PG-5.310: CAPITAL ASSETS

Sec. 1. PURPOSE OF POLICY.

Through this policy, the Board of Directors (hereafter, the "Board") of **Midland Academy Charter** doing business as Midland Academy (hereafter, the "School") shall address the legal requirements, as applicable, promulgated at:

(a) Texas Education Code ("Tex. Ed. Code") Sections 12.107, 12.128 and 45.105(c);
(b) Texas Administrative Code, Title 19 ("19 TAC"), Sections 100.1001, 100.1043, and 100.1063;
(c) Code of Federal Regulations, Title 2, Part 200 ("2 CFR 200"); and
(d) Financial Accountability System Resource Guide.

Additionally, through this policy, the Board shall address best practices adopted by public schools.

Sec. 2. AUTHORITY OVER FISCAL MATTERS.

Sec. 2.1. In accordance with state law, the Board has primary and ultimate authority over fiscal matters. If a matter or decision-making process is not addressed in this or other duly adopted policies of the Board, authority rests with the Board. In the event of a conflict between this policy and any other Board policy, such conflict shall be brought to the Board for resolution. Refer to the Board's Policy relating to its Authority Over Fiscal Matters (the "Controlling Policy") for requirements applicable to this policy.

Sec. 2.2. The Delegate, as defined in Sec. 3.2 of the Controlling Policy, shall report to the Board any business arrangement or transaction with an individual that is an officer, as defined in Sec. 5 of the Controlling Policy, and any conflicted,[1] interested[2] or related[3] party, as defined in other Board policy or applicable law. The School and its officers may not enter into a business arrangement or conduct a transaction in such a manner so as to circumvent this requirement.

Sec. 2.3. As established in Sec. 4 of the Controlling Policy, where the Delegate is authorized to confer authority to a designee (as denoted by the phrase "or designee"), the Delegate may confer such authority to a single designee.

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[1] Tex. Ed. Code §12.1054; 19 TAC §§ 100.1131 through 100.1135
[2] 19 TAC §100.1047(f)
[3] Tex. Ed. Code §12.1166

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Sec. 3. CAPITAL ASSETS.

Sec. 3.1. Capital Assets Defined.

Capital assets means any tangible or intangible item of property acquired by the School, regardless of funding source used or if donated, with a cost of $5,000 or more and a useful life of greater than one (1) year at the time of acquisition.[4] The broad range of capital assets that are used in operations, include:

(a) Real property, including land, buildings and improvements to land and buildings;
(b) Leasehold improvements; and
(c) Personal property, including:
    (1) Furniture and equipment, including computer hardware;
    (2) Computer software;
    (3) Contract rights, intellectual property (such as copyrights, patents, and trademarks) and other intangible property;
    (4) Vehicles; and
    (5) Any other form of personal property recognized by Texas law.[5]

Sec. 3.2. Capitalized Costs.

Sec. 3.2.1. The School shall capitalize costs incurred for the acquisition of an asset in a manner consistent with generally accepted accounting principles. At a minimum, the School shall capitalize an asset's purchase price and any expenses incurred for ancillary activities (e.g., site preparation, transportation and installation) to bring the asset to the condition and location necessary for its intended use.

Sec. 3.2.2. The School shall capitalize the fair market value of donated assets as of the date that the asset was donated.

Sec. 3.2.3. The School shall capitalize the acquisition cost of an asset or the fair market value of a donated asset if the asset at the time of acquisition or donation has a useful life of more than one (1) year.

Sec. 3.2.4. The School shall capitalize the cost of improvements to property if the improvements:

(a) Extend the useful life of the asset;
(b) Enhance the overall value of the asset; or
(c) Adapt the asset so that it may be repurposed.

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[4] 2 CFR §200.1
[5] 19 TAC §100.1001(6)

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Sec. 3.3. Capitalization Thresholds.

The School shall capitalize the cost of acquiring an asset if the cost per unit equals or exceeds the following amounts.

Property Description	Capitalization Threshold
Land	$0
Improvements to land	$50,000
Buildings	$50,000
Improvements to buildings	$50,000
Leasehold improvements	$50,000
Construction in progress	$50,000
Furniture and equipment	$5,000
Vehicles	$5,000
Other personal property	$5,000

Sec. 3.4. Approval Required.[6]

The Board shall approve all purchases of real property, the purchase of construction services for a new building or the renovation of an existing building, and the acquisition of personal property requiring the execution of a contract. Refer to the Board's Policy relating to Purchasing.

The Board may delegate its authority for construction, renovations or repairs pursuant to Education Code § 44.0312 by written resolution, with such delegation to a person, representatives or committee, but shall provide notice of this delegation and the limits of the delegation as required by law and include the same in all request for bids, proposals or qualifications or as an addendum to a request. Failure to comply with the legal requirements will render and decision not made by the Board an advisory/recommendation only and shall not be binding on the Board or charter school.

Sec. 4. DEPRECIATION.

Sec. 4.1. Authorized Method of Depreciation.

Other than the capitalized cost for land, the School shall utilize the straight-line method of depreciation to amortize the capitalized costs of all asserts over their useful life. Consistent with generally accepted accounting principles, the School shall calculate the annual depreciation of capitalized costs as:

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6 *El Paso Education Initiative, Inc. v. Amex Properties, LLC*, 385 S.W.3d 701, 706, 708 (Tex. App.–El Paso 2012, pet. denied.); 19 TAC §§ 100.1033(b)(14)(C)(ii) and 100.1101(b)-(c)

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(Capitalized Cost of Asset – Salvage Value) ÷ Estimated Useful Life

Sec. 4.2. Useful Life.

Consistent with generally accepted accounting principles, the useful life of an asset means the period during which the asset is projected to generate revenue or provide other valuable service to the School and not how long the asset will last. Generally, the School shall observe the following useful life for each type of capital asset.

Type	Useful Life
Land	Perpetual
Improvements to land	15
Buildings	30
Modular Buildings	10
Improvements to buildings	Remaining useful life of the building
Leasehold improvements	Lease term
HVAC systems	15
Electrical/Plumbing	15
Roofing	15
Carpet replacement	7
Cabling	5
Computer hardware	3
Computer software	3
Duplicating equipment	5
Custodial equipment	7
Office and classroom furniture, fixtures and equipment	7
Grounds equipment	7
Kitchen equipment	7
Audio-Visual equipment	5
Vehicles	5

Sec. 5. <u>INVENTORY OF ASSETS.</u>

Sec. 5.1. The Delegate or designee shall maintain an inventory of all capital assets and of the following non-capital assets ("Sec. 511 Assets"):

(a) Desktop computers,
(b) Laptops,
(c) Notebooks,
(d) Smartphones

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(e) Tablets, and
(f) Other computing devices.

Sec. 5.2. The Delegate or designee shall affix upon Sec. 511 Assets a permanent, machine-readable label that clearly identifies the asset as School property and uniquely accounts for the asset in the School's inventory records.

Sec. 5.3. The Delegate or designee(s) shall annually conduct a physical inventory of Sec. 511 Assets and shall ensure appropriate corrective or other measures, including reports to law enforcement, are undertaken for any Sec. 511 Assets that are not located.

Sec. 5.4. When a change in campus principal or central office administrator occurs, the Delegate or designee and the outgoing principal or administrator shall conduct a joint inventory of Sec. 511 Assets.

Sec. 5.5. The School shall maintain accurate, complete, and up-to-date records of all capital assets through physical counts, the review of purchase records, and other methods, as deemed appropriate and necessary.

Sec. 6. SAFEGUARDING OF ASSETS.

Sec. 6.1. The Delegate or designee shall ensure that Sec. 511 Assets are safeguarded.

Sec. 6.2. The Delegate or designee shall adopt a system for transferring assets assigned to a campus or department to another campus or department.

Sec. 7. DISPOSITION OF CAPITAL ASSETS.

Sec. 7.1. Except for real property, the Delegate is authorized, by any means commonly used, to dispose of assets that have concluded their useful life, are obsolete or deemed unnecessary, are damaged beyond repair or deemed too costly to repair or are lost or stolen. If an asset is still serviceable, the Delegate or designee shall first determine if a need for the asset exists elsewhere within the School before disposing of the asset.

Sec. 7.2. The Board shall authorize any disposal of assets through a donation to another charitable, tax-exempt organization. For donations to charitable organizations, the Board shall obtain a written assurance from the organization to which the asset is being donated that it will use the donated asset for a public purpose and shall stipulate that, as a condition of the donation, ownership of the asset shall revert to School if the recipient organization discontinues using the asset for a public purpose.

Sec. 7.3. If the asset is disposed of through a sale, the Delegate or designee shall sell the asset for fair market value and shall attribute any proceeds to the originating fund source. As a condition of

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selling the asset, the School shall make no warranties or guarantees concerning the continued functionality of the asset.

Sec. 7.4. In the following order of precedence, the Delegate or designee may sell assets to students, teachers and educational aides, parents, other School, personnel, and the public at large. In doing so, the Delegate or designee shall not act in a manner that is or appears to be preferential to any one individual, except as indicated in the order of precedence set forth in this section.

Sec. 7.5. If the asset has no value, the Delegate or designee may dispose of the asset as deemed administratively expedient.[7]

Sec. 7.6. The Delegate or designee shall adopt a system for the documented disposal of assets, including the Delegate's approval for the disposal of any capital asset with a fair market or residual value exceeding $5,000 per unit.

Sec. 7.7. Prior to the final disposal of an asset, the Delegate or designee shall remove or cause to have removed any School emblems and other identifying information, such as license plates and inventory tags, from the asset. Additionally, any computing device shall have its storage mediums permanently erased of any software owned or subscribed to by the School and of any data, especially personally identifiable data pertaining to students and staff.

Sec. 7.8. School personnel are prohibited from receiving, through sale or otherwise, any asset that is to be disposed except as established under this policy and pursuant to the administrative procedures adopted under this policy.

Sec. 7.9. The Delegate or designee shall dispose of assets acquired with federal funds in accordance with applicable federal regulations and grantor agency policy and grant requirements.

Sec. 8. TRAINING AND UPDATES.[8]

The Delegate or designee shall properly train School officers and employees on the requirements of this policy and any administrative procedure(s) adopted to implement this policy. Additionally, the Delegate or designee shall keep School officers and employees informed of any changes to this policy and related requirements.

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[7] An administratively expedient disposal does not result in any additional administrative process beyond documenting the disposal of the asset.

[8] 2 CFR § 200.303(a), U.S. Government Accountability Office *Standards for Internal Control in the Federal Government*, 4.02 and 4.05.

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Sec. 9. ADMINISTRATIVE PROCEDURES.[9]

The Delegate shall formally adopt administrative procedures as reasonably necessary to properly administer this policy and to adhere to applicable law and rule. In doing so, the Delegate shall not adopt, and is prohibited from adopting, an administrative procedure that conflicts with applicable law or this policy. Accordingly, the Delegate shall confer with the Board or legal counsel before deviating from the requirements set forth in this policy. In the event that a deviation from this policy becomes necessary, the Delegate shall either recommend an amendment to this policy or the Board's approval of a specific deviation, including the purpose, scope and duration of the requested deviation.

Sec. 10. DATE ADOPTED AND EFFECTIVE.

As set forth in the pertinent minutes to the meeting of the Board, the Board adopted this policy on 09/20/2022, and it became effective on 09/20/2022.

Sec. 11. RETENTION.[10]

This policy shall be retained until superseded, expired, or discontinued and for five (5) years thereafter in accordance with state law.

Sec. 12. CERTIFICATION.

The Undersigned, being the Secretary of the Corporation, hereby certifies that the foregoing represents a true copy of the Board Policy relating to Accounts Payable, as originally adopted by

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[9] Consistent with 19 TAC § 100.1033(b)(14)(C)(iv), the Board has the final authority to adopt policies governing charter school operations, including authorizing the Delegates or designee to adopt an administrative procedure to implement this policy. Moreover, in accordance with Tex. Bus. Org. Code §§ 3.101 and 22.201, the Board is the governing authority and, as such, manages and directs the School's business and affairs through Board actions, resolutions and policy.

[10] Tex. Ed. Code §12.1052; 19 TAC §100.1203; See Record Number GR1000-38 and GR1025-25 in Local Schedule GR: Records Common to All Local Governments, Revised 5th Edition (Effective April 17, 2016) adopted by the Texas State Library and Archives Commission at Texas Administrative Code, Title 13, §7.125(a)(1).

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the Board on 09/20/2022, which Policy is in full force and effect and has not been revoked or amended.

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Print Name:_____
Secretary

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Date Certified

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