

## **St. Olaf College Fixed Asset Management Procedures**

**Title:** Fixed Asset Management Procedures

**Effective Date:** 04-28-2009

**Issuing Authority:** Vice President and Chief Financial Officer

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### **Purpose of Procedures**

To ensure that the College's fixed assets are acquired, safeguarded, inventoried, disposed of, and accounted for properly.

Property and equipment purchased with College funds, including grants and gifts, are College property. Each department head is responsible for safeguarding all assigned assets.

### **Who needs to know these Procedures**

These procedures apply to all St. Olaf faculty, staff or student organizations who purchase or dispose of fixed assets.

### **Procedures for Capitalization**

The College will capitalize any fixed asset that is tangible personal property having a useful life of five years or more and an acquisition cost of \$5,000 or more. To capitalize improvements, they must add significant value or extend the existing useful life of the asset or adapt a fixed asset to a new or different use.

Examples of improvements that can be capitalized include:

- Additions to buildings (expansions, extensions, or enlargements)
- Replacements of entire roofs
- New siding or masonry
- Original installation of carpets or flooring
- Structural changes such as reinforcing floors or walls or replacing beams or rafters
- New landscaping, sidewalks, and parking lots
- Substantial remodel or rehabilitation that restores a building to a "like-new" condition
- Substantial remodel or rehabilitation that adapts the building to a new or different use

Fixed asset additions meeting this definition must be pre-approved for in the budget before being purchased.

The Business Office will assign a specific accounting unit for the fixed asset addition charges to be coded to, in order to properly track the costs for financial reporting purposes. The fixed assets additions will be recorded in the College's fixed asset system and depreciated over its estimated useful life.

### **Repairs and Maintenance Expense**

Improvements that keep property in ordinarily efficient operating condition or restore the property to its previous condition are considered building repairs and maintenance expense. Repairs and maintenance expenses typically do not extend the original useful life of the asset or substantially increase the value of the

asset. The following items are typically considered to be repairs and maintenance expense unless these items are part of a substantial remodel or rehabilitation:

- Repainting
- Touch-up plastering
- Replacement of carpet or tiles
- Replacement of deteriorated siding, roof or masonry sections
- Plumbing or electrical repairs
- Interior decorations such as draperies, blinds, and wallpaper
- Exterior decorations such as awnings
- Mending of leaks

### **Procedures for Disposal of Fixed Assets**

When equipment needs to be disposed of, the Treasurer should be notified to ensure the equipment is disposed of properly and fairly. The Treasurer will work with the related division or department head to determine if the equipment could be used elsewhere in the College, if a buyer should be found for the equipment, if the equipment should be given away on a first-come, first-served basis to the College community, or if the equipment should be trashed. Upon approval by the Treasurer, equipment disposals should be either documented on the [\*Fixed Assets Disposal Form\*](#) or sufficiently communicated by email to the Senior Accountant. Upon clicking submit, the form will be emailed to the Treasurer and Senior Accountant.

When fixed assets are sold, the Senior Accountant will look up the book value of the asset and determine if a gain or loss should be recognized. The gain or loss will not be recorded to the department's unit, but rather to the general fund, unless otherwise approved by the Controller or Chief Financial Officer.

### **Procedures for Equipment purchased with Grant funds**

Equipment purchased with grant funds must follow any requirements specified in the grant contract. The Business Office will tag any equipment purchased with federal grant funds with a control number for tracking purposes and conduct physical inventories as deemed necessary.

### **Definitions**

*Fixed Asset/Capital Asset:* All tangible property which cannot easily be converted into cash and which is usually held for a long period, including real estate, equipment, furniture, etc.

*Depreciation:* A noncash expense that reduces the value of an asset as a result of wear and tear, age, or obsolescence.