Land Improvement	20
Buildings	30
Building Improvement	40
Equipment	50
Construction in Progress	60
Other Fixed Assets	90

### **Inventory Control Number**

Each fixed asset equipment item will be properly identified with a fixed asset inventory control number. This “number” will be recorded on each inventory sheet as well as on the item itself. Once an inventory control number has been assigned to an individual item, that number should never change.