# TITLE FIXED ASSET POLICY

# SUBJECT FIXED ASSET - PURCHASE, ACCOUNTABILITY AND DISPOSITION

#### **GENERAL DESCRIPTION**

The purpose of this policy is to clarify and establish guidelines for the purchase, accountability and disposition of Aztec Shops Ltd. **Fixed Assets**.

All employees involved in these activities are required to adhere to the following policies and procedures.

#### **DEFINITION**:

Fixed Asset: is any item meeting the following requirements

1. The individual item has a retail value **greater than \$2,500** or the item is a part of a group purchase where the total retail value of the purchase is **greater than \$10,000** (i.e. chairs, mattresses, desktop computers...) and is used in the daily operations of Aztec Shops Ltd.

2. Is not intended for resale.

3. Has an estimated useful life of three years or more.

**Life Expectancy**: is the estimated life of an asset. An asset with an estimated life of three or more years will be a "Fixed Asset" to be capitalized and is subject to depreciation.

**Expense Item**: is any item that does not fit the above definition for "Fixed Asset." Please see the list below for equipment that is considered an "Expense Item:"

<u>General</u>	<u>Computer</u>
WYSE Terminals	Keyboards
Desk Calculators	Modems
Portable Fans	Software (single PC) *
Trash Receptacles	Internal Upgrades
Window Blinds	Mouse
Motion Detectors	

#### PURCHASE:

Corporate Fixed Assets may be purchased from internal or external sources by any profit center utilizing a **Purchase Order**.

- 1. The Purchase Order is prepared by the Fixed Asset Technician for the applicable profit center.
- 2. The Purchase Order should list the profit center utilizing the asset and the physical location of the asset (if other than the listed profit center).
- 3. The Fixed Asset Technician signs the purchase order as preparer and routes the original to the Division Director or other Authorized Signer noted in our Purchasing Policy for their approval.

- 4. In addition to the above procedures, the following need to be confirmed <u>prior</u> to the purchase of the asset:
  - The cost is within the Board approved capital expenditure project budget.
  - The Authorized Signer per our Purchasing Policy is required to approve and sign the purchase order.
  - After approval, the signed purchase order is returned to the Fixed Asset Technician. The Fixed Asset Technician will retain the original for the Accounts Payable Technician and make one copy:
    - The copy is provided to the requestor for forwarding to the vendor.
    - Fixed Asset Technician will scan the PO to retain for their records.
  - The original Purchase Order is given to the Accounts Payable Technician to be logged and paid upon receipt of invoice.

Although Departmental Purchasing Cards, Aztecredit cards, Home Depot, Staples, Office Depot and other vendor credit cards may be utilized for Fixed Asset Purchases, <u>a Purchase Order must be</u> completed in accordance with the above procedures prior, to the purchase of the Fixed Asset.

All Corporate computer hardware and software and electronics will be purchased **only** through the **Information Technology Department**. The **Information Technology Department** will request a purchase order be completed in accordance with the above procedures and our purchasing policy, prior to purchasing the Fixed Asset.

For Computer hardware of \$1,500 or more in retail value that is transferred from stock to Fixed Assets through the SDSU Bookstore, the following procedure will be applied:

- 1. The **Information Technology Department Staff** will consult with the Computer Buyer on any "Stock Transfers to Fixed Assets" and request a Fixed Asset Purchase Order be completed for the purchase.
- 2. Fixed Assets may also be acquired through capital lease agreements. Those are leases in which Aztec Shops may, at the end of the lease term, purchase the equipment by exercising a reduced cost or nominal buyout option. Such agreements should be identified as capital lease agreements by the Internal Auditor (Director of Financial Services) and the Division Director <u>prior</u> to executing the agreement. After execution of the lease, a signed copy of the agreement, equipment listing and payment schedule should be sent by the Internal Auditor (Director of Financial Services) to the Fixed Asset Technician, who will record the capital lease in the fixed asset tracking software and general ledgers.

# ACCOUNTABILITY AND CONTROL:

Accountability and control of an Aztec Shops Ltd. Fixed Asset commences upon receipt of the asset from the vendor. The asset must pass through various check-in and control points:

- The Manager/Supervisor is to immediately notify the Fixed Asset Technician when an asset has been received, transferred, sold or disposed. The Fixed Asset Technician can be notified via email. (Additional action will be required for a transfer, sale or disposition of an asset)
- 2. The Fixed Asset Technician or Manager (as directed by the Fixed Asset Technician) will attach to the asset a Fixed Asset Tag upon notification of the receipt of the fixed asset.
  - Please note: asset identification tags may not be used on all group purchase items. Asset tags will be used for group purchases when considered reasonable. The type of asset and risk of loss

will determine if it is reasonable to place an identification tag on each item. Examples of group purchase items that would not receive fixed asset tags are: mattresses, chairs, etc.

- Due to the low risk of loss and inconvenience to tenants, Aztec Shops does not consider it to be reasonable to tag appliances and furniture in apartments.
- Computers and Information Technology equipment will be tracked using the Information Technology department tracking tags.
- 3. The entire cost of the computer system, including peripherals, will be assigned to the desktop computer and depreciated as a package.
- 4. **The Fixed Asset Technician** will reconcile the Fixed Asset Sub Ledger with the General Ledger at the end of each accounting period during the Fiscal Year. This reconciliation will include:
  - Entering the fixed asset information into "Sage", Aztec Shops' fixed asset tracking software, from invoices received during the period and assigning it to the appropriate profit center ownership.
    - For any projects completed during the period, reclassify any "construction in progress" assets to "in service" depreciable status.
    - Determine the life expectancy of the fixed assets and assess the depreciation via Sage.

**The Internal Auditor (Director of Financial Services)** will conduct a biennial on-sight inventory of each profit center's fixed assets to verify their status and assignment. The Fixed Asset Technician will update the Fixed Asset Management system based on the findings of the Internal Auditor (Director of Financial Services).

Equipment upgrades, repairs, and maintenance will not be recorded as fixed assets or noted on the property records, unless the upgrade extends the useful life and increases the value of the fixed asset. This upgrade would have to meet the definition of a fixed asset in and of itself and must be approved via the purchase order process outlined above.

### DEPRECIATION:

Aztec Shops Ltd. Uses the Straight-Line Method of Depreciation over the estimated life of the asset.

The Straight Line Method of Depreciation is calculated in each period by dividing the asset cost of the product by its life expectancy in years, multiplied by 12 months. For example:  $\frac{2500}{5}$  years x 12 months) =  $\frac{2500}{60} = \frac{41.67}{200}$  per period depreciation.

Most assets are depreciated for 5 years with the exception of the following:

- 1. Desktop computers and software are depreciated over 3 years.
- 2. Leasehold improvements are depreciated over 10 years or for the length of the lease.
- 3. Major food service equipment (i.e. refrigerator, freezers, ovens, etc...) is depreciated over 10 years.
- 4. Building improvements are depreciated over 10 to 20 years.
- 5. Building Purchases are depreciated over 30 years.

Fixed asset technician will use prior life assigned to similar purchases to determine the reasonable life of the asset.

# **REMOVAL FROM THE WORKPLACE:**

Fixed Assets are **not** to be removed from the workplace **without completing** an **"Offsite Fixed Asset Authorization**" form. The forms below can be obtained at <u>aztecshops.org</u> on-line forms.

- Offsite Fixed Asset Authorization Form
- Offsite Fixed Asset Return Form

Please contact the Fixed Asset Technician if you need assistance with the above forms.

### **TRANSFER**

Depreciation of an asset is assigned to the department in possession of the asset. To ensure all assets are properly tracked and depreciation is properly assigned an asset should not be transferred to a new location without prior notification to the Fixed Asset Technician. Completion of a "Fixed Asset Action" form is required to complete the transfer. This form can be obtained at aztecshops.org online forms or may be obtained from the Fixed Asset Technician.

### DISPOSITION:

A fixed asset should not be discarded, sold or given away without prior completion of a "**Fixed Asset Action**" form. This form can be obtained at <u>aztecshops.org</u> on-line forms or may be obtained from the Fixed Asset Technician. The form **must** have the appropriate approval of the Division Director and Director of Financial Services <u>prior</u> to the disposition.

To release liability of an asset from Shops for the sale or donation of a fixed asset, a "Bill of Sale and Equipment Release" must be completed and turned into the Fixed Asset Technician with the "Fixed Asset Action" form. This form can be obtained at <u>aztecshops.org</u> on-line forms or may be obtained from the Fixed Asset Technician.

All funds received from the sale of any fixed asset are the property of Aztec Shops Ltd. and the funds should be delivered to Sales Audit within the same business day of the sale.

All fixed assets have a replacement value for insurance purposes <u>whether fully depreciated or not</u>. Therefore, fixed assets should not be given away or discarded without prior approval from the Director of Financial Services.

Fully depreciated or "retired" fixed assets that are still in use will remain on the fixed asset inventory for tracking purposes.

### VIOLATORS:

Violators of this policy and its procedures may receive disciplinary action or be terminated from employment with Aztec Shops, Ltd.