BOARD POLICY No. 5602

Fixed Asset Capitalization and Depreciation Policy

Date Adopted: 26 August 1996

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Date Reviewed: 22-24 March, 2014; 18 November 2026

References: Board of Regents' Approval, August 28, 1996
GASB 34
FSM FMR 2021

I. PURPOSE

The purpose of this policy is to establish the requirements for determining and recording the capitalized cost of fixed assets acquired by the College of Micronesia–FSM (COM-FSM), including freight, shipping, transportation, installation, and other qualifying acquisition costs.

II. SCOPE

This policy applies to all College offices, campuses, and locations involved in acquiring, receiving, paying for, recording, and managing fixed assets.

Covered assets include machinery and equipment, information technology equipment, library books and collections, motor vehicles, buildings, building improvements, land improvements, and infrastructure.

III. POLICY STATEMENTS

A. Capitalization Threshold

1. In accordance with COM-FSM Board Policy No. 5602, individual pieces of machinery and equipment and motor vehicles with an acquisition cost of **$3,000 or more** shall be capitalized.
2. The capitalization threshold shall be applied to the total qualifying acquisition cost of the individual asset, including freight, transportation, installation, and other directly attributable costs necessary to bring the asset to its intended location and condition for use.
3. Items that do not meet the applicable capitalization criteria shall be charged to the appropriate expense account.
4. The capitalization treatment of asset categories not specifically addressed by the stated threshold shall be determined in accordance with other applicable College policies and accounting requirements.

B. Capitalized Acquisition Costs

The recorded cost of a qualifying fixed asset shall include its purchase price and other costs directly attributable to acquiring the asset and preparing it for its intended use.

Qualifying costs may include:

1. Purchase price, net of applicable discounts and rebates;
2. Nonrefundable purchase taxes and import duties, where applicable;
3. Freight, shipping, and transportation costs necessary to deliver the asset to its intended location;
4. Installation and assembly costs;
5. Necessary testing and inspection costs; and
6. Other directly attributable acquisition costs permitted under applicable accounting standards.

C. Freight and Transportation Costs

1. Freight, shipping, and transportation costs directly attributable to delivering a fixed asset to its intended location shall generally be capitalized as part of the asset's acquisition cost.
2. Freight costs invoiced separately from the asset purchase shall be evaluated and included in the asset's recorded cost when they qualify for capitalization.
3. Freight charges relating to multiple assets shall be allocated using a reasonable, supportable, and consistently applied method.
4. The College shall ensure that freight costs are properly documented and are not capitalized more than once.

D. Installation and Other Acquisition Costs

Installation, assembly, necessary testing, and other directly attributable costs shall be capitalized when they are necessary to bring the asset to the location and condition required for its intended use and qualify under applicable accounting standards.

Employee training, routine maintenance, general administrative expenses, and other costs that do not qualify for capitalization shall generally be charged to the appropriate expense account.

E. Noncapitalizable Costs

Costs that do not meet the College's capitalization criteria shall be recognized as expenses in the appropriate accounting period.

Costs incurred after an asset is available for use shall generally be expensed unless they qualify as a capital improvement under this policy and applicable accounting requirements.

F. Subsequent Repairs, Refurbishment, and Additional Accessories

In accordance with Board Policy No. 5602, when an asset undergoes repair or refurbishment, or an additional accessory is added, and the action prolongs the useful life of the asset, the cost incurred shall be added to the cost of the asset.

The corresponding depreciation cost shall be recomputed accordingly, and the adjustment to depreciation expense shall be made prospectively.

The Business Office shall evaluate and document the nature of the expenditure and its effect on the asset's useful life before capitalizing the cost.

G. Fixed Asset Recording and Documentation

All qualifying fixed assets shall be recorded in the College's accounting system and fixed asset register at their total capitalized cost.

The College shall maintain appropriate supporting documentation, including purchase orders, supplier invoices, freight invoices, receiving reports, installation records, and approved capitalization calculations.

H. Depreciation

The College shall use the **straight-line method of depreciation for all depreciable assets, except land**, in accordance with Board Policy No. 5602.

The following estimated useful lives shall be used as a guide:

Asset Category	Estimated Useful Life
IT and other related equipment	3 years
Library books and collections	5 years
Equipment	5 years
Cars and light trucks	5 years
Buses and vans	10 years
Office buildings	30 years
Building improvements	20 years
Land improvements – structures	20 years
Land improvements – groundwork	20 years
Infrastructure – drainage systems	20 years
Infrastructure – roads	20 years

Land shall not be depreciated.

Depreciation shall be recorded in accordance with the College's applicable accounting requirements and established procedures.

IV. RESPONSIBILITIES

A. Business Office

The Business Office shall administer this policy, determine the appropriate capitalization of qualifying acquisition costs, maintain accurate fixed asset records, and ensure compliance with the College's accounting requirements.

B. Comptroller

The Comptroller shall oversee implementation of this policy, review unusual or disputed capitalization matters, and ensure that the College's accounting practices remain consistent with applicable Board policies and accounting standards.

C. Procurement Office and Requesting Offices

The Procurement Office and requesting offices shall ensure that asset acquisition and receiving documents adequately identify the purchase price and applicable freight, transportation, installation, and other related charges.

D. Accounts Payable

Accounts Payable shall verify invoices and supporting documentation and coordinate with the Business Office to ensure proper classification of asset acquisition costs.

V. INTERNAL CONTROL AND COMPLIANCE

The College shall maintain appropriate internal controls to ensure that:

1. Capitalization decisions comply with the approved threshold and applicable policies.
2. Freight and other acquisition costs are properly supported and classified.
3. Fixed asset records agree with the general ledger.
4. Capitalized costs are not duplicated.
5. Subsequent improvements and adjustments are properly reviewed and documented.
6. Depreciation is calculated consistently with Board Policy No. 5602.

All offices and personnel involved in fixed asset acquisitions shall comply with this policy.

VI. IMPLEMENTATION

The Business Office shall develop and maintain procedures for implementing this policy, including the review of acquisition costs, capitalization calculations, accounting entries, fixed asset register updates, depreciation, and periodic reconciliation.