Fixed Asset Management

Policy/Procedure

This policy applies to faculty and staff with responsibility for purchasing, maintaining or disposing of Fixed Assets, including Department Chairs, Department Heads, and Principal Investigators, as well as central administrative offices.

It is necessary for Dickinson College (the “College”) to safeguard and maintain its Fixed Assets in order to receive the maximum benefit from those assets, to comply with College and Federal requirements regarding the use and disposition of Fixed Assets, and to properly account for its Fixed Assets for financial reporting purposes.

Acquiring and Financing Fixed Assets

The College capitalizes purchases of tangible personal property greater than $5,000 with a useful life greater than one year. Property not meeting these requirements will not be recorded in Banner as a Fixed Asset and will be expensed in the current accounting period (with the exception of library books which are capitalized as a group each year). All capital equipment must be identified with a fixed asset tag, which is provided by Financial Operations upon completion of a Fixed Asset Inventory Sheet.

Major renovation projects are tracked in Banner by the use of a designated fund (92- fund for multi-year projects) or a designated location code (5- code for single-year projects). All completed projects over $50,000 will be capitalized as a project, as opposed to individual assets (equipment, furniture, etc.). Items purchased after the project has been capitalized are considered individually for capitalization. At year-end, any incomplete projects above the capitalization threshold (or expected to be above the threshold when completed) are added to the Construction in Progress Fixed Asset account. Projects not meeting this threshold will be expensed.

The basis for accounting for property, plant and equipment is cost. All normal expenditures incurred in preparing an asset for its intended use are part of its cost. The following information provides examples of specific costs for individual categories of assets:

- Tangible personal property – Tangible personal property includes furniture, equipment and vehicles, as well as computers, library books and the College’s rare works collection.
  - Furniture and furnishings include such items as desks, workstations, cabinetry, safes, tables, showcases and other fixtures
  - Equipment includes construction equipment and maintenance equipment such as lawnmowers, snow blowers, power tools, generators, machine shop equipment and custodial equipment in addition to items such as printers, copiers, video, audio, telephone, scientific, clinical and laboratory equipment
  - Vehicles include cars, vans, trucks and any other maintenance vehicles on campus.
Computers include hardware, software, infrastructure and peripherals.

Library includes books, periodicals, standing orders and journals. Library books and periodicals are capitalized as a group at their purchase price plus transportation and any incidental costs.

Rare works include works of art, historical treasures and similar assets defined as “collections.” Rare works are carried at the fair value of the collection items at the date of the gift and are not depreciated. The College uses the proceeds from sales of collection items (if any) to acquire other collection items.

The cost of tangible personal property should include the following:

- Invoice price
- Transportation
- Installation
- In-transit insurance
- Other costs associated with modifications, attachments, etc. to make property usable for its intended purpose

Land and land improvements – A purchase involving the acquisition of both land and buildings requires that the cost be allocated between the assets. Land improvements (including infrastructure) are physical changes to land that increase the utility of the land, including – landscaping, paving, roads, curbing, sidewalks, fences, retaining walls, drainage facilities, running tracks, basketball courts, artificial turf, parking lots, outdoor lighting and utility distribution systems.

The cost of land and land improvements should include the following:

- Purchase price
- Appraisals
- Professional services
- Title insurance
- Title searches
- Broker’s fees
- Closing costs
- Other costs to prepare land for its intended use (razing and removal and other improvements/landscaping if used as a building site)

Buildings and improvements – Buildings are structures erected to stand more or less permanently and are designed for human use and occupancy or as shelter for animals or goods. Each structure is comprised of components such as framing, interior finish, roof structure and cover, and building service systems (plumbing, sewerage, HVAC, lighting, power, elevators, fire protection, public address systems, emergency power systems, etc.) which are included in the asset cost.

Building improvements represent improvements or enhancements which extend the useful life of the building. This includes additions, roof replacement, installation of elevators, replacement of HVAC systems, installation of fire protection systems, replacement of plumbing and wiring, and other major renovations. Work to maintain
buildings and building improvements in existing condition, such as painting or repairs, should be expensed.

The cost of buildings and building improvements should include the following:
- Purchase price
- Professional services (during acquisition and construction)
- Appraisals (during acquisition and construction)
- Title insurance
- Site preparation
- Interest cost during construction (for debt-financed projects)
- Materials
- Labor
- Overhead

- Leases and leasehold improvements – Each new lease is reviewed in accordance with Generally Accepted Accounting Principles to determine the proper classification as operating or capital. For capital leases, the amount capitalized represents the lesser of the present value of future minimum lease payments or the fair market value of the leased property.

The capitalized costs of leasehold improvements are all costs associated with structural alterations, renovation or improvements made by the lessee to leased real property. The elements of the cost of leasehold improvements should follow the methodology used for building improvements.

- Donated assets – Donated property, plant or equipment that meet the requirements for acceptance and capitalization will be capitalized at the market or appraised value of the donation (values are reported on Form 8283 provided by the donor).

Costs that neither significantly add to the permanent value of a property nor prolong its intended useful life are expensed. The following types of plant costs are typically expensed:

- Maintenance – costs associated with recurring work required to preserve or restore an asset for its intended use. Maintenance includes work done to prevent damage to a facility (e.g. custodial services, repainting a room, fixing a leaky faucet).
- Costs below capitalization thresholds – Items below the capitalization thresholds noted above should be expensed in the period incurred.

**Capital Budget**

Departmental requests for capital expenditures are funded through the *All-College Committee on Planning and Budget* and should be charged to the 72-series of accounts in Banner.

Major renovation needs are identified and managed by Facilities Management. Funding sources must be identified before a project begins. Typical funding sources include the following:
• Operating budget – A project may be funded from the Facilities Management operating budget or the operating budget of the department initiating the project request.
• Outside support – A contribution or grant may be specifically designated for a project.
• Debt – Major renovations which require the use of debt as a funding source must be formally approved by the Board in accordance with the College’s Debt Management Policy.
• Operating surplus – Part of the College’s operating surplus may be designated for specific capital projects. This approval must be made by the Vice President for Finance and Administration.

Depreciating Fixed Assets

With the exception of Land and Rare Works, all Fixed Assets are depreciated using the straight-line method over the useful life of the appropriate asset class.

The following table summarizes the estimated useful lives for the College’s depreciable asset types:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Estimated Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>40 years</td>
</tr>
<tr>
<td>Improvements</td>
<td>Life of original asset (min 20 years)</td>
</tr>
<tr>
<td>Leasehold Improvements</td>
<td>Life of lease (max 15 years)</td>
</tr>
<tr>
<td>Furniture and Equipment</td>
<td>5-10 years</td>
</tr>
<tr>
<td>Vehicles</td>
<td>3-5 years</td>
</tr>
<tr>
<td>Computers</td>
<td>5 years</td>
</tr>
<tr>
<td>Library Books</td>
<td>10 years</td>
</tr>
</tbody>
</table>

These are general guidelines for asset classes and are considered by Financial Operations when assigning a useful life to a specific asset. Individual circumstances may warrant a deviation from the standard useful life of an asset.

Depreciation of Fixed Assets commences when the item is placed in service or is available for use.

Evaluation for Impairments

College management determines if there has been a triggering event that would cause impairment to any Fixed Assets under their supervision. The following are examples of events that may require an adjustment as an impairment or disposal of Fixed Assets:

• A significant decrease in the market price of a long-lived asset
• A significant adverse change in the extent or manner in which a long-lived asset is being used or in its physical condition
• A significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset, including an adverse action or assessment by a regulator
• An accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset
• A current-period operating or cash flow loss combined with a history of operating cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset
• A current expectation that, more likely than not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life

If impairment is determined to exist, the Assistant Controller in Financial Operations should be contacted in order to reflect the impairment on the College’s books (in consultation with the Controller, as necessary). Disposals should follow the disposal procedures noted below.

**Dispositions of Fixed Assets**

Departments are asked to contact the Assistant Controller before disposing of College assets. The Assistant Controller will verify the method of disposal, valuation of the asset, and expectations on the use of the proceeds, if any. In addition, dispositions of fixed assets may require additional handling procedures to meet the College’s legal and environmental responsibilities.

If equipment was purchased with federal funds through a grant, there are most likely restrictions on selling that equipment. The department must check with the associated grant manager and the Sponsored Project Group before disposing of a federally-funded asset.

Assets are typically disposed of in the following ways:

• **Sold** – direct sale or auction by the department (or Facilities Management). A minimum sales price must be established to avoid reporting a loss on disposal of Fixed Assets or to recognize a gain on disposal of assets in high demand. The department is responsible for ensuring sales occur at arm’s length, particularly when dealing with parties related to the College. This includes ensuring fair and competitive bidding when appropriate. The Assistant Controller provides the department with a receipt, if requested by the purchaser of the assets.

• **Traded-in** – Similar procedures to those listed under ‘Sold’ above, are followed for trade-ins of College property. The inclusion of Financial Operations is particularly important due to the complexity of the accounting involved in trade-ins of similar and dissimilar properties. Full details are required for all value received and given during this transaction, including allowances (if any).

• **Donated** – Equipment may be donated to other organizations. A fair value must be determined for donated equipment. Other procedures are similar to sales and trade-ins.

• **Discarded** – Assets are typically discarded by scrapping or dumping, where the asset has little or no resale value. Before discarding an asset, the department should ensure no other options are viable.

• **Other** – Damaged or stolen College assets are also reported. Upon discovery of a theft or destruction, the department must notify Public Safety and/or the police. This category of disposals may also include other, less frequent situations, which require a department to dispose of an asset.
Disposals are reported to Financial Operations on the *Fixed Asset Disposal Form*. This form includes all details necessary to ensure proper accounting on the books of the College and requires the authorization of the reporting employee’s Department Head and the Assistant Controller. Any funds received from the sale of Fixed Assets must be forwarded to the Assistant Controller along with this form.

The College is required to record a liability for any asset retirement obligations existing at the end of each fiscal year. Asset retirement obligations include those obligations for which the College has a legal requirement (regulatory, contractual, etc.) to perform an asset retirement activity (sale, abandonment, recycling or disposal in some other manner). Examples include, but are not limited to, abatement of asbestos and lead paint, removal of underground storage tanks, and removal of leasehold improvements. All asset retirement obligations should be communicated to the Controller to ensure proper financial reporting.

**Fixed Asset Inventory**

The purpose of a physical inventory is to verify the existence, location and condition of Fixed Assets in order to validate the accuracy of the College’s accounting records. Financial Operations conducts inventories for Fixed Assets purchased with federal funding every two years. Fixed Assets other than those acquired with Federal funding are inventoried on a rotating basis every two years with the goal of inventorying all Fixed Assets within a four-year cycle.

**Furniture and Equipment Purchased with Federal Funds**

The College may occasionally purchase furniture and equipment that will be used exclusively on a program funded by a federal agency. In addition to those policies on fixed asset management described earlier, furniture and equipment charged to federal awards will be subject to certain additional policies as described in the *Sponsored Projects and Grants Administration Policies and Procedures*.

---

**Related Information**

- Donations, Sponsorships, and Gifts-in-Kind Policy (College-Wide)
- Departmental Chairs (Academic)
- All-College Committees (Academic)
- Collections Policies (LIS)
- Facilities Management: General Policies (Campus Operations)
- General Ledger Accounting
- Debt Management Policy
- Sponsored Projects and Grants Administration
- Procurement of Goods and Services
Procurement Authorizations

<table>
<thead>
<tr>
<th>History/Revision Information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Responsible Office/Division:</strong></td>
</tr>
<tr>
<td><strong>Effective Date:</strong></td>
</tr>
<tr>
<td><strong>Last Amended Date:</strong></td>
</tr>
<tr>
<td><strong>Next Review Date:</strong></td>
</tr>
<tr>
<td><strong>Also Found In:</strong></td>
</tr>
</tbody>
</table>