

AVON GROVE SCHOOL DISTRICT

SECTION: PROPERTY
TITLE: CAPITAL ASSETS
ADOPTED: AUGUST 25, 2005
REVISED:

711. CAPITAL ASSETS	
<p><u>1. Purpose</u> Governmental Accounting Standards Board; Statement #34</p>	<p><u>Asset management and accounting is desirable. Capital assets are a primary component of such management and accounting. The board of school directors recognizes the use of statements issued by the Governmental Accounting Standards Board to meet such needs.</u></p>
<p><u>2. Definitions</u> Governmental Accounting Standards Board; Statement #34</p>	<p>In accordance with Governmental Accounting Standards Board Statement number <u>No. 34, Capital</u> “capital assets” include land, improvement to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, and infrastructure and Capital assets are both tangible and intangible assets used in operations and which have initial useful lives extending beyond a single reporting period. Equipment that will not change its original shape, appearance or character with use, and it can be expected to last more than one year with reasonable care and maintenance <u>is a capital asset.</u></p>
<p><u>3. Guidelines</u> Governmental; Accounting Standards Board; Statement #34</p>	<p><u>Purchased Capital Assets</u></p> <p>A. Purchased capital assets greater than \$5,000 should be recorded at their historical/original cost. The cost of capital assets should include capitalized interest and ancillary charges necessary to place the asset into service. Ancillary charges include freight, <u>transportation</u>, site preparation and professional fees. Purchases less than \$5,000 will be treated as supplies and are coded to the supply objects prescribed by the Pennsylvania Public School Accounting Manual.</p> <p>B. Capital assets should be depreciated over their useful lives, as determined for each asset class. Inexhaustible capital assets such as land and land improvements should not be depreciated.</p> <p>C. If determining historical costs is not practical due to inadequate records, reporting should be on a estimates of original cost at the date of construction or purchase.</p> <p>D. Fixed asset records must include the acquisition date, cost, useful life and</p>

method of depreciation for each capital asset classification and group

- E. Individual items less than \$5,000 but purchased in the aggregate totaling \$10,000 that meet the other fixed asset definitions shall be capitalized and depreciated as a unit over the useful life for that asset class.
- F. Due to changes in technology, computer software is considered a supply and is expensed at the time of purchase. Components such as monitors and keyboards shall be capitalized as a unit upon purchase when the individual components are less than the capitalization threshold but in the aggregate meet or exceed the threshold.

Donated Capital Assets

- A. Donated capital assets must be reported at fair market value at the time of acquisition plus ancillary charges, if any at the time of donation. Donated assets are recorded as contributed capital and depreciated over their useful lives as determined for each asset class.
- B. If determining historical costs is not practical due to inadequate records, reporting should be based on estimates of fair market value at the date of donation.

Collections

- A. Works of art, historical treasures and similar assets should be capitalized at their historical cost or fair value at the date of donation (estimated if necessary), whether they are held as individual items or in a collection.
- B. Capitalized collections or individual items that are exhausted should be depreciated over their useful lives. Depreciation is not required for collections or individual items that are inexhaustible.

Infrastructure

- A. Infrastructure assets are long lived capital assets that normally are stationary in nature and can normally be preserved for a significantly greater number of years than most capital assets. Infrastructure includes but is not limited to, parking lots, sidewalks, driveways and drainage systems.

~~B.~~ Infrastructure assets should be depreciated over their useful lives.

~~C.~~ B.

~~D.~~ C. Routine repairs and maintenance costs are charges to operations as incurred.

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Expenditures that extend the useful life of the infrastructure are capitalized as part of the asset and depreciated over the newly established useful life.

Useful Lives

Fixed assets are to be depreciated over their useful lives

Asset Class	Years
School Buildings	40-50
Portable Classrooms	20-25
HVAC Systems	20-25
Interior Construction	25-30
Sprinkler/Fire System	20-25
Outdoor Equipment	15-20
Machinery & Tools	10-15
Kitchen Equipment	10-15
Custodial Equipment	05-07
Furniture & Accessories	15-20
Business Machines	05-10
Copiers	03-05
Computers	03-05
Audio Visual	07-10
Communication	05-10

Depreciation

- A. Depreciation expense should be reported in the statement of activities. Depreciation expense that can be specifically identified with a function should be included as a direct expense. Depreciation expense for shared facilities should be ratably included in direct expenses for each function.
- B. Depreciation is allocated to expense in a systematic and rational manner. The straight-line method of depreciation is used for all fixed asset classes in accordance with the useful lives established for each asset classification. Depreciation ~~shares charts~~ do not include a salvage value.
- ~~C.~~ Depreciation may be calculated for a class of assets, a network of assets or individual assets.
- ~~D.C.~~ _____

Disposal

- A. Sale of Fixed Assets – When fixed assets are sold, a calculation of gain or loss on disposal is required. The calculation is based upon the amount of

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<p><u>Board Policy 706</u></p>	<p>proceeds received less the net book value. (Cost of the fixed asset less accumulated depreciation taken).</p> <p>B. Trade-ins – The value given for a trade is part of the cost of the newly acquired asset. The costs and accumulated depreciation of the traded-in asset must be removed from the books. Any gain or loss resulting from the disposition of the asset will be recognized as a gain or loss on disposal in the entity wide operating statements.</p> <p>B.</p> <p>C. <u>Any disposal shall be recorded in the district’s property records in accordance with Board Policy 706, Property Records.</u></p> <p><u>Capital Leases</u></p> <p>Assets acquired by capital lease are recorded at the net present value of the future minimum lease payments. A corresponding liability is established at this time. Assets acquired under the terms of capital leases are depreciated using the straight-line method over the useful lives designated for the asset class. The cost of operating leases will be charged to current expenditures as each payment becomes due.</p> <p><u>Repairs and Maintenance</u></p> <p>Extraordinary repairs greater than \$5,000 extending the useful life of an asset beyond one year should be capitalized, and the useful life of an entire asset for depreciation purposes should be revised. Routine repairs, maintenance and parts purchased to keep the asset in working condition are charged to expense as incurred whether they are greater than or equal to \$5,000.</p>
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