Foundational Information for the Reporting of Assets by School Districts

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Capital asset maintenance is an area often overlooked by school districts. Given the amount of background knowledge and manipulation required to ensure that assets are reported correctly, the task can seem intimidating. To successfully begin the process of maintaining asset records for property control and financial reporting purposes, it is important to understand the correlation between account codes and assets and how assets should be categorized based on Uniform System of Financial Records (USFR) guidelines and district policy.

Many Enterprise Resource Planning (ERP) systems have the ability to flag purchases made from certain account codes for evaluation for asset reporting. You may be asking yourself which codes should be flagged? Or how can I ensure that all transactions that may potentially result in an asset are being accounted for? The following account codes within the USFR Chart of Accounts should be included at a minimum:

???.???.????.671?.??? – Land and Existing Land Improvements

???.???.????.672?.??? – Buildings

???.???.????.673?.??? – Equipment

???.???.????.645?.??? – Construction Services

???.???.4???.63??.??? – Facilities Acquisition and Construction – Professional Services

The district's ERP system may also have the capability of generating a report to reconcile the asset acquisitions for the year to expenditures. If this is the case, the district should utilize the same account codes noted above in the performance of the reconciliation.

Once the district verifies the ERP system configuration, the next step requires an evaluation of all transactions coded to the account codes above in the general ledger to ensure they are accounted for properly on the asset side. To do this, it is essential to understand the asset reporting requirements and district policy.

A capital expenditure transaction will typically end up in one of three places. Each is explained below:

1. These are transactions that do not meet the capitalization criteria or stewardship dollar threshold and therefore do not require further action. These records will not appear on the stewardship or capital assets listings or in the financial statements. Examples include items under $1,000 per unit (including related tax, install, and freight), and any building or land improvement project with a total cost less than $5,000. It is important to note these thresholds could be lower per district policy. Specific examples may include a chromebook, repairs to assets, or a new flagpole installed for less than $5,000.
2. STEWARDSHIP LISTING. These items result from a purchase of furniture or equipment with a per unit cost between $1,000 and $4,999.99 (unless the district board has adopted a lower threshold). These assets require a tag to be physically attached that can be tracked back to the ERP system by specific location for property control purposes. Stewardship items are not depreciated and are not reported in the financial statements. Examples of stewardship items may include laptops, desks, instruments, and printers.
3. CAPITAL ASSET LISTING. These items have a cost of $5,000 or more (unless the district Board has adopted a lower threshold) and are reported in the financial statements and depreciated. Like stewardship, furniture and equipment capital assets require a tag to be physically attached for property control purposes. Other capital asset categories will require some type of tagging convention (this could include words, numbers, etc.). The common capital asset reporting categories utilized by school districts are as follows:
   i. Land: This is the property that the district owns. Land has an indefinite life and does not depreciate. It is possible the district does not own land if located on a reservation or military base.
   ii. Land improvements: These assets represent additions and improvements to the land that do have an exhaustible life. Examples of land improvements include playground equipment, bleachers, sidewalks, and basketball courts. The cost of these assets should include all costs required to put the asset in service.
   iii. Buildings and improvements: These assets represent the purchase of buildings and the improvements made to them. Examples of buildings and improvements are school buildings and portable classrooms. The cost of these assets should include the costs for any preconstruction including architect and engineering costs. A good rule of thumb to assist with the classification determination between a building improvement or equipment is to determine if the asset is firmly attached to the structure. If the asset is firmly attached and cannot be moved or used independently, it is likely a building improvement.

iv. Construction in progress (CIP): The CIP category is applicable to projects that are not started and completed within the same fiscal year and will ultimately have a cost of $5,000 or more. While costs remain in CIP, depreciation is not recorded. However, once the project is complete, the asset will be transferred to the appropriate asset category and depreciation should begin at the date the asset was placed in service. An example of CIP project is a roofing upgrade project that began in June 2022 and was completed in September 2022. Since this project started in fiscal year 2022 and ended in fiscal year 2023, the project would be categorized as CIP at June 30, 2022. Once the project was completed in September, the project would be recategorized as a building improvement, and depreciation would begin.

v. Vehicles, furniture, and equipment (VFE): This category includes independent, moveable items with a per unit cost of $5,000 or more. Examples of VFE assets are copiers, conference room tables, cars, and busses. The cost of these assets should include tax, install, and freight.

Now that your ERP system is configured with the correct account codes and the basic principles of the evaluation of items for asset reporting are understood, the real work of maintaining the district's asset database can begin! These concepts are critical in establishing a starting point for successful maintenance throughout the fiscal year.