

# Asset Valuation, Management, and Disposal

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# Introductions

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Candor. Insight. Results.

# Assets – Why are they Important?

- Insurance
- External reporting
- Compliance with state law
- Compliance with Federal grant regulations
- Compliance with Board of Education policies
- Control and safeguarding

# What is an asset?

- Insurance purposes
- External reporting purposes
  - Generally accepted accounting principles and IPAM/AFR are nearly identical
  - Useful life of > 1 year
  - Over the District's capitalization threshold
  - All costs to bring asset to fruition
  - 400 vs 500 vs 700 object

# Acquisitions

- Adding a capitalized asset to the districts assets
  - New or Used Purchase
  - New or Used Donation
  - Lease Agreement
- Purchasing practices

# Purchasing Practices

- Public Bid, RFP, RFQ
- Utilize Internal Purchasing Processes
  - Requisitions/ Purchase Orders
- Plan for Capital Purchases During Budget Process
  - Large capital projects
  - Classroom wants and needs

# Accounting Best Practices for Assets

- Tracking
  - Different options are available
    - External software application
    - Module within your ERP/accounting system
    - Asset management company
  - All options require diligence on the District's part
    - Should be an ongoing process, not just at year end or audit

# Capital Asset Management

- Tagging and Tracking
  - Items to include:
    - High-value assets, such as assets that are depreciated
    - Moveable assets and assets that require regular maintenance, repairs, or replacement parts, such as equipment and machinery.
    - IT hardware, such as computers and servers
    - Audio-visual equipment, such as projectors
    - Fixed assets (Property, Plant, and Equipment – or PPE)
    - Capital equipment, such as machines and tools
    - Furnishings, such as desks and filing cabinets



# Capital Asset Management

- Tagging and Tracking cont'd
  - Assists with inventory control and monitoring
  - Helps prevent loss
  - Can help streamline maintenance management

# Accounting Best Practices for Assets (cont.)

- What should be tracked about an asset?
  - Value (should be the cost)
  - Detailed description
  - Asset class
  - Acquisition or in-service date
  - Useful life
  - Location (useful for building assets)
  - Serial number (useful for equipment assets)
  - Depreciation
    - Expense and accumulated depreciation

# Accounting Best Practices for Assets (cont.)

- Reconcile asset additions to 500 objects
  - Mind your District’s capitalization threshold
- Disposals
  - Important for insurance rates
  - Code proceeds from sales to 7310 per IPAM
    - Proceeds are considered a “source” of funds, not a revenue
  - Identification can be difficult

# Capital Asset Disposal

- Standardized Disposal Request Form
- Methods of Disposal
  - Repurposed
  - Trashed or Scrapped
  - Traded-In
  - Sold
    - General Sale
    - Auction
      - Electronic
      - Media Posting
  - Board of Education Approval
  - “As-Is”

# Accounting Best Practices for Assets (cont.)

- Budgeting and expenditures
  - Budget for spend in the proper objects
  - All of the various costs that go into a larger project
  - Expenditure coding should correlate to where the budget is

# Capitalized Asset Examples

- Land
- Land Improvements
  - Site improvements such as excavation, fill, grading or utility installation
  - Outdoor Lighting
  - Fencing
  - Retaining Walls
  - Landscaping
  - Parking Lots
  - Outdoor tennis courts

\* Replacement or restoration to original utility level would not be capitalized.

# Capitalized Asset Examples

- Purchased Buildings

- Purchase Price
- Expenses for modeling, reconditioning or altering a purchased building to make it ready to use for the purpose for which it was acquired
- Environmental compliance (i.e., asbestos or lead abatement)
- Professional fees (legal, architect, inspections, title searches, etc.)
- Payment of unpaid or accrued taxes on the building to date of purchase
- Cancellation or buyout of existing leases
- Other costs required to place the asset into operation

# Capitalized Asset Examples

- **Constructed Buildings**
  - Completed project costs (labor, materials)
  - Cost of excavation, grading or filling of land for a specific building
  - Expenses incurred for the preparation of plans, specifications, blueprints, etc
  - Professional fees (architect, engineer, management fees for design and supervision, legal)
  - Costs of temporary buildings used during construction
  - Unanticipated costs, such as rock blasting, piling, or relocation of an underground stream channel
  - Permanently attached fixtures or machinery that cannot be removed without impairing the use of the building
  - Additions to buildings (expansions, extensions, or enlargements) that significantly increase the value of the buildings.



# Capitalized Asset Examples

- Building Improvements
  - Conversion of attics, basements, etc. to useable office, clinic, research or classroom space
  - Structures attached to the building such as covered patios, sunrooms, garages, carports, enclosed stairwells, etc.
  - Installation or upgrade of heating and cooling systems, including ceiling fans and attic vents
  - Original installation/upgrade of wall or ceiling covering such as carpeting, tiles, paneling or parquet

# Capitalized Asset Examples

- Building Improvements cont'd
  - Structural changes such as reinforcement of floors or walls, installation or replacement of beams, rafters, joists, steel grids, or other interior framing
  - Swimming pools
  - Installation or upgrade of window or door frame, upgrading of windows or doors, built-in closet and cabinets
  - Interior renovation associated with casings, baseboards, light fixtures, ceiling trim, etc.
  - Exterior renovation such as installation or replacement of siding, roofing, masonry, etc.
  - Installation or upgrade of plumbing and electrical wiring
  - Installation or upgrade of phone or video management systems, networks, fiber optic cable, wiring required in the installation of equipment (that will remain in the building)

# Capitalized Asset Examples

- Machinery and Equipment
  - Office equipment
  - Furniture
  - Computers
  - Vehicles
  - Heavy Equipment
  - Computer hardware
  - Small Equipment and Tools
  - Lawn maintenance equipment, compressors and tool kits

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# Capitalized Asset Examples

- Donations
  - Collection of rare books, manuscripts
  - Maps, documents and recordings
  - Works of art such as paintings, sculptures and designs
  - Artifacts, memorabilia, exhibits
  - Unique or significant structures such as monuments or statues
- Leased Items
  - Buildings
  - Copiers
  - Buses

# Capitalized Asset Examples

- Technology Systems
  - Telephone System
  - Wi-Fi Network
  - Smart Classroom

# *Questions and Answers*

*We thank you for your time!*

# Presenters:

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