

# **Diocese of La Crosse Unified Catholic School Systems Accounting Policies and Procedures Manual**

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## ***Chapter Twelve: Fixed Assets***

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### ***A. Policies***

#### Overview

A “fixed asset” is an item purchased that is expected to have a useful life of more than one (1) year. Purchases of these items are called “capital purchases”. Schools participating in the Wisconsin Parental Choice Program (WPCP) are required to have a Capitalization Policy (see **Appendix WPCP**). If a fixed asset purchase meets the capitalization threshold set in the WPCP Capitalization Policy which is \$5,000, the purchase should then be recorded in the appropriate expense account. The system should keep a file for such purchases which includes a copy of the invoice and the accounts payable transaction. At the time of the year-end GAAP audit, the auditor will provide the system with the appropriate adjusting journal entry to capitalize and depreciate these purchases. **The adjusting journal entry should be entered using the “A” type code (year-end adjusting entry). This will allow the school to run financial reports with or without including the year-end adjusting entry.**

**WPCP Capitalization Policy:** Fixed asset purchases, with a cost greater than \$5,000 and an expected useful life greater than one year will be capitalized. The same textbooks purchased on the same date will be included in a book group, for example 4<sup>th</sup> grade math books, will be considered a book group. Each year, in the month of June, the System will complete an inventory of all fixed assets and determine if all assets on the inventory list are still being used by the System. The value of any assets, which includes book groups, that are no longer being used by the System will be removed from the inventory list, balance sheet account, depreciation schedule and the DPI Financial Information Report.

For insurance purposes, it is necessary to keep a list of all fixed assets and their replacement value. To accomplish this and to keep the list accurate, an annual physical inventory of fixed assets is required.

#### Purchasing Policies

When a fixed asset is purchased, normal procurement policies are followed, as established in **Chapter 6 – Cash Disbursements**. A Purchase Order is required.

#### Receiving Policies

When a fixed asset is received, normal receiving policies are followed, as established in **Chapter 6 – Cash Disbursements**. In addition, the item should be tagged as a method of identification. See **Section B** for further information.

### ***B. Tagging Procedures***

Fixed assets should be marked with an identifying number during the receiving process. Tagging assets in this manner allows for an accurate physical inventory to be taken every year. Each school is issued a different series of tags. A custodian in charge of tags has been appointed at each school. It is his/her responsibility to insure that tags are issued in numerical order and that all are accounted for. See **Section D – School Specific Procedures** for a list of schools, the custodian, and the corresponding series of tags.

In addition to normal receiving procedures outlined in **Chapter 6 – Receiving:**

#### **Requisitioner**

1. Obtain the next tag in sequential order from the custodian.
2. Affix the tag in a prominent location on the item.
3. Write the tag number used on the packing slip or Purchase Order before forwarding to the Central Office.

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## **Custodian**

4. Log the tag number and the person receiving the tag.

## **Central Office**

5. Process the payment for the fixed asset according to normal cash disbursement procedures.
6. Enter the fixed asset into the detail fixed asset records, including the tag number, the location, the description and the value of the item.

## ***C. Detail Fixed Asset Records***

In the event of fire or other disaster, it is imperative that a current list of items contained in each building, along with their date of purchase and approximate value, is available. For that reason, a fixed asset inventory (detailed records) is maintained.

### Responsible Personnel

It is the responsibility of all school personnel who have authority to make purchases on behalf of the school system to maintain adequate control over physical assets. Any changes to school property under their control must be communicated immediately to the Central Office so that the detailed records can be updated. This includes additions, disposals or transfers of fixed assets. (See Appendix A for a form example.)

For control and security purposes, the fixed asset inventory is maintained offsite by the Central Office. It is recommended that a database or electronic spreadsheet such as Microsoft Access or Excel be used to maintain these records.

### Asset Additions

Additions to the fixed asset records take place through the tagging procedures outlined in the previous section.

### Asset Transfers

Transfers between buildings must be communicated immediately to the Central Office via written communication.

### Asset Disposals

Asset retirements (disposal through sale, obsolescence, etc.) must be communicated immediately to the Central Office via written communication. Proceeds from the sale of an asset must be recorded.

1. The journal entry for proceeds received on the sale of an asset is:

<b>Cash</b>	<b>XXX</b>	
	<b>Other Income (Gain on Sale)</b>	<b>XXX</b>

### Donated Assets

Donated assets must be communicated immediately to the Central Office via written communication. In addition to a description of the item, an estimated fair market value (replacement value) should be included in this communication. If material in value, donated assets are recorded in the general ledger and are added to the detail fixed asset records. All donated assets should be recorded using general ledger account number 4221 Gift in Kind.

See **Appendix A** for an example of an Asset Transfer/Disposal/Donated Form.



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