

Applies to: Any person responsible for purchasing, recording and maintaining or disposing of COTC capital assets.

POLICY

To ensure the recording and maintenance of capital assets in accordance with state and federal regulations.

I. Table of Contents

Section	Title	Page
Policy		
II.	General Overview	1
III.	Definitions	2
IV.	Asset Categories	2
V.	Capitalization Thresholds	7
VI.	Capital Asset Depreciation	8
VII.	Responsibilities for Equipment Management	9
Procedures		
I.	Purchase of Capitalized Equipment	11
II.	Equipment Delivery, Errors, Damage, Warranties and Payment	11
III.	Tagging of Capitalized Equipment	11
IV.	Changes in Equipment Status	11
V.	Stolen Equipment	12
VI.	Surplus Property	12
VII.	Physical Audits	13
VIII.	Standard Header Comments on Requisitions and Purchase Orders	13
VIII.	Procedures for all other asset classifications	13

Policy Details (optional)

II. General Overview

- A. Capital Asset Management, in the Office of Business & Finance, is responsible for maintaining a permanent and detailed record of all capital assets owned by the college, including all private gifts.
- B. To maintain state and federal standards, the college must:
 - 1. Include the value of all capitalized assets in the college's annual financial report. The college's external auditor's review capitalized assets, as part of the annual audit.
 - 2. Use sound business practice to control assets, specifically maintaining accurate property records.
 - 3. Abide by federal rules and regulations regarding capital equipment, as appropriate:
 - a. Governmental Accounting Standards Board (GASB) Statements No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and as amended by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*
 - b. OMB Circular A-21, Cost Principles for Educational Institutions

Applies to: Any person responsible for purchasing, recording and maintaining or disposing of COTC capital assets.

- c. OMB Circular A-110, Attachment N. Grants and Agreements with Institutional or Higher Education, Hospitals and Other Nonprofit Organizations
- d. A-133, Audits of States, Local Governments and Non-Profit Organizations
- e. Federal Acquisition Guidelines

III. Definitions

- A. Capital assets are real or personal property that have a value equal to or greater than the capitalization threshold for the particular classification of the asset and have an estimated life of greater than one year.
- B. Assets which are purchased, constructed, or donated that meet or exceed established capitalization thresholds will be recorded by the College.
- C. Assets are recorded at their historical costs, which include the vendor's invoice (plus the value of any trade-in or allowance, if reflected on the invoice), plus initial installation cost (excluding in-house labor), modifications, attachments, accessories or apparatus necessary to make the asset usable and render it into service. Historical costs also include ancillary charges such as freight and transportation charges, site preparation costs, and professional fees.
- D. Donations are voluntary contributions of resources to a governmental entity by a non-governmental entity. Donations are reported at fair value at the time of acquisition plus ancillary charges, if any. Fair value equals the amount at which an asset could be exchanged in a current transaction between willing parties.
- E. Leased equipment should be capitalized if the lease agreement meets any one of the following criteria:
 - 1. The lease transfers ownership of the property to the lessee by the end of the lease term
 - 2. The lease contains a bargain purchase option
 - 3. The lease term is equal to 75 percent or more of the estimated economic life of the leased property
 - 4. The present value of the minimum lease payments at the inception of the lease equals at least 90 percent of the fair value of the leased property.
 - a. Leases that do not meet any of the above requirements should be recorded as an operating lease.
- F. Assets will be reported on financial presentations at net book value, which is the asset's historical cost less the accumulated depreciation.
- G. Portable Equipment includes items that are designed and capable of being carried or moved from one location to another and are done so on a consistent basis. This equipment would be checked-out by someone affiliated with the college (e.g. A faculty member may ask ITS to use a projector for a semester.)
- H. Non-portable equipment includes items that reside at the same location and cannot be checked-out by others for use.

Applies to: Any person responsible for purchasing, recording and maintaining or disposing of COTC capital assets.

IV. Capital Assets Categories

A. The College reports the following capital assets.

1. Land
2. Land improvements
3. Buildings and building improvements
4. Infrastructure
5. Leasehold improvements
6. Construction in progress
7. Moveable equipment, furniture, art, and materials

B. Land is the surface of the earth, which can be used to support structures, and may be used to grow grass, shrubs, and trees. Land is characterized as having an unlimited life. Donated land should be treated like other donated assets. Site improvements (other than buildings) that prepare land for its intended use are added to the cost of the land.

Examples of expenses to be included in the cost of land are:

1. Purchase price or fair market value at time of gift
2. Commissions
3. Professional fees (title searches, architect, legal, engineering, appraisal, surveying, environmental assessments, etc.)
4. Land excavation, fill, grading, drainage
5. Demolition of existing buildings and improvements (less salvage)
6. Removal, relocation, or reconstruction of property (railroad, telephone and power lines)
7. Interest on mortgages accrued at date of purchase
8. Accrued and unpaid taxes at date of purchase
9. Right-of-way
10. Other costs incurred in acquiring the land

C. Land improvements are assets, other than buildings, which are built, installed, or established to enhance the quality or facilitate the use of land for a particular purpose.

Applies to: Any person responsible for purchasing, recording and maintaining or disposing of COTC capital assets.

Examples of expenses to be included in the cost of land improvements are:

1. Fencing and gates
 2. Landscaping
 3. Parking lots/driveways/parking barriers
 4. Outside sprinkler systems
 5. Recreation areas and athletic fields (including bleachers)
 6. Paths and trails
 7. Swimming pools, tennis courts, basketball courts
 8. Fountains, plazas, and pavilions
- D. Building improvements are capital events that materially extend the useful life of a building, increase the value of a building, or both. A building improvement should be capitalized if the improvement is at the capitalization threshold. For a replacement to be capitalized, it must be a part of a major repair or rehabilitation project, which increases the value, and/or useful life of the building. A replacement may also be capitalized if the new item/part is of significantly improved quality and higher value compared to the old item/part such as complete replacement of an old roof with a new roof. Replacement or restoration to original utility level will not be capitalized. Determinations must be made on a case-by-case basis.

Any maintenance-related expenses or repairs which do not increase the value of the building will be expensed when it occurs and will not be capitalized as an asset.

Examples of expenses to be included in the cost of buildings are:

1. Purchased Buildings
2. Original purchase price
3. Expenses for remodeling, reconditioning or altering a purchased building to make it ready to use for the purpose for which it was acquired
4. Environmental compliance (i.e., asbestos abatement)
5. Professional fees (legal, architect, inspections, title searches, etc.)
6. Payment of unpaid or accrued taxes on the building to date of purchase
8. Cancellation or buyout of existing leases
9. Other costs required to place or render the asset into operation

Applies to: Any person responsible for purchasing, recording and maintaining or disposing of COTC capital assets.

10. Constructed Buildings
 11. Completed project costs
 12. Interest accrued during construction
 13. Cost of excavation or grading or filling of land for a specific building
 14. Expenses incurred for the preparation of plans, specifications, blueprints, etc.
 15. Cost of building permits
 16. Professional fees (architect, engineer, management fees for design and supervision, legal)
 17. Costs of temporary buildings used during construction
 18. Unanticipated costs such as rock blasting, piling, or relocation of the channel of an underground stream
 19. Permanently attached fixtures or machinery that cannot be removed without impairing the use of the building
 20. Additions to buildings (expansions, extensions, or enlargements)
 21. Installation or upgrade of heating and cooling systems
 22. Original installation/upgrade of wall or ceiling covering such as carpeting, or tiles
 23. Structural changes such as reinforcement of floors or walls, installation or replacement of beams, rafters, joists, steel grids, or other interior framing
 24. Installation or upgrade of upgrading of windows or doors, built-in closet and cabinets, etc.
 25. Interior renovation associated with casings, baseboards, light fixtures, ceiling trim, etc.
 26. Exterior renovation such as installation or replacement of siding, roofing, masonry, etc.
 27. Installation or upgrade of plumbing and electrical wiring
 28. Installation or upgrade of phone or closed circuit television systems, networks, fiber optic cable, wiring required in the installation of equipment (that will remain in the building)
 29. Other costs associated with the above improvements
- E. Infrastructure assets are long-lived capital assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Infrastructure assets are often linear and continuous in nature. The College's current infrastructure subsystems are, but are not limited to:

Applies to: Any person responsible for purchasing, recording and maintaining or disposing of COTC capital assets.

1. Electrical substations
2. Storage tank
3. Duct work
4. Fiber-optic cable networks (telecommunications)
 - a. An infrastructure improvement should be capitalized. Assets to be included as an infrastructure improvement should follow the same basic guidelines as a building improvement listed previously.
- F. Leasehold improvement assets are all improvements made to a leased structure that is over the established capitalization threshold.
- G. Construction in Progress is the economic construction activity status of buildings and other structures, infrastructure, additions, alterations, reconstruction, installation, and maintenance and repairs, which are substantially incomplete. Construction in progress assets should be capitalized to their appropriate capital asset categories upon the earlier occurrence of execution of substantial completion contract documents, occupancy, or when the asset is placed into service.
- H. Moveable equipment, furniture, and art are moveable tangible assets to be used for operations, the benefits of which extend beyond one year from date of acquisition and rendered into service. Improvements or additions to existing equipment that constitute a capital outlay or increase the value or life of the asset, which meets or exceeds established capitalization thresholds, should be capitalized and recorded as an addition of value to the existing asset.

Examples of expenses to be included in the cost of moveable equipment and furniture are:

1. Original contract or invoice price
2. Freight charges
3. Import duties
4. Handling and storage charges
5. In-transit insurance charges
6. Sales, use, and other taxes imposed on the acquisition
7. Installation charges
8. Charges for testing and preparation for use
9. Costs of reconditioning used items when purchased
10. Parts and labor associated with the construction of equipment

Applies to: Any person responsible for purchasing, recording and maintaining or disposing of COTC capital assets.

11. Expenses for extended warranties and maintenance agreements, which can be separately identified from the cost of the equipment, should not be capitalized.
12. Works of art such as painting, sculptures, and designs
 - a. The following special purpose equipment or furnishings, semi-permanently attached to the building, and not normally considered moveable, will not generally be capitalized:
 1. Library and storage shelving
 2. Curtains w/attaching hardware
 3. Built-in storage units or mail boxes
 4. Chalk boards, writing boards or projection screens
 5. Coat rack – attached to wall (does not include coat trees)
 6. Counter cabinets and mail stations
 7. Fire extinguishers
 8. Water fountains

V. Capitalization Thresholds

- A. Assets are recorded if they meet or exceed established capitalization thresholds. Capitalization thresholds for The College as of July 1, 2015 are shown below.

Classification	Threshold
Land	Capitalize All
Land Improvements	\$2,500
Buildings	\$2,500
Building Improvements	\$2,500
Infrastructure	\$2,500
Leasehold Improvement	\$2,500
Moveable equipment, furniture, and art	\$2,500

- The capitalization threshold prior to July 1, 2015 was to capitalize all classifications except for moveable equipment, furniture and art which has been at the \$2500 threshold since 2006.

- B. All property valued below these thresholds will be controlled solely by the Department responsible.

Applies to: Any person responsible for purchasing, recording and maintaining or disposing of COTC capital assets.

- C. The College capitalizes interest on construction projects until substantial completion of the project. Capitalized interest is amortized on the straight-line basis over the estimated useful lives of such assets. The College applies Statement of Financial Accounting Standards No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*. This statement requires capitalization of interest cost of the borrowings less interest earned on investment of the bond proceeds from the date of the borrowing until the assets constructed from the bond proceeds are ready for their intended use.

VI. Capital Asset Depreciation

- A. Depreciation is computed using the straight-line method, full month convention, over the estimated useful life of the asset category. The annual depreciation is calculated by taking the historical cost, less any residual value, and dividing by the estimated life.
- B. When capital assets are sold, or otherwise disposed of, the historical cost of such assets and any accumulated depreciation are removed from asset accounts and any gain or loss on disposal is recognized. The gain or loss on disposal is calculated by taking the carrying value (historical cost less accumulated depreciation) and subtracting any proceeds from the sale.
- D. When capital assets are sold, or otherwise disposed of, the historical cost of such assets and any accumulated depreciation are removed from asset accounts and any gain or loss on disposal is recognized. The gain or loss on disposal is calculated by taking the carrying value (historical cost less accumulated depreciation) and subtracting any proceeds from the sale.
- E. Estimated useful lives are as follows:

Classification	Estimated Life
Building and improvements	40 years
Infrastructure	20 years
Land Improvements	20 years
Leasehold Improvements	10 years or life of lease whichever is shorter
Moveable equipment, furniture, and art	5 to 10 years*

* See next page for a breakdown of estimated life by equipment category.

- F. Land, historical collections and works of art are deemed to be inexhaustible and are not depreciated. Construction in progress is not depreciated until the asset is put into service. .
- G. GASB Statement No. 34 provides for an alternative method for depreciation of infrastructure assets. Only infrastructure assets that comprise a network or subsystem of a network can be reported using the modified approach. The College will use the straight-line method described above and will not elect to use the modified approach for its infrastructure assets.

Applies to: Any person responsible for purchasing, recording and maintaining or disposing of COTC capital assets.

- H. The following table provides a breakdown of moveable equipment, furniture, and art by the equipment category used in the Datatel Accounting system:

Equipment Description	Estimated Life
Appliances	10
Artwork	10
Athletic equipment	10
Audio visual equipment	5
Computer equipment	5
Custodial equipment	5
Educational equipment	10
Grounds equipment	5
Maintenance equipment	5
Office equipment	5
Office furniture	10
Scientific equipment	10
Security equipment	5
Software	5
Vehicles	5
All other equipment	10

- I. The recording of assets other than moveable equipment, furniture, and art are currently performed using Excel spreadsheets and are not in the Datatel Fixed Asset Accounting system. All depreciation schedules for moveable equipment, furniture, and art are within the Datatel Fixed Asset Accounting system.

VIII. Responsibilities for Equipment Management

A. Responsibilities of Business & Finance

1. Maintaining accurate and complete information for all capitalized assets. This includes creating, updating, and retiring capitalized assets.
2. Coordination and performing physical audits of capitalized equipment.

Applies to: Any person responsible for purchasing, recording and maintaining or disposing of COTC capital assets.

3. Facilitating the annual "Fixed Asset Verification" audit process.
4. Physically tagging the majority of the college's equipment.

B. Responsibilities of the Unit Budget Manager

1. Financial responsibility for capitalized equipment rests with the Unit Budget Manager.
2. Each Unit Budget Manager, or his designee, is the steward for capital assets in their department.

C. Responsibilities of the steward

1. Each steward is responsible for:
 - a. Review and certification of the status of all capitalized equipment listed on the "Fixed Asset Verification Report" which is made available to stewards annually by Business & Finance as part of the audit process.
 - b. Providing Business & Finance with an "Asset Retirement Form" that addresses the disposition of capital equipment.
 - c. Working with Business & Finance to schedule and complete required audits of capital equipment.
2. The steward must notify:
 - a. Business & Finance of any change in equipment status (e.g. location change, steward change, updating serial number, etc.)
 - b. If the asset is portable the "Portable Equipment Check-Out Log" should be used so the asset can be located at any given time.
 - c. Campus Security immediately if equipment is stolen.
 - d. The Office of Development when equipment is received as a gift to the college. Development must acknowledge the gift and notify Business & Finance. If the item is a capitalized asset, it is recorded in the asset management system.

D. Other Responsibilities

1. No individual employee may personally benefit from the sale of college or contractor-owned material or equipment. Individuals or groups who take, sell, or benefit from the sale of such items will be subject to criminal prosecution and/or corrective action up to and including termination.
2. The use of any type of college equipment for private or personal purposes is prohibited.

Applies to: Any person responsible for purchasing, recording and maintaining or disposing of COTC capital assets.

3. The college assumes no responsibility for personal property brought onto campus, even if the equipment is used for a college purpose.

PROCEDURE

I. Purchase of Capitalized Equipment

- A. Equipment purchases are made using the on-line procurement system and must follow the policies issued by the Purchasing Department.
- B. All capitalized equipment is purchased using specific object codes (65300 through 65399).
- C. As part of the procurement process, purchasing capitalized equipment requires the entry of tracking and reporting information into the asset management system, which assigns an asset ID to the capitalized item for identification and tracking purposes. Use the [Tagging Fixed Assets Checklist](#) to track needed information.
- D. Each asset record is created in the system after the item is received and the invoice is paid.
- E. The asset ID number is assigned when the asset record is created.

II. Equipment Delivery, Errors, Damage, Warranties and Payment

- A. Regarding deliveries of capital assets, it is essential that the requisitioning department follow these policies to ensure that they and the college are protected should anything unforeseen happen before the receipt of the asset.
- B. The Purchasing Department should be notified if an order appears to be delinquent, unsatisfactory, in error, or does not conform to the specifications of the purchase order. This allows Purchasing to act on behalf of the college to correct the issue.
- C. All damaged equipment must be reported immediately to the Purchasing Department.
- D. Delivery confirmation of items from vendors is to be maintained in the Accounting office.
- E. Problems with equipment under warranty must be reported immediately to the Purchasing Department.
- F. For payment of invoices, follow the Accounts Payable policy and procedures.

III. Tagging of Capitalized Equipment

- A. All receipted capitalized equipment is assigned an asset ID.
- B. The asset ID is used in equipment audits performed as part of the annual Asset Management audit.
- C. An asset ID tag is affixed to the equipment by a member of Business & Finance.
- D. The asset ID tag is placed on a flat, visible surface unless it is attached to a removable component.
- E. If it is not possible to affix the asset ID tag to an item due to its size, number of components or delicate nature, then an "untagged" asset ID is assigned to the asset in the asset management system.

IV. Changes in Equipment Status

Applies to: Any person responsible for purchasing, recording and maintaining or disposing of COTC capital assets.

A. Reporting changes in equipment status is the responsibility of the steward. This section outlines the various types of changes in equipment status that must be reported to Business & Finance.

B. Equipment Trade-In

Organizations may trade in equipment that is outdated or surplus due to replacement purchases. On the Purchase Order for the new item the word "TRADE-IN" should be included in the comments field, along with the Asset ID. The "Asset Retirement Form" must be submitted to Business & Finance for all items. After receipt of the approved Asset Retirement Form, Business & Finance will retire each item for the inventory records.

C. Relocation within the Organization

1. If non-portable equipment is moved to another room or building Business & Finance must be notified immediately so the asset location code can be updated in the asset management system.

D. If portable equipment is moved to another room or building it should be recorded. The Steward should use the [Portable Equipment Check-Out Log](#) to track the location of all portable equipment.

E. Equipment Retirement

1. Certain categories of equipment should be removed permanently from the organization's inventory records. These are:

- Equipment that is destroyed
- Stolen equipment that also must be reported to Campus Security
- Equipment that is salvaged for parts ("cannibalized")
- Equipment that is transferred to a state agency or donated
- Equipment that is traded in
- Equipment that is lost

2. When equipment is removed from the organizational records, the [Asset Retirement Form](#) must be submitted to Business & Finance with all appropriate signatures and information.

V. Stolen Equipment

A. Stolen equipment must be reported immediately to Campus Security.

B. The steward is responsible for providing the asset ID to Campus Security. Business & Finance can be contacted if the organization does not have complete information about the asset.

C. The "Asset Retirement Form" must be submitted to Business & Finance along with a copy of the police report. After receipt of those forms, Business & Finance will then remove the asset from the asset management system.

D. Questions regarding insurance provisions for stolen equipment should be directed to the Office of Business & Finance.

VI. Surplus Property

A. College property that is no longer in active use is considered surplus property.

B. The steward is responsible for identifying items that are surplus to the organizations needs and completing the "Asset Retirement Form".

Applies to: Any person responsible for purchasing, recording and maintaining or disposing of COTC capital assets.

- C. The “Asset Retirement Form” must have the approval of the relevant, unit budget manager, dean, Vice President of Business & Finance or the President before disposal.
- D. Only the Purchasing Department is authorized to sell, auction or scrap equipment.
- E. The asset ID of the surplus property must be indicated on the “Asset Retirement Form.”

VII. Physical Audits

A. Physical Audits

1. The College’s expectation is for physical audits should occur annually. Every steward should have 100% of the department’s assets audited by Business & Finance every year.
2. Business & Finance schedules audits with the steward, who is responsible for allowing the auditor access to all assets.
3. In order to complete the audit, Business & Finance sends the steward a report of its findings along with any necessary instructions on how to improve the tracking of equipment.
4. Once the audit is complete, a final report is sent to the Assistant Director of Business & Finance.

VIII. Standard Header Comments on Requisitions and Purchase Orders

- A. In order to improve the completeness and accuracy of the information needed to create an asset record in the asset management system; the person creating the requisition is required to include a Capitalized Asset Standard Comment for each ordered asset. The capitalized asset standard comment includes information such as final location of the asset, a detailed description, the asset make and model and other information used in creating the asset. All available information should be included in the comment when the order is initiated. This information will then be used by the Asset Management staff when creating the asset record in the system. Information not completed at the time of the order and/or not available upon receipt will need to be provided by the area steward after the equipment is delivered to the organization.

VIII. Procedure for all other asset classifications

- A. Land, land improvements, buildings, building improvements, infrastructure, and leasehold improvements are researched and evaluated through the Accounting office and entered into the Datatel system by journal entries. Business and Finance approval is required on all journal entries dealing with the capitalized assets.

Contacts

Individual or Office	Office	Telephone	E-mail/URL
Lisa Orr, Assistant Director of Business & Finance	Business & Finance	740-366-9455	lorr@cotc.edu
Janice Boyce, Accounting Manager	Accounting	740-366-9244	jboyce@cotc.edu
Amy White, Senior Accountant	Accounting	740-364-9629	awhite@cotc.edu
Nova Willey, Accountant	Accounting	740-364-9694	nwilley@cotc.edu

Applies to: Any person responsible for purchasing, recording and maintaining or disposing of COTC capital assets.

Kimberly Sibert, Purchasing Manager	Purchasing	740-366-9233	ksibert@cotc.edu
Spencer Kearton, Receiving Clerk/Courier	Purchasing	740-366-9476	skearton@cotc.edu

History

All changes must be listed sequentially, including edits and reviews.

Issued: 07/2015

Revised:

Edited: 07/2016

Reviewed: