

College Procedure: 730.1 – Capital Assets

Policy Reference: 730 – Purchasing
Responsible Department: Finance
Approval Authority: Cabinet
Procedure Owner: Vice President, Finance
Effective Date: 06/08/2011

Version Number: 3
Legal Counsel Reviewed (yes/no): No
Scope: College-wide

Reason for Procedure

The Capital Asset Procedure establishes clear parameters for treating certain purchases or donation of personal or real property as capital assets. The Capital Asset Procedure provides a method to maintain an accurate and complete listing of capital assets in compliance with state regulations. An accurate capital asset listing is also imperative for certain aspects of business insurance coverage.

The Procedure

General:

Purchases of personal or real property will be made in accordance with the Kirkwood Purchasing Procedure as well as any applicable state or federal regulations. Donations of personal or real property will be coordinated through the Kirkwood Foundations and adhere to applicable policies and procedures.

Donated or purchased personal or real property in excess of \$5,000 with an estimated useful life of at least 3 years is considered a capital asset. Capital assets will be recorded within the fixed asset system for tracking, depreciation and reporting purposes. Each capital asset will be assigned an asset number, and if possible, an asset identification sticker will be affixed to the asset.

Responsibility:

Initiators of purchases for personal or real property are responsible for adhering to the Purchasing Procedure as well as this procedure. The initiator is responsible for providing the necessary information related to a capital purchase or donation.

Department Heads, Deans, Directors and Cabinet Members are responsible for the maintenance and security of any capital assets located within their department. These individuals are responsible for assisting with maintaining an accurate and complete listing of capital assets within the department.

Finance personnel are responsible for knowing, adhering to and administering the rules set forth in the Purchasing procedure and this procedure. Finance is responsible for assisting with maintaining an accurate and complete listing of all capital assets based on information recorded in the fixed asset system.

Land:

Purchases of land by the College are restricted by Iowa Code Section 260C.35. The College may not purchase land that would increase the aggregate of purchased land owned by the merged area to more than 320 acres. Donated land is excluded from this restriction. All purchased or donated land will be approved by the Board of Trustees. All appropriate legal documentation and procedures related to the sale/donation will be handled by the Secretary of the Board, Finance, the Kirkwood Foundations (for donations), realtors or legal counsel. All land transactions will be recorded within the fixed asset system for tracking and reporting purposes.

Site Improvements, Buildings and Building Improvements:

Requests related to site improvements, buildings or building improvements will generally fall within the annual capital improvement process or within the long-term capital plan. All such requests will be coordinated through the Facilities department.

All Site Improvements, Buildings and Building Improvements will adhere to the guidelines set forth in Board Policy 782 – Business and Operational Procedures: Construction, Buildings and Site Specifications.

Annual Capital Improvements:

The annual capital improvement process involves gathering requests from Deans, Directors and/or Cabinet members. These requests are generally repair or renovation projects that are less than \$25,000 in cost and unable to be completed through the normal work order process. The requests are reviewed by Cabinet. Facilities will visit specified areas to gather cost estimates and determine priorities. Order of priority is influenced by improvements that directly impact College safety, student learning and availability of funds. The complete list of requests with estimates and priorities is reviewed by the President and Vice President of Facilities for final approval. Approved projects will be scheduled once funding becomes available.

Long-Term Capital Plan:

The long-term capital plan is formulated and maintained by several parties including but not limited to the President, the Vice President of Facilities, the Chief Financial Officer and other members of Cabinet. Project requests of this nature are generally large in scope and funding. All such requests are approved by the Board of Trustees prior to requesting bids. Generally, a sealed-bid process is utilized for these requests. Once the bid process is complete and a vendor is awarded, the project commences. The Vice President of Facilities oversees the project and any related contracts.

Capitalization:

In the case of improvements or building projects, many components may be involved in the completion of such a project (i.e. demolition, electrical, mechanical). For these types of projects, an aggregate method of capitalization will be utilized. Costs directly related to work or materials necessary for the completion of the project will be aggregated and capitalized as one item within the capital asset records. For projects spanning over a period of several months, project costs may initially be recorded as construction in progress until the completion of the entire project.

Tangible Property:

Tangible property items generally fall into categories such as equipment, machinery, furniture, fixtures, software, computers and vehicles. Tangible property can generally be moved from one location to another (i.e. desk, vehicle, machinery). Requests for these types of items will be handled in accordance with the Kirkwood Purchasing Procedure. Items acquired that meet the threshold for capital assets will be recorded and tracked within the fixed asset system.

This category of asset classification is used for all charges associated with the purchase of the tangible property. Charges may include the cost of installation and transportation. In addition to the net invoice price of an asset, all costs associated with modifications, attachments, accessories or auxiliary apparatus necessary to make the property usable for its intended purpose may also be capitalized, only if incurred at the time of initial equipment purchase. All subsequent costs of this nature, to maintain the equipment, will be expensed.

Depreciation:

All real and personal property with the exception of land will be depreciated using the straight-line method of depreciation. Assets will be depreciated over an expected useful life. General guidelines are as follows:

Table 1 Assets

Asset Type	Asset Category	Useful Life
Equipment	Computers, copiers, office equipment, vehicles, machinery, heavy equipment	3-10 years
Building Improvements	Remodel, renovation, relocation	20-30 years
Building Structures	Purchase and renovation of or construction of facility	30 years
Improvements	External facility or grounds improvements	30 years

While the above table represents the general guidelines used when assigning the useful life of an asset, the assignment of the useful life will be determined by review of the documentation associated with the asset as well as consultation with the department purchasing the asset.

Grant-Funded Assets:

In many circumstances, capital assets are not allowable purchases with grant funds. If grant documents allow such purchases, there may be specific guidelines with regard to capitalization thresholds, ownership, for example. Specifications within the grant document will dictate how the purchases will be handled and recorded.

Asset Disposal:

Once it has been determined a fixed asset is no longer in use or needed at the college, notification should be provided to the Finance department.

The department initiating disposal of the asset should communicate whether the asset has been lost, scrapped, sold, traded in or ownership transferred. Initiating department should ensure there is no alternative need for the asset by another Kirkwood department.

Specifics for the asset disposal process can be found on KIN > Employees Processes.

References

- PURCHASING PROCEDURE
- PURCHASING CARD PROCEDURE

Definitions

Real Property: ANY SUBSET OF LAND THAT HAS BEEN LEGALLY DEFINED AS WELL AS ANY IMPROVEMENTS MADE TO THE LAND (I.E., WELLS, BUILDINGS, ROADS).

Revision Log

Table 2 Revision Log

Version Number	Date Approved	Approved by	Description of Change
1	06/08/2011	Jim Choate, Vice President, Finance	New procedure
2	08/31/2017	Cabinet	New template
3	10/22/2019	Cabinet	Procedure template