

# 2-3: Capital Assets

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## I. PURPOSE

This instruction sets forth the policies, responsibilities and procedures for establishing and maintaining control over property in custody of the College under control of the State Board of Agriculture.

## II. AUTHORITY

This instruction is authorized under Chapter 1 Rule 1-10 of the State Fiscal Rules, Criteria for Equipment Capitalization and State of Colorado Higher Education Accounting Standard #5, Criteria for Capitalization.

## III. GENERAL

Title to property rests with the Board of Trustees for Fort Lewis College and is the responsibility of the College rather than with a department, regardless of whether the property may have been fabricated, donated, purchased from department budget allocations or purchased from special appropriations or property allocations. Departments may be assigned property for custody and use, and may be made accountable for such property.

## IV. DEFINITIONS

A. Capital Asset/Property - For the purpose of this instruction, "capital assets" will be referred to as "property" and will include: (1) land, (2) improvements to land, (3) buildings, (4) improvements to buildings, (5) leasehold improvements, (6) vehicles, (7) equipment, (8) library books, (9) artifacts inventory (special collections), and (10) computer software.

B. Land - Land is defined as the real estate surveyed and defined in the legal title including existing improvements to the land other than buildings, water rights, easements, etc.

C. Improvements to Land - Improvements to land are construction projects that include roads, streets, sidewalks and parking facilities; sewers and lawn watering systems; lighting systems and electrical wiring systems from the point of distribution to the connection in a building; gas systems and piping from the point of distribution to the connection in a building; gate ways; athletic fields and recreational areas. To be classified as land improvements, projects must have a value in excess of \$50,000.

D. Buildings - Buildings are defined as permanent structures, including permanent additions and associated structures located outside of the building.

E. Improvements to Buildings - Remodeling or renovation projects costing in excess of \$50,000 will be capitalized.

F. Leasehold Improvements - Improvements to leasehold property will be capitalized if the addition, improvement or alteration costs in excess of \$50,000.

G. Vehicles - Vehicles with a cost in excess of \$5,000 include "over the road" powered vehicles such as automobiles, trucks, buses, motorcycles and motor scooters. Trailers, special bodies and auxiliary equipment associated with vehicles are also included.

H. Equipment - Tangible personal property that has a useful life of more than one year and an acquisition cost of more than \$5,000 which is not a permanent part of a building and does not lose its identity through incorporation into a more complex unit.

I. Equipment Modifications - Modifications of College equipment will be capitalized if the cost is \$5,000 or more.

J. Library Books - Library books consist of collections of books, bound periodicals, films and audio visual materials located in lending libraries. Cost or estimated cost should be used as the basis of valuation for additions to library books.

K. Artifacts Inventory (Special Collections) - This inventory includes historical materials maintained by the Center of Southwest Studies. Purchased items are recorded at cost and donated items are recorded at current market value on the date of acquisition. For more information, select Using the Special Collections at the Center of Southwest Studies.

L. Computer Software - Computer software that has a useful life of more than one year and an acquisition cost of more than \$5,000.

## **V. RESPONSIBILITIES**

A. Policy and Procedures - The controller is responsible for establishing procedures for control and reporting of property in accordance with State and Federal requirements.

B. Property Procurement - The Purchasing Director is responsible for ensuring that property acquisitions are made in compliance with State and College purchasing procedures.

Academic and Department Director's are responsible for informing the Controller and the Purchasing Director of all property received by donation.

Project Director's are responsible for informing the controller when title has passed from Federal or sponsor ownership to the college.

The Receiving Department is responsible for informing the Controller and the Purchasing Director of any fabricated property or of property secured by any means not mentioned above.

C. Property Control - The Supply Officer is responsible for recording property, assigning and tagging property with College identification decals and maintaining property control lists.

The Controller is responsible for maintaining accounting records of College property, and for periodic verification and reconciliation of accounting records to property actually on hand.

Departments that have been assigned custody and use of property are responsible for the safeguard, care, maintenance and proper use of all property assigned. Departments are also responsible for informing the Supply Officer and the Controller when property under its control is transferred to another department, and for informing the Purchasing Director and Supply Officer of any obsolete or damaged property, surplus property available for reassignment, and property released for trade-in.

Project Directors are responsible for Federal or commercial-owned property in custody of the College to accomplish a contract or grant project.

The Library is responsible for maintaining control over library books, bound periodicals, films and audio visual materials located in the library and for reporting inventory changes to the Controller so accounting records can be adjusted.

The Computer Center is responsible for maintaining control over personal computers and printers located on-campus, but not included on the capital equipment inventory list.

D. Property Disposal - The Purchasing Director has authority and responsibility for property disposal, and is responsible for securing any special disposition approvals for property acquired through Colorado Surplus Property or under a Federal grant. The Purchasing Director is also responsible for informing the Supply Officer and the Controller of any property disposals. The Purchasing Director shall approve all property disposals by signature prior to their disposal.

Departments assigned property that has been lost or stolen are responsible for informing the Purchasing Director and for making the necessary reports to the Campus Police.

## **VI. PROPERTY VALUATION - SPECIAL SITUATIONS**

A. Purchased, Constructed or Fabricated Items - Property that has been constructed or fabricated includes the cost of material, labor and incidental costs incurred.

B. Purchase With Trade-in - The new item will be recorded for the actual cost of the item plus the allowance for the item that was traded in. The item that was traded must be removed from the accounting and property control records.

C. Donations - Donations are recorded at fair market value at the date of title transfer.

D. Reconditioned Items - If property is purchased and reconditioned either in-house or by contract, the value is the price of the item plus all reconditioning costs. If the item is already

owned by the College, reconditioning costs will be charged to repairs and maintenance unless the value of the item is materially increased or the estimated useful life is significantly extended.

E. Computer Equipment - Computer equipment, including PC systems, should be capitalized if the cost is greater than \$5,000. A PC system is made up of the CPU unit, monitor and keyboard. Once a system has been capitalized, the subsequent cost of internal peripherals and add-in boards will be added to the value of the system. Printers, modems and other external peripherals are considered separate items, and are not capitalized unless their cost is greater than \$5,000.

F. Government Surplus Items - The amount to capitalize is the fair market value of the item as of the date of acquisition.

G. Lease Purchases - A lease should be treated as a purchase if one of the following four criteria is met:

1. Ownership transfers to the college at the conclusion of the lease term.
2. The College has the right to acquire the property at specified times during the term of the lease, or at the expiration of the lease, and the option purchase price, at the inception of the lease, appears to be substantially less than the expected value of the property at the time(s) of permitted acquisition by the College.
3. The present value of the minimum lease payments (excluding executory costs such as insurance, maintenance, taxes and a reasonable profit to the lessor) equals or exceeds 90% of the fair market value of the equipment.
4. The lease term is equal to 75% or more of the estimated economic life of the property.

Other factors which may tend to indicate that the lease is an effective purchase are:

5. The property was acquired to meet the special needs of the College and will be useable only for that purpose and only by the College.
6. The College is obligated to pay all taxes, insurance and maintenance which are usually considered incidental to ownership.
7. The initial term is materially less than the useful life of the property and the college has the option to renew the lease for the remainder of the economic life of the property at substantially less than the fair rental value.

If the lease meets the criteria for a purchase, the property should be capitalized.

H. Property Transferred From a Contract or Grant Sponsor - Property transferred to the College upon completion of a contract or grant will be recorded in the general ledger at the lower of costs incurred or a determined fair market value. Costs include amounts paid, if any, for the property, costs to recondition, restore or refurbish the property and any additional costs described below.

I. Additional Costs - In addition to the purchase price of property, the costs to capitalize may include other costs necessary in the acquisition and installation of the property.

## **VII. PROPERTY CONTROL**

A. Initial Assignments - When property is acquired, the Supply Officer is responsible for tagging items costing greater than \$5,000 with a college identification decal and recording the acquisition in the property inventory listing. At a minimum, property records will include:

1. Description of the item.
2. Property serial number (if available).
3. Cost, estimated cost or fair market value at the donation date.
4. Source of Funding (if required).
5. Tag number.
6. Campus location of the property.
7. Date acquired.
8. Organization/department assigned custody.

The department that has custody of the property is responsible for the safeguard, care, maintenance and proper use of all property assigned.

### **B. Change of Custody or Location**

1. Transfer to Another Building or Department -The Supply Officer should be informed of any transfers prior to moving equipment. If the transfer is to a different department, the acquiring department should acknowledge the transfer by signature before the equipment is moved. Movement within the same building that does not involve a custody change does not need to be reported to the Supply Officer.

2. Temporary Location Changes - If equipment is loaned to another department or building, or is away for repair or modification, the location change does not need to be reported. If the equipment will be returned in 90 days or longer, it should be reported to the Supply Officer.

3. Obsolete, Damaged or Surplus Equipment - Equipment that is no longer useful to the assigned department should be reported to the Supply Officer. Departments are not authorized to dispose of any items without prior approval from the Supply Officer. The Supply Officer will then inform the Purchasing Director and the Controller of the change so that property and accounting records can be updated. The Purchasing Director shall approve all disposition by signature.

4. Lost or Stolen Equipment - Lost or stolen items should be reported to Campus Security immediately. Copies of investigative reports will be furnished to the reporting department. If the investigation does not result in recovery, the loss should be reported to the Purchasing Director with a copy of the investigative report. The Purchasing Director should inform the Supply Officer and the Controller so that property records can be adjusted.

C. Physical Inventories - The Supply Officer will perform physical inventories of equipment during each year in compliance with State Closing Instructions.

Department heads are responsible for ensuring that all items are accounted for. Items that were moved to different locations and items that cannot be located need to be identified. Items that cannot be located or should be deleted from the inventory need to be accompanied by the explanation (location change, sold through surplus property, stolen, etc.). Department heads are also responsible for identifying items that were not included on the inventory listing.

The Supply Officer will update the inventory listing and notify the Controller's Office of additions and deletions so that the general ledger can be adjusted. This notification will occur by June 1 of each year.