



**Subject:** Depreciation of Fixed Assets

**Effective Date:** 05/08/2025

**Approved By:** Board of Directors

**Policy:** 2206

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### **Purpose**

The purpose of this policy is to establish the standards and procedures by which Springs Public Schools Tennessee (SPSTN) accounts for the depreciation of fixed assets purchased with Federal funds, in accordance with **CFR § 200.436**, **GAAP**, and applicable **Tennessee state laws** governing public school asset management.

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### **Scope**

This policy applies to all SPSTN departments and personnel who manage or utilize buildings, capital improvements, equipment, and software projects purchased or capitalized with Federal funds.

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### **Policy Statement**

SPSTN shall apply depreciation to fixed assets acquired with Federal funds in a consistent and compliant manner. Depreciation will be charged only for assets that:

- Are **needed and used** in program operations;
- Are **allocated appropriately** to Federal awards;
- Are **recorded and tracked** in accordance with required accounting standards.

SPSTN will not claim depreciation and cost sharing for the same asset.

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### **Depreciation Methodology**

#### **1. Basis of Depreciation**

- Depreciation is calculated based on the **acquisition cost** of the asset.
- For **donated assets**, depreciation will be based on the **fair market value** at the time of donation.



- The following costs are **excluded** from depreciation:
  - Land acquisition;
  - Federal contributions (regardless of title status);
  - Contributions already claimed as cost sharing or where prohibited;
  - Assets used **solely for non-Federal awards**.

## 2. Depreciation Approach and Useful Life

- **Straight-line depreciation** is the default method unless another method is approved by the cognizant agency for indirect costs.
- Useful life must be based on:
  - Type and durability of the asset;
  - Historical and technological factors;
  - Renewal and replacement policies;
- Depreciation of assets that have outlived their useful life is **not permitted**.

## 3. Depreciation of Buildings and Components

- Buildings may be:
  - Treated as a **single asset**; or
  - Divided into **components**, which may include:
    - **Building shell** (structure and design);
    - **Building service systems** (HVAC, plumbing, elevators);
    - **Fixed equipment** (casework, hoods, cold rooms, etc.).
- The same depreciation methodology must be applied in both **financial statements and indirect cost rates**.

## 4. Transition from Use Allowance to Depreciation

- If transitioning from a **use allowance method**, SPSTN must treat the asset as if it had been depreciated over its entire life from the date of acquisition.
- Total depreciation and use allowance combined may **not exceed the asset's total acquisition cost**.

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## Asset Records and Inventory

- SPSTN will maintain **adequate property and depreciation records** including:
  - Asset descriptions, acquisition dates, cost basis, estimated useful life, and depreciation method.

**Physical inventories** of fixed assets will be conducted **at least once every two years**.



- **Statistical sampling** may be used if documented appropriately.
- All asset records must clearly demonstrate:
  - That the assets exist;
  - That they are in **good working condition**;
  - That they are **in use and necessary** for program objectives.

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### Compliance with Tennessee Law

- SPSTN will adhere to **Tennessee Uniform Accounting Manual for Local Education Agencies (LEAs)**.
- Depreciation accounting will comply with rules set by the **Tennessee Comptroller of the Treasury**.
- Capitalization thresholds and asset classifications will follow standards as outlined in **Tennessee state guidance** for public education institutions.

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### Review and Amendments

This policy shall be reviewed at least **once every two fiscal years** or upon significant changes in Federal or State depreciation guidelines. All changes must be approved by the **Board of Education** or designated governing body.

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