

MORRISVILLE BOROUGH SCHOOL DISTRICT

SECTION: PROPERTY
TITLE: CAPITAL ASSETS
ADOPTED: October 28, 2009
REVISED:

706.1. CAPITAL ASSETS	
1. Purpose SC 613	The Morrisville Borough School District Capital Asset Policy follows the requirements set forth by the Governmental Accounting Standards Board Statement No. 34 as it pertains to capital asset reporting.
2. Definition	The policy applies to Morrisville Borough School District’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	Participation of the school entity in any such activity shall be in accordance with Board policy.
4. Delegation of Responsibility	The Board of School Directors delegates to the business administration responsibility to coordinate the compilation and preparation of all information necessary to implement this policy. The business administration shall be responsible for implementation of the necessary procedures to establish and maintain a capital asset inventory, including depreciation schedules.
5. Guidelines	<p><u>Capital Asset Addition Overview</u></p> <p>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.</p>

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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, and 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 are not 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, capital 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.

Donations

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.

Collections

Works of art, historical treasures and similar assets should be capitalized at their historical cost or fair value at 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.

Infrastructure

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 the 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.

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Useful Lives

Useful lives of capital 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	15-20
Business Machines	Fax, duplicating & printing equipment	5-10
Communication Equipment	Mobile, portable radios, noncomputerized	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	5-15
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

Source: ASBO

Depreciation

Depreciation is required for the district's capital assets. Depreciation is allocated to expense in a systematic and rational manner. Depreciation 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.

Monitoring

Budget managers will perform semi-annual tests of randomly selected items to verify that the perpetual inventory system for capital assets is continuing to function properly as designed.

Changes in capital assets will be reconciled annually with amounts recorded in the appropriate fund.

Appraisals will be performed at appropriate intervals, as determined by the business administration to provide a source of information to form a basis for adequate insurance coverage.

Disposals

Sale Of Capital Assets –

When capital 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.

Whenever practical, surplus items are traded-in to reduce the purchase price of replacement items and to avoid costs associated with the storage and sale of surplus items.

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No Board member or employee of the school district should, without approval of the School Board, sell, donate or scrap any capital assets with an estimated market value in excess of \$1,000 that are the property of the school district.

Terms of sale are as follows:

1. First come, first served.
2. All items sold in "as is" condition.
3. Cash and carry.
4. All sales are final.
5. No cash refunds.

Surplus items that have been deemed to have no value to the school district may be donated to charitable organizations or properly disposed of with the approval of the business administration.

Surplus items deemed to have some value may be disposed of in the following ways, with the approval of the business administration:

1. Public auction.
2. Salvage.
3. Negotiated sale.
4. Sealed bid.
5. Prepriced sale.

The business administration must approve the holding of a surplus sale, as well as the method of sale and a list of items to be offered for sale.

Surplus sales must be properly advertised to satisfy legal requirements and to reach as large a number of potential buyers as possible.

Administrators or other employees assigned with building or cost center responsibility are required to review annually all furniture and equipment in their facility or program to determine if any are surplus or obsolete.

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<p>SC 707, 708, 709</p>	<p>Textbooks, furniture and equipment items being offered for sale at a prepriced sale have been appraised, valued and priced by an appropriate administrator.</p> <p>Textbooks that are deemed to have no sale value are marked “OBSOLETE” and are distributed free to members of the school community or sold to dealers as scrap paper.</p> <p>The school district will comply with the Pennsylvania School Code 707, 708 and 709 regarding the disposition of real property and the use of the proceeds from any sale.</p> <p>The school district will examine the disposition of real property as it relates to local ordinances and zoning laws, deed restrictions, environmental agency regulations, county or municipal planning commissions, the Department of Education, and/or state or local school building authorities.</p> <p>The school district will use one (1) or more professional appraisers to value real property in order to determine an equitable asking price.</p> <p><u>Assets Acquired By Capital Lease</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 over the useful lives designated for the asset class.</p> <p>References:</p> <p>School Code – 24 P.S. Sec. 218, 613, 707, 708, 709</p> <p>Governmental Accounting Standards Board, Statement No. 34</p>
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