

**MONTGOMERY  
COUNTY  
INTERMEDIATE  
UNIT #23**

SECTION: FINANCES

TITLE: GASB STATEMENT 34/ CAPITAL ASSETS

ADOPTED: MAY 26, 2010

REVISED: FEBRUARY 24, 2016

622. GASB STATEMENT 34/ CAPITAL ASSETS	
1. Purpose	<p>The Board recognizes the need to implement the required accounting and financial reporting standards stipulated by the Pennsylvania Department of Education.</p> <p>The primary objectives of implementing the Generally Accepted Accounting Principles (GASB) Statement 34 are to assure compliance with state requirements, and properly account for both the financial and economic resources of the Intermediate Unit.</p>
2. Definition	<p>Capital assets shall include land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures and infrastructure. Capital assets are both tangible and intangible 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.</p>
3. Authority SC 613, 971	<p>Participation of the Intermediate Unit in any such activity shall be in accordance with Board policy.</p>
4. Delegation of Responsibility	<p>The responsibility to coordinate the compilation and preparation of all information necessary to implement this policy is delegated to the Chief Financial Officer/Director of Business Services.</p> <p>The designated individual shall be responsible for implementing the necessary procedures to establish and maintain a fixed asset inventory, including depreciation schedules.</p> <p>The Chief Financial Officer/Director of Business Services shall prepare the required Management Discussion and Analysis (MD&amp;A). The MD&amp;A shall be in the form required by GASB Statement 34 and shall be submitted to the Board for approval, prior to publication.</p> <p>Prior to submission of the MD&amp;A for Board approval, the Intermediate Unit's independent auditors shall review the MD&amp;A, in accordance with SAS No. 52, "Required Supplementary Information".</p>

## 5. Guidelines

Purchased Capital Assets

Purchased capital assets greater than \$5,000 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.

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

If determining historical cost is not practical due to inadequate records, reporting should be based on estimates of original cost at the date of construction or purchase.

Fixed asset records must include the acquisition date, cost, useful life and method of depreciation for each capital asset classification and group.

Individual items less than \$5,000 but purchased in the aggregate totaling \$10,000 shall be capitalized and depreciated as a unit over the useful life for that asset class.

Due to change in technology, 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

Donated capital assets must be reported at fair market value plus ancillary charges, if any, at the time of donation. Donated assets are recorded as contributed capital and 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 parking lots and sidewalks.

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.

#### Useful Lives

Fixed assets are to be depreciated over the following useful lives:

Asset Class	Years
Buildings	40-50
Portable classrooms	20-25
HVAC systems	20-25
Interior construction	25-30
Sprinkler/Fire system	20-25
Outdoor equipment	15-20
Machinery and tools	10-15
Kitchen equipment	10-15
Custodial equipment	05-07
Furniture and accessories	15-20
Business machines	05-10
Copiers	03-05
Communication equipment	05-10
Computers	03-05
Audiovisual equipment	05-10

#### Depreciation Expense

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. Depreciation expense for shared facilities should be ratably included in direct expenses for each function.

Depreciation is allocated to expense in a systematic and rational manner. The straight-line method of depreciation is used for all fixed asset classes in accordance with the useful lives established for each asset classification. Depreciation charges do not include a salvage value.

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

For assets placed in service prior to December 31, a full year of depreciation expense will be charged to operations. Assets acquired after January 1 will not start depreciation until July 1 of the subsequent fiscal year.

Disposals

Sale of Fixed Assets: When fixed assets are sold, a 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 of the fixed asset less accumulated depreciation taken).

Trade-in: 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 in the entity-wide operating statement.

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 lease are depreciated using the straight-line method over the useful lives designated for the asset class.

Repairs And Maintenance

Extraordinary repairs greater than \$5,000 extending the useful life of an asset beyond one (1) year should be capitalized, and the useful life of the entire asset for depreciation purposes should be revised. Routine repairs, maintenance and parts purchased to keep the asset in working condition are charged to expense as incurred whether they are greater than or equal to \$5,000.

References:

School Code – 24 P.S. Sec. 613, 971

Governmental Accounting Standards Board, Statement No. 34