

Allegany College of Maryland

ASSET CAPITALIZATION AND INVENTORY CONTROL POLICY

Approved by Board of Trustees Date: 10/17/2022

Implementation Date: 07/01/2023

Type of Policy: Accounting Industry required

Revision Date: 10/19/2026

BACKGROUND AND PURPOSE

To ensure compliance with generally accepted accounting principles and to maintain proper fiscal accountability, the college has established procedures and guidelines pertaining to what constitutes an asset, and when assets should be capitalized and inventoried.

POLICY

I. SCOPE OF THE POLICY

Capital assets of the college include investments in land, buildings, building improvements, equipment, and vehicles, which comprise a substantial portion of the college's total assets. For the purpose of capitalization and inventory control, capital assets will be valued at cost including ancillary charges necessary to place the asset in its intended location and condition for use (such as shipping and installation costs).

Assets such as equipment and/or furniture, whether movable or fixed, shall be considered as an inventoriable item of property if it meets the following conditions:

1. The item is NOT consumable and has a useful life of at least three (3) years. Consumables are Supply/Material Expenses and are not inventoried or capitalized.
2. The item does not lose its identity through incorporation into a different or more complex item, system, or unit of property. Such items are "PARTS," which are Supply/Material Expenses and are not inventoried or not capitalized.
3. It has a value/cost of over \$10,000.

II. POLICY STATEMENT

Assets including equipment, vehicles, and furniture that have a cost of \$5,000 or more are inventoried for purposes of stewardship and/or insurance and are capitalized and depreciated over their useful life for accounting purposes.

However, Assets that have a cost of \$10,000 or more are capitalized and depreciated over their useful life for accounting purposes.

Regardless of useful life, assets including equipment, vehicles and furniture that have a cost of less than \$5,000 are generally not inventoried and are expensed in the year purchased instead of capitalized.

Property may, nevertheless, be inventoried if such an item should, in the judgment of the department budget manager and/or the Property Inventory Assistant, be inventoried. Such items would include, but are not limited to computer hardware and software, hand tools; camera lenses; files, chairs, desks, or other items that have high theft or misuse risk.

All assets or property that has been deemed inventoriable should be tagged with a college inventory tag and entered into the college inventory system at the time of acquisition. The inventory record will include 1) building location, 2) room number, 3) department, 4) description, 5) tag number, 6) manufacturer serial number, 7) manufacturer name, 8) useful life.

A physical inventory count and verification will be conducted by the Fiscal Affairs office in conjunction with the applicable departments at least once every three years and accounting records will be adjusted based on the

physical inventory results. The count may be scheduled on a rotating basis to cover a portion of the campus in a given year

Departments that wish to transfer or dispose of any college property (logged inventory or expensed items) must complete the appropriate inventory forms and get approval prior to transfer or disposal of the items.

Grant funded non-consumable physical items will be tagged with an inventory tag and will be maintained in the inventory system for grant related tracking purposes. The specific grant documents will outline ownership and treatment of the applicable assets.

III. Procedures

Please see the detailed procedures and guidelines related to inventorial property, transferring of property, physical inventory of property, and disposal of property in the finance guidelines.

IV. Administration of Policy

The Director of Fiscal Affairs and the Vice President of Finance and Administration are responsible for the administration and updates of this policy.

V. Changes

Substantive changes to this policy require approval by the Board of Trustees; editorial changes, title/position changes, and/or changes to its implementation procedures may be made as required by federal or state mandate and/or institutional need with timely notice to students and employees.

Board of Trustees

Allegany College of Maryland
12401 Willowbrook Road
Cumberland, MD 21502

ACTION

Subject: Asset Capitalization Threshold Increase

Date: 10/19/2026

BACKGROUND:

The Office of Management and Budget (OMB) updated the Uniform Guidance in Fall of 2024 and raised the equipment capitalization threshold from \$5,000 to \$10,000 due to rising costs and inflation, as well as the corresponding administrative burden of tracking lower cost equipment. One year later, OMB also increased the general micro-purchase threshold from \$10,000 to \$15,000 so that the amount would stay in line with increasing costs.

The College also conducted a survey of its peers on procurement and capitalization thresholds through the Maryland Association of Community College Business Officers (MACCBO) LISTSERV. Based on survey responses and other information reviewed, \$15,000 seems to be a common bidding threshold and is in alignment with the Federal micro-purchase threshold change from \$10,000 to \$15,000.

With these changes, discussion began as to whether ACM should also adjust the current capitalization amount from \$5,000 to \$10,000. If changed, the new minimum amount would align with the Federal government's equipment capitalization threshold, while still allowing capitalizing of the larger ticketed items. The increase would also streamline the asset depreciation process and reduce staff time due to less management of individual items with the need to only track items that meet the higher threshold amount.

After discussion and evaluation of the pros and cons of the change, the Finance and Accounting staff were in agreement that now is the time to change the capitalization threshold amount, especially since the department is also planning to propose a change to the procurement threshold for ACM micro purchases. With the proposed capitalization change, ACM policy will match regulations for classification of equipment purchased with Federal grants.

While the capitalization threshold is expected to change, staff felt that it was still a good idea to continue tagging of purchases at \$5,000 or more for stewardship purposes only, even though an expense would be recorded at the time of purchase instead of an asset.

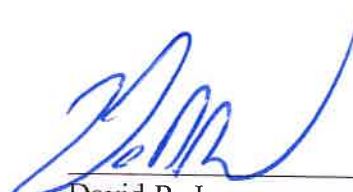
RECOMMENDATION:

It is recommended that the Board approve increasing the Asset Capitalization threshold from \$5,000 to \$10,000, thus modifying Policy Number 04.03.001 and using a retroactive effective date of 07/01/2026, the start of fiscal year 2027, as to not make a change mid-year.

Approved by the Board of Trustees:



Mrs. Jane Belt, Chair
Board of Trustees



David R. Jones
President