No. 622

York Adams Academy

Section: Finances

Title: GASB Statement 34/Capital Assets

Adopted: January 29, 2013

Revised: January 29, 2013

	622. Government Accounting Standards Board, (GASB) Statement 34/Capital Assets
1. Purpose	The Board recognizes the need to implement the required accounting and financial reporting standards stipulated by the Pennsylvania Department of Education.
	The primary objectives of implementing the Governmental Accounting Standards Board (GASB) Statement 34 are to assure compliance with state requirements, and properly account for both the financial and economic resources of the district.
2. Definition	This **policy** applies to the school's acquisition and depreciation of capital assets. Capital assets include land, improvements to land, easements, buildings and building additions, building improvements, furniture, fixtures and equipment, equipment under lease, vehicles, works of art and historical treasures, construction-in-progress, and infrastructure. Capital assets are tangible assets used in operations and have initial useful lives extending beyond a single reporting period. Equipment will not change its original shape, appearance or character with use and it can be expected to last more than one (1) year with reasonable care and maintenance.
3. Authority SC 218,613	This policy shall follow the requirements set forth by the Governmental Accounting Standards Board Statement 34 as it pertains to capital asset reporting.
	Participation of the school in any such activity shall be in accordance with Board policy.
4. Delegation of Responsibility	The Board delegates to the Business Manager or designee the responsibility to coordinate the compilation and preparation of all information necessary to implement this policy.
	The Business Manager shall be responsible for implementing the necessary procedures to establish and maintain a capital asset inventory, including depreciation schedules. The basis for depreciation, including groups of assets and useful lives, shall be in writing and submitted for review to the

	Board.
	The Business Manager shall prepare the required Management Discussion and Analysis (MD&A). The MD&A shall be in the form required by Governmental Accounting Standards Board (GASB) Statement 34 and shall be submitted to the Board for approval, prior to publication.
	Prior to submission of the MD&A for Board approval, the school's independent auditors shall review the MD&A, in accordance with SAS No. 52, "Required Supplementary Information".
5. Guidelines	Capital Asset Addition Overview
	Purchased capital assets greater than $1,000 should be recorded at historical/original cost. The cost of a capital asset should include capitalized interest and ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include costs that are directly attributable to asset acquisition, such as freight and transportation charges, site preparation costs, and professional fees.
	Purchases less than $1,000 but that have lives that extend beyond one (1) year and need to be controlled for insurance purposes should be classified as noncapital equipment expenditures, and coded to the object specified by the Pennsylvania Public School Accounting Manual. Purchases less than $1,000 that are consumed within the fiscal year are treated as supplies and coded to the supply objects prescribed by the Pennsylvania Public School Accounting Manual.
	Group purchases of assets greater than $1,000 should be recorded at historical cost. Group assets are assigned to one (1) specific location, are movable property requiring loss control, and have a useful life extending beyond a single reporting period. Group assets include classroom furniture, classroom texts, library books, musical instruments, computer equipment, and band uniforms. Group purchases less than $1,000 shall not be capitalized.
	Capital assets should be depreciated over their useful lives as determined for each asset class. Land, and some land improvements, are considered inexhaustible, and are therefore not subject to depreciation.
	If determining historical costs is not practical due to inadequate records, reporting should be based on estimates of original cost at the date of construction or purchase.
	Depending upon the information available and the category of the asset, fixed asset records should include all or part of the following:
	1. Asset tag number.

	2. Description.
	3. Asset class.
	4. Serial number.
	5. Cost.
	6. Location or functional area.
	7. Acquisition date.
	8. Estimated useful life.
	9. Depreciation method.
	10. Salvage value.
	11. Accumulated depreciation.
	12. Depreciation expense.
	13. Replacement cost.
	<u>Donations</u>
	Donated capital assets must be reported at fair market value plus ancillary charges, if any, at the time of donation. Donated assets are depreciated over their useful lives, as determined for each asset class. 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.
	<u>Collections</u>
	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.
	Capitalized collections or individual items that are exhaustible should be depreciated over their useful lives. Depreciation is not required for collections or individual items that are inexhaustible.
	<u>Infrastructure</u>
	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 roads, electrical distribution systems, street lighting, water wells, etc.

Infrastructure assets should be depreciated over their useful lives.

Routine repairs and maintenance costs are charged to operations as incurred. 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

Useful lives of fixed assets relate to the life expectancy as used by the specific governmental unit. The following table should be used to assist the district in estimating the useful life of a capital asset:

Asset Class	Examples	Years/Range
Land		N/A
Site Improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	15-20
School Buildings		40-50
HVAC Systems	Heating, ventilation, and air conditioning systems	20-25
Roofing		20-25
Interior Construction		25-30
Carpet Replacement		5-7
Electrical/Plumbing		25-30
Sprinkler/Fire System		20-25
Outdoor Equipment	Playground, radio towers, fuel tanks, pumps	15-20
Machinery & Tools	Shop & maintenance equipment, tools	10-15
Kitchen Equipment	Appliances	10-15
Custodial Equipment	Floor scrubbers, vacuums, other	5-10
Furniture & Accessories	Classroom and office furniture	10-20
Business Machines	Fax, duplicating & printing equipment	5-10
Communication Equipment	Mobile, portable radios, non-computerized	5-10
Computer Hardware	PC's, printers, network hardware	3-5
Computer Software	Instructional, other short-term	5-10
Computer Software	Administrative or long-term	5-10
Audiovisual Equipment	Projectors, cameras (still & digital)	7-10
Musical Instruments	Pianos, string, brass, percussion	10-15
Library Books	Collections	5-7
Licensed Vehicles	Buses, other on-road vehicles	8-10
Grounds Equipment	Mowers, tractors, attachments	10-15

Depreciation

Depreciation is required for the district's capital assets. Depreciation is

	allocated to expense in a systematic and rational manner and is calculated using the straight line method and reported by area of activity (function). The district calculates depreciation on all capital assets reported in the district financial statements other than land, permanent improvements to land, and construction-in-progress.
	Depreciation may be calculated for a class of assets, a network of assets or individual assets.
	Disposals
	Sale of Fixed Assets - When fixed assets are sold, calculation of gain or loss on disposal is required. The calculation is based upon the amount of proceeds received less the net book value (cost less accumulated depreciation taken on the asset).
	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.
	Assets Acquired By Capital Lease
	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 over the useful lives designated for the asset class.
	References: School Code – 24 P.S. Sec. 218, 613 Governmental Accounting Standards Board, Statement No. 34