

AP 119.00 Acquisition and Disposal of College Property

Associated Board Policy: 119.00

Procedure Owner: Vice President of Finance and Administration

Related Procedures: None

I. Procedure Scope and Purpose

Cowley College acquires capital assets in pursuit of its mission. In line with federal regulation and good business practice, this procedure sets forth the requirements for acquiring, disposing of, and accounting for these assets, as well as the definitions of different types of capital assets.

To depreciate their value properly over time, amortizing over the useful life of the asset, physical assets must be recorded and capitalized in accordance with generally accepted accounting principles.

II. Definitions

- a. Accumulated Depreciation – Total reduction in value over time of an asset since its acquisition, which is recorded for financial statement purposes.
- b. Acquisition Cost – Value of an asset at the time it is acquired. May be the invoice price or, if donated, the fair market value. Also included are the costs incurred to place the asset into service (examples: freight, installation).
- c. Book Value - Difference between the acquisition cost and accumulated depreciation. At the time of acquisition, book value equals acquisition cost.
- d. Capital Assets – Tangible, permanent item with a life of more than one year that is held for purposes other than investment or resale and has a value of \$5,000 or more.
- e. Capitalize - To record the cost as an asset that is subject to depreciation over its estimated useful life, rather than as an expense for one accounting period.
- f. Depreciation – Method for allocating the cost of buildings and equipment over time. Generally accepted accounting principles and federal regulations dictate that the value of capital assets must be written off as an expense over the life of an asset.
- g. Disposition – Final status of an asset when it is removed from the inventory of assets and no longer physically located on-site (examples: sale, scrap, donation, lost, stolen, transfer to another entity, etc.).
- h. Surplus Equipment – Item that is no longer needed or required.
- i. Useful life – Period over which a capital asset has use to the college in performing the function for which it was purchased.

III. Procedure

- a. Acquisition
 - i. Real or personal property acquired by gift or purchase with an estimated useful life greater than one fiscal year shall be capitalized and depreciated according to the capitalization thresholds and estimated useful lives assigned to each

category of capital assets. Property, plant and equipment will be categorized by the following broad asset types and depreciated using straight line depreciation in accordance with the following established capitalization thresholds and estimated useful lives:

Asset Type	Useful Life
Land	N/A
Land Improvements	30 yrs
Buildings	50 yrs
Building Improvements	10 yrs
Construction in Progress	N/A
Computer Equipment	5 yrs
Equipment	7 yrs

The capitalization thresholds listed above will apply to all assets. **Each asset will be tagged with a Cowley College ID number that will be used in the accounting fixed assets software.**

Expenditures incurred in construction such as materials, labor, engineering, supervision, legal, insurance, and overhead will be capitalized as "construction in progress" until the project is completed and placed in service. No depreciation will be taken on construction in progress.

ii. Accurate records will be maintained of the location, cost and accumulated depreciation of capital assets. Cost includes the acquisition cost as well as any ancillary costs, such as freight, installation and setup costs, associated with preparing the asset for its intended use. Detailed capital asset ledgers will be maintained to include the following asset information:

- Asset Type
- Description
- Tag Number
- Serial Number
- Location
- Account Code
- Cost (Original/Historical)
- Useful Life
- Depreciation Expense

- Accumulated Depreciation

The physical existence of capital assets will be verified and reconciled to the fixed assets records annually. If an asset is moved from one location to another, management approval will be required on the "Fixed Asset Inventory Deletions, Disposals, Transfers and Sales Form". Fixed Asset Forms need to be sent to Accounting whenever an asset is moved to update the location in the accounting records.

- iii. The College will use the straight-line method to allocate depreciation. The straight-line method allows for an equal amount of the cost of an asset to be allocated to each accounting period in its useful life.

b. Disposal

- i. Departments shall complete the Fixed Assets Inventory Form, for deletions, disposal, transfer and sales. Reasonable efforts to redistribute property internally prior to declaring it as surplus property, should be made before disposing it.
- ii. The Vice President of Finance and Administration or designee shall be authorized to dispose of Surplus Property. Disposition of Surplus Property should focus on stewardship of public property, support the mission of the College, promote sustainability, fairness, and transparency, and be conducted in compliance with all applicable laws and regulations. Surplus property may be disposed of in the following manners:
 - Trade In;
 - Advertised public sale (by fixed price, negotiated price, sealed bids or public auctions.
 - Donation to educational institutions, or non-profit organizations;
 - Recycling or salvage; and
 - Trash
- iii. Surplus Property does not include real property. Disposition of College property shall be referred to the Board of Trustees

IV. Effective Date

This procedure become effective: August 23, 2021 .

This procedure was revised on: July 10, 2023.

V. Signature and Title



This procedure is implemented by: _____