No. 622-AR

ADMINISTRATIVE
REGULATION

TURKEYFOOT VALLEY AREA
SCHOOL DISTRICT

CAPITAL ASSET INVENTORY

In accordance with Governmental Accounting Standards Board Statement Number 34, capital assets includes land, improvements to land, easement, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasure, infrastructure. Capital assets are both tangible and intangible assets used in operations and have initial useful lives extending beyond a single report period. Equipment 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.

Purchased Capital Assets

1. In order to associate debt with acquired assets and to avoid net asset deficits, any asset that has been acquired with debt proceeds shall be capitalized regardless of the cost of the asset.

2. Capital assets not associated with debt and purchased at greater than $1500 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, site preparation and professional fees.

3. Capital assets will be depreciated over their estimated useful lives as determined for each asset class. Inexhaustible capital assets such as land and land improvements will not be depreciated.

4. 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.

5. Fixed asset records must include the acquisition date, cost, useful life, and salvage value for capital asset classifications and groups.

6. Individual items less than $1500 but purchased in the aggregate totaling $1500 shall be capitalized and depreciated as a unit over the useful life for that asset class.

7. 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

1. 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 estimated useful lives as determined for each asset class.

2. If determining the historical cost is not practical due to inadequate records, reporting should be based on estimates of fair market value at the date of donation.

Collections

1. 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.

2. 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 is defined as assets that 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 parking lots and sidewalks.

1. Infrastructure assets will be depreciated over their useful lives.

2. 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.

Depreciation Expense

1. 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.

2. Depreciation is allocated to expense in a systematic and rational manner. The straight-line method of depreciation is used.

3. Depreciation may be calculated for a class of assets, a network of assets or individual assets.

Disposals

1. ***Sale of Fixed Assets*** – When fixed assets are sold, a calculation of gain or loss on the 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).

2. ***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 asset traded in must be removed from the books. Any gain or loss from the disposition of the asset will be recognized as a gain or loss on disposal.

Assets Acquired by Capital Lease

1. 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.

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