

<b>Title: Capital Assets Management</b>	<b>Number: 3.01.0217.1</b>
<b>Approved by the Board of Governors</b> <b>Date: February 21, 2017</b>	<b>Implementation</b> <b>Date: February 21, 2017</b>
<b>History:</b> <b>Scheduled Review Date: January 2020</b>	<b>Origin:</b> <b>Practice of Long Standing</b>

## RATIONALE

H. Lavity Stoutt Community College acquires a broad range of capital assets in order to pursue its mission. In line with accounting regulations and good business practices, this policy sets forth the guidelines for:

- Acquiring, recording disposing of, and otherwise accounting for these assets.
- Depreciating capital assets
- Ensuring adequate stewardship of capital assets.

This policy refers to assets, whether acquired before or after the approved date of this policy.

## DEFINITIONS

**Accumulated depreciation** – The total amount of depreciation that has been recorded for an asset since its date of acquisition.

**Acquisition cost / value** – Value of an asset at the time it is acquired. This may be the invoice price or, if donated, the fair market value. Also included are costs incurred to place the asset into service (examples: freight, installation).

**Additions** – Acquisition of new assets, or modifications to existing assets that increase their useful life or service potential. Examples include addition of a wing to a building or adding additional space to a building, or installing a central air conditioning system in an office.

**A/V equipment** – Audiovisual equipment such as projectors, screens, microphones, and speakers.

**Bar code** – A unique asset identification number assigned and affixed to an item in order to assist in its identification and the cyclical count of equipment. In case of moveable equipment (except for motor vehicles), the code is affixed to the asset.

**Book value** – Difference between the acquisition cost and accumulated depreciation. At the time of acquisition, book value equals acquisition cost. For gifts, it is the market value at the time of the donation.

**Building improvements** – Building improvements differ from equipment in that they are not separate from

the building structure. Useful life of building improvements are the same as that of the building. Examples include light fixtures, wall-to-wall carpeting, and raised flooring.

**Capital Asset** – A tangible or intangible item, with a permanent life of one year or more that is held for purposes other than investment or resale and that has a value of one thousand dollars \$1,000 or more. For accounting purposes, capital assets are classified into seven categories as follows:

1. Land
2. Buildings
3. Capital Improvements
4. Furniture and Equipment
5. Motor Vehicles
6. Library Books
7. Painting and Artworks

**Capital Asset Representative (Custodian)** – The College employee designated by each department as responsible for capital asset control. Control includes preparing forms, stewardship of assets, ensuring bar codes are tagged to new assets, and assistance in completing the physical count of assets.

**Capitalise** – To record the cost as an asset that is subject to depreciation over its estimated useful life, rather than as an expense for one accounting period.

**Depreciation** – The periodic cost assigned for the reduction in usefulness and value of a long-term tangible asset. Generally accepted accounting principles dictate the estimated useful life that the value of fixed assets must be written off as an expense.

**Disposition** – Final status of an asset when it is removed from the inventory of assets and is no longer physically located on the College site (examples: sale, scrap, donation, transfer to another unit, etc.).

**Equipment and furniture** – Assets not permanently affixed to a building. They include A/V equipment, cameras, computers, musical instruments, projectors, network devices etc.

**Expense** – A charge incurred during or for the current fiscal period.

**Gift-in-kind** – A donation to the College of an asset other than cash, marketable securities, goods or services. This may include items that are useful to the College, such as office equipment, vehicles, furniture, etc., or something with a longer useful life such as books, artwork, or copyright interests.

**Intangible asset** – An asset not having physical substance (examples: a patent, software).

**Inventory item number** – Sequential number generated by the Fiscal department that is unique to each item of equipment.

**Land improvement** – Additions to the land that add limited-life enhancements such as driveways, parking spaces, pavement, and fencing.

**Lease - operating** - Installment payment agreement that does not meet the criteria of a capital lease.

**Lease - capital** – Installment payment agreement made to acquire capital assets. Leases are considered capital leases under any of the following circumstances:

- a) Ownership transfers to lessee at end of lease
- b) Lease contains bargain purchase option
- c) Lease period is at least 75 percent of its useful life
- d) Present value of lease payment is at least 90 percent of fair market value

**Library holdings** – Books, journals, bound periodicals, microfilms, tapes, videos etc. that are purchased for and catalogued in libraries in the College's library.

**Maintenance** – Activities related to the repair and upkeep of an asset with the intent of preserving the original useful life and function.

**Market value** – Cost to acquire an item in its current condition through an arm's-length transaction – also referred to as "fair market value."

**Motor vehicle** – Any licensed motor vehicle or boat that is leased, owned, or rented by the College for the official business of the College.

**Net book value** – The cost of an asset minus its depreciation.

**Network devices** – include servers, hubs, switches, and similar devices functioning together to make the network function properly.

**Obsolescence** – Factor to consider when determining the disposition of assets. Assets are obsolete when no longer useful to the College.

**Painting and artwork** – These assets include works of art, rare books, historical treasures, or scientific specimens that are held for public exhibition, and education, rather than for financial gain. These assets are protected and preserved.

**Scrap equipment** – Item that can be discarded as worthless or broken down into parts for disposal or salvage.

**Software** – Entire set of programs, procedures, and related documentation associated with a computer system.

**Technology** – The material product that is the result of the usage and knowledge of tools, techniques and crafts, or is systems or methods of organization. In everyday terms, technology can mean electronic devices, such as printers, scanners and similar peripheral devices used primarily to support a computer system.

**Useful life** – The period of time over which a capital asset has benefit to the College in performing the function for which it was purchased. The useful life is estimated by the College's depreciation policy which is reviewed periodically for appropriateness.

## **POLICY**

The inventory maintained by the Fiscal Services Department is the official College record of all capital assets. To maintain an accurate inventory throughout the year, departments must communicate all changes in assets to the Property Accounting Manager as they occur.

Capital assets that are acquired with government or restricted funds are subject to the terms of the donor's agreement. Title to equipment may belong to the donor, sponsor or to the College.

Capital assets for which the title is held by another party may not be disposed of without the express written consent of the title holder.

Personal use of College assets is prohibited.

Capital assets used or left on College property are owned by employees are not the possession of the College, hence are not included in its Asset Inventory. For this reason, the College carries no liability for such assets.

### **Responsibilities for Capital Assets:**

The Facilities Department is responsible for the purchase of all furniture, and for all equipment used or maintained by College department, and for the proposal disposal of capital assets, once they have been approved for such action.

The Technology Department is responsible for the purchase of all equipment used for information technology, and for all related software.

The Fiscal Services department is responsible for recording and maintaining the Capital Asset Inventory or ledger (e.g. ensuring accurate codes and records, equipment tagging, scheduling counts, recording gifts and their restrictions, classifying purchases, approving assets for disposal, adjusting insurance policies etc.)

All College departments are responsible for completing acquisition forms, communicating concerning related insurance needs, counting assets, and communicating concerning changes in asset location and other changes. (Departments are also responsible for maintaining a record of non-capital assets owned by the College and located in the department).

## **PROCEDURE**

### **A. Purchasing Capital Assets**

The purchase of capital assets should follow the College's *Purchasing Policy and Procedures*. Capital assets may be purchased outright, acquired under a capital lease, or received as donations.

### **B. Recording Capital Assets**

All capital assets, however acquired, are added to the Capital Asset Inventory using the Fixed Asset Module of the Financial Edge software. A *Capital Asset Acquisition Form* is used for this purpose. Somewhat different procedures apply to three kinds of assets – newly purchased assets, leased capital assets and gifted assets and constructed buildings / building improvements. Each of these procedures are as follows:

1. **Newly Purchased Assets:** To maintain an accurate inventory, and provide accurate data for financial statements, capital assets must be recorded in a timely manner. Information concerning newly purchased assets should be communicated to the Property Accounting Manager. A *Capital Asset Acquisition Form* must be completed to include the following information concerning the asset:

- Category (e.g. land, buildings etc.)
- Custodian name and contact number
- Department name
- Location
- Date purchased and placed in service
- Purchase order and invoice number
- Description - model, order and serial number
- Funding source - account number (s) and unit code (s)
- charged
- Manufacturer name
- Vendor name
- Acquisition cost/value
- Preparer's name, signature and date prepared
- Budget Holder's name, signature and date approved
- Counter Signor's name, signature and date approved
- Additional cost (e.g. transportation, installation etc.)

2. **Leased Capital Assets:** Assets acquired under a Lease agreement should also use a *Capital Acquisition Form* to report the following to the Property Accounting Manager. A copy of the Lease must also be provided.

- Terms of the lease
- Expiration date, month and year
- Funding source - account number (s) and unit code (s)
- charged
- Condition code at time of acquisition (new, good, fair)

3. **Gifted Assets** - The Director of Fund Raising, Sponsorships and Grants Management must provide the following information to the Property Accounting Manager using a *Donated Asset Form* within two weeks of receiving the gift. The information provided must include the following concerning the asset :

- Description
- Donor's name, address and contact information
- Acquisition date
- Fair market value
- Additional information necessary to record or track the gift
- Condition code (new, good, fair, poor)

or not working)

4. **Constructed Buildings and Building Improvements:** A capital improvement or the construction of a building, or building improvements are not recorded as a capital asset until it is ready for use.

The Property Accounting Manager will record a building or a building improvement project as a capital asset if it accomplishes either of the following:

- Adds net assignable square footage to facility space, regardless of cost (example: when a closet is renovated into office space).
- Extends the useful life of a facility and costs at least \$1,000.
- Alterations are considered repairs and/or maintenance if they (1) do not add useable space or (2) cost less than \$1,000.

### C. Valuing Capital Assets

Valuing capital assets also requires that the items be divided into separate categories newly purchased assets, leased capital assets, gifted or donated assets, constructed buildings and building improvements.

1. **Newly Purchased Assets.** The value of purchased assets is determined by using the purchase price, transportation costs, installation costs, value received from a trade-in, and any other direct expenses incurred by the College in obtaining the asset. Training, maintenance agreements, and warranty agreements are not considered in placing a value on newly purchased assets  
Subsequent purchases for additional components that are added to a newly purchased asset that are valued at less than \$1,000 should be accounted for as non-capital expenses.

Library materials are recorded as long-lived assets, although the market value of an individual item is generally below the capital threshold. This category consists of books, journals, bound periodicals, and microfilms purchased for and catalogued in libraries that are part of the College's library system. These assets are depreciated over an estimated useful life of ten years.

2. **Leased Capital Assets:** From time to time, the College may need to acquire an asset using a lease agreement as a means of financing. The value that is placed on such assets is the market value of the item at the time of signing the lease. Interest that is paid to finance the lease is not included in the value. If the current market value of the leased asset is not known, the item is valued based on the monthly payments, minus any interest that is paid for financing.

While items paid for through a capital lease agreement are considered an asset and are therefore given a monetary value, items paid for through an operating lease are not considered capital assets, and the lease payments are considered a rental expense.

3. **Gifted Assets** - When an asset is donated to the College, its value is recorded as the market value

at the time that it is received. The market value is the cost that would have otherwise been paid by the College to purchase the item. The Property Accounting Manager can be helpful to the department in determining such cost. Transportation and installation costs must also be included in the calculation of the value of capital gifts. If the value of the gift is above the capitalization threshold (i.e. more than \$1,000), it must be added to the Capital Asset Inventory.

In instances where the title for a gifted item is held by the owner (.e.g. the Government or a Corporation) the value of the item is assessed at the time that the title is transferred to the College. It is at the time of title transfer that all tags and related information are removed, and replaced with appropriate College identification tags.

#### **4. Constructed Buildings and Building Improvements-**

The value of these assets equals the total amount paid for acquiring or improving the asset, such as labor, materials, architectural and design fees, charges by brokers, agents, and notaries, building permits, inspections, and filing costs. Also included are costs of utilities during construction and landscaping related to the building.

### **D. Tagging Capital Assets**

To identify ownership and complete the cyclical count of assets, the Property Accounting Manager will assign a bar code that must be affixed to all new, moveable furniture and equipment (except motor vehicles) valued at \$1,000 or more. At least quarterly, the Property Accounting Manager will review new additions and ensure that bar codes are affixed to capital assets.

While they are recorded and barcoded, artwork, sensitive technical equipment, computer software or other such capital items should not be tagged if doing so would affect their function, value, or the ability to return an item to the manufacturer while it is under warranty.

### **E. Relocation of Capital Assets**

To properly account for capital assets and to comply with cost allocation principles, accurate information concerning the location of all movable equipment must be maintained. At the time that a capital asset is relocated, a *“Fixed Asset Transfer Form”* must be completed by the department transferring the asset, and sent to the Property Accounting Manager.

### **F. Conducting a Physical Count of Capital Assets**

The purpose of a cyclical count is to verify the existence, location, and condition of capital assets and ensure the accuracy of the College’s accounting records. The Property Account Manager must perform such count of all capital assets at least annually. If the cyclical count reveals discrepancies between recorded and physical assets; the Property Accounting Manager will reconcile such discrepancies and update the inventory. The accuracy of the information within this system is highly dependent on units Departments completing the appropriate forms to add, delete, and relocate capital asset properly.

The Property Accounting Manager will coordinate the physical count of assets with each departments, and will establish specific timeframes in which to complete the count. The timeframe is based on the size and complexity of the assets within each department. A bar code scanner will be used to scan and confirm the identity of each capital asset against the College's Capital Asset Inventory.

During a physical count, personnel that are taking the physical inventory will:

- Add to the Capital Asset Inventory, by completing a *“Fixed Asset Acquisition Form”* as deemed appropriate, any capital assets that were found during the count, but that were not on the Inventory.
- Identify those items on the Inventory that have been disposed of since the last count.
- Indicate any corrections to the location, description or status of an asset, and any supporting documentation for the changes.

## **G. Disposing of Capital Assets**

Before disposing of a capital asset, departments must request permission to do so from the Property Accounting Manager by completing a *“Fixed Asset Disposal Request”*.

The request must include the following information about the asset:

- |  |  |
|--|--|
| a. Department or unit disposing of capital asset | price                                  |
| b. Description                                   | h. Net book value                      |
| c. Serial number                                 | i. Current market value                |
| d. Barcode number                                | j. How the market value was determined |
| e. Location of asset                             | k. Proposed means of disposal, and     |
| f. Reason for disposal                           | l. Proposed use of proceeds, if any.   |
| g. Acquisition date, original purchase           |  |

If a capital asset is approved for disposal, the following steps should be taken:

1. In those instances where an item has been ‘traded-in’ to purchase an asset, the responsible department must prepare and submit a *Capital Asset Disposition Form* to the Property Accounting Manager.
2. Before disposing of computer equipment, departments must contact the Information Technology Department so that all data and College-licensed software can be removed;
3. All tags and College seals or logos must be removed. Tags should be affixed to the *“Fixed Asset Disposition Form”* and sent it to the Property Accounting Manager;
4. The capital asset should be physically removed from its location, to a temporary location if necessary;
5. Capital assets must be discarded in an environmentally responsible manner by the Facilities Department.

## H. Special Circumstances

1. **Equipment Used at Off-campus Locations** – To facilitate work-related projects, it may be necessary to use moveable equipment in an off campus location (e.g., at home, on business travel, or at off-site laboratories). In such instances, approval for the use of capital equipment elsewhere should be removed only with the approval of the Property Accounting Manager. The employee must use the *“Off Campus Use of College Property Request Form”* to request such approval.
2. **Removal of Equipment by an Outside Entity.** In some instances, an external agency may request the use of College equipment. When capital assets are to be removed from the campus, an *“Off Campus Use of College Property Request Form”* must be completed. The request to be completed must include, but not be limited to:

Item description	Description of the Off-campus location
Bar code number	Date of removal
Person responsible off-campus	Expected date of return

The request must be approval by the Department Head and the Property Accounting Manager. The approved request must be logged by Fiscal Services and the Facilities Department which is required to notify Security of the plans to remove such asset.