

# Policy and Procedure

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**Division/Department:** Business Services

**Author(s):** Katherine Hefty, Steve Lange and Karen Mansavage

**2011 Revision Authors:** Janis Wegner, Ken Reis, and Steve Lange

**2013 Revision Authors:** MaryAnn Schefers and Janis Wegner

**Subject:** Capital Assets

**Authorities:** State of MN and Minnesota State Colleges and Universities (Policy 7.3 Financial Administration and Procedure 7.3.6 Capital Assets).

**Purpose:** To account for Pine Technical College's capital assets in conformity with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) and to insure internal controls exist to properly safeguard and report its capital assets.

**Policy:** Pine Technical College (PTC) will adhere to the general policies regarding acquisition, maintenance, and disposal of capital assets as outlined by the State of MN and Minnesota State Colleges and Universities (Policy 7.3 Financial Administration and Procedure 7.3.6 Capital Asset).

Capital assets include the following items

- Land and land improvements-improvements to land when the cost by project is equal to or greater than \$250,000.
- Easements – costs equal to or greater than \$250,000
- Buildings and building improvements – including Construction in Progress with a cost by project equal to or greater than \$250,000.
- Vehicles – with costs equal to or greater than \$10,000.
- Equipment – with costs equal to or greater than \$10,000
  - All capital assets purchased with federal funds with a cost of \$5,000 or more
  - Betterments to an existing asset with a cost equal to or greater than \$10,000, costs are attached to the original asset
- Sensitive items
  - Weapons (e.g. firearms, swords, crossbows)
  - Computers (e.g. desktop computers, laptop computers, and servers capable of storing not-public data)
- Property rights related to capitalized leases
  - Equipment with costs equal to or greater than \$10,000
  - Buildings with costs equal to or greater than \$250,000

- Works of art, historical treasures, and other similar assets – refer to MNSCU Procedure 7.3.6 Capital Assets Subpart C. Capitalization Thresholds and Depreciation number 8
- Infrastructure assets (modified approach) – costs equal to or greater than \$250,000. Buildings will not be considered infrastructure assets unless they are an ancillary part of a network of infrastructure assets.
- Library collections – will use cost that is based on total current year expenses
- All other tangible or intangible assets used in operations – project outlays equal to or greater than \$250,000.

Refer to MNSCU procedure 7.3.6 for further definitions and descriptions of capital assets.

PTC will use the following accounting practice for depreciating assets:

The straight-line depreciation method will be used for all capital assets. Assets will be assigned the life determined by MNSCU through the fixed asset module of ISRS. The method for land improvements, buildings and improvements, and capital leases will follow the straight line half year convention. The depreciation method for vehicles, equipment, and capital lease for equipment will follow the straight line method with depreciation expense calculated monthly. Calculations will be provided by accounting modules supplied by MNSCU.

#### **Procedures:**

##### **Acquisition**

Capital assets may be acquired through various methods including direct purchase, construction, donation (gift), internally generated, or by transfer from another state agency. All ancillary expenses for placing an asset into services are to be recorded using a specifically assigned MNSCU object code.

**Capital assets purchased** will be reported based on their original historical cost (including capitalized interest costs, if applicable) plus ancillary expenses such as transportation, installation, and site preparation costs.

**Capital assets donated** will be reported based on the estimated fair market value (FMV) at the date of receipt plus any ancillary expenses incurred to place the asset into service.

Capital assets donated to PTC must comply with MNSCU Board Policy 7.7 Gift and Grants Acceptance and approved by PTC President prior to acceptance.

**Intangible assets**, primarily generated internally, such as software will be reported based on the qualifying outlays to create the asset.

**Identification of capital assets** – All capital assets and sensitive items shall be identified by a multi-digit capital asset number. A label bearing the multi-digit capital asset number and “Property of the State of Minnesota” shall be affixed to all capital assets when possible. All capital assets purchased with Federal funds shall be identified as such with a separate label attached to the asset.



800.521.7463/  
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900 Fourth Street SE  
Pine City, MN 55063



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**Moving/transferring existing inventory** – Relocating of capital assets must be coordinated with Information the Technology Department (computers, laptops) and/or the Plant Operation Department (all other, including firearms). Email notification is preferred.

**Disposal** – Asset disposal must be communicated to and approved by IT (computers) or Plant Operation (all others, including firearms). Disposal of computer assets must be in compliance with Policy 707 – Disposal and Transfer of Computer Data Storage Media. IT and Plant Operation will provide notification to Business Services to update the fixed asset inventory system. Assets purchased with Federal funds, as indicated by the affixed label, have special disposal rules. Please contact Business Services prior to disposal of these assets.

**Physical Inventory count and reconciliation** – A physical inventory count of all identified capital assets shall be completed annually.

**Responsibilities:** Business Services is responsible for entering all data into the fixed asset inventory system. Timely entry is essential to accurate financial statements.

Business Services will quarterly reconcile the accounting module to the fixed asset inventory system.

Business Services, IT and Plant Operation will coordinate and work together to insure all assets are tagged and necessary data is collected prior to issuance to designated user. Department managers are to notify Business Services of any capital assets in their department not properly identified.

IT and Plant Operation will manage and direct the relocation and disposal of capital assets; including notification to Business Services for data entry.

Business Services and Plant Operation will work together to coordinate the physical inventory count. With assistance from IT and all other department managers, Plant Operation will conduct the count.

**Dissemination:**

**Reviewed by Campus Roundtable: February 28, 2011; REV 2 April 1, 2013**

**Reviewed by Faculty Shared Governance: August 7, 1999; REV2 May 1, 2013**

**Reviewed by Managers Meeting:**

**Approved: August 16, 1999; August 16, 2001; February 28, 2011; REV2 May 1, 2013**

**Approved:** \_\_\_\_\_  
**Robert L. Musgrove, Ph.D., President** **Date**