FIXED ASSET AND CAPITAL PURCHASE POLICY

Section I:

**Definition of a Fixed Asset:**

A Fixed Asset is any tangible asset purchased for use in the day-to-day operations of the College from which an economic benefit will be derived over a period greater than one year and has a value of $2,000 or more. Fixed Assets include items of property and equipment such as buildings, office furniture, fixtures, computers and other related technology equipment.

Bulk purchases of similar items that have an aggregate value of $5,000 or more are captured as a fixed asset regardless of individual price of item. For example, the College purchases 100 desks at $50 each. The total purchase of $5,000 will be considered a fixed asset purchase.

Items that are routinely purchased as a set and have a value of $2,000 or more will be capitalized and depreciated. For example, if a table and four chairs were purchased from the “same vendor” as a set, and the cost of the table was $1,000.00 and the cost of each chair was $250.00 for a complete total of $2,000.00, then this purchase would be considered a capital expenditure. The total costs will be depreciated over the life of the asset.

At the time a fixed asset is acquired, its cost is capitalized and subsequently depreciated utilizing the straight-line method over the asset’s estimated useful life. Fixed assets with a value of less than $2,000 are expensed in the period acquired.

There are several types of capital assets. Specifically:

- Moveable equipment, such as furniture
- Fixed equipment, such as fixtures
- Buildings and their components
- Building Improvements, including department renovations
- Land (not depreciated)
- Land Improvements
- Infrastructure
- Software
- Computer Hardware, peripheral equipment and other electronics

**Moveable Equipment:**

These items are not permanently affixed to a part of the building. Examples include chairs, desks, filing cabinets, bookcases, etc. Some moveable equipment consists of more than one component. For example, a computer, keyboard etc. The assembled components may be considered one time and recorded as a single capital asset.
Fixed Equipment:

These items are permanently affixed to a building but is separate from the building itself. Examples are light fixtures, water fountains, fire control apparatus, etc.

Buildings and their Components:

Buildings are roofed structures used for permanent shelter of persons, furniture and equipment. Examples of building components are plumbing, electrical system, elevators, and HVAC systems.

Building Improvements and Department Renovations:

Major improvement projects that will extend the useful life of the asset, increase the efficiency, or add new capabilities will be capitalized. An example of this would be adding a new roof. All costs including parts and labor will be included in the total cost of the project.

Parts and labor utilized to perform minor repairs on an existing asset of the College are considered period costs and expensed in the period incurred. This type of work is considered routine maintenance. Examples of this type of maintenance would be painting an office, replacing a faucet on a sink, or replacing carpet in an office.

Land:

Land is defined as the solid part of the earth’s surface whether improved or unimproved. Land does not get depreciated over time. The acquired value is recorded for the cost of the land. Demolition costs are considered land costs.

Land Improvements:

Land improvements are modifications to outside areas. Examples include, installing sidewalks, parking lots, fences, and yard lighting.

Infrastructure:

Infrastructure is defined as an underlying base or foundation. For example, sewer lines, fiber optic, and steam lines.

Software:

Computer software includes all programs designed to cause a computer to perform a desired function. It includes the database or similar items that are in the public domain. If the software can be purchased “off the shelf”, it may be expensed in the year purchased.
Hardware, Peripheral and Electronics:

Computer hardware includes all parts designed in order for the computer to function as intended. It includes but is not limited to hard drives, monitors, key boards, printers and scanners. Other electronics include backup peripherals, cameras, cellular phones, etc.

Purchasing a Fixed Assets:

Purchasing a fixed asset is done in the same manner as any other purchase of goods if it has been approved through the capital budget process. The department prepares a Purchase Requisition (attaching the packing slip and invoice), acquires approvals of the Budget Manager and the Budget Director and forwards to the Business Office for processing.

See the Procurement Policy or Requisition Instructions for further clarification.

The following general ledger object codes are to be used for purchasing all Fixed Assets:

1701010   Land
1702010   Land improvements
1702030   Roads/Walkways/Lots
1703010   Buildings
1703020   Building improvement
1704030   Equipment
1704020   Transportation Equipment
1704010   Boats
1704040   Computer Hardware
1717050   Computer Software
1704060   Furniture and Fixtures
1704080   Donated Assets

****Technology purchases (including related items and supplies) must be ordered and/or approved by the Office of Information Technology. Please review this policy at: http://oit.washcoll.edu/techpurchasing.php

All purchases through and approved by OIT are tagged for inventory purposes without regard to price.****

Note: New Construction and Capital Improvement Projects are addressed in Section II of this Policy.

Tagging of Fixed Assets:

Currently, there is no central Receiving Department for goods. Therefore, the department ordering the goods will be the responsible party to receive the items ordered and ensure that what was ordered was received in good condition and correct. Generally, all orders are received with a packing slip. This packing slip
will be compared against the items received. Proper receipt of goods will be acknowledged by signing and dating the packing slip for attachment to the invoice and purchase requisition. Upon receipt of the documents, the Business Office will process the Purchase Requisition. The proper object coding of the asset will allow the Datatel system to process the item(s) to the depreciation module, whereby, depreciation is calculated. **Capital purchases made with federal funds MUST be coded properly and appropriate boxes checked on the purchase requisition so they may be properly inventoried.** The Business Office will inventory all capital items purchased with federal funds at least every other year, if not annually.

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OIT is responsible for preparing an inventory of items at least every other year, if not annually.

**Movement of Assets:**

Often it is necessary for departments to move fixed assets from one location to another. Only members of the Facilities staff should move capital assets. Movement of the asset will be completed after obtaining proper authorization by the requesting and receiving departments. All computer equipment shall be moved only with the express written consent of OIT.

**Disposal of Fixed Assets:**

A department may have fixed assets that are no longer required due to:

A. Excess of useful life  
B. Lack of need  
C. Obsolescence  
D. Wear, damage or deterioration  
E. Excess cost of maintenance

In all of the above, the asset is considered to be surplus property to the department. The Department Head must ascertain the status of the asset. In some cases, the Department Head will consider the asset junk. These items are usually damaged items judged unsafe or too costly to repair. These items will be thrown away. Metal assets, such as bookshelves, metal desks etc. are recycled to a scrap iron company coordinated by the Facilities Department. Finally, some assets can be recycled or disassembled for parts or components for further use at the discretion of the Facilities Director.

The Facilities Department will notify the Business Office of the disposal for the appropriate change in the Fixed Asset System. Any residual value will be
expensed in the period the item is being disposed and charged against the department’s budget. It is the department’s responsibility to make arrangements with the Facilities Department to pick up and dispose of the asset.

**Note:** Disposal of computers and all technology related equipment is to be in accordance with OIT policies.

Section II:

New Construction and Capital Projects

In addition to new construction, major improvement projects that will extend the useful life of the asset, increase the efficiency, or add new capabilities, such as a new roof will be capitalized. All costs including parts and labor will be included in the total cost of the project.

**Coding an Invoice with Retention**

New construction projects and capital improvement projects often have a requirement to hold as retention a certain amount based on an agreed upon percentage of the invoiced amount. This acts as an insurance policy for the College in order to have the punch list items corrected after the construction project is completed by the contractor. The percentage is calculated based on the percentage of completion and/or milestones of the project. This retention is a liability to the College. The liability will be cleared out when final payment of the retention or partial payments of the retention are made to the contractor.

**Placing Project into Service**

Notification by the Facilities Department will be sent to the Business Office upon completion of the capital improvement project or new construction project. Upon receipt of the notification, the Business Office will transfer the improvement project or new construction project from the Construction in Progress general ledger account to the appropriate fixed asset general ledger account as determined by the Business Office. The project will then be added to the Fixed Asset System and depreciation will be calculated.

Section III:

**VALUATION OF ASSET**

**Purchased Assets**

The value of the asset is determined by including the purchase price of the item, transportation costs, installation costs, and any other direct expenses incurred by the College in obtaining the asset. Subsequent items purchased, which fall under the $2,000 threshold are expensed immediately and not capitalized.
Donated Assets

The value recorded by the College for a donated asset is market value on the date the gift was acquired. To determine the market value of the asset, the Department may use the appraisal price, the selling price to educational institutions of an equivalent item, and/or information on IRS from 8283. If there are any questions regarding the valuation, the Department should contact the Business Office for assistance.

Leased Assets

The lessee records a capital lease as an asset and a corresponding liability. The initial recording value of the leased asset is fair value or present value of the minimum lease payments, excluding any executory costs such as interest.

New Construction

When the University constructs a depreciable asset for its own use, all direct costs are included in the total cost of the asset. This includes items such as architectural, engineering, legal, consulting, project management from outside sources, etc. Fixed overhead costs are not included unless they are increased by the construction of the asset. If there are any questions regarding what should be included in the cost of the new construction, contact the Business Office for assistance.

Capitalized Interest

Interest cost incurred from tax-exempt borrowings to finance construction of assets is capitalized. The value is based on the total interest expense less total interest income earned on the related interest-bearing investments. Capitalized interest is calculated from the date of the borrowing to the date the asset is placed into service.