

NORTHEASTERN STATE UNIVERSITY

Capital Assets Procedure

1. Purpose. To set forth the regulations and procedures governing the control and reporting of capital and controlled assets.

2. Definitions. For the purpose of these regulations and procedures the following definitions apply.

2.1 "Ancillary Charges" include, but are not limited to:

- Costs necessary to place the asset in its intended location and condition for use;
- Freight and transportation charges;
- Site preparation costs; and,
- Professional fees.

2.2 "Assets" means both capital and controlled assets when used without specifically indicating either.

2.3 "Capital Assets" means University owned real or tangible personal property having:

- A value equal to or greater than the capitalization threshold (see Section 6 below.) for the particular classification of the capital asset; and,
- Having an estimated useful life of greater than one year from the time of acquisition.

2.4 "Controlled Assets" means those University owned items with a historical cost of less than \$2,500, but which are particularly at risk or vulnerable to loss or theft.

2.5 "Historical Cost" means the purchase price or other acquisition value, plus ancillary charges.

2.6 "Residual Value" means the estimated selling price, less estimated costs of disposal, at the time an item is disposed of or taken out of service.

2.7 "Straight-Line Method" means the method of calculating depreciation of a capital asset in which the historical cost of the capital asset, less any residual value, is pro-rated over the useful life of the item. (Historical cost less residual value/useful life = annual depreciation expense.)

2.8 "Useful Life" means the estimated number of months or years an asset will be useable for its intended purpose.

3. Applicability. These regulations apply to any capital or controlled assets owned or used by the University. Assets include, but are not limited to, those received by donation and those purchased from:

- General funds;
- Sponsored program funds;
- Contract funds;
- Building and construction funds; and,
- Restricted or designated funds.

4. Ownership and Title. Ownership of all assets acquired by the University is vested in the University rather than any individual Department.

4.1 Exceptions. Ownership of some assets purchased with sponsored program, contract, or agency funds shall be, by written agreement, retained by or shall revert to the funding agency. The University shall remain responsible and accountable for such assets while in the University's custody. If ownership retention is not explicit in the written agreement, ownership shall be retained by the University.

5. Responsibility.

5.1 Inventory Control Management. Responsibility for tagging capital assets is delegated to the Accountant in the Office of Business Affairs. Responsibility for inventorying is delegated to the Account Sponsor. Responsibility for recording capital asset acquisitions and disposals, and for capital asset reporting, is delegated to the Accountant in the Office of Business Affairs.

5.2 Account Sponsor. The Account Sponsor is responsible for custody and control of assets assigned to the applicable Department.

6. Capitalization Thresholds.

Capital Asset Category	Thresholds
Land	Capitalize all
Land improvements	\$25,000
Buildings and building improvements	\$25,000
Infrastructure and infrastructure improvements	\$25,000
Construction in progress	Accumulate all costs and capitalize if over \$25,000 when completed.
Property under capital lease	Depending on the asset, use the threshold for the appropriate asset category.

Furniture, equipment, and books and other reference materials not circulated to students or the general public.	\$2,500
Software	\$5,000
Library resources	Capitalize all

7. Reporting Capital Assets.

7.1 Purchased Assets. Capital assets shall be recorded at historical cost, including ancillary charges.

7.2 Donated Assets. These assets shall be recorded at their estimated fair value at the time of acquisition plus any ancillary charges. Donated land's capitalized value is to reflect its appraised or fair market value at the time of acquisition.

7.3 Special Historical Cost Considerations. When not practically determinable, the historical cost shall be estimated by appropriate methods. Estimated historical costs and the basis for determination of the estimate shall be noted in the capital asset records.

7.4 Improvements. Improvements to a capital asset extending its useful life more than one year shall be capitalized.

8. Depreciating Capital Assets.

8.1 Straight-line Method. Capital assets shall be depreciated over their estimated useful lives using the straight-line depreciation method.

8.2 Depreciation Expense. Depreciation expense will be calculated annually for each depreciable capital asset.

8.3 Accumulated Depreciation. Accumulated depreciation shall be summarized and reflected on annual financial statements by asset class.

8.4 Residual Value. An asset's estimated residual value is zero. All items are considered fully depreciated at the end of their useful life.

8.5 When to Start Depreciation. Depreciation normally begins when a capital asset is purchased or completed. However, if not placed into service immediately, depreciation shall begin when the item is placed in service. A full year's depreciation shall be calculated regardless of the date the item was acquired.

9. Useful Life.

9.1 Purpose. Useful lives are used to allocate depreciation expense to the appropriate fiscal periods.

9.2 Estimating Useful Life. When estimating useful life consider the item's:

- Present condition;
- Intended use;
- Construction type (quality and materials);
- Maintenance policy;
- Weather exposure; and,
- Expected service time.

9.3 Suggested Useful Lives. The suggested useful lives of various capital asset categories are listed in the chart below. A useful life for an item different from those listed may be used if more appropriate.

Category	Useful Life In Years
Land (see Section 10)	Not Depreciable
Land improvements	20
Buildings	20-60
Building improvements	20
Infrastructure	20-30
Construction in progress	Not depreciable
Furniture and equipment (including vehicles)	5
Library resources	10

10. Non-depreciable Capital Assets. Non-depreciable capital assets include:

- Land;
- Infrastructure assets reported using the modified approach as discussed in Governmental Accounting Standards Board Statement No. 34; and,
- Construction in progress.

11. Inventory Records Requirement. The University shall maintain an asset management system that includes records for all capital and controlled assets.

12. Marking and Identifying Inventoriable Assets.

12.1 Reason to Mark. To identify inventoriable assets as belonging to the University.

12.2 When to Mark. Upon receipt by the Department.

12.3 When not to Mark. When impractical or impossible. Reasons not to mark are, but are not limited to, when the item:

- Has a unique, permanent serial number usable for identification, security, and inventory control (such as vehicles);
- Would lose significant historical or resale value if marked; and,
- Would have its warranty negatively impacted if permanently marked.

12.4 Method for Marking. Items shall be marked or tagged with an inventory control number. The Purchasing Department will apply the tag and require a signature on the New Capital Asset Inventory Form. The individual signing the New Capital Asset Inventory Form certifies items described on the form have been received and inspected. By signing the form the department assume full responsibility and accountability for the described equipment. The New Capital Asset Inventory Form is then sent to the Accountant in the Office of Business Affairs reflecting the addition. The Accountant in the Office of Business Affairs then updates the fixed assets database to reflect the item.

13. Assets to be Inventoried.

13.1 Capital Assets. All capital assets shall be inventoried and listed in the fixed assets database of the University.

14. Use of Assets.

14.1 Furniture, Fixtures, and Equipment. These assets shall be used for University business purposes only and shall not be removed from University premises for purposes other than University business.

14.2 Personal Furniture, Fixtures, and Equipment. Items owned by individuals normally may be used for University business purposes and/or on University owned or controlled property at the owner's risk. Personally owned items are not covered by University insurance. The University is not responsible for the loss of, damage to, or maintenance of personal items.

14.2.1 The owner shall label these items to indicate personal ownership.

14.2.2 The University reserves the right to prohibit use of personally owned items for University business purposes.

15. Disposal of Assets. In order to maintain accurate asset records, asset disposals and transfers shall be recorded promptly. These records shall reflect whether the items have been surplus, traded in, sold, stolen, destroyed, or transferred. Selling, trading, or deleting from inventory any item of University-owned equipment is not within an Account Sponsor's authority.

15.1 Notification Requirement. Account Sponsors shall notify the Purchasing Department of all items being surplus.

15.2 Approval Requirement. Whenever equipment is to be disposed of or removed from Departmental custody or control in some manner other than being surplus, the Account Sponsor must send a Capital Asset Inventory Change Form to the Purchasing Office. If approved, the item's disposition will be appropriately reflected in the official records.

15.3 Surplus Property. Assets determined to be obsolete, outmoded, or unusable may be declared surplus and disposed of by Purchasing Office. This determination shall be made by the Account Sponsor.

15.3.1 Acquisition of Surplus Property. Items that have been sent to the Warehouse as surplus are available to other departments of the University. All departments shall be notified of the items and given preference for acquisition, except for instances where legal standards require otherwise. Departments can request any available equipment by completing an Capital Asset Inventory Change Form and making arrangements with Purchasing Office for transfer.

15.3.2 Public Auction. Surplus items available after department requests have been completed will be sold at public auction, which may include online auction sites.

15.4 Lost or Stolen Assets. Theft or disappearance of property should be reported immediately upon discovery of loss.

15.4.1 If the missing property is not found the Account Sponsor shall:

- Notify the Accountant in Office of Business Affairs, the Purchasing Department, and University Police Department; and,
- Submit an Incident Report to the University Police Department. A written explanation of the circumstances regarding the loss and an Capital Asset Inventory Change Form referencing the loss must be sent to the Purchasing Department. The statement is to include a description of events surrounding the disappearance of the property, who was notified of the loss, and steps taken to locate the property.

15.4.2 All lost or stolen property shall be removed from the University's asset management system and the general ledger.

15.7 Assets Destroyed or Damaged Beyond Repair. The Account Sponsor shall notify the Accountant in Office of Business Affairs when an asset has been destroyed or damaged beyond repair.

15.8 Removal of Government-Provided Assets. When allowed by terms of the grant or contract, government-provided assets may be transferred to other State agencies.

15.8.1 The Purchasing Department shall obtain a letter of acceptance from the acquiring State agency prior to the transfer, and forward a copy of the letter to the Vice President of Operations for approval. Upon approval, copies are sent to the Accountant in the Office of Business Affairs to update the fixed assets records.

16. Inventory Change.

16.1 Items may be transferred to other departments by use of the Capital Asset Inventory Change Form. Both Account Sponsors must sign the form; one for relinquishment of responsibility and the other for assumption of responsibility of the item.

- The Account Sponsor has the authority to temporarily move equipment within management units without making an inventory change when both the equipment and the units are his/her responsibility. However, the Account Sponsor has the responsibility of maintaining the internal records necessary for control of inventory. System reconciliation of inventory records regarding location change will be done during the periodic physical inventory. Changes should be referenced on the inventory verification report. Internal records for these temporary moves must be updated in a timely manner to insure that items can be located at any time.

16.2.1 The Account Sponsor shall change building and room numbers either by:

- E-mail or memorandum to the Accountant in the Office of Business Affairs; or,
- Indicating the change on the periodic inventory report sent to the Accountant in the Office of Business Affairs.

17. Removal of Inventory University owned equipment, as well as any other property for which the University is responsible, may not be removed from the campus except when it is necessary to carry out an instructional or University sponsored activity scheduled off-campus as a planned event of the University. The removal must be authorized by the Account Sponsor and a signed University Business Equipment Check Out/Check In form must be sent to the Accountant in the Office of Business Affairs.

18. Physical Inventory.

18.1 A physical inventory is conducted annually. All University departments are required to participate. Each department is contacted to schedule the periodic physical inventory to ensure completion by the appropriate time.

- To ensure that the physical inventory process goes smoothly, a memo will be sent to the Account Sponsor including the inventory process and the Capital Asset procedures. Assistance during the inventory process may be provided by contacting the Accountant in the Office of Business Affairs.
- A complete listing of inventory items will be sent to each Account Sponsor.
- The inventory database will be updated and reconciled, based on the Inventory Verification Report and any additional feedback.
- An updated inventory list will be sent to the Account Sponsors for review. This will establish the beginning inventory for which each Account Sponsor will be responsible.

18.2 Inventory Reports. Inventory reports are available at any time upon request to the Accountant in the Office of Business Affairs. The report will be printed and forwarded to the departments by campus mail or may be sent electronically.

