

## **Administrative Procedures for Capital Assets** (Attachment for Policy No. 624)

### **Purpose**

The School District of Philadelphia (“District”) adopts these procedures to effectuate Board of Education Policy 624 - Capital Assets. The Board of Education (“Board”) recognizes the need to record Capital Assets in accordance with Government Accounting Standards Board Statements No. 34, No. 51, and No. 87. Board Policy 624 - Capital Assets applies to the recording, valuation, and depreciation of all assets whether purchased or constructed for use by the District.

### **Definitions**

**Capital assets:** Tangible and intangible assets used in District operations that have initial useful lives extending beyond a single reporting period.

**Capitalization:** The recording of a cost as an asset rather than an expense when the cost is not expected to be entirely consumed in the current period, but rather over an extended period of time. The asset is assigned an expected useful life and is depreciated over the length of that life.

**Intangible assets:** Intangible assets are limited to purchased or created software used in the course of District operations.

**Personal property assets:** Fixed or movable tangible assets used in District operations with a value of \$5,000 or more which include but are not limited to furniture and fixtures, machinery, computers, and vehicles.

**Land (real property):** Surface of the earth which can be used to support structures and is characterized as having an unlimited/inexhaustible life.

**Building (real property):** A structure that is permanently attached to land, has a roof, is partially or completely enclosed by walls, and is not intended to be transportable or movable.

**Improvements (real property):** The betterment to an existing structure (building) which materially extends the useful life, increases the value, adds capacity, or increases the efficiency of the asset.

**Construction in progress (“CIP”):** The cumulative costs incurred in the construction of buildings, structures, or capital-related additions, alterations, reconstruction, and installations that are substantially incomplete at the balance sheet date but upon completion, will extend the useful life, increase the value, add capacity, or increase the efficiency of the asset.

### **Procedures**

#### **Personal Property Addition**

Non-technology items purchased through the District’s Enterprise Resource Planning (“ERP”) finance system are brought into the Accounts Payable Mass Additions spreadsheet upon receipt

and recording of the supplier invoice for the purchase of goods and materials based on approved purchase orders. These items are reviewed by the Office of Accounting to determine whether the purchase represents a personal property asset. For items that are identified as personal property assets, a unique asset number is assigned and submitted in the system to create an individual asset record in the Fixed Asset Module. Relevant information from the purchase order including location name and number, entry date, purchase order number, vendor name and invoice number, unit cost, and item description are automatically transferred at the time the record is created. The individual record screen is printed and the assigned personal property tags are attached and delivered to the Office of Grants Compliance for distribution to the school/office location. The school/office places the tag on the asset at their location.

Technology items including laptop, desktop, and handheld devices purchased from Apple or Dell are factory etched with a distinct personal property number. Spreadsheets are sent to the Executive Director of Information Systems including the following information: personal property number, purchase order number, invoice number, serial number, and manufacturers' code. The information contained in the spreadsheet is copied into the Accounts Payable Mass Additions spreadsheet and is directly uploaded to the ERP finance system to create the individual asset records. Note: Although the cost of technology items is less than the \$5,000 threshold, these items are factory etched and added in the Fixed Asset Module for tracking purposes only.

Donated assets are manually added to the Fixed Asset module by the Office of Accounting using the manual addition functionality in the ERP finance system for items properly received in accordance with [Board Policy 702](#) – Gifts, Grants, Donations, and Scholarships. The information required to generate an asset record includes: personal property tag number, school/office location number, item value, and description. Donated assets are identified in the Fixed Asset module by a unique fund number. The individual record screen is printed and the assigned personal property tags are attached and delivered to the Office of Grants Compliance for distribution to the school/office location.

All personal property assets acquired during the fiscal year are extracted by the Office of Accounting from the ERP finance system Fixed Asset module. Beginning July 1, 2020, only assets valued at \$5,000 or above are depreciated.

#### Personal Property Disposal

Individual property records can be deleted to reflect disposal, loss, or theft of an individual personal property item using the ERP finance system Fixed Asset module. This functionality is only accessible to the Office of Accounting and is performed based on information provided by the Principal or Administrative Office Director through the assigned inventory designee. The personal property number, purchase order date, as well as one of the following disposal codes is required:

- (DM) Damaged,
- (NR) Not received,
- (ST) Stolen,
- (UN) Whereabouts Unknown, or

- (OB) Obsolete (item is 5 years or older).

The principal or Administrative Office Director must submit a Serious Incident Report (Form EH-31) for non-technology items less than 5 years old that are damaged, lost, or stolen. Items not received but issued a personal property inventory number require a copy of the “proof of delivery” or other relevant documentation showing that the item(s) were not received along with the return of the personal property inventory tags. For computer/technology items determined to be un-repairable or too costly to repair and less than 5 years old, a Damaged Technology Inventory Removal Form from Educational Technology is required to be submitted. Documentation should be sent to the Office of General Accounting, 440 N. Broad St., Suite 322 to the attention of the Senior Fixed Asset Accountant or scanned and emailed to [personalproperty@philasd.org](mailto:personalproperty@philasd.org).

All personal property assets disposed during the fiscal year are extracted by the Office of General Accounting from the ERP finance system Fixed Asset module.

#### Personal Property Transfer

Individual property records can be modified to reflect the transfer of an active personal property item to another location using the Mass Transfer spreadsheet or done on an individual basis within the Fixed Asset module. This functionality is only accessible to the Office of Accounting and is performed based on information provided by the Principal or Administrative Office Director through the assigned inventory designee. The following information is required to be submitted to the Office of Accounting for items to be transferred:

- Personal property number,
- Receiving school/office “Ship To” number (Note that this number must be active on the “Ship To” table), and
- Transfer Code:
  - (PC) Program Closed (Grant Funded Items),
  - (SC) School Closed (Grant Funded Items),
  - (CT) Central Transfer (Grant Funded Items), or
  - (TR) Transfer (Non Grant Funded Items).

The receiving school/office should be notified by the office requesting the transfer via email referencing the personal property number(s) being transferred.

#### Personal Property Modification

Active individual property records can be modified to reflect the addition or update of specific information using the Mass Update descriptive information function or done on an individual basis within the Fixed Assets module. This functionality is only accessible to the Office of Accounting based on information provided by the Principal or Administrative Office Director through the assigned inventory designee. The fields available for modification are as follows:

- Room (freeform),
- Person (freeform),

- Manufacturer (code or freeform),
- Model (freeform), and
- Serial # (freeform).

### Personal Property Maintenance and Reporting

The Office of General Accounting is responsible for maintaining the District's personal property inventory module on a regular basis. As part of the year-end close process, the additions, disposals, and depreciation reports are run to generate totals used in the compilation of the financial statements after approval by the responsible administrator.

Schools and administrative offices are responsible to maintain their personal property inventory and conduct a physical inventory at their location(s) annually as part of the year-end close process (May-June). Physical inventory should be compared to assets listed on the locations' inventory report and updates submitted to the Office of Accounting as described above. Schools and administrative offices are also responsible for putting the asset tags on the asset when they are delivered to their locations.

### Real Property Addition

Capitalizable expenditures relating to real property and intangibles are funded through capital projects bond issues. The Oracle finance system Projects module is used to capture the expenditures related to the recording of additions to Land, Building, Improvements, Intangibles and CIP. The Capital Financial Management Office provides the Office of Accounting with the projects that are closed/completed and ready to be capitalized.

Current year expenditures relating to closed projects represent additions to either Land, Building, Intangible or Improvements fixed asset accounts. All project-related expenditures that remain open are deemed to be CIP.

### Real Property Transfer

Based on the project status information provided by the Projects module, the CIP expenditures carried forward from the previous year(s) and capitalized in the current fiscal year represent transfers to the appropriate fixed asset accounts.

### Real Property Disposal

District real property can be sold with approval of the Board when a property no longer meets the District's needs. The Office of Real Property Management is responsible for the process and once a sale is complete, the settlement sheet and related information are forwarded to the Office of General Accounting. The individual line items that comprise the total cost of the building, improvement, and land are compiled and tagged for deletion in the ERP finance system Fixed Asset module resulting in the relevant asset accounts and related accumulated depreciation accounts adjusted to reflect the sale.

## Real Property Maintenance and Reporting

The Office of General Accounting is responsible for maintaining the District's ERP Fixed Asset Module on a regular basis. As part of the year-end close process, real property additions, disposals, and depreciation reports are generated and used in the compilation of the financial statements after approval by the responsible administrator.

## Fixed Asset and Depreciation Schedule

CC	ASSET CLASS	EXAMPLES	ESTIMATED USEFUL LIFE YEARS
01	Land	Purchase & Demolition	N/A
02	Site Improvements	Paving, flag poles, retaining walls, sidewalks, fencing, outdoor lighting	20
03	Art	N/A	N/A
04	Portable Classrooms		10
05	HVAC Systems	Heating, ventilation and air conditioning	25
06	Exterior Envelope	Roofing, Window, Doors	20
07	Interior Construction	Classroom dividers, partitions	10
08	Carpet Replacement		7
09	Electrical/Plumbing		30
10	Fire Systems/Security Alarm	Fire suppression/Security	25
11	Outdoor Equipment	Playground, radio towers, fuel tanks, pumps	20
12	Machinery & Tools	Shop and maintenance equipment, tools	15
13	Kitchen Equipment	Appliances, Lunchroom tables	12
14	Custodial Equipment	Floor scrubbers, vacuums, other	15
15	Science & Equipment	Lab Equipment, apparatus	10
16	Furniture and Fixtures	Classroom and office furniture	20
17	Business Machines	Fax, duplicating and printing equipment, counting equipment, and cash registers	5
18	Copiers	Canon/Epson	5
19	Communications Equipment	Mobile, portable radios, non-computerized	10
20	Computer Hardware	PCs, printers, network hardware	5
21	Computer Software	Instructional, other short term	5
22	Computer Software	Administrative or long term	10
23	Audio Visual Equipment	Projectors, cameras	10
24	Athletic Equipment	Gymnastics, football, weight machines, wrestling mats	10
25	Musical Instruments	Piano, string, bass, percussion	10
26	Library Books	Collections	5 TO 7
27	Licensed Vehicles	Buses, on-road vehicles	8
28	Contractor's Equipment	Off road vehicles, air compressors	10
29	Grounds Equipment	Mowers, tractors, attachments	15
30	School Buildings		50

### Leased Assets

When the District acts as a lessee, the following conditions apply:

1. A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease, or it transfers ownership of the underlying asset;
2. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives);
3. The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs;
4. A lessee should reduce the lease liability as payments are made and recognize an outflow of resources (expense) for interest on the liability; and
5. The lessee should amortize the leased asset in a systematic and rational manner over the shorter of the lease term or the estimated useful life on the underlying asset.

When the District acts as a lessor, the following conditions apply:

1. A lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term;
2. A lessor should not derecognize the asset underlying the lease and should continue to apply other applicable guidance (depreciation and impairment);
3. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term; and
4. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

### **Maintenance Schedule**

Procedures are reviewed annually and updated as necessary as part of the fiscal year-end closing process.