Birmingham-Southern College

Title: Fixed Asset Management Policy

Policy Abstract: The College must be a good steward over its financial resources to ensure that the mission of the College is achieved. Proper controls over acquiring, recording, maintaining, and disposing of assets ensure that these items are properly accounted for and effectively used.

Responsible Office: Finance Office

Officials: Chief Financial Officer and Controller

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Applies to: This policy applies to all departments and affiliated facilities.

Effective Date: March 15, 2008

Revision Dates: August 14, 2008, March 31, 2010, January 3, 2014

Introduction/ Background

Birmingham-Southern College is an outstanding academic institution with a long history of very successful and distinguished students, faculty, and alumni. In order to continue as a strong liberal arts college, it is imperative that the institution have sound fiscal management and financial stability at all times. Implementation of good fixed asset management practices will help the college achieve and maintain adequate financial controls and stability.

Purpose

The Fixed Asset Management Policy provides direction for the management and control of property owned by or in the custody of Birmingham-Southern College. In addition, the policy assists in meeting responsibilities to comply with Federal property standards and the requirements of other sponsors when they support the acquisition of equipment under their backing. The policy also ensures proper internal controls are in place in regards to the management of fixed assets.

Applicable Regulations

SACS-COC Core Requirements and Comprehensive Standards (2.11, 3.10.1, 3.10.3, 3.11.1)

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Policy Statement

This document ensures that all fixed asset transactions are in conformity with Generally Accepted Accounting Principles (GAAP) and the Governmental Accounting Standards Board (GASB) policies. In addition to conforming to recording standards, each fixed asset transaction should also comply with internal controls in the areas of acquiring, recording, maintaining, and disposing.

Details

Capitalization

Birmingham-Southern College capitalizes all fixed assets which have a purchase price of $1,000 or more. All fixed assets with a purchase price of less than $1,000 are expensed. Capitalized fixed assets are tagged and inventoried for accounting purposes. By recording these assets in the system, internal controls are strengthened and pilferage is reduced.

Capital Asset Categories

1. **Land and Land Improvements**

   Land includes all land purchased or otherwise acquired by the institution. Land is non-depreciable.

   Land Improvements would include costs incurred for paving (parking lots, sidewalks, etc.), lighting systems, sewer, water, electric, fencing, and similar items. Land improvements occur as a result of increasing the existing level of service on a directly related parcel of land. Additional examples include culverts, yard lighting, landscaping, public water access, and other site improvements. Land improvements require maintenance and occasional replacement, therefore; they are depreciable assets.

2. **Buildings and Improvements**

   All buildings purchased, constructed, or otherwise acquired for Birmingham-Southern College will be recorded at original cost plus improvements.

   Building improvements include all additions, replacements, major repairs, and reinstallations/rearrangements on existing buildings.

3. **Construction-in-Progress**

   Construction-in-progress contains amounts expended in one fiscal year on a new construction, land, building improvement, or other capital construction project

that will be finished in a future year. Depreciation expense for new construction will not be recognized until completion of construction.

4. **Furniture and Equipment**

   Furniture and Equipment is tangible property complete in itself that is used in the operation of Birmingham-Southern College's activities for 3 or more years with a value of $1,000 or more. Furniture and Equipment does not lose its identity when removed from its location and is not changed materially or expended in use.

5. **Property Rights Related to Capitalized Leases (Capital Lease Assets)**

   Leased assets are to be capitalized if the following criteria are met:

   The lease transfers ownership to the lessee by the end of the lease term.

   The lease contains a bargain purchase option.

   The lease term is equal to 75% or more of the estimated life of the leased asset

   The present value at the beginning of the lease term of the minimum lease payments less portions representing insurance, maintenance and taxes paid by the lessor, including any profit thereon equals or exceeds 90% of the excess of the fair value of the leased property to the lessor at the inception of the lease over any related investment tax credit retained by the lessor and expected to be realized by the lessor

6. **Library Collections**

   Library collections include but are not limited to:

   Books

   Periodicals

   Microfilmed information

   Electronically/digitized collections such as: music theatre or movie productions

7. **All other tangible or intangible assets**, including major enterprise wide computer software purchases used in operations.

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Depreciation

The straight line method of depreciation, based upon the useful life, is used to compute depreciation expense. The College does not recognize depreciation on fine art collectibles or on rare books. The estimated useful life of each depreciable asset is as follows:

Buildings	70
Improvements other than buildings	5-35
Equipment and furnishings	5-10
Library Books	10

Depreciable lives are assigned by the Purchasing Coordinator in the Fixed Asset Module at the time of acquisition.

Identification

A numbered bar code tag identifies items recorded in the fixed asset system. Maintaining a positive identification of assets is the primary purpose of tagging. All fixed assets must be tagged to provide the following: an accurate method of identifying individual assets, aid in the taking of a physical inventory, control the location of all physical assets, and provide a common reference for particular assets.

All fixed assets costing $1,000 or more must be assigned a BSC property tag number. The Purchasing Coordinator is responsible for controlling the property identification tags and is authorized to affix the property identification tags.

Inventory

An inventory of all property, plant, and equipment will be conducted no less than every five years. It is the responsibility of each department to keep track of and appropriately document the assets in their areas. The inventory will consist of the following: an actual physical count, a review of the description of the item in the fixed asset sub-ledger for accuracy, and a review of the dollar amount of the item for reasonableness.

Procedure for Inventory

1. Each department will be notified of the inventory dates.
2. Fixed Assets Equipment Reports are to be provided from Colleague.
3. Each item on the Fixed Asset Detail will be noted as located by initialing next to the item on the report.

Procedure for Inventory (Continued)

4. If an item is listed on the Fixed Asset Detail and is not in the department, it should be noted as not found and a Property Transaction Form is to be completed. The appropriate "Item Activity" should be noted, for example, broken and removed, transferred to another department, etc.

5. If an item is in the department, is not on the Fixed Asset Detail, and is tagged, the complete Fixed Asset Detail should be reviewed to determine the existence of the item in another department/area. If the item is located in another department of the Fixed Asset Detail, then that is to be noted on the Property Transaction Form in the transfer section. If the item is not located, then the appropriate section of the Property Transaction Form is to be completed.

6. After completion of the physical inventory, a reconciliation of missing items shall be conducted by the Finance office. The reconciliation is reviewed by the Controller approving any adjustments to the general ledger records.

Transfers

Transfers can be made in the following ways:

- Moved from one location to another.
- Moved to the surplus storage room.

Equipment may be transferred for the following reasons:

- Department no longer needs the equipment, but it is still useable.
- A physical move on campus with the department or employee has taken place.
- A need exists for the equipment in another area on campus.

Procedure:

- Complete a Property Transaction Form and submit to a Department Head for approval.
- After receiving a Department Head's approval, complete an online work order to Operations for the transfer of the equipment.
- Before a piece of equipment can be transferred the Operations department must receive the Property Transaction Form in Addition to the work order. This this will ensure the all transfers are approved before they are completed
- After the transfer of the equipment, Operations must forward the approved Property Transaction Form and copy of work order to the Purchasing

Transfers (Continued)

Coordinator.

Accounting Process

Each month the Purchasing Coordinator identifies all purchases, capital asset purchases, and makes the appropriate general ledger entries. The capitalization entries are reviewed by the Assistant Controller prior to posting to the College's general ledger.

Disposals

Disposal of all equipment should be approved by the Purchasing Coordinator. Disposal of computers and related equipment should be approved by IT.

Procedure:

- Complete a Property Transaction Form and submit to a Department Head for approval.
- After receiving a Department Head's approval, complete an online work order to Operations for removal of the equipment. Before a piece of equipment can be disposed of the Operations department must receive the Property Transaction form in addition to the work order. This this will ensure the all disposals are approved before they are completed
- After the disposal of the Equipment, Operations must forward the approved Property Transaction Form and copy of work order to the Purchasing Coordinator.

Assets Lost or Stolen

If any Birmingham-Southern College property has been stolen, the supervisor must notify the department head and campus security immediately. If the equipment has not been recovered within 30 days, a Property Transaction Form must be completed and returned to the Office of the Controller.

If missing equipment is subsequently located, the department must send written notification to the Controller's office. The accountant will record missing assets as disposed on the fixed asset system by year-end if the appropriate departments/personnel are unable to locate the missing items for his/her division.

Purchasing, Valuation, and Classification

1. All fixed asset purchases should follow normal procurement policies and procedures. Refer to the Purchasing Policy for guidance.
2. All fixed assets purchased must be shipped to the department receiving the assets.
3. Invoices should be sent to Accounts Payable and all appropriate documentation (i.e. requisitions, purchase order) must be attached.

Purchasing, Valuation, and Classification (Continued)

4. The Purchasing Coordinator will review all invoices to determine which items classify as capitalized fixed assets and/or inventoried fixed assets.
5. The Purchasing Coordinator will record the purchase in the fixed asset system.

All other accounting entries such as capitalization and depreciation entries are calculated within the Fixed Asset software.

Definitions

SACS-COC -Southern Association of Colleges and Schools- Commission on Colleges

References N/A