

PROCEDURE 2.51.0: CAPITALIZATION OF FIXED ASSETS

In accordance with board policy, all purchases of furniture, fixtures and equipment as well as construction and renovation of facilities must be capitalized if the cost is \$10,000 or more and the asset has a useful life of more than one year.

The Governmental Accounting Standards Board (GASB) provides specific guidelines for capitalizing fixtures purchased in conjunction with the construction of a new facility as well as renovation of existing facilities. These guidelines ensure the financial statements accurately reflect the value and usage of capital assets over time.

CAPITAL ASSET DEFINITION

If the total cost of the furniture, fixtures or equipment exceeds the entity's capitalization threshold and has a useful life of more than one year, the assets must be capitalized.

GROUPING

Furniture, fixtures or equipment items can be capitalized as a group if they're purchased together and intended to be used together. This approach simplifies accounting and is often used when individual items aren't significant on their own but are material when considered collectively.

INDIVIDUAL CAPITALIZATION

If the furniture, fixtures or equipment items are significant in value (greater than \$10,000) individually, they should be capitalized separately. This is often the case for high-value items that have a longer useful life.

CAPITALIZATION THRESHOLD

In accordance with Policy 2.51, all assets purchased at a cost of \$10,000 or more and with a useful life of more than one year are considered capitalizable and are subject to this procedure. The asset capitalization threshold may be lower when assets are funded by a federal or state grant and in those cases, the capitalization threshold dictated by the grant will be applied.

HISTORICAL COST

Capital assets should be capitalized at their historical cost, which includes the purchase price and any other costs necessary to get the asset ready for its intended use.

DEPRECIATION

Once capitalized, assets are depreciated over their useful life. The depreciation method and useful life must follow policies as outlined in Policy 2.51.

CONSTRUCTION IN PROGRESS

During the construction phase, capitalizable costs are recorded as "construction in progress" and reclassified to the appropriate asset category once the project is complete or the facility or equipment is ready for use.

CONSISTENCY

The chosen method should be applied consistently across similar transactions to ensure comparability and reliability in financial reporting.

Sources and uses of funds used to purchase capital assets include the following:

SOURCE OF FUNDS	USE OF FUNDS
Bond Proceeds (Fund 13)	<ul style="list-style-type: none"> • Construction of new facilities • Renovation of existing facilities • Repair and replacement of roads, sidewalks and parking lots • Purchase of technology equipment • Any designated purpose set forth in the approved bond issuance documents
Operations & Maintenance Restricted Fund: Protection, Health & Safety Property Tax Levy (Fund 03)	<ul style="list-style-type: none"> • Fire prevention and safety • Energy conservation projects which include HVAC, lighting and insulation • Accessibility and compliance with the Americans with Disabilities Act (ADA) which includes ramps, elevators, and accessible restrooms • Enhancements to security systems, including surveillance cameras, secure entryways and emergency communication systems • Structural repairs such as roof replacement and foundation repairs • Repair and replacement of roads, sidewalks and parking lots
Education Fund (Fund 01)	<ul style="list-style-type: none"> • Instructional furniture, fixtures and equipment • Student services furniture, fixtures and equipment • Administrative (operational) furniture, fixtures and equipment

SOURCE OF FUNDS	USE OF FUNDS
Operations & Maintenance Fund (Fund 02)	<ul style="list-style-type: none"> Facilities repair and renovation Facilities maintenance equipment such as vehicles, tractors and other motorized equipment Major equipment repairs with a cost greater than the capitalized asset threshold that extend the useful life of an existing asset by two years or more
Auxiliary Fund (Fund 05)	<ul style="list-style-type: none"> Athletic furniture, fixtures and equipment Fitness center equipment Student Transportation Vehicles College pool vehicles Student Life furniture, fixtures and equipment
STEF Fund (Fund 16)	<ul style="list-style-type: none"> Technology equipment and infrastructure
SILO Fund (Fund 17)	<ul style="list-style-type: none"> Instructional technology an equipment
Working Cash Fund (Fund 07)	<ul style="list-style-type: none"> Approved college capital purchases
<p>Note: Only accumulated interest earnings may be used</p>	
<p>Restricted Purposes or Grants Fund (Fund 06)</p> <p><i>All purchases must be approved by grant funder, and if the grant specified capitalization threshold is lower than the threshold required by the policy, the threshold dictated by the grant will be applied.</i></p>	<ul style="list-style-type: none"> Equipment purchases Facilities renovation projects
<p>Liability, Protection and Settlement Property Tax Levy (Fund 12)</p> <p><i>The Liability, Protection and Settlement tax levy in Illinois is primarily used to cover costs associated with liability claims, protection measures and settlements. This fund is generally not used for purchasing capital assets as those purchases are typically made using the Protection, Health & Safety property tax levy.</i></p>	<ul style="list-style-type: none"> Risk management: Expenses related to risk management activities aimed at reducing liability exposure

Procedures

I. All capital assets purchased must:

1. Comply with the procurement rules and regulations of the state of Illinois as outlined in Illinois Procurement Code (30 ILCS 500) and the Illinois Administrative Code (44 Ill. Adm. Code 4) specific to higher education. These rules include but aren't limited to:
 - Competitive bidding: Requirements for competitive bidding processes to ensure fair and transparent procurement.
 - Ethics and compliance: Adherence to the State Officials and Employees Ethics Act (5 ILCS 430) and rules of the Executive Ethics Commission (2 Ill. Admin. Code 1620).
 - Minority, female and disabled business participation: Compliance with the Business Enterprise for Minorities, Females, and Persons with Disabilities Act (30 ILCS 575).
 - Joint purchasing: Provisions under the Governmental Joint Purchasing Act (30 ILCS 525) for collaborative procurement efforts.
 - Prevailing wage: Ensuring compliance with the Prevailing Wage Act (820 ILCS 130) for labor costs
2. Follow the authorized approval limits of the college as outlined below:

APPROVER	APPROVAL LIMIT
President	\$10,000-\$24,999
Board of trustees	\$25,000+
3. Have a purchase requisition (REQ) and/or purchase order (PO) as this supports strong internal controls, expense tracking and accurate accounting for capital assets.
 - All vendor invoices submitted for payment must have the PO number included to ensure timely payment to the vendor and accurate capital asset tracking, which is tested annually by the college's external auditors.
 - **Capital asset purchases cannot be made using a credit card (personal or college).**
4. Code expenses to one of the following account numbers:
 - 5801000 Site Acquisition
 - 5802000 Site Improvements
 - 5803000 New Buildings and Additions
 - 5804000 Building Remodeling
 - 5805000 Office Equipment
 - 5806000 Instructional Equipment
 - 5807000 Service Equipment
 - 5808000 Vehicles
 - 5809000 Construction in Process

The Construction in Process account number should be used in situations where multiple payments will be made but one asset will be recorded, including but not limited to:

- Construction of new building
- Facility remodel
- Major equipment replacement when a down payment is required
- Infrastructure update projects
- Projects whose completion requires more than one vendor

II. The business office will:

1. Review capital expenditures monthly and capitalize assets as needed.
2. Record depreciation expense in accordance with documented financial close procedures.
3. Provide property tags to department managers responsible for departmental capitalized assets within 30 days of asset purchase.
4. Distribute an annual asset inventory report to each department manager responsible for capitalized assets for their review and response.
5. Dispose of capitalized assets in accordance with all statutes, regulations, grant requirements and state laws applicable.
6. Maintain an accurate accounting of college capital assets using the college's asset accounting system and provide a complete asset inventory to external auditors annually.

III. Department managers and college employees responsible for capitalized assets must:

1. Comply with the procurement rules and regulations required by the state of Illinois and the policies and procedures required by the college.
2. Use the asset for intended college purposes only.
3. Protect, regularly inspect and maintain capitalized assets assigned to the department.
4. Notify the business office of asset transfer within 15 days of transfer to another college department.
5. Notify the business office when an asset is no longer needed and should be transferred or disposed.
6. Review assigned capital assets report annually and report any updates to the business office within 30 days of report receipt.
7. Request and use college asset tags to track equipment that doesn't meet the capitalized threshold, but which is at risk of theft, misuse or otherwise requires tracking by the department and or college.

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