

## **Procedure III.3001.H.a, Fixed Assets**

### **Associated Policy**

Policy III.3001.H, Fixed Assets

### **Procedures**

San Jacinto College requires amounts expended for facilities and equipment in excess of certain fiscal thresholds to be capitalized and depreciated. These procedures provide guidance for the management and control of capital property owned by the College, titled to the College, under the custody of the College, or for which the College is accountable to the federal government or other sponsors. If direction differs between these procedures and external regulations, sponsor or donor terms, or other internal policy or procedures, the more restrictive instruction will apply.

### **Fixed Asset System**

The Banner Fixed Asset Module is the official system of record for all College capital assets. The Comptroller's Office is responsible for the coordination, development, and implementation of procedures that comprise the College-wide fixed asset system. All communication with the Comptroller's Office on this matter should be directed to [FixedAssets@sjcd.edu](mailto:FixedAssets@sjcd.edu). Department leaders are delegated the responsibility for safeguarding and maintaining the integrity of the assets and are referred to as the Custodians (see section below titled Custodian Responsibilities).

### **Fixed Asset Criteria**

Expenditures are capitalized as fixed assets when both the criteria listed below are met; otherwise, the amounts are expensed in the year incurred:

- a. The item must have a useful life of two years or more, and
- b. The amount must meet the following materiality thresholds: \$5,000 per unit for equipment (including shipping, installation, and any other costs incurred to acquire the asset in full working order), \$100,000 renovation costs for buildings and land improvements/infrastructure that significantly increase the value and extend the useful life of the structure.

If the individual acquisition cost is less than \$5,000 but the total purchase of similar assets is \$100,000 or more, the group of assets should be capitalized (e.g. annual furniture replenishment purchases). The threshold of \$100,000 should be applied to a single purchase order for similar assets.

The specific procedure for capitalizing library book purchases is described in the Asset Category section below.

### **Repair and Maintenance**

Repair and maintenance expenses associated with recurring work required to preserve or immediately restore a facility or a piece of equipment to such condition that it can be effectively used for its designated purposes should be expensed as incurred.

### **Fixed Asset Purchase**

The College follows the same procurement process for the purchase of fixed assets as it does for the purchase of goods and services. To identify capital purchases and record them in the operating ledger, departmental requisitions must use the appropriate capital expense account (741XXX), location code, and name of custodian. Expenses coded to one of these accounts will flow through to the Banner Fixed Asset system for further processing by the Comptroller's Office.

### **Construction in Progress**

Major capital projects, recorded as Construction in Progress (CIP), are tracked by project and once substantially complete, the total expenditures are recoded to capital expense accounts (741XXX) by the Comptroller's Office. Expenses coded to one of these accounts will flow through to the Banner Fixed Asset system for further processing by the Comptroller's Office.

### **Useful Lives—Depreciation**

The College begins depreciation the first full month after an asset is placed into service or the first full month after the date a CIP project is closed, fully or partially and placed into service. The College records depreciation each month as a part of the month-end close process performed by the Comptroller's Office. Land and CIP are not depreciated. The College computes depreciation using the straight-line method over the following estimated useful lives of the asset:

Buildings	50 years
Land improvements	20 years
Library books	15 years
Furniture, machinery, other equipment, and vehicles	10 years
Telecommunications and peripherals	5 years

### **Asset Tagging/Tracking**

The College assigns an asset tag number for all capitalized assets and tracks all capital equipment by specific location, including building and room number, if applicable. The College enters and maintains asset tag numbers in the Banner Fixed Asset system. The Comptroller's Office issues asset tracking tag numbers, and the Fixed Asset Custodian affixes the tag numbers to the assets.

Grouped assets with an individual acquisition cost of less than \$5,000 will not be individually tagged. The total purchase price of the grouped assets will be entered into the fixed asset system as a single asset and will be assigned a tag number for data entry purposes only.

### **Custodian Responsibilities**

The College designates and trains Fixed Asset Custodians to understand and perform the required duties of the Custodian role. Custodians may delegate tasks, but are ultimately responsible for the following:

- Affix College asset tags to equipment and provide pictures and location of equipment to Comptroller's Office;
- Know the location of all equipment in their inventory and ensure that equipment is adequately safeguarded and secured from possible theft and other hazards;
- Report all changes in equipment location to the Comptroller's Office. Reporting changes is critical for proper stewardship and accurate inventory control practices;
- Assure that assigned equipment is utilized for College business purposes only and is located within College property;
- Prepare appropriate forms requesting the transfer or disposal of all equipment;
- Participate in the biennial annual inventory process; and
- Exercise reasonable custodial care over the safeguarding of equipment to prevent the theft and loss of College property.

### **Biennial Inventory**

The College conducts a biennial inventory of fixed assets using the Asset Custodian Confirmation process. A sign-off by the Fixed Asset Custodian and another employee as a witness is required on each asset list as outlined in the Fixed Assets Confirmation letter. Transfer documents or other appropriate documentation are required on any discrepancies, allowing the Fixed Asset register to be updated. In addition, the Comptroller's Office spot checks higher risk of loss assets on an ongoing basis to supplement the biennial inventory process.

### **Surplus Property**

The College may dispose of surplus property only in accordance with applicable federal, state, and local laws. Disposal of surplus property is coordinated and managed by Auxiliary Services and the required forms can be found on the College website or from the Auxiliary Services department. Disposal of technology equipment is coordinated and managed by the Information Technology department through the use of an approved vendor. The Itemized List for Auction form must be completed and routed for approval and processing. If at some point in the disposal process it is deemed that the fixed asset can be transferred to another department, an Inventory Update/Transfer form will need to be completed from the originating Custodian/department to the updated Custodian/department.

Grant-funded equipment may only be disposed of after permission has been provided by the granting agency and following the awarding agency disposition instructions. Grant equipment provided through federal or state funds must also be disposed of in compliance with Grant Uniform Guidance or OMB Circular A-110/2 CFR 200.313. Collaboration with the Office of Grants Management for disposal of grant funded property is required.

### **Donations**

Acceptance of donations valued at \$30,000 or less from private sources directly to the College is delegated by the Chancellor to members of the Strategic Leadership Team (SLT) based on their respective reporting structure. Acceptance of donations valued at more than \$30,000 requires the Chancellor's approval. Donations of real estate require additional approval by the Board of Trustees.

Departmental personnel shall complete the Approval of Donation form and forward the form to the respective SLT member for approval. The form is available on the College website and from the Comptroller's Office. Upon approval, donations will be recorded by the Comptroller's Office, and items with a fair market value of \$5,000 or greater will be recorded as fixed assets and tagged appropriately.

## **Asset Categories**

### **Land**

Land is real property acquired by purchase or gift and is characterized by an unlimited useful life. The value of land purchased includes the amount paid; any costs involving the purchase, such as legal fees and recording fees; and any costs in the preparation of the land for its intended use, such as grading and clearing. The value of land acquired by gift is the fair market value at the time of the gift. Land is not depreciated.

### **Land Improvements**

Other than buildings, all real estate or land improvements fall into this category, which includes parking lots, fencing and gates, athletic fields, fountains, landscaping, etc.

### **Buildings**

Buildings include the cost of permanent structures used in the operations of the institution. This includes any permanently attached fixtures or machinery that cannot be removed without impairing the use of the building. All direct costs of construction are included in the cost of the building.

### **Building Improvements**

Building improvements materially extend the useful life of a building and increase the value of a building. A building improvement should be capitalized as a betterment and recorded as an addition of value to the existing building if the expenditure for the improvement is at the capitalization threshold of \$100,000 and the expenditure increases the useful life or value of the building.

### **Equipment**

Equipment represents personal property that is movable and has an identity that is not altered materially through use. Equipment is further defined into two additional categories:

- Furniture, machinery, other equipment, and vehicles, and
- Telecommunications and peripherals.

Certain items that may be immaterial for capitalization on an individual basis are considered material collectively if the purchases are part of a new building or major renovation. Such determinations will be made by the Comptroller’s Office.

Software is considered part of telecommunications and peripherals and should be capitalized if purchased outright for \$5,000 or more. If significant, implementation costs may be capitalized as well.

### **Technology Equipment**

Technology equipment such as servers, printers, laptops, and desktop computers are tracked by the Information Technology department regardless of the purchase price. Tracking technology equipment enables efficient monitoring and replacement planning.

### **Library Books**

Library books include all professional, academic, and research library books, as well as other library items. Book collections that are considered works of art are not depreciable. Library acquisitions are valued at cost or other reasonable basis and capitalized when purchases for the year meet the \$5,000 threshold and have a useful life of greater than two years. The general library should maintain records of all books and other library items. These records will suffice as detailed inventory records and will not be duplicated in the Banner Fixed Asset system. Periodicals and subscriptions, including those in electronic form, should be expensed as incurred.

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Associated Policy	Policy III.3001.H, Fixed Assets
Primary Owner of Policy Associated with the Procedure	Vice Chancellor, Fiscal Affairs
Secondary Owner of Policy Associated with the Procedure	Associate Vice Chancellor, Finance