



Rowan College of South Jersey

Administrative Procedure: 6107
FIXED ASSETS

Depreciation and Useful Life

Both real and personal property are recorded at cost and depreciated using the straight-line method of depreciation. The College uses a half-year convention in the year of acquisition and disposition. This means depreciation is calculated for a half year only, in the year of acquisition and disposition, regardless of how long the asset is held that year. Estimated useful lives are established by class of asset and range from 5 to 50 years.

Real, Personal, and Construction in Progress

Fixed assets include all long-lived property, both real and personal, that is owned by the College, or in its custody by lease or other specific agreements such as acquisitions under contracts and grants where the agency retains title to the property. The major classifications of assets are:

Real Property

Real property includes all land, buildings, and improvements other than buildings owned by the College.

Land: All land purchased or acquired by gift or bequest. If land is purchased, its value is the amount paid, including all costs such as broker fees and legal fees. If the land is acquired by gift or bequest, the land will be recorded at fair market value at the date of the gift or the bequest.

Buildings: All structures used for operating purposes. Included are all permanently attached fixtures, including machinery and other components that cannot be removed without damaging the buildings. If a component can be removed without damaging the building, it is considered equipment and should not be included in the value of the building.

All direct costs of construction are applied to a building's value. Significant structural changes to a building that increase the building's usefulness, efficiency, or asset life also should be accounted for and added to its value.

Improvements other than buildings: Improvements to land other than buildings, such as streets, pavements, bridges, landscaping, and utility distribution systems. The valuation method is the same as for buildings.

Personal Property

Personal property includes all fixed assets that are not real property. The valuation method depends on whether an item is purchased, donated, or fabricated.

If the item were purchased, the value recorded is the amount invoiced less all discounts; freight would also be included. If the item were donated, the recorded value is the fair market value on the date of the gift as determined by the donor's certified appraiser. If the item were fabricated, the value of the item is all direct costs associated with the fabrication, labor, and installation of the item. Indirect costs should also be included.

Equipment: Capital equipment includes all personal property having the following characteristics:

- 1) An acquisition value of \$5,000 or more per unit;
- 2) An expected useful life in excess of more than one year. This period will vary depending upon the fixed asset's class. For example, items classified as furniture and fixtures will have an expected useful life of 15 years, whereas computer equipment will be 5 years; and
- 3) An identity which is not altered materially through use.

If all three conditions are met, an item will be capitalized and depreciated. Property that fails to meet any one of these tests will be expensed in the current period.

Library Books: All library books, bound periodicals, microfilms, and other library items are included regardless of the source of acquisition funds. Library acquisitions are valued at cost. Depreciation will be recorded over a ten year useful life using the straight-line method.

Software: College computer programs and applications.

Works of Art: Paintings, sculpture, graphics, etc. valued at over \$5,000.

Construction in Progress

This classification includes all projects for construction of buildings, other improvements, and equipment in progress at a fiscal year-end.

General Procedures

1. All capital purchases over \$5,000 are coded as “Fixed Assets” and posted to the proper Operating Ledger Account. All purchases under \$5,000 are considered minor equipment purchases and are not coded as “Fixed Assets” in the Operating Ledger.
2. All purchases of fixed assets must follow normal purchasing and accounts payable procedures.

Area: Finance
Approved: 07/01/19
Reaffirmed: 04/16/24

President’s Authorization: 

References:

Rowan College of South Jersey Board of Trustees Policy Manual, *6107 Fixed Assets*