

# PENN MANOR SCHOOL DISTRICT

ADMINISTRATIVE REGULATION

APPROVED: November 15, 2012

REVISED:

## 622-AR-1. VALUATION OF CAPITAL ASSETS

Capital assets are items that have a useful life of at least one (1) year and a value of at least \$5,000. The assets are permanent in nature, tangible and held for purposes other than investment or resale.

There are six (6) types of capital assets: land, land improvements, buildings, building improvements, moveable equipment and fixed equipment.

### Capital Asset Valuation

For purposes of valuing capital assets, the district will separate them into five (5) categories, based on how they were acquired.

#### 1. Purchased Assets:

- a. To determine the value of an asset, the price must include purchase price, transportation costs, installation costs, value received from a trade-in, bid advertising costs, and any other direct costs of the district related to the purchase of the asset.
- b. Subsequent purchases for additional or replacement components valued at less than \$5,000 must be treated as an expense.
- c. Subsequent purchases for additional or replacement components valued at less than \$5,000 for an existing piece of equipment funded by a federal, state or local grant may be capitalized if the additional components are specifically budgeted under the grant. An explanation is required for these additions to the capital asset inventory.

#### 2. Donated Assets:

- a. The value recorded by the district for a donated asset is the market value of the asset when the district receives it.
- b. To determine the market value of the asset, the appraisal price, selling price to educational institutions of an equivalent item, and/or information on IRS Form 8283 may be used.
- c. Transportation and installation costs should also be included when valuing the donated item.

3. Leased Assets – assets purchased under a capital lease:
  - a. The asset must be recorded under a capital lease when the asset is put in use.
  - b. The value is recorded at the current market value and should not include any interest.
  - c. Use the present value calculation based on the monthly payment schedule to determine current market value.
4. Fabricated Equipment – the value of a fabricated asset is determined by the total of the recoverable costs associated with the construction of the asset. Recoverable costs include:
  - a. Original invoice prices paid for the components.
  - b. All shipping, handling and in-transit insurance and storage charges related to the delivery and installation of the component.
  - c. All costs associated with installation, including site preparation.
  - d. Costs of all testing.
  - e. All books, manuals and training for operation.
  - f. Do not include in-house labor charges.
5. Constructed Buildings and Improvements/Renovations:
  - a. The value of the asset includes the total amount paid for acquiring or improving the asset, such as non in-house labor; materials; architectural and design fees; charges by brokers, agents, notaries, building permits, inspections and filing costs; costs of utilities during construction; and landscaping costs related to the building.
  - b. Record all district-owned facilities that are permanent in nature as a capital asset.
  - c. Record any alteration or renovation of an existing facility that adds useful space or will cost at least \$15,000.