

# **Fixed Assets**

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## **1. Introduction**

This section encompasses the policies and procedures for the physical control of AUB's assets.

## **2. Policies**

### **A. Background**

AUB needs to accurately record and account for capital assets on a regular basis. Because each department engages in the acquisition, transfer, disposal, and use of capital equipment, this policy sets forth the roles and responsibilities in regard to capital assets.

One reason capital assets are recorded and capitalized is to properly depreciate their value over time, thus reflecting their cost during the useful life of the asset and not only on the date of acquisition. An item valued at less than the capitalization threshold is not depreciated. It is fully written off as an expense at the time of acquisition and not added to the capitalization inventory.

Another reason capital assets are recorded and capitalized is to protect the assets from misuse and misappropriation. The fixed assets module will compile a list of all capital assets, replete with a description of the asset, value, and location. The University is mandated to maintain a fully operational fixed assets system.

Definitions of different types of capital fixed are provided, as well as information on the recording of new assets, transfer, and disposal of assets.

Finally, a number of issues (such as how to handle purchases of software, how to process special collections, and when personal use of the university assets is appropriate) are discussed in the "Special Situations" Section of the policy.

### **B. Authority**

The vice president for finance is the authority for the physical and reporting control of AUB's capital fixed assets. Significant legal and insurance exposure exists if the University's capital assets are misused and/or misappropriated. Federal regulations require that a functioning capital assets system be maintained in order to protect the University's assets from misuse and/or misappropriation. Accordingly, a bi-annual (minimally) physical inventory of all university capital assets is required.

A dean has responsibility for all capital fixed assets located within his/her academic unit. Responsibility for capital fixed assets located within each nonacademic unit is assigned to the head of the unit.

### **C. Types**

There are four types of capital fixed assets:

1. Equipment (Fixed and Movable)
2. Buildings
3. Building Improvement
4. Land

Note: For a discussion of computer software, artwork, and library materials see the "Special Situations" Section of this document.

### **D. Equipment**

Equipment is defined as an article of non-expendable, tangible property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit.

#### **1. Moveable Equipment**

Moveable equipment is not permanently affixed to or part of a building. Some moveable equipment consists of more than one component (e.g., a computer, keyboard, mouse, and monitor). The assembled components may be considered one item and be recorded as a single capital asset. Fixed equipment is permanently affixed to a building but is separate from the building itself. Examples of fixed equipment are light fixtures, wall-to-wall carpeting, water fountains, fire control apparatus, fume hoods, auditorium and fixed classroom seats, and built-in display cabinets.

Machinery, furniture, office machines, vehicles (cars, trucks, etc.), scientific and medical instruments or other apparatus that may be used repeatedly without material impairment of its condition, is not highly perishable, costs \$5,000 or more per unit, and has a useful life of more than one year is defined as equipment.

#### **2. Component Parts**

Individual parts to be used in the fabrication of an item of equipment are defined as equipment when the total cost is more than \$5,000. For example, five individual parts costing \$1,000 each would be defined as equipment since the total cost for all would be \$5,000.

### **3. Installation Costs and Freight Charges**

Installation costs and freight charges are considered a part of the cost of equipment. They should be included in the total cost and charged to an equipment object code if the total cost is more than \$5,000. For example, when an item of equipment costs \$3,500 and the installation costs (or freight charges) are \$1,500, the total cost is \$5,000. Separate invoices for installation costs should reference the item of equipment by purchase order number or other identifying information.

### **4. Supply Items / Non-equipment**

Supply items are defined as articles, which cost less than \$5,000 and/or have a useful life of less than one year.

All items costing less than \$5,000 and greater than \$1,000 that are tagged but not capitalized are included in this category.

### **5. Replacement Parts**

Items purchased as replacement parts for a particular piece of equipment are considered supply items since they do not enhance the value of the piece of equipment and are expensed in the year of purchase. It is not necessary to add replacement parts to the inventory.

## **E. Special Situations**

### **1. Computer Software**

Computer software differs from capital assets because it is not always tangible or separately identifiable. Therefore, software is not classified as moveable equipment for control and accounting purposes. However, large expenditures for software must be amortized rather than written off as an expense in one fiscal year.

To accomplish this, the university has adopted the following criteria for the capitalization of software:

- a.** Any new individual software purchase or upgrade to an existing software package greater than \$5,000 must be recorded as an intangible asset.
- b.** Any individual software purchase or upgrade less than \$5,000 must be recorded as an expense in the fiscal year of purchase.

These criteria apply to software purchased under grants and contracts unless the sponsoring agency has applied a threshold lower than \$5,000.

Note: Personal computer operating and application software included with the purchase of a computer system (hardware) will be considered part of that hardware system, and the software costs will be included in the capitalization value of the hardware.

## **2. Equipment Used at Off-Campus Locations**

Occasionally, it is necessary to take moveable equipment off campus (for use at home, on business travel, and at off-site locations) to facilitate work-related projects.

## **3. Personal Use of Capital Assets**

Personal use of university assets is prohibited when that use is other than incidental or obstructs other university personnel who need the asset to perform their job duties, e.g., personal use of a copier, significant use of a shared telephone or fax machine.

## **4. Library Materials**

Library materials are books, journals, bound periodicals and microfilms purchased for and catalogued in the university library. They are a subset of capital assets that the university records as long-lived assets even though the market value of an individual item is generally below the \$5,000 threshold. They are depreciated over a useful life of ten years.

## **5. Special Collections**

Special collections are works of art, rare books, historical treasures, or scientific specimens that are held for public exhibition, education, or research rather than for financial gain. They are protected and preserved and are subject to an organizational policy that recommends the proceeds of items that are sold be used to acquire other items for collections. They are a subset of capital assets including items that meet the criteria of capital assets but are managed differently and have a very long useful life. The university records its collections as long-lived assets and depreciates them over a useful life of 15 years.

## **F. Buildings**

Buildings are roofed structures used for the permanent or temporary shelter of persons, animals, plants, or equipment. Buildings are depreciated.

Building improvements are improvements made to existing buildings. Any renovation or alteration to an existing building that adds useful space to the structure or extends the facility's useful life will be considered a capital asset. Conversely, improvements that do not add useful space to the structure, or extend the facility's useful life will be considered maintenance and repair.

## **G. Land**

Land is the solid part of the earth's surface whether improved or unimproved. Lands are not depreciated. They appear as a separate item under assets.

## H. Valuation

For purposes of valuing capital assets, the university separates them into four categories, based upon how they were acquired.

### 1. Purchased Assets

a. The purchase price, transportation costs, installation costs, value received from a trade-in, and any other direct expenses incurred by the university in obtaining the asset must be included when determining the value of the asset.

b. If additional or replacement computer components are subsequently purchased, they must be treated as expenses.

c. Special rules for grants and contracts

If additional components valued under the university capital threshold for an existing piece of capital equipment funded by a grant agreement are subsequently purchased, they may be capitalized if the additional components are specifically budgeted in the grant or contract. Assets that are accounted for under a grant or contract must comply with all contractual obligations set forth in the agreement.

### 2. Donated Assets

The value recorded by the University for a Donated Asset is the market value of the asset when it is given. To determine the market value of the asset, the appraisal price, or the selling price to educational institutions of an equivalent item may be used. In order to inform the comptroller's office of the asset, a gift report should be completed

Caution: Transportation and installation costs should also be included when valuing the donated asset. In some cases, the university receives title to an asset whose title was held by the funding agency. When title is transferred; the university receives a gift-in-kind for the market value of the item on the date it was transferred, not for the original acquisition amount.

When an equipment item is acquired through donations, and it is not recorded in the fixed assets module automatically (requisition, PO, invoice), then it should be reported to the controller's office.

### 3. Leased Assets

These are assets purchased under a capital lease. Capital lease is an installment payment agreement to acquire capital assets. Leases are considered capital leases if any one of the following criteria is met:

- a. Ownership transfers to lessee at end of lease.
- b. Lease contains bargain purchase option.
- c. Lease period is at least 75 percent of its useful life.
- d. Present value of lease payment is at least 90 percent of fair market value

Assets purchased under a capital lease should be recorded when the asset is placed in use.

All capital leases should be valued at the current market value and should not include any interest. If the current market value is unknown, use a present value calculation based on the monthly payments to determine the cost minus imputed interest.

Items acquired with an operating lease, which is an installment payment agreement that does not meet the criteria of a capital lease. They are not considered capital assets. These items are expensed.

#### 4. Capitalizing or Expensing Fixed Assets

This policy sets the guidelines for the recording and tagging of fixed assets currently owned and/or acquired in the future. The Comptroller's office follows the policy of capitalizing and depreciating all assets with a cost or value of \$5,000 or more, individually or in the aggregate. Any item acquired with a value of less than this amount is expensed in the year of acquisition. However, and because the University needs to control most of its fixed assets, the following guidelines apply:

Cost per Item	Guidelines
\$5,000 or greater	Item(s) will be capitalized, tagged and categorized
\$1,000 to 4,999.99	Item(s) will be expensed, tagged and categorized
\$999.99 and Less	Item(s) will be expensed, and , except as provided below, not tagged and categorized

Items in certain asset categories with a value of less than \$1,000 may follow slightly modified guidelines apply:

Category	Guidelines
Computers and related equipment	Item(s) will be expensed, not tagged and categorized, unless specifically requested by CNS
Medical and Laboratory Equipment	Item(s) will be expensed, not tagged and categorized, unless specifically requested by Biomedical Engineering
Physical Plant Equipment	Item(s) will be expensed, not tagged and categorized, unless specifically requested by Plant Maintenance or Physical Plant

## **5. Constructed Buildings and Improvements/Renovations**

The value of the asset includes the total amount paid for acquiring or improving the asset, such as labor, materials, architectural and design fees, charges by brokers, agents, notaries, building permits, inspections, and filing costs. Also included are the costs of utilities during construction and landscaping related to the building.

- a.** All university-owned facilities that are permanent structures must be recorded as capital assets.
- b.** Any alteration or renovation of an existing facility that: adds usable square footage of facility space as a capital asset, regardless of cost; or extends the facility's useful life and is considered non-routine maintenance or repair must be recorded.
- c.** All constructed buildings, improvements, renovations, and related expenditures will be charged to a plant fund project.

### **I. Title (Ownership)**

Title to equipment refers to the legal ownership and control of the equipment. Title to equipment purchased with unrestricted funds vests in the University. The investigator should refer to the grant or contract terms and conditions for the definitive guidelines regarding title for equipment purchased with restricted funds.

### **J. Reviews**

OMB Circular A-110, attachment N and OMB Circular A-21, Attachment E require that equipment inventory reviews take place every two years.

### **K. Tagging**

The Materials Management Department Campus is responsible for tagging equipment.

Whenever possible, equipment items costing \$5,000 or more are tagged with a university property tag, using a tag, which contains a bar-coded property identification number. Whenever possible, the tag is affixed in a standard, visible location on the equipment.

- Equipment items costing less than \$5,000 but more than \$1,000 are tagged and maintained by their servicing departments using their own information systems. (see Appendix 1)
- Equipment costing less than \$1,000, tagging is not required unless requested by their service departments, maintained using their own information systems (see Appendix 1)
- Equipment items costing less than \$5,000 but more than \$1,000 having no service department are tagged and maintained by the materials management

department campus, using its own information systems. (see Appendix 1)

- Equipment not installed regardless of their cost: MMDC will assign a tag number and will collect the owner / user information and location and leave the install up to the end user scheduling. Such equipment is considered to be in service and prorated to the current fiscal year

In some cases, either because of location or physical characteristics, equipment items cannot be tagged. These items would include sensitive in nature, artwork, or restricted by the size of the item, or other items where tagging will affect its function, value, or the ability to return it under warranty.

Equipment items that cannot be tagged are assigned a property number having the following format: “**NTYY99999**” Where **NT** stands for **Not Tagged**, **YY** stands for the 2 digits Year, and the rest is s serial number. e.g. “**NT09000024**” and an "untaggable" status code in the inventory system.

Periodic visits will be made, by the MMDC management team, to randomly check equipment and confirm that the barcode is affixed to the right asset

#### **L. Transfers**

If an equipment item is permanently transferred from one department to another, the transferring department must notify the materials management department campus using a “**Surplus Property Disposal and Transfer Request**” form from department of the transfer, and the recipient department must acknowledge the transfer. Upon receipt of this Form, the item will be deleted from the equipment list for the transferring department and added to the list of the recipient department.

#### **M. Lost/Stolen Equipment**

If an equipment item is lost or stolen, the date of the occurrence is to be noted. The security office should also be notified and their report should be attached. The date of this action and any follow-up information, which is pertinent, should also be indicated. Upon receipt of this information, a lost/stolen status will be reflected on the department's equipment inventory. Within 15 days the department will be called and asked to verify that this status has not changed, i.e., that the item has not been found or recovered. After this verification, the equipment item will be deleted from the equipment list.

#### **N. Disposal of Equipment**

If a department disposes of an equipment item by selling, salvaging or by some other means of disposal, the materials management department campus must be notified using a “**Surplus Property Disposal and Transfer Request**” form from department requesting disposition. Upon receipt of this information, the item will be deleted from the equipment list for the disposing department.

## Appendix 1

Equipment Category	Cost per item	Belongs to	Tagged By	Information System / Inventory
<b>ALL</b>	5000 and above	AUB / AUBMC	Materials Management Department Campus / Service Departments	Oracle Financial – Mass Addition / MMDC information Systems
<b>Medical &amp; Laboratory Instruments &amp; Equipment</b>	\$1,000 to 4,999.99	AUBMC / AUB <sup>1</sup>	Biomedical Engineering	Biomedical Engineering Information Systems
<b>Medical Furniture &amp; Electromechanical Equipment</b>	\$1,000 to 4,999.99	AUBMC	Plant Maintenance <sup>2</sup>	Plant Maintenance Information Systems
<b>Computers and related Equipment</b>	\$1,000 to 4,999.99	AUB / AUBMC	Computing and Networking Services (CNS)	CNS Information Systems
<b>Electromechanical Equipment</b>	\$1,000 to 4,999.99	AUB	Physical Plant Shops	Physical Plant Information Systems
<b>Housing Furniture</b>	\$1,000 to 4,999.99	AUB / Off Campus	Housing Administration	Housing Administration Information systems
<b>FEA Equipment</b>	\$1,000 to 4,999.99	AUB	FEA IT Unit / ECE	FEA IT Unit / ECE Information Systems
<b>All other equipment with no Service departments</b>	\$1,000 to 4,999.99	AUB / AUBMC	Materials Management Department Campus (MMDC)	MMDC information Systems (Medical Equipment and Patient Beds)
<b>Selected Categories Only</b>	\$999.99 and Less	AUB/AUBMC	Service Departments	Service Departments information Systems

\*Approximately 70% of tagging is done by service departments, 20% by the Materials Management Department Campus, and 10% by the Housing Administration

<sup>1</sup> Chemistry, Biology, Central Research Science Laboratory (CRSL), and Physics

<sup>2</sup> Plant Maintenance maintains some laboratory instruments and medical equipment and / or have shared maintenance with biomedical engineering