

8.1 Introduction

The District can acquire capital assets through a purchase, trade-in, capital lease agreement, or a contribution. Capital assets are recorded at cost, including all costs incurred placing the asset in service. Contributed property, plant and equipment is recorded at the fair market value as of the date of the gift.

8.2 Capitalization Thresholds

The District capitalizes all equipment with a cost of \$5,000 or more and a useful life exceeding one year. Capital equipment in Banner is coded to the following accounts:

- 7774XX – Equipment and Furniture
- 7776XX – Data Processing Equipment
- 7777XX – Library Books and Media

Infrastructure and building improvements will be capitalized if the District Vice President of Administrative Services/CFO determines the particular improvement warrants capitalization. Building construction and building improvements are coded to the following accounts in Banner:

- 7771XX – Land, Buildings, Improvements
- 7772XX – Structure Construction Costs (Architect, Testing, etc)

8.3 Capital Assets Acquisition Cost

The basis of accounting for depreciable fixed assets is acquisition cost, and all normal expenditures, including installation costs, architect fees, engineer fees, etc., of readying an asset for use will be capitalized.

8.4 Capital Leased Equipment

Leases which meet the accounting criteria for capital leases are recorded as property, plant and equipment, and the related capital lease obligations (the aggregate present value of minimum future lease payments, excluding costs such as taxes, maintenance and insurance) are included in long-term debt for financial reporting purposes. Depreciation and interest are charged to expense, and rent payments are treated as payments of long-term debt, accrued interest and costs.

All other leases are accounted for as operating leases and rent payments are charged to expense as incurred.

8.5 Donated Property and Equipment

All donated property and equipment must be accepted by the Board of Trustees. Donated assets, which, at the time of receipt, meet the District's threshold for capitalization will be capitalized at their fair market or appraised value at the time of the gift.

8.6 Capital and Controlled Assets Purchased With Federal or State Grant Funds

Capital equipment purchased with grant funds is defined as non-expendable property costing \$5,000 or more (including installation charges and freight) and has a useful life of more than a year. Sponsor definitions of non-expendable equipment may vary as to the acquisition cost threshold. Most federal sponsors will utilize the definition contained in OMB Circular A-21, i.e., an acquisition cost of \$5000 or more per unit. Purchases of specialized equipment are normally allowable with advance approval from the sponsoring agency. When practical,

equipment already in possession of the District will be utilized. Project funds are only used to pay for authorized equipment acquired sufficiently in advance of the ending date of the project period to be effectively used on the project. The Principal Investigator verifies equipment received is as ordered and in good condition. Any discrepancies or damage are immediately reported to the Purchasing Department. Responsibility for maintaining physical control of all equipment acquired under an award and safeguarding it against loss, damage, or unauthorized use, rests with the Principal Investigator.

Controlled assets are non-capital assets with a cost more than \$500 and less than \$5,000. The District tags all controlled assets purchased with federal and state funds. The annual inventory includes all non-capital equipment purchased with federal or state grant funds..

8.7 Impairment of Long-Lived Assets

A recognized impairment of a long-lived asset will be reflected when circumstances warrant. A disclosure of the loss will include a description of the impaired asset and the measurement assumptions used to determine the loss amount.

8.8 Classification of Capital Assets

8.8.1 Land

Land includes the amount paid for the purchase, including all costs such as broker fees and legal fees. Land is not depreciated.

8.8.2 Land Improvements

Expenses incurred to improve the landscape of a new or existing property such as grading, and high dollar irrigation and landscaping.

8.8.3 Buildings

Buildings consist of all structures used for operating purposes. Included are all permanently attached fixtures, machinery and other components cannot be removed without damaging the building. All direct costs of construction are applied to the value of the building.

8.8.4 Construction in Progress

Construction in progress is a holding account in which expenditures, such as architecture fees, construction, etc. associated with a capital project are recorded. Construction in progress is reported with capital assets on the financial statements but not depreciated. Once construction is completed, a new capital asset is created in the asset tracking system and depreciation starts.

8.8.5 Equipment

Equipment consists of office and classroom furniture, fixtures, equipment and vehicles which are tangible personal property and have a useful life of more than one year.

8.8.6 Library Books

Library books include paper and electronic media. Library books are not capitalized on an item by item basis. The amount capitalized is the total expended by campus

for the entire fiscal year. Disposals are entered at the end of the fiscal year and reduced from the oldest library book asset.

8.8.7 WAN/LAN Network Equipment

The District maintains a WAN/LAN connecting all campuses. This category is used for all capital expenditures to maintain and upgrade the WAN/LAN.

8.9 Depreciation

8.9.1 Depreciation Method and Basis

Depreciation on capital assets other than buildings and site improvements is computed using the straight-line method over the estimated useful lives of the assets applying the half-year convention and no residual value. Depreciation on buildings and site improvements is calculated using the half-year convention, straight line method with residual value of 10%. Capital assets are stated at cost. Donated capital assets are valued at their estimated fair market value won the date received.

8.9.2 Useful Life

The established useful lives for determining depreciation expense by category are as follows:

Buildings	50 Years
Facility improvements & other improvements	20 Years
Library Books and Media	15 Years
Furniture, equipment and vehicles	10 Years
Telecommunications and peripheral equipment	5 Years

8.10 Capital Asset Management

8.10.1 Receipt of Capital Asset

All equipment and library capital assets are purchased through Purchasing and received at each campus. The Receiving Clerk at each campus is responsible for properly receiving and tagging capital assets. Each asset is tagged with a decal assigning a specific number to the asset. The Receiving Clerk completes the *Capital and Grant Asset* form (Exhibit 8.1). The form lists detailed information about the asset and is signed by the custodian of the asset. The completed form is sent to the Fixed Asset Accountant for entry into the Banner inventory system. A copy of the form is maintained in Plant Operations and a copy is sent to the Department receiving the capital asset.

An acquisition form will also be completed for all non-capital equipment purchased with federal or state grant funds. The District has chosen to track all grant non-capital equipment using the same procedures as grant capital equipment.

Directions to complete the form are located at the end of this section in Exhibit 8.2.

8.10.2 Department/Custodian Responsibilities

Each asset is assigned to a department and a specific custodian. The Department is responsible for the custody and tracking of each asset. The Fixed Asset Accountant

will provide annual reports to Departments listing the capital assets assigned to them. Any discrepancies need to be communicated to the Fixed Asset Accountant.

8.10.3 Transfer of Capital Assets

Assets may be transferred between departments, locations and custodians. A *Capital and Grant Asset* form (Exhibit 8.1) needs to be completed when transferring capital assets. The completed form needs to be sent the Fixed Asset Accountant to update the Banner inventory system. A copy of the form is maintained in Plant Operations and a copy is sent to the Department receiving the transferred asset.

8.10.4 Surplus Items

An asset can be declared as surplus. Surplus items are those items in working or repairable condition and may be selected for use in another department. The Department declaring the item as surplus must complete a *Capital and Grant Asset* form (Exhibit 8.1). A copy of the form must be sent to the Fixed Asset Accountant and to Plant Operations.

Plant Operations will post a picture of the surplus item on Cougar Web (http://inside.collin.edu/surplus/search_collinslist.asp) as well as a description, campus location, Plant Operations contact and asset condition. Storage space is limited on each campus and could result in surplus equipment being posted for Auction.

8.10.5 Lost or Stolen Capital Assets

Lost or stolen assets must be reported immediately to the Campus Police Department. The Department responsible for the asset must complete a *Capital and Grant Asset* form (Exhibit 8.1). Copies of the asset form and police report are sent to the Fixed Asset Accountant and Plant Operations.

8.10.6 Retirement of Salvages Capital Assets

A salvaged asset is defined as any asset not working, not cost effective to repair or working and obsolete. A *Capital and Grant Asset* form (Exhibit 8.1) must be completed by the department retiring the asset. Copies of the form are sent to the Fixed Asset Accountant and Plant operations.

The District recycles obsolete computers and computer equipment.

8.10.7 Auction of Capital Assets

The District uses an online auction company to dispose of salvaged or surplus assets due to limited storage facilities. The Fixed Asset Accountant is responsible for the online auction process. The District Vice President of Administrative Services/CFO must approve all items being sold at auction and pricing.

Auctions are held multiple times a year and are open to the general public online. The proceeds from online auctions are deposited to the current unrestricted fund as miscellaneous income.

8.10.8 Inventory of Capital Assets

The Fixed Asset Accountant will perform a physical inventory of all capital assets annually. The annual inventory will also include all non-capital equipment purchased with federal or state grant funds which is tracked using the same procedures used for capital equipment purchased with grant funds.

The Fixed Asset Accountant will send all Departments a listing of capital and grant equipment in their custody prior to the annual inventory. The Department will be responsible for ensuring all capital assets in their custody are available for the physical inventory. Any discrepancies must be investigated and documented.

The Library staff is responsible for tracking all library book/media acquisitions and disposals by campus. Library books are not capitalized on an item by item basis. The amount capitalized is the total expended by campus for the entire fiscal year. Disposals are entered at the end of the fiscal year and reduced from the oldest library book asset.

8.10.9 Reconciliation of Capital Assets

Capital assets and all grant purchased equipment are reconciled monthly by the Fixed Asset Accountant. The reconciliation ensures all new assets were properly entered into the Banner Fixed Assets module and all retirements were properly recorded.

The Fixed Asset Accountant is also responsible for monthly reconciling construction accounts recorded in the plant fund.