SEBASTOPOL INDEPENDENT CHARTER SCHOOL

Fixed Asset Capitalization Policy

The Sebastopol Independent Charter School Board of Directors (the "School") establishes the following Fixed Asset Capitalization Policy:

DEFINITIONS AND PROVISIONS

For the purpose of this policy, the following definitions shall apply:

"Tangible Assets" - Assets that can be observed by one (1) or more of the physical senses. They may be seen or touched, in some environments heard or smelled.

"Fixed Assets" - Tangible assets of a durable nature, generally with a useful life in excess of one (1) year, which are employed in the operating activities of the School and that, are relatively permanent in nature. They may be termed property, plant, equipment, furniture, or fixed assets. They are usually separated into classes according to the physical characteristics of the items (Example: land, buildings, improvements other than buildings, machinery and equipment, furniture and fixtures).

Some items may be identified as "Controlled Assets" that, although they do not meet all of the fixed asset criteria, are recorded within a fixed asset system to maintain a control of value, number, or location.

"Capital Outlays" - Expenditure which benefit both the current and future fiscal period. This includes the costs of acquiring land and structures; construction or improvements of buildings, structures, or other fixed assets; and equipment purchases having an appreciable and calculable period of usefulness. These are expenditures resulting in the acquisition of or an addition to the School's general fixed assets.

MACHINERY, FURNITURE, AND EQUIPMENT

For the purposes of this policy, machinery and/or equipment is an apparatus, tool, or conglomeration of pieces, to form a tool. Machinery, furniture and equipment are not expendable in nature so as to be consumed. They do not lose their identity through fabrication or incorporation into a different or more complex unit. Machinery, furniture, or equipment will stand alone and will not become a part of a basic building structure and may be moved between or among buildings or rooms to best meet the needs of the School.

Shipping charges, consultant fees, and any other costs directly related to the acquisition or purchase such as delivery, set-up charges, software operation systems which make the equipment

operable as intended may be included and capitalized as a part of the cost. Ancillary charges such as program project management and training shall be excluded from the cost.

BUILDING AND LEASEHOLD IMPROVEMENTS

Leasehold Improvements are improvements, betterments, or modifications of leased property which will benefit the School for the period of more than one year. Building Improvements are improvements, betterments, or modifications of owned property which will benefit the School for the period of more than one year. Acquisition cost includes the full cost of the purchase plus expenditures related directly to their acquisition, (i.e. freight, handling fees, installation charges, sales tax, etc.)

CAPITALIZATION

The following items:

1. improvements or renovations to existing machinery;
2. new equipment; and
3. building and leasehold improvements

will be capitalized only if the result of the change or purchase meets all of the following conditions:

A. Total costs for each item exceed $27,000.00

B. The useful life is extended two (2) or more years

RECORDING AND ACCOUNTING

The School shall classify capital expenditures as Capital Assets within the fund from which the expenditure was made. For the purposes of recording fixed assets of the School, the valuation of assets shall be based on historical costs, when available or when it can be determined. When the historical cost cannot be determined, the value shall be fixed by estimation based on those assets which are currently in existence.

The School shall record acquisitions of Capital Assets in accordance with generally accepted accounting principles applicable to the School. An asset register shall be maintained either in hard copy or in a computer format to record the capital assets of the School. This record is to be maintained by the School's administrative staff and updated as required each year.

Capital Asset depreciation is calculated straight line over the asset's estimated useful life, with depreciation beginning the month the asset is put into use.

APPROVED BY THE BOARD OF DIRECTORS: March 5, 2018

This policy supersedes any previous policy