

I. Purpose

This policy establishes the minimum cost value (capitalization amount) that shall be used to determine the capital assets, including infrastructure assets, that are to be recorded in Lakes International Language Academy's annual financial statements in order to comply with requirements of GASB Statement No. 34.

This policy also addresses other considerations for recording and depreciating fixed assets for the compliance with the provisions of GASB Statement No. 34.

II. Capital asset definition

Capital assets will be defined as tangible and intangible assets that have initial estimated useful lives that extend beyond a single reporting period.

III. Capitalization method

All capital assets will be recorded at historical cost as of the date acquired or constructed, or fair market value at date of gift if donated. If historical cost information is not available, assets will be recorded at estimated historical cost by calculating current replacement cost and deflating the cost using appropriate price-level index.

IV. Capitalization thresholds

The School establishes the following minimum capitalization thresholds for capitalizing fixed assets:

| | |
|--|---------|
| Land and improvements | \$5,000 |
| Buildings and improvements | \$5,000 |
| Machinery/equipment/vehicles/furniture | \$5,000 |

Detailed records shall be maintained for all fixed assets above the established thresholds.

V. Other assets

Detailed records shall be maintained at the discretion of school administration for all items below the capitalization thresholds that should be safeguarded from loss. These items will be part of the physical inventory discussed below. These items include furniture and computer equipment that fall below the established thresholds and any other assets specified by school administration.

VI. Depreciation and useful life

School administration will assign an estimated useful life to all assets for the purposes of recording depreciation. Asset lives will be adjusted as necessary depending on the present condition and use of the asset and based on how long the asset is expected to meet current service demands. Adjustments should be properly documented.

Depreciation will be recorded based on the straight-line method using actual month

convention and depreciated down to the asset's salvage value.

VII. Safeguarding and controlling fixed assets

Fixed Asset Tags: All machinery and equipment, vehicles and furniture (individual furniture pieces greater or equal to \$1,000) will be assigned an asset number and identified with a fixed asset tag.

Records: As fixed assets are purchased or disposed of, school administration or the responsible program authority will be responsible for preparing proper supporting documentation, which will then be forwarded to Lakes International Language Academy business office to ensure proper recording into a software system (also see Policy 120 *Sale, Theft or Damage of Fixed Assets*). As of July 1, 2015, property records will include description, serial number or other ID, source of funding, title, acquisition date and cost, percent of federal participation, location, use and condition, and ultimate disposition date including sale price, if applicable.

Inventories: The school's fixed assets control system includes property records and periodic physical inventories. A physical inventory of fixed assets will be taken every two years by at least two people, one of whom is not responsible for ordering and receiving, and compared to the physical inventory records. Inventory of computers and other sensitive items (that may be below equipment threshold but with higher risk of theft or mobility, such as iPads) will be done annually and inventory tags will be attached to these items. The results will be forwarded to Lakes International Language Academy's business office for appropriate follow-up. Any anomalies between electronic and physical inventory will be investigated by the business office.

Adopted: 07Aug06

Reviewed: 06Aug07

Reviewed: 04Aug08

Revised: 13Aug09

Reviewed and approved: 12Aug10

Revised: 11Aug11

Revised: 16Aug12

Reviewed: 13Aug13

Revised: 09Jun15

Reviewed: 12Jul16

Revised: 08Aug17

Reviewed: 10Jul18