

# THE SCHOOL DISTRICT OF PHILADELPHIA

SECTION: 600 Finance

TITLE: Capital Asset Policy

ADOPTED: January 18, 2018

REVISED:

## 624 CAPITAL ASSET POLICY

### Purpose

The Philadelphia School District Capital Asset Policy follows the principles set forth in the Manual of Accounting and Financial Reporting for Pennsylvania Public Schools and the Governmental Accounting Standards Board Statement No. 34 as it pertains to Capital Asset Reporting and Governmental Accounting Standards Board Statement No. 51 as it pertains to Reporting Intangible Assets.

The policy applies to Philadelphia School District's valuation and recording of capital assets. Capital assets include land, improvements to land, easements, buildings and building additions, building improvements, furniture, fixtures and equipment, vehicles, works of art and historical treasures, construction-in-progress, infrastructure, and intangible assets.

### Authority

All financial and accounting reporting by the District to the Department of Education shall be in accordance with generally accepted accounting and reporting standards (PA School Code Article II, Section 218).

### Definitions

**Capital assets** - tangible and certain intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

**Infrastructure assets** - capital assets that are normally stationary in nature and that can normally be preserved for a significantly greater number of years than most capital assets. Infrastructure assets include roads, electrical distribution systems, street lighting, water wells, etc.

**Intangible assets** - assets that possess all of the following characteristics: (1) lack of physical substance, (2) nonfinancial in nature, and (3) a useful life extending beyond a single reporting period. The provisions of this statement apply to all intangible assets except for the following: (1) assets acquired or created primarily for the purpose of directly obtaining income or profit, (2) assets resulting from capital lease transactions.

reported by lessees, (3) goodwill created through the combination of a government and another agency.

### **Delegation of Responsibility**

The School Reform Commission delegates to the Superintendent or their designee the responsibility to coordinate the compilation and preparation of all information necessary to meet generally accepted governmental accounting and reporting standards for capital assets. To meet these standards, the Chief Financial Officer shall implement procedures to establish and maintain a capital asset inventory, including depreciation schedules as outlined by this policy.

### **Mandatory Regulatory Procedures**

#### Capital Asset Addition Overview

#### GASB Statement No. 34

- A.** Purchased personal property capital assets (to include furniture, fixtures, equipment, vehicles, and works of art and historical treasures) equal to or greater than \$500 should be recorded at original cost. Any purchase less than \$500 that has use expectancies that extend beyond one year and need to be controlled for insurance purposes, shall be classified as non-capital equipment expenditures. Any purchases consumed within the fiscal year are treated as supplies. Purchased real property capital assets (to include land, improvements to land, easements, buildings and building additions and improvements) equal to or greater than \$5,000 should be recorded at 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.
- B.** Capital assets valued at less than the thresholds established herein do not require capitalization and depreciation and shall be inventoried by the department responsible for custody of the assets. The inventory records should include the critical information necessary to identify the item, location or staff member responsible for custody of the asset, date of acquisition, date of disposal and any other information pertinent to the asset.
- C.** Capital assets above the thresholds established herein shall be depreciated over their useful lives as determined for each asset class. Land and land improvements are considered inexhaustible and, therefore, are not subject to depreciation.
- D.** If determining original costs is not practical due to inadequate records, reporting should be based on estimates of original cost at the date of construction or purchase.
- E.** Depending upon the information available and the category of the asset, fixed asset records shall include all or part of the following:

Asset Tag Number	Estimated Useful Life
Description	Depreciation Method
Asset Class	Salvage Value
Serial Number	Accumulated Depreciation
Cost	Depreciation Expense
Location or Functional Area	Replacement Cost
Acquisition Date	

## Donations

Donated capital assets above the thresholds established herein 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 original costs is not practical due to inadequate records, reporting shall be based on estimates of fair market value at the date of donation.

- A.** Works of art, historical treasures and similar assets shall be capitalized at their fair value at date of donation (estimated if necessary) whether they are held as individual items or in a collection. Due to the lack of historical records to establish carrying values and immateriality of the estimated replacement value, artwork is inventoried but not reported in the financial statements.
- B.** Capitalized collections or individual items that are exhaustible shall be depreciated over their useful lives. Depreciation is not required for collections or individual items that are inexhaustible.

## Infrastructure Assets

- A.** Infrastructure assets above the thresholds established herein shall be depreciated over the useful lives.
- B.** Routine repairs and maintenance costs to infrastructure assets are charged to operations as incurred. Expenditures that extend the useful life of the infrastructure assets 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 District will estimate the useful life of a capital asset based on accepted valuation standards.

## Depreciation

- A. Depreciation is required for the District's capital assets above the thresholds established herein. Depreciation is allocated to expense in a systematic and rational manner. Depreciation is calculated using the Straight Line/Half Year 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.
- B. Depreciation shall be calculated for a class of assets, a network of assets or individual assets.

## Disposals

- A. Sale of fixed assets: When fixed assets despite value 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).
- 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.

## Assets Acquired By Capital Lease

- A. Assets acquired by capital lease above the thresholds established herein 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.

### **Legal References:**

School Code – 24 P.S. Sec. 218

Governmental Accounting Standards Board Statement No. 34 and 51

### **Related Information:**

School District of Philadelphia Capital Asset Procedures Manual