

FIXED ASSETS  
PURPOSE  
AND  
INTRODUCTION

Brazosport College has a significant investment in fixed assets, such as land, building, fixed and moveable equipment. These assets are primarily used for instruction and corporate training. The purpose of these administrative regulations is to ensure that the College's fixed assets are acquired, accounted, controlled, safeguarded, and disposed of using generally accepted accounting principles in accordance with state and federal regulations. Therefore, an inventory process is required to track and monitor the location and use of the College's assets.

DEFINITIONS  
AND  
ACCOUNTING  
APPLICATIONS

**Capital Assets:** A capital asset is defined as a piece of equipment, or investment in general infrastructure, that has a value of \$5,000 or more and has an expected useful life greater than one year. The Governmental Accounting Standards Board ("GASB") has issued Statement 34, dictating the requirements for the reporting of such assets. The annual value of such assets is reported in the Comprehensive Annual Financial Report. (CAFR).

**Depreciation:** The Texas Higher Education Coordinating Board established that all fifty community colleges in the State of Texas would use the straight line depreciation method (historical cost less residual value, divided by useful life in years). In addition, capital assets placed in service in September through the end of February of a fiscal year will be depreciated in the first year using the straight line method with a full year's depreciation. Capital assets placed in service March through August 31 will begin to be depreciated in the next fiscal year.

**Capital assets consist of:**

**Buildings:** A structure that is permanently attached to land, has a roof, is partially or completely enclosed by walls used for shelter of persons, furniture or equipment and is not intended to be transportable or movable.

Accounting: The amount recorded should include all costs directly related to acquisition, including expenditures incurred to place the building in usable condition for the purchaser. These include all costs directly associated with the acquisition, development, and construction of a real estate project, including indirect costs as construction administration.

Depreciation: Depreciated over the useful life of 50 years using the straight line method, residual value of ten percent.

**Building Improvements:** Renovations and additions to existing building and extending the useful life of the original asset will be considered a capital asset: general repairs and maintenance are not capitalized.

Accounting: A building improvement should be capitalized and recorded as an addition of value to the existing building if the expenditure for the improvement is at the capitalization threshold, or the expenditure increases the useful life or value of the building.

Depreciation: Depreciated over the useful life of 20 years using the straight line method, residual value ten percent.

**Construction in Progress:** Construction in Progress is the economic construction activity status of building and other structures, infrastructure, additions, alterations, reconstruction, installation, and maintenance and repairs which are substantially incomplete. Construction in progress assets should be capitalized to their appropriate capital asset categories upon the earlier occurrence of execution of substantial completion of contract documents, occupancy, or when the asset is placed into service.

Accounting: For construction in progress assets, no depreciation is recorded until the asset is placed in service. When construction is completed, the asset should be reclassified as building, building improvement, or land improvement and should be capitalized and depreciated.

Depreciation: Depreciated over the useful life using the straight line method based the asset class assigned to the completed construction. Construction in progress and land are the two asset classes that are not depreciated.

**Land:** The solid part of the earth's surface, whether improved or unimproved. It includes all land purchased or acquired by the College, or donated land by a donor.

Accounting: The value of the land should be recorded at its cost. Donated land should be recorded at fair market value at the time of donation.

Depreciation: Land is not depreciated.

**Land Improvements:** Additions and improvements that enhance the usefulness and increase the value of land, some examples are excavation, fill, grading, roads, walkways, lighting, signage, parking lots, water and sewer lines, and wiring for networks.

Accounting: For land improvements to be capitalized, they must be a major part of a significant repair or rehabilitation project, which increases the value, and/or useful life of the asset. A replacement may also be capitalized if the new item/part is significantly improved quality and higher value

compared to the old item/part. Examples of land improvements are as follows:

1. Site improvements such as excavation, fill, grading and utility installation.
2. Fencing and landscaping.
3. Parking lots.

Depreciation: Depreciated over the life of 20 years using the straight line method, residual value ten percent.

**Equipment:**

Capital Equipment: Nonexpendable personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit.

Fixed Equipment: Equipment affixed to a building, but separate from the building itself. It is generally contractor installed during construction.

Moveable Equipment: Items that are neither permanently affixed to nor part of a building, such as computers, furniture, refrigerators, freezers and vehicles. Some equipment is assembled by multiple components, all the components combined costs of \$5,000 can be considered as one item and recorded as a capital asset.

Accounting: All capital, fixed, and moveable equipment should be recorded at the acquisition costs.

Depreciation: Depreciated over the life of 10 years using the straight line method.

**Information Technology Equipment:**

Information technology equipment is electrical/electronic equipment that inputs, stores, modifies, or outputs data. Typical examples of information technology equipment are servers, personal computers, office equipment, data storage devices, telecommunication equipment, display monitors, printers and various other peripheral devices.

Accounting: The costs has to meet or exceed \$5,000 at acquisition unless it is part of a network to be depreciated. If the costs are less than \$5,000 it is expensed at purchase.

Depreciation: Information technology equipment depreciated over the useful life of 5 years using the straight line method.

**Software:** Set of instructions or programs instructing a computer to do specific tasks.

**Software System:** Software system is the intercommunicating components based on software forming part of a computer system (a combination of hardware and software).

Accounting: All costs related to the external purchase of software applications that meet or exceeds \$5,000 with a useful life greater than one year may be capitalized. Training costs and software maintenance are expensed and are not capitalized. Conversion costs will be capitalized or expensed to the extent allowed by General Accepted Accounting Principles.

Depreciation: Software and software systems are depreciated over the useful life of five years using the straight line method.

**Library Acquisitions:** Periodicals, textbooks, journals, recording and books of reference.

Accounting: All purchases of library acquisitions should be capitalized, as there is no minimum dollar amount.

Depreciation: Library acquisitions are depreciated based on the annual purchase cost. Each year is depreciated over the life of 10 years using the straight line method.

**Art:** Paintings, Sculptures and etc. procured by the institution or received as donations.

Accounting: The cost of art at acquisition is capitalized if the purchase price meet or exceeds \$5,000. Donated art with a fair market value of \$5,000 or more at the time of donation will also be capitalized.

Depreciation: Art is not depreciated.

CONTROLLABLE  
ASSETS

Controllable assets are certain high profile purchases, \$4,999 or less, procured by the College that do not meet the criteria established for designation as a capital asset. However, these assets should be monitored for proper use and disposal, even though their value does not substantially impact the overall value of College assets. These controllable assets are valuable to the daily operation of the institution and must be tracked and safeguarded. Examples of controllable assets are office equipment, computers, cameras, printers, minor furnishing.

IMPROVEMENTS  
COSTS

Renovation to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The cost of normal maintenance and repairs that does not add to the value of the asset or materiality extend an asset's life are charged as an operating expense in the year in which the expense occurred.

ACQUISITION  
COSTS

The net invoice unit price of the equipment, including the cost of modifications, attachments, accessories, or auxiliary apparatus necessary to make the equipment usable for the purpose for which it was acquired. In addition, freight charges, installation charges, and other charges directly related to placing the equipment in use may be included in the acquisition cost.

DEPRECIATION

For purposes of depreciating capital assets, which meet the appropriate cost and useful life criteria, are grouped in the following categories.

<b>Asset Classification</b>	<b>Useful Life</b>	<b>Residual Value</b>
Buildings	50 years	10%
Building Improvements	20 years	10%
Land Improvements	20 years	10%
Equipment	10 years	None
Vehicles	10 years	None
Furniture	10 years	None
Library Books	10 years	None
Information Technology Equipment	5 years	None
Software	5 years	None
Software System	5 years	None
Art	Not depreciated	None
Land	Not depreciated	None
Construction in Progress	Not depreciated	None

INVENTORY  
PURPOSE  
AND  
INTRODUCTION

These Inventory Regulations establish a process for the identification and tracking of all College owned furnishing and movable equipment having a minimum cost of \$5,000 and a life expectancy of 1 year. The College President has designated the Vice President, Financial Services & CFO the responsibility for Inventory accountability. The responsibility of performing inventories has been delegated to the Property Control Specialist assigned to Business Services that reports to the Vice President, Financial Services & CFO. The College shall utilize an appropriate property and control system to meet the need for detailed information as to particular identification of the property or equipment and the costs, the depreciation, the assignment and the location of the equipment. The Property Control Specialist shall conduct annual inventory of all equipment assigned to each division or departmental unit at the location. The department heads or directors are responsible for the day- to- day custody of equipment in their areas of responsibility. The IT department is responsible for the inventory of Technology assets such as computers, software, telecommunication equipment, servers and other equipment.

DEFINITIONS

**Inventory:** A complete list of items, such as property, goods in stock, or contents of a building.

**Donated Equipment:** Equipment that has a minimum market value of \$5,000, and a useful life of more than one year at the time of donation. **Property:** Equipment, machinery, and furnishings that are required to be tagged and inventoried by the College.

**Obsolete Property:** Asset no longer used; out of date.

**Identification Number:** Unique number assigned and affixed to each item of property to identify it as property of the College.

**Property Custodian:** The designated college employee who has the primary financial responsibility for the physical custody and use of all college property under their control. Each College department has their own designated property custodian.

RECORDING

Each item of property should be accounted for in a separate property record. The record should contain the following information:

- Quantity
- Description
- Decal with Identification Number
- Serial Number

- Item classification
- Administrative Unit (department)
- Location (building and room)
- Purchase Order Number
- Purchase date (month and year)
- Cost
- Value: Source of funds (Federal, State, and Local and Private).

The responsibility for equipment accountability is assigned to the appropriate division chair or department head. These responsibilities require the following:

1. All equipment purchased by Brazosport College shall be accounted for by identification number affixed to each item. The Property Control Specialist will affix a decal with the identification number to the equipment and will provide the division chair or department head with an inventory with all equipment assigned to their area of responsibility.
2. Equipment control records shall be maintained for each item of equipment using the identification number and location.
3. Annual physical inventories shall be taken of all equipment items.
4. No items of equipment shall be permitted to leave the premises without the permission of the division chair or department head.
5. Equipment may not be transferred to another department without the proper authorization of the Property Control Specialist.

## DONATIONS

Donated property must be valued at the fair market value at the date of acceptance from the donor. Brazosport College does not determine value of any donated property and will only issue the donor a receipt of acceptance.

Surplus equipment purchased by or donated to Brazosport College will be classified as equipment if the estimated current value is \$5,000 or more. The estimate will be made by the person purchasing the equipment and the Vice President, Financial Services & CFO or his or her designee.

TRANSFER OF  
PROPERTY

Transfers of all tagged equipment between departments are to be listed on the Fixed Asset and Equipment Management Form. Once all appropriate approvals have been acquired on the Fixed Asset and Equipment Management form, a work order will be submitted to Facilities for the equipment to be moved.

All transfer of computers and related electronic equipment must be coordinated with the IT department.

Equipment may only be removed from College premises for purposes of College business. Whenever College equipment must be removed from the College for official reasons, other than in connection with routine operations, a Fixed Asset and Equipment Management Form needs to be completed and sent to the Property Control Specialist before the equipment is picked up. The Property Control Specialist in the business office should be notified when the equipment is returned to the College and its home department.

DISPOSITION OF  
PROPERTY

Surplus property is property that has been fully utilized and depleted or no longer has useful value. It includes all tangible assets, such as equipment, furniture, and other movable assets. College property may not be sold, traded, salvaged, scrapped, declared obsolete, donated or otherwise disposed of without prior approval of the President or the designee, the Vice President, Financial Services & CFO. The Vice President, Financial Services & CFO will coordinate with the Director of Facilities for disposal of surplus or obsolete property. For the disposal of surplus or obsolete electronic property, the Vice President, Financial Services & CFO, will coordinate with the Director of Information Technology.

**The disposition of property may be accomplished by one of the following actions:**

- Sale to the general public by sealed bid or auction.
- Transfer to another agency in the College District service area that is either tax-supported or a nonprofit with a 501 c (3) Internal Revenue approval.
- Transfer to the General Services Commission of the State of Texas.
- Transfer to the Federal Surplus Property Commission.
- Any monies realized from disposal of unclaimed or abandoned personal property shall deposited in the College District's General Fund.