SAN MARCOS UNIVERSITY CORPORATION

Fixed Asset Policy

PURPOSE

To establish the process for recording fixed assets belonging to the San Marcos University Corporation (“University Corporation”) by establishing guidelines for record keeping of such assets.

FIXED ASSETS – GENERAL

For purposes of this policy, fixed assets are defined as those non-consumable equipment, furniture, or other personal property items with a useful life of one year or more and a cost of $1,500 or more that are purchased with University Corporation funds regardless of funding sources.

The initial acquisition cost determines whether an item meets the fixed asset definition. The initial acquisition cost includes the total of the following:

1. Purchase price of the equipment, and
2. Reasonable and necessary expenses (such as shipping charges, sales tax, start-up or installation if applicable) to prepare the equipment for its intended use, and
3. Accessories and component parts for the equipment.

Property items with an initial acquisition cost of less than $1,500 are not defined as fixed assets, even when a subsequent addition or improvement to the equipment item causes the cost to exceed $1,500.

All property items with an initial cost of $1,500 or more will be tagged according to the Property Control Policy and Procedure.

CAPITALIZATION OF FIXED ASSETS

All personal property fixed assets purchased with University Corporation general funds having a total acquisition cost of $5,000 or more will be capitalized, recorded in the asset account, “Fixed Assets,” and depreciated over the useful life of the asset. Examples include computer systems, major equipment items and any other property item with an initial cost of $5,000 or more. Fixed assets costing less than $5,000 will not be capitalized and charged to expense as follows:
$1 - $1,499    Charged as expense to “Supplies”
$1,500 - $4,999 Charged as expense to “Equip/Property under $5,000”

Buildings and leasehold improvements will be capitalized if initial planning and construction costs exceed $100,000.

**DEPRECIATION OF CAPITALIZED ASSETS**

Depreciation of capitalized assets begins when an asset is purchased. Depreciation may be calculated using either the straight-line or composite method. To calculate depreciation using the straight-line method, the annual depreciation rate is determined by subtracting the salvage value from the acquisition cost and dividing the result by the asset’s useful life (in years).

The composite method of depreciation is based on weighted average estimated lives or an estimate of the useful life of the grouping of assets. The assessment could be based on condition assessments or experience with the useful lives of the grouping of assets. A consistent composite depreciation rate should generally be used throughout the life of the grouping of assets.

Land and works of art will not be depreciated.

Depreciation will be booked in the University Corporation’s financial records on an annual basis.

**INVENTORY OF FIXED ASSETS**

Physical inventory of the University Corporation’s tagged fixed assets will be performed according to the Property Control Policy and Procedure.

**TRANSFERS OF PROPERTY**

The University Corporation should be notified of any physical relocations of property or equipment as outlined in the Property Control Policy and Procedure.

Approved by the San Marcos University Corporation
Board of Directors at the 10/10/07 meeting.