

Capital Asset Policy

Policy number: 800-BA-4

Policy owner: Vice President for Business Affairs/CFO

Date of initial publication: Not Available

Date of latest revision: March 24, 2022

SECTION I. PURPOSE

This policy is intended to ensure capital assets acquired by the University are purchased and approved in accordance with University policy, are accounted for in accordance with Generally Accepted Accounting Principles, and are properly tracked.

SECTION II. SCOPE AND APPLICABILITY

This policy applies to all St. Thomas employees (faculty, staff and student workers), volunteers and contractors. This policy governs the capitalization, depreciation and disposal of capital assets in all St. Thomas schools, colleges, divisions, departments and other units.

SECTION III. DEFINITIONS

When used in this policy, the following terms have the following meanings:

- a. **Acquisition** means the purchase or construction by or donation to St. Thomas of a capital asset.
- b. **Capital Asset** means any book, periodical or collection of books and periodicals permanently acquired for a St. Thomas library or the St. Thomas archives, any artwork, any parcel of developed or undeveloped land, house, building or other physical facility, any piece of equipment or furnishing, or any lease for any of the preceding items, that meets the capitalization threshold and other conditions set forth in Section V of this policy.
- c. **Capitalization Threshold** is the minimum acquisition cost at which an asset will be considered to be, and recorded in the University's financial records as, a capital asset.
- d. **Cost** means all costs paid by St. Thomas associated with the construction, purchase or other acquisition of a capital asset, including any cost paid by St. Thomas for the capital asset itself and all labor, shipping, permits, appraisals and any other costs that pertain to placing the capital asset in service.
- e. **Depreciation** means a reduction in the value of a capital asset with the passage of time, due in particular to wear and tear.
- f. **Disposal** means when a capital asset has become obsolete or is sold, donated, scrapped or traded in.
- g. **Useful Life** means the amount of time a capital asset is expected to be functional and fit for its intended purpose.

SECTION IV. ACQUISITION

All capital asset acquisitions are to be made in accordance with the St. Thomas Purchasing and Payables Policy or Gift Acceptance Policy, as applicable. Capital projects involving the purchase or construction of capital assets are subject to advance approval as part of the University's annual budget process or the off-cycle Budget Request for Capital Projects process. A capital project fund

must be set up for all capital projects, in accordance with the procedures attached to this policy as **Appendix A**.

SECTION V. CAPITALIZATION THRESHOLDS AND RECORDING REQUIREMENTS

To be considered a capital asset, the asset must be acquired and owned by the University (or one of its subsidiaries), held for operations, have a useful life of more than one year, and meet the capitalization thresholds in the capitalization table below. All assets that meet these conditions must be recorded on the University's financial records as capital assets and will be capitalized as set forth in the capitalization table in Section V.A below.

A. Capitalization Table

Capital Asset Type	Capitalization Threshold	Useful Life Assigned	Recording
Artwork Purchased by St. Thomas	\$10,000	15 years	Capital equipment budget fund 76; account 79641
Books or Periodicals Purchased by St. Thomas for the St. Thomas Libraries or Archives	All	15 years	Capital equipment budget fund 76; account 79XXX
Building, House or Other Physical Facility Purchased or Constructed by St. Thomas	All (No minimum)	60 years	Capital project fund 796XXX; account 79XXX
Computer Hardware or Software** Purchased by St. Thomas	\$10,000	5 years	Capital equipment budget fund 76; account 79XXX
Donated Artwork, Books, Buildings, Houses, Computer Hardware/Software, Equipment, Land, Furnishings or Telecommunications Systems to Be Retained, Owned and Used by St. Thomas	Follows same thresholds within this chart	Follows same useful lives within this chart	Recorded by University Advancement
Equipment Purchased by St. Thomas Using Funds from Federal, State or Private Grant(s)	\$5,000	8 years	Restricted fund 2XXXXXX; account 79XXX
Equipment or Furniture Purchased by St. Thomas Using Non-Grant Funds	\$10,000	8 years	Capital equipment budget fund 76; account 79XXX
Land Purchased by St. Thomas	All (No minimum)	Not applicable	Capital project fund 796XXX; account 79511
Land, Building or Leasehold Improvements* Purchased by St. Thomas	\$10,000	Greater of useful life or 20 years	Capital project fund 796XXX; account 79XXX
Leases of Capital Assets	\$10,000	Life of lease	Recorded by Controller's Office
Telecommunications Systems Purchased by St. Thomas	\$10,000	15 years	Capital equipment budget fund 76; account 79831

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* Capital assets such as artwork, computer hardware/software, equipment, furniture, etc. that are purchased in conjunction with the construction or improvement of a building, house, other physical facility or land will be considered a capital asset and capitalized as part of the overall capital project regardless of the per-unit cost. These capital assets will not be subject to the capitalization thresholds that normally would apply.

**Cloud-based software is not considered a capital asset and will not be capitalized, as cloud-based software is considered to be “software as a service.” Implementation costs on “software as a service” arrangements also are generally not allowed to be capitalized. Contact the Controller’s Office for more guidance on how to account for these arrangements.

B. Bulk Purchases and Significant Repairs

For bulk purchases of similar capital assets, purchases over \$100,000 will be capitalized over a fiscal year per building (or other facility or land) benefited by the purchase. In addition, significant repairs (e.g., tuckpointing, roof replacement, etc.) will be capitalized if the project costs are expected to exceed \$100,000 per building (or other facility or land) repaired.

SECTION VI. DEPRECIATION

Capital assets are depreciated on an annual basis beginning in the year of acquisition over the useful lives detailed in the capitalization table in Section V.A above, using the straight-line method. A half year of depreciation is taken in the year the capital asset is placed in service.

SECTION VII. DISPOSAL OF A CAPITAL ASSET

In order to maintain accurate financial reporting, the Controller’s Office and Facilities Management must be notified promptly whenever a University-owned movable capital asset (such as artwork, furniture or equipment not incorporated into or otherwise supported by the structure of a building, other facility or land) is disposed of, moved to storage, stolen, or becomes obsolete. The Controller’s Office contacts Facilities Management annually to determine whether there have been any material disposals of University-owned assets and accounts for these disposals on an annual basis.

Appendix A to Capital Asset Policy Procedures

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Date of latest revision: March 24, 2022

SECTION I. SUBMITTING A REQUEST TO PURCHASE A CAPITAL ITEM

All capital asset purchases are expected to go through the applicable bidding and purchase order process in accordance with the University's Purchasing and Payables Policy. For more information on this process, please contact the Purchasing Department.

SECTION II. SETTING UP A CAPITAL PROJECT FUND

In most cases, capital project funds (also sometimes referred to as "plant project funds") are set up as part of the annual budgeting process. However, there are cases in which a capital project fund may need to be set up after the budget process is complete. If so, the form "Budget Request for Capital Projects" must be completed, which is located on the Finances@St. Thomas OneStThomas page under the "Policies & Forms" tab.

SECTION III. CONTACT INFORMATION FOR QUESTIONS

Purchase of Capital Asset	Purchasing Department purchasing@stthomas.edu
Capital Asset Policy/Accounting	Controller's Office Controllers@stthomas.edu
Construction Project Management	Facilities Management facilities@stthomas.edu