

3357:13-17-42 Capital Assets System

(A) Introduction

- (1) The purpose of this manual is to introduce capital asset accounting concepts and to provide North Central State College with assistance in establishing a capital asset accounting system. The capital asset system is a subsystem of the College's accounting system, and can be subdivided further into a capital asset accounting system and a capital asset management system.
- (2) A capital asset accounting system is a system of policies, procedures and methods for recording and reporting monetary amounts associated with capital asset transactions.
- (3) A capital asset management system is a system of methods, policies and procedures which address the acquisition, use, control, protection, maintenance and disposal of assets.
- (4) Throughout this manual, the two subsystems will be discussed together as forming the College's capital asset system.

(B) Purpose

The capital asset management system is designed to facilitate:

- (1) Financial statement information
- (2) Insurable values
- (3) Control and accountability
- (4) Maintenance scheduling and cost analysis
- (5) Excess asset management
- (6) Accounting for depreciation
- (7) Debt security
- (8) Preparation of capital and operating budgets
- (9) Debt management
- (10) Audit compliance

(C) Capital Asset Definition

- (1) A capital asset is defined as a financial resource meeting all of the following criteria:
 - (a) It is tangible or intangible in nature
 - (b) It has an extended useful life, which the College has identified as exceeding three years.
 - (c) It is not a repair part or supply item.
 - (d) It must have a cost or dollar value of \$5,000 or more.

- (e) It must not lose its identity as part of a larger unit.
- (2) The College has determined that assets having a value under \$5,000, regardless of their useful life, will not be capitalized.
 - (a) Assets of value less than \$5,000 are insurable assets and still must be accounted for, i.e. listed, able to be located, etc.
 - (b) The Facilities Department will maintain an accounting for non-technology (i.e. tables, desks, chairs, etc.) related asset purchases of less than \$5,000.
 - (c) The Information Technology Department will maintain an accounting for technology (i.e. computers, etc.) related asset purchases less than \$5,000.

(D) Property Accounting Principles

(1) Land

- (a) This group includes land currently in public use, being held for public use or available for sale. Land is real property, which generally includes both surface and content of the land.
- (b) Land costs include not only the original contract price but also such related costs as liens assumed, legal and title fees, surveying, filling, grading, drainage, and other costs of preparation for the use intended. Salvage receipts on demolition of an old building or a similar circumstance reduce the cost of the land. Land acquired through forfeiture is capitalized at the total amount of all tax liens and other claims surrendered (such as acquiring ownership and perfecting title).
- (c) Land acquired through donation is valued at the appraised fair market value at the date of acquisition. The cost of the appraisal itself however, should not be capitalized. The purchaser of land sometimes assumes certain obligations related to the land, such as liens on the property. In such situations, the cost of the land is the cash paid, plus the liens or other liabilities. In addition, if an improvement is permanent in nature, such as landscaping, then the item is property chargeable to the land account.
- (d) Land records should include the assessor's parcel number and/or lot, block and tract, as well as, identification of use and location. Land does not depreciate.

(2) Land Improvements

- (a) This group includes all improvements outside a building or improvements to a parcel of land with a cost in excess of \$12,500 per improvement.

- (b) Land improvements consist of land attachments with limited lives, including private driveways, walls, fences, parking lots, and the like. Other improvements in this category include park developments, yard playground and picnic equipment, miscellaneous structures (such as sheds, sign posts, bleachers, etc.), irrigation systems, drinking fountains, area lighting, etc.
- (c) These are recorded separately from land so they can be depreciated over their useful lives.

(3) Buildings

- (a) Buildings consist of structures erected above or below the ground for the purpose of sheltering of persons and property. They are designed with a foundation and roof and may or may not have full enclosure.
- (b) Building costs include construction and purchase cost and the cost of all fixtures permanently attached and made part of the building. For constructed building, costs include contractor payments, in-house labor costs, attorney fees, insurance during construction, architectural and engineering fees, interest charges incurred during construction and the like.
- (c) Financial Accounting Standards Board (FASB) Statement No 34, "Capitalization of Interest Cost", requires the capitalization of material interest charges incurred when constructing a capital asset or preparing it for its intended use. Interest should be capitalized for the period from the first expenditure for the asset until the asset is completed and ready for its intended use. FASB Statement No 62, "Capitalization of Interest Cost in Situation Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants", states if the asset is financed by tax-exempt borrowing, the capitalization period runs from the date of the borrowing until the asset has been completed and is ready for its intended use. The amount of interest to be capitalized is the difference between the interest cost of the tax-exempt borrowing and the amount of interest earned through investment of the borrowed proceeds during the capitalization period.
- (d) Generally, the College contracts to have their buildings constructed. All costs incurred, from excavation to completion of the buildings, are generally considered part of the building cost.
- (e) Building records should include a quantitative and qualitative description of each structure segregating, where possible and practical, basic building construction from heating, ventilating, ceiling cover, and built-ins for component lifting purposes (see Improvements below). These latter assets may be replaced several times during the life of the building shell and therefore take a shorter useful life estimate. Segregation of these costs ease relieving the building account, when these assets are retired, to avoid pyramiding costs.

(4) Building Improvements

- (a) Building improvements consist of additions, improvements, and replacements made to existing buildings. Building improvements increase the service potential of a building; they expand the area, increase safety, improve climate control or improve mobility within the building. Examples are the addition of a building wing, installation of a sprinkler system, central air conditioning, or replacement of an elevator. A building improvement must have a significant impact and be a material amount (\$25,000 or more per improvement) in order to be capitalized. For this reason, carpeting, partitions, installation of and/or renovation of an office wall structure generally will be expensed.
- (b) Building improvement costs include construction cost, contractor payments, and other costs required to place the improvement in its finished state. Building improvements are capitalized and depreciated separately from buildings.

(5) Furniture, Fixtures and Equipment

- (a) Furniture, fixtures and equipment are defined as personal property that is not attached to land, buildings, or improvements and remains movable. Included in this category are typewriters, computers, and the like.
- (b) Cost includes the purchase price, freight and handling charges, insurance while in transit, cost of special foundation if required, assembling and installation costs, and costs of conducting trail runs.
- (c) Capital asset records should include location and department codes, and identifying descriptions (manufacturer, model, serial number, etc.). Standard descriptions should be used when possible.

(6) Equipment Under Capital Lease

- (a) In accordance with FASE Statement No 13, any non-cancelable lease agreement, which meets one or more of the following criteria, should be capitalized:
 - (i) The lease transfers ownership of the property to the College at the end of the term of the lease.
 - (ii) The lease contains a bargain purchase option.
 - (iii) The lease term is equal to 75% or more of the estimated economic life of the leased asset.
 - (iv) The present value of the minimum lease payments equals or exceeds 90% of the fair value of the leased asset.

- (b) When none of the criteria for a capital lease are met, the lease is an operating lease. If operating leases are material, a note disclosure must be made in the notes to the financial statements.
- (c) If a capital asset is acquired under a capital lease arrangement, the capitalized asset must be identified. The capital lease agreement must be analyzed and its liability determined at the inception of the lease agreement, based on the computed present value of the future minimum lease payments. The capital asset should be capitalized based upon the same determination, as of the date originally placed in service. If no interest rate is stated in the lease, the discount rate applied should be the incremental borrowing rate for the College.

(7) Vehicles

- (a) Licensed vehicles are personal property that remains movable and do not lose their identity when moved nor change their materiality when used. It is desirable to use a separate class for licensed vehicles for insurability, accountability, and internal control purposes. Unlicensed vehicles should be classified as equipment.
- (b) Capital asset records should include location, use, department codes, and identifying descriptions (make, model, vehicle identification number, etc.).

(8) Construction in Progress

- (a) Construction in progress is used to account for expenditures accumulated at the balance sheet date relative to the construction of capital assets. Expenditures include construction cost, contractor payments, interest costs (incurred applicable to the period of construction) and other costs required to finish the project.
- (b) Construction in progress is an accounting valuation of assets (typically buildings) being built or assembled, in terms of cumulative costs incurred up to the balance sheet date. The construction accounts are typically supported by capital project or construction funds and should be used to accumulate and record construction-related transactions and cost until such time as the asset is complete and placed into service. It is at this point that the construction accounts would be closed to the appropriate capital asset accounts and the capital asset(s) obtained recorded on the capital asset accounting system. The typical source of information is contractor billings.

(9) Infrastructure

- (a) Infrastructure assets are long-lived capital assets that can normally be preserved for a significantly greater number of years than most capital assets and that are normally stationary in nature.
- (b) Examples of infrastructure assets include roads, bridges, tunnels, drainage systems,

water and sewer systems, dams, and street lighting systems.

- (c) Buildings, except those that are an ancillary part of a network of infrastructure assets, should not be considered infrastructure assets.
- (d) Examples of infrastructure asset buildings include rest area facilities associated with a turnpike, road maintenance structures such as shops and garages associated with a highway system, and water pumping buildings associated with water systems.
- (e) Depreciation is calculated the same as for all other assets unless the modified approach is used.

Modified Approach

- (f) Infrastructure assets that are part of a network or subsystem of a network are not required to be depreciated as long as two requirements are met.
 - (i) First, the College manages the eligible infrastructure assets using an asset management system that has the characteristics set forth below;
 - (ii) Second, the College documents that the eligible infrastructure assets are being preserved approximately at (or above) a condition level established and disclosed by the College. The condition level should be established and documented by administrative or executive policy, or by legislative action.
- (g) A network of assets is composed of all assets that provide a particular type of service for the College. A network of infrastructure assets may be only one infrastructure asset that is composed of many components. For example, a network of infrastructure assets may be a dam composed of a concrete dam, a concrete spillway, and a series of locks.
- (h) A subsystem of a network of assets is composed of all assets that make up a similar portion or segment of a network of assets. For example, all the roads of the College could be considered a network of infrastructure assets. Interstate highways, state highways, and rural roads could each be considered a subsystem of that network.
- (i) To meet the first requirement, the asset management system should:
 - (i) Have an up-to-date inventory of eligible infrastructure assets
 - (ii) Perform condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale

- (iii) Complete condition assessments of eligible infrastructure assets are performed in a consistent manner at least every three years.
- (iv) The results of the three most recent complete condition assessments provide reasonable assurance that the eligible infrastructure assets are being preserved approximately at (or above) the condition level established and disclosed by the College
- (v) Condition assessments may be performed using statistical samples that are representative of the eligible infrastructure assets being preserved. The College may choose to assess its eligible infrastructure assets on a cyclical basis. For example, one-third may be assessed each year. If a cyclical basis is used, a condition assessment is considered complete for a network or subsystem only when condition assessments have been performed for all (statistical samples of) eligible infrastructure assets in that network or subsystem.
- (j) If eligible infrastructure assets meet the requirements and are not depreciated, all expenditures made for those assets (except for additions and improvements) should be expensed in the period incurred. Additions and improvements to eligible infrastructure assets should be capitalized.
- (k) Additions or improvements increase the capacity or efficiency of infrastructure assets rather than preserve the useful life of the assets. If the requirements are no longer met, the depreciation requirements should be applied for subsequent reporting periods.

(10) Inventories

Inventories of materials and supplies to be consumed in the normal course of the College's operations, if material in amount, are to be included on the College's statement of net assets but are not intended to be accounted for on the capital asset system.

(11) Employee Owned Items

Employee owned articles, equipment, etc., may have been brought into the buildings that are owned by the College. These items should have the individuals name and address placed somewhere noticeable to prevent any item being placed on the capital asset system that is not College owned.

(12) Donations

Donations of assets can occur as gifts from individuals or organizations. Valuation of these assets should be established based on the fair market value on the date of the gift. The donor's written appraisal should be provided. See Addenda #1 for the procedure for acceptance of donated assets.

(13) Unit/Group Accountability

- (a) Individual treatment should be given to all assets, whenever feasible and practical when they are recorded on the capital asset system.
- (b) Consideration will be given to grouping assets where the asset cost or value individually does not meet capitalization criteria, but does when grouped and/or where the assets are capable of being used together, are connected and not intended to be dislocated or used individually.
- (c) Standard descriptions should be used whenever possible to maintain consistency and indicate the comparability among assets.

(F) Valuing and Costing

- (1) Generally, capital assets are valued at historical cost. There are, however, different ways to compute historical cost depending on the method in which the asset is obtained.
 - (a) Sources of historical cost data can include: invoices, purchase orders, canceled checks, vouchers, contracts, board minutes, general ledger records, real estate closing documents, tax assessment records, grant records, inventory cards, maintenance records, price lists, vendors, appraiser's libraries, back-trend multipliers, etc.
 - (b) Sources of reproduction/standard cost data can include: manufacturer's price list, catalogs and quotations, distributor's and supply company catalogs, industry publications, magazines, director's and trade journals, consulting, cost engineering, cost estimating manuals and handbooks, technical service companies and organizations appraiser's libraries.
 - (c) Sources of normal cost data can include: published prices, such as the Consumer's Price Index (CPI) and back-trend factors.

(2) Loaned Property

- (a) When an asset is loaned to an employee of the College, the facilities manager shall obtain a receipt for such property from the person receiving the property. The facilities manager shall be relieved of responsibility for the property, but shall continue to maintain accountability for that property. Upon return of the property, the facilities manager shall return the receipt to the borrower and resume responsibility.
- (b) Property cannot be loaned for personal use. The employee using the property is responsible for any damage and/or loss.

(3) College Constructed Property

Property manufactured, constructed, fabricated or otherwise produced by a College organization for use within the College must be given a value based upon the cost of labor and materials. The property must also be included in the inventory of the user-operating unit if it meets the capitalization criteria.

(4) Used Equipment

- (a) When used equipment is acquired by the College, the following requirements must be adhered to: The purchase order must specify, "used equipment" as appropriate.
- (b) The acquisition cost, as noted on the invoice, will determine the original cost value. The determining useful life, a percentage of a similar new asset useful life will be used.

(5) Federal Program Property

- (a) Operating units receiving federal program property must place in inventory all items acquired, consistent with the program capitalization requirements. Special tagging requirements must be implemented (See Tagging).
- (b) Adequate records must be maintained for assets acquired or constructed from grant funds and made available for audit.
- (c) Recording original costs of buildings, improvements, and equipment is increasingly important because of the growing number of governmental grants, which allow depreciation as a reimbursable cost. Depreciation methods must be generally accepted and consistently applied. North Central State College has elected to use the straight-line method of depreciation for financial accounting purposes. Alterations and other capital expenditures may be allowable costs depending on the circumstances. Interest and other financial costs may not be allowable.
- (d) Donated property should be recorded at fair market value. Grantees must identify and report federal property.
- (e) Records for grant funded assets must include:
 - (1) description,
 - (2) identification number,
 - (3) grant number,
 - (4) owner,
 - (5) acquisition date,

- (6) acquisition cost,
- (7) percentage of federal ownership,
- (8) location, use and condition, and
- (9) disposition date.

(f) A physical inventory of these assets must be taken every year.

(g) Adequate controls must be maintained for ongoing accountability of grant-funded assets. Furthermore, maintenance schedules must be followed for such assets. Transfers to other uses and dispositions must be reported. Existing assets must be reviewed before new ones are purchased.

(h) These requirements are further explained in the Code of Federal Regulations – Part 200 – Uniform administrative requirements, cost principles, and audit requirements for federal awards – Section 200.439.

(6) Exchange or Trade-Ins

- (a) Exchange or trade-ins of capital assets sometime take place in the course of asset acquisitions. When this occurs, the capital asset property records are updated to reflect the capital assets exchanged or traded-in for new assets. The value of the new asset is calculated as the trade-in or exchange value allowed for the new asset, plus any cash paid. The capitalized cost of the new asset is not to exceed its fair market value.
- (b) All relevant information regarding exchanges or trade-ins for capital assets must be noted and described on the related purchase orders and communicated to the Accounting Services office at the time the capital asset disposals and acquisitions are reported.

(7) Group Purchases

- (a) If several dissimilar assets are purchased for a lump sum, the total amount paid should be allocated to each individual asset on the basis of its fair market value (FMV). The allocation is accomplished by use of the equation:

$$\text{FMV OF Y ASSET Y} = (\text{TOTAL COST OF ASSETS}) \times \text{TOTAL FMV}$$

- (b) If the fair market value of Asset Y is \$750, the fair market value of the total group is \$4,000, and the lump sum cost of the total group is \$3,500, the cost assigned to Asset Y is calculated as follows:

$$\begin{aligned} &750 \\ 3,500 \times 4,000 &= 3,500 \times .19 = 665 \end{aligned}$$

Thus, the cost assigned to Asset

Y is \$665.

(8) Cash Discounts

Assets should be recorded net of any quantity or trade discounts received. The asset is recorded at the cost equal to the amount of cash paid, not the gross amount of the invoice. When a capital asset is purchased subject to a cash discount and the discount is taken, it should be considered a reduction in the purchase price of the asset. If the discount is not taken, the asset can be recorded at either the gross or net amount. In this case, recording the gross amount is preferred.

(9) Replacement Cost

- (a) Replacement cost refers to the amount needed to replace the original asset under current construction methods or at labor, and overhead allowances. These bases of cost are used for insurance coverage.
- (b) At the discretion of the College, certain assets (e.g. unimproved land) may be insured at a lower rate than current replacement cost, or not insured at all. Property insured at current replacement cost can be replaced with similar assets. Because capital assets are valued at cost for financial statement purposes, separate current replacement cost valuations are to be maintained for insured property.
- (c) Acceptable proof of loss data is to be maintained in order for recoveries to be made more easily. It is the responsibility of the department head to collect and maintain all data connected with damaged or lost capital assets and report this information to the Accounting Services Office.

(10) Depreciation

- (a) Depreciation is required for all of the College's capital assets (excluding land and construction in progress), except those reported using the modified approach.
- (b) Pro-Rate Convention states the capital assets are acquired throughout an accounting period, and likewise are disposed of throughout an accounting period. The decision as to when depreciation begins or ends is as follows:
- (c) Full-Month Convention – Under a full-month convention, property placed in service at any time during a given month is treated as if it had been placed in service on the first day of the month. This allows depreciation to be taken for the entire month in which an asset is placed in service. If the property is disposed of before the end of the estimated useful life, no depreciation is allowed for the month of disposition.
- (d) All depreciation is calculated using the straight-line method. Under this method, the

depreciation expense is the same for each year of the estimated useful life. The expense is calculated in the following manner:

$$\frac{\text{Cost} - \text{Salvage Value}}{\text{Useful Life}}$$

The "Book Value" is the original cost less accumulated depreciation.

Useful lives of capital assets related to the life expectancy as used by the specific governmental unit. The College has established the following general categories of useful lives for its capital assets:

Land Improvements	20 – 30 years
Buildings	40 years
Building Improvements	7 – 30 years
Furniture, Fixtures and Equipment	5 – 20 years
Vehicles	5 – 10 years
Infrastructure	25 years

- (e) Useful lives are assigned to each asset unit or determined based on the average for the group, based on actual experience, or engineering evidence. They are expressed in probable total years of service.
- (f) The salvage (or residual) value is the net amount that can be expected to be realized from the disposition of the asset at the end of its useful life. It is the difference between the expected value of the asset at the end of its useful life and the costs of dismantling and removing the asset. The useful life and therefore the salvage value are a function of North Central State College policy. If the College holds an asset until it is physically exhausted or functionally obsolete and not useful to anyone else, the expected residual value is the expected scrap value. Alternatively, if the College plans to dispose of the asset when it still has considerable economic usefulness to others, the expected residual value is estimated net market value of the asset (the selling price less the disposal costs) at the end of the disposal.
- (g) Salvage value refers to the proceeds, which can be realized by the sale of the capital asset upon completion of its estimated useful life. The cost of the asset less its salvage value shall comprise the depreciable basis of the asset. Initial estimation of salvage value shall be made by the Accounting Services Director and updated to reflect any additions or betterments.

(G) Capital Asset System Maintenance

- (1) The responsibility for account policies and procedures of the College's capital asset records rests with the Accounting Services Director. This includes the functional responsibility for establishing and maintaining all capital asset records of the College

as appropriate. This responsibility includes periodic (monthly) updating of capital asset records and the capital asset system to reflect acquisitions, disposals, transfers, adjustments, etc., and the coordination between the capital asset system, the general ledger system and the budgetary accounting system to interface between systems as well as the integrity of the data, the existence of source documentation, audit trail, etc.

(2) Responsibility also includes both internal and external reporting relative to capital assets, to provide adequate, timely information for management decisions, financial report preparation, etc. On an annual basis, capital asset reports should be generated and distributed to the appropriate users. At a minimum, these internal reports should include:

(a) A summary report indicating totals of replacement cost (if maintained) and bases (book value or historical cost less accumulated depreciation) or loss by organization (capital assets by function and activity, capital assets by fund, department, etc.) and classification (or categories) at the beginning and end of the fiscal year and total additions, deletion, and transfers that transpired during the period.

(b) Detailed activity reports for the period displaying additions, deletions, and transfers processed.

(c) On an annual basis, depreciation should be calculated and summary reports run indicating accumulated and current depreciation for all capital assets that are being depreciated. The Accounting Services Office has the responsibility to ensure that amounts reported on the capital asset system records reconcile with one another, as appropriate and are verifiable and traceable to source documents, departmental records, etc.

(3) Accounting Services Office Responsibilities

(a) The Accounting Services Office, in order to comply with State mandated financial reporting requirements, is responsible for coordinating the property management function of the College. Working in coordination with purchasing and the facilities manager, the property management function is specifically responsible for:

(i) Initial identification of qualified capital assets through the purchasing system.

(ii) Reporting of related financial results to appropriate local, state, and federal agencies.

(b) Responsibilities

(i) Assignment of actual cost, useful life and other required information of capital

assets.

- (ii) Tagging of capital assets.
- (iii) Determining book value for authorized sale items.
- (iv) Directing and monitoring the annual physical inventory process at each location.
All physical transfers of capital assets are supported by an authorized transfer request form and properly communicated to the Accounting Services Office.
- (v) Police reports are on file for all property thefts and properly communicated to the Accounting Services Office.
- (vi) Coordinating the periodic sale of surplus property and accounting for in accordance to State and College regulations and procedures.
- (vii) Determine sale price for authorized sale items.

(c) Each operating unit (building/department) head shall be the keeper of and shall be responsible for all property within their jurisdiction.

(d) The operating unit (building/department) head is responsible for:

- (i) Ensuring all transfer/disposal request forms are processed as required on a timely basis.
- (ii) Ensuring that donated property is properly recorded.
- (iii) Ensuring an accurate annual inventory be conducted and reported.

(e) Purchasing shall maintain, for 5 years, the following files:

- (i) Copies of all transfer/disposal request forms submitted between annual inventories.
- (ii) Copies of annual printouts used for inventory purposes.

(4) Data Processing Responsibilities

(a) The data processing function is responsible for the design, implementation and operation of an accurate and controlled property accounting management system.

(b) Specific responsibilities include:

- (i) Establishing edit/input procedures. Maintenance of data records as required.
- (ii) Maintenance of appropriate documentation for property management programs.

(5) Physical Inventory of Capital Assets

(a) A periodic physical inventory of capital assets is necessary for accountability and

control. It confirms the reliability (or lack of reliability) that can be placed on the capital asset account system by verifying the actual existence of the items represented by the capital asset records.

- (b) The inventory taking process is initiated by the Accounting Services Director, as needed, to: confirm and validate capital asset records and/or comply with auditing, legal (federal, state, grant, Board) and insurance requirements.
- (c) Inventories should take place on a periodic basis (preferably near the balance sheet date), especially for assets like furniture, fixtures, and equipment characterized by being unattached and movable. Periodic inventories are costly and time consuming, and must be planned around the College's existing resources to accomplish them.
- (d) The actual comparison is the responsibility of the operating unit (building/department) head. The completed checked inventory list is given to the Accounting Services Office for final review and comparison.
- (e) If a comparison indicates a problem exists or is beginning to develop, additional steps should be taken. These steps may include strengthening current controls to insure all purchases and disposals are recorded elsewhere, retraining inventory takers and/or departments to adhere to capital asset policies, etc. It is important to follow up on any problem identified to insure it has been corrected.
- (f) Inventories must be documented as they take place, using the College's designated inventory worksheets or forms. These forms must ensure consistency in how information will be obtained and listed. They should provide sufficient space for descriptions to include: asset identification number, date acquired, make and model, serial number, location, department, and cost. The recording forms also should reflect considerations of various coding with specified capital asset class codes, fund accounts, grouped assets, building and departments. When taking inventory, a count should be made of all capital assets at each location before completing a single area.
- (g) Advance notice of the inventory process should be provided to appropriate College personnel in all locations.
- (h) When items are listed on the inventory forms, abbreviations should be avoided and generic names used whenever possible. Proper headings should be indicated on all inventory sheets, including the name of the inventory taker, the date of the inventory, the location, etc. The Accounting Services Office should reconcile inventories to existing capital asset records, review for any discrepancies, and coordinate any adjustments.

(6) Tagging Capital Assets

- (a) Tags should be selected and placed on the assets so that they are not easily removed

or destroyed by asset use. All tags used by the College shall contain the College's name and identification number.

- (b) The numerical designation appearing on the tags will be a simple consecutive series of numbers which are assigned to assets in consecutive order, without regard for type of asset and location. The use of a consecutive number allows each asset to carry the assigned number throughout its entire life, regardless of its location. Once a disposition has occurred, the number should be retired.
- (c) Tag replacement should be in an area where the number can be identified and without disturbing the operation of the asset and which allows for easy periodic inventory taking.
- (d) Tag numbers and the maintenance of tagging assets, should be assigned by the facilities manager.

(7) Acquisitions

- (a) New assets that are requisitioned by the College must be reported immediately to the purchasing department using the prescribed capital asset acquisition form. This information should be provided to the Accounting Services Office at the time the asset is received and approved for payment.
- (b) The Accounting Services Director and purchasing department should also be on the alert for capital assets which appear to have been purchased out of inappropriate expenditure codes and which the interface of the capital asset system may not otherwise capture. Departments should be notified if using incorrect codes and adjustments made if necessary.

(8) Equipment Check-Out

An equipment checkout procedure can be used in cases where College employees will take equipment off campus for a period not to exceed 30 days. Equipment checkout may occur at the department or division level, provided there is a written record of the transaction. The administrative official with authority over the unit (dean, director, etc.) will assume responsibility for the timely return of the equipment.

(9) Equipment Loan

- (a) Equipment loan occurs when a piece of equipment is loaned to an organization independent of the College, or when a College employee will take equipment off campus for a period exceeding 30 days. The Equipment Loan Form may be obtained from the Business Services Division or can be printed directly from the policy manual (see form 17-401c) located on the College website policy manual.

(b) Equipment may not be relocated from North Central State College until the Equipment Loan Form (17-401c) has been approved by all appropriate parties, including the dean/supervisor and vice president(s). A copy must be provided to the Business Services Division. During the period that the equipment is on loan, the dean/supervisor will retain the original of the Equipment Loan Form. At the end of the loan period, the equipment is to be returned to the dean/supervisor, who will verify the return by signing the original copy of the Equipment Loan Form. The signed original must then be provided to the Business Services Division.

(c) North Central State College property may not be loaned for personal use.

(10) Equipment Disposal/Transfer

(a) In order to request that College equipment be disposed of, or be parentally moved to another location within the College, the Equipment Disposal (17-401e) and/or Equipment Transfer Form (17-401d) must be completed.

(b) Equipment may not be discarded or transferred until the Equipment Disposal or Equipment Transfer Form has been approved by all appropriate parties, including the dean/supervisor and vice president(s).

(c) The Equipment Disposal or Equipment Transfer Form may be obtained from the Business Services Division or can be printed directly from the policy manual located on the College website. A copy of the completed form must be provided to the Business Services Division.

(11) Policy Maintenance

(a) A significant aspect of capital asset system maintenance involves maintaining the policies that dictate control of capital asset records. The Accounting Services Director will be responsible for ongoing maintenance and will assist in the revision of these policies.

(b) Periodic reviews of capital asset policy should be reviewed for the most meaningful dollar amount versus the costs of maintaining records of controlled assets for that level of detail. By definition, controlled assets are items of property that fail the capitalization policy but are inventoried on the capital asset system anyway. The periodic review of the capital asset policy, with respect to controlled assets, should include an analysis of the cost of recording and tracking these assets versus the cost of replacing them should they be lost or stolen.

Effective: June 28, 2022

Expires: June 1, 2027

Review Dates: 7/1/03, 7/1/04, 6/28/22