

FAYETTEVILLE STATE UNIVERSITY

FIXED ASSETS

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| Authority: | Issued by the Chancellor. Changes or exceptions to administrative policies issued by the Chancellor may only be made by the Chancellor. | | |
| Category: | Business, Finance and Administrative Services | | |
| Applies to: | ●Administrators | ●Faculty | ●Staff |
| History: | Revised – September 1, 2017 Revised – July 1, 2009 First Issued – July 30, 2005 | | |
| Related Policies/ Regulations/Statutes: | Purchasing | | |
| Contact for Info: | Vice Chancellor for Business and Finance (910) 672-1151 | | |

I. PURPOSE

As a public institution, Fayetteville State University (University) and its employees have a fiduciary responsibility to protect and safeguard all University assets and ensure they are used to carry out the University's instruction, research and public service missions. The use of University assets for private use or personal business activities is prohibited.

The University's investment in its fixed assets (land, buildings, fixed equipment, infrastructure, moveable equipment, intangible assets, etc.) is significant and thus this policy is established to ensure all the University's fixed assets are acquired, safeguarded, controlled, disposed and accounted for in accordance with state and federal regulations and applicable accounting pronouncements.

This policy also addresses ownership of the University's fixed assets, assignment of responsibility and accountability for fixed assets, and includes the definition of the capitalization thresholds for fixed assets. University (University) property. This policy applies to all employees of the University.

II. TYPES OF FIXED ASSETS

A. Capitalized Fixed Assets

A capitalized fixed asset is property such as equipment, buildings and land, with a cost or value equal to or greater than \$5,000 at the date of acquisition and an expected useful life of more than two years. Capitalized fixed assets are acquired for use in normal operations and are not for resale. All capitalized fixed assets are entered into the Fixed Assets System for inventory and financial reporting purposes. Assets costing below \$5,000 are expensed in the fiscal year of purchase. Costs incurred to keep a fixed asset in

its normal operating condition that do not extend the original useful life of the asset or increase the asset's future service potential are not capitalized. These costs are expensed as repairs or maintenance. Fixed assets containing separate physical parts (such as CPU, monitor and keyboard) are not considered one asset having one or more component parts.

The following specifically applies to capitalized fixed assets:

- The term *capitalized fixed assets* consists of land, improvements to land, easements, buildings, building improvements, vehicles, machinery, furniture, equipment, infrastructure and all other tangible or intangible assets that are used in operations and have a normal life expectancy of more than two years.
- Library books and other library materials will not be capitalized or recorded on the Fixed Assets System.
- The University does not capitalize its works of art/collections. Works of art/collections are maintained for public exhibition, education, or research purposes; protected, kept unencumbered, cared for and preserved; and required proceeds from their sale are to be used to acquire other collection items. Collections maintained in this manner are to be charged to operations at the time of purchase rather than be capitalized.
- The University does not capitalize modular workstations or cubicle office installations because over time the panels can become damaged due to items being reconfigured or taken to different areas on campus.

B. Departmental Fixed Assets

1. Definition

The term *departmental fixed assets* refers to all tangible assets costing less than \$5,000 and having an estimated useful life of more than two years. Tangible items include equipment and portable electronic devices. Examples include, but are not limited to the following:

- Equipment: Equipment is defined as an asset that is not consumable or expendable; it is movable, even though sometimes it is attached to other objects or buildings. Equipment may fall into one of these categories:
 - Furniture - desks, cabinets, chairs, tables, and bookcases
 - Office - fax machines, telephones, and shredders
 - Electronic Data Processing (EDP) - computers, printers, and scanners
 - Educational - scientific, medical, laboratory and classroom, as well as recording studio and audiovisual
 - Other - athletic equipment, lawn mowers, etc.
- Portable Electronic Devices: Portable Electronic Devices include iPads, tablets, voice recorders, laptop computers, digital cameras, projectors and other items especially susceptible to theft.

Departmental fixed assets *are not* entered into the Fixed Assets System. The cost of departmental fixed assets includes shipping charges, legal fees, setup costs, sales tax, etc. (when applicable) in addition to the purchase price, all of which must be less than \$5,000.

2. Departmental Fixed Assets Inventory

Each department head is responsible for safeguarding all assets purchased for the department against theft or loss. The department must maintain its own database or spreadsheet of departmental fixed assets that tracks the old University tag number, asset description, serial number, building location, and room number, make and model of the item, IP address if known, date asset was placed in production, individual assigned the asset.

Each department head is responsible for designating a departmental employee to be responsible for the department's inventory, to include, but not be limited to tracking the department's fixed assets. That employee shall annually, on or before October 31st, submit a signed certification listing the departmental inventory to the department head. The employee will be required to annually attend mandatory training offered by the Division of Business and Finance.

Documentation related to the department's fixed assets, including signed certifications, shall be kept for a minimum of five (5) years.

3. Audits

Departmental fixed assets are subject to internal and external audits. Each year, the Internal Auditor shall audit a random selection of departments for compliance with this Policy.

C. Land and Land Improvements (Non-depreciable)

Acquired land is recorded at the purchase price plus additional costs such as legal and recording fees, surveying fees, damage payments, and land/site improvements that ready land for its intended use and produce permanent benefits. Examples of land/site improvements are excavation, fill and grading, removal, relocation, or reconstruction of property of others, such as railroads and telephone and power lines, and the construction of retaining walls. If land and building(s) are acquired as a single parcel, the value of the land shall be determined separately from the building(s) and recorded as land. Donated land or land that is obtained by means other than purchase is recorded at acquisition value. Land is entered on the Fixed Asset System if the total cost is \$5,000 or more. Land valued below \$5,000 is not entered into the Fixed Asset System but is expensed and tracked by the Fixed Asset Coordinator.

D. Buildings

Buildings are valued at the purchase price or construction cost. Costs shall include all charges applicable to the building (i.e., broker's fees, architect's fees, etc.) Permanently attached fixtures to the building (i.e., heating and ventilation systems) shall be included in the cost of the building. ***Buildings valued at \$5,000 or above are capitalized and recorded on the Fixed Assets System.*** Donated buildings shall be capitalized at the

acquisition value at the time of donation. After the Office of State Construction inspects a building, the University will receive a Letter of Acceptance from the Office of State Construction. After receipt of this letter and when the building is ready for occupancy, the building is considered complete.

E. Additions/Renovations/Improvements

An addition increases the physical size or operating capabilities of an asset through expansion or extension. An example of an addition is a new wing to a building or the addition of an air-conditioning system to a building.

Renovation and improvement costs are incurred to restore or improve existing buildings or other capitalized assets. These costs involve the substitution of old parts for new ones and increase the economic benefits to be derived from the asset. ***In order to capitalize an addition, renovation, or improvement cost, certain criteria must be met:***

1. The cost must equal or exceed the \$5,000 capitalization threshold; and
2. The renovation or improvement must either significantly extend the useful life of the original asset, or increase the future service potential of the asset.

If both of these criteria are met, the cost must be capitalized and recorded as a new asset in the Fixed Assets System at total purchase price or construction cost. Expenditures not meeting these criteria will be expensed.

F. Infrastructure

Infrastructure assets are long-lived ***capital assets*** that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems. Land and land improvements must be capitalized separately from road system infrastructures. Road systems are designed for motor vehicle travel and should not be part of the State Department of Transportation (DOT) road system. Road costs shall include the costs of pavement, culverts, lighting systems, drainage systems, guardrails, markings, traffic control devices, signage, bridges, tunnels, and other buildings that are an ancillary part of the road system. Utility systems include, but are not limited to, water distribution systems, sanitary sewer collection systems, natural gas systems, electrical distribution systems, and telecommunication/fiber optics systems that are independent of a single building.

G. Lease Agreement

A lease is considered a ***capital lease*** if it meets any one of the following criteria:

1. The lease transfers ownership of the property to the lessee by the end of the lease term.
2. The lease contains an option to purchase the leased property at a bargain price.
3. The lease term is equal to or greater than seventy-five percent (75%) of the estimated economic life of the leased property (e.g., lease term six (6) years, estimated life eight (8) years).

4. The present value of rental and other minimum lease payments equals or exceeds ninety percent (90%) of the fair market value of the leased property less any investment tax credit retained by the lessor (e.g., future minimum lease payments \$9,000, fair value \$10,000).

Capital leases equal to or greater than \$5,000 shall be capitalized in the Fixed Assets System.

H. Intangible Assets

Common types of intangible assets are computer software, easements, land use rights, patents, copyrights, and trademarks. Intangible assets with an estimated useful life of two or more years are capitalized if they meet the following thresholds: 1) Purchased or licensed computer software, easements, land use rights, patents, copyrights and trademarks are capitalized when the value or cost is \$100,000 or greater, and 2) internally generated computer software is capitalized when the value or cost is \$1,000,000 or greater. All other assets not meeting these thresholds are expensed in the year of purchase.

I. Fixed Assets Acquired through Grants

Fixed assets acquired with federal financial assistance are subject to property management standards set by the federal government. These standards are found in the Common Grants Management Rule (Common Rule) of revised OMB Circular A-102 (1997). Additional property standards may be included in the grant agreement. When the University does not hold title to property acquired with federal funds, the property shall not be capitalized. The property can be inventoried for tracking purposes. All inventoried assets acquired with federal funds must be flagged to ensure that federally funded assets will not be sold or transferred without following federal property disposition guidelines. When federally funded assets are no longer needed for the grant program, the University must dispose of the assets according to federal disposition guidelines.

J. Gifts/Donations

Gifts/donations are received from outside sources. If the gift/donation received meets the capitalization requirements (costing \$5,000 or greater), they are recorded at acquisition value at the time of the donation.

III. TAGGING OF FIXED ASSETS

A. Purpose of Tagging

Maintaining a positive identification of assets is the primary purpose of tagging. Tagging will also do the following:

- Provide an accurate method of identifying individual assets;
- Aid in the annual physical inventory;
- Assist in controlling the location of all physical assets;
- Aid in the maintenance of fixed assets; and

- Provide a common ground of communication for both the Division of Business and Finance and the asset users.

B. Central Receiving

Only fixed assets costing \$5,000 or more will be tagged at Central Receiving with a University tag. When the fixed asset is not received in Central Receiving, the department must notify the Fixed Assets Coordinator within five (5) business days so that the tagging process can be completed.

The role of Central Receiving is as follows:

- To deliver all non-computer items to campus departments;
- To attach a University tag with the corresponding unique number to each recorded fixed asset costing \$5,000 or more;
- To enter the corresponding unique number from the University tag into the procurement system.

C. New Computer Equipment

ITTS will contact Central Receiving daily to determine if any computer equipment has been received. Central Receiving will tag computer equipment and thereafter the ITTS staff will pick up all computer equipment from Central Receiving, sign documentation indicating pick-up by ITTS, load the necessary software(s) and notify the campus department via e-mail that computer equipment has been received and when delivery can be expected. ITTS will deliver computer equipment to the responsible campus department and complete an *Equipment Transfer Form - FA-14* located on the Business and Finance webpage. A copy of the form shall be forwarded to the Fixed Assets Coordinator if the asset's cost is over \$5,000. If the asset's cost is under \$5,000 the department should keep a copy for their records and give a copy to the department receiving the item.

IV. PHYSICAL INVENTORY

A physical inventory of *capitalized assets* is taken to verify the location of assets recorded in the Fixed Assets System. Inventories are taken at least annually and shall be completed prior to the financial reporting due date.

The Fixed Assets Coordinator will conduct a physical inventory of capitalized assets annually. The Fixed Assets Coordinator will require the cooperation of departmental personnel in accomplishing the physical inventory task and will attempt to minimize the demand on the employees' time. The Fixed Assets Coordinator will conduct the physical inventory process as follows:

- A. The Fixed Assets Coordinator shall send inventory worksheets listing all capitalized assets to the department head, along with instructions on how to prepare properly for the physical inventory.

- B. The department head or his/her designee shall locate all inventory worksheet items listed, update the inventory worksheet data, and return the information to the Fixed Assets Coordinator within ten (10) business days.
- C. The Fixed Assets Coordinator will audit randomly completed capitalized Fixed Assets inventory worksheets. The Fixed Assets Coordinator shall arrange a date and time to meet with the department head or his/her designee in order to conduct the physical inventory. The department's designee shall be prepared to escort the Fixed Assets Coordinator to each item, to make arrangements for laptop computers to be brought to the office, and to have access to locked offices, classrooms, or labs.
- D. Upon completion of the physical inventory, the Fixed Assets Coordinator will update the Fixed Assets System as needed and send a missing items schedule and a final inventory printout to the department.

It is recommended that a physical inventory of capitalized assets also be taken each time there is a change at a management or supervisory level having responsibility for the assets. The outgoing and incoming supervisor/manager shall sign the Physical Inventory Worksheets. The signatures indicate that the supervisor/manager is aware of the existence of the assets and where they are located and that the count is accurate.

V. CHANGING LOCATION OF ASSETS

A. Fixed Assets Located Off-Campus

Because equipment purchased by the University to further its educational mission and office space is provided to its faculty and staff, fixed assets should generally remain on campus. If it becomes necessary for equipment to be taken off campus, the department must fill out and sign the *Agreement for Equipment Located Off-Campus Form-FA-16*, located on the Business and Finance webpage. The employee taking the equipment must sign the agreement. Under no circumstances should anyone take a capital fixed asset off campus before it has been tagged. The department can request that an asset be tagged immediately by calling the Fixed Assets Coordinator. Removal of University equipment for off-campus use without University approval may result in the individual being charged with the misappropriation of state property and/or larceny.

As long as the fixed asset is located off-campus, the employee user and the department head must sign a new Form FA-16 during the physical inventory process each year. The confirmation must reaffirm that the original reason(s) the item was located off campus are still valid and that the department head continues to acknowledge his or her responsibility for the item.

B. Transfers Within the University

Prior to changing the assigned location of any fixed asset within the University or at an off-campus location, the *Equipment Transfer Form (FA-14)* must be completed.

The Surplus Property Officer shall inventory the item(s) and sign off on the *Equipment Transfer Form*. If Facilities Management personnel are required to move the equipment, a work order must be executed. Facilities Management personnel shall not move items without proper authorization. Following the move, the *Equipment Transfer Form (FA-14)*

shall be forwarded to the Fixed Asset Coordinator who will then enter the location changes into the Fixed Assets System. A copy of this form shall be signed and returned to the department.

C. Transfers Between Other Universities and State Agencies

Assets are transferred when they are permanently moved from the University to another institution or state agency. If the asset move is temporary, then the transfer is treated as an asset on loan. No State department, institution, or agency shall transfer any property owned by the State between other State departments, institutions, or agencies without written authorization from the State Surplus Property Office. If assets are to be transferred due to legislative action, approval does not have to be obtained from the State Surplus Property Agency. The University's *Equipment Transfer Form (FA-14)* must be completed indicating the asset number, description, location, and the reason for the request. The form shall be approved by the department head and should be transmitted to the Surplus Property Coordinator.

VI. MISSING, STOLEN, CANNIBALIZED AND REPLACEMENT OF ASSETS

A. Missing Assets

Fixed assets are considered missing when an inventory is taken and assets on the *Physical Inventory Worksheet* are not found. This can occur because an asset is moved to another location, but the new location is not recorded on the system before the *Physical Inventory Worksheets* are run, the asset could be lost, or the asset could be stolen.

If there are any missing asset(s) after completion of the physical inventory, the *Missing Asset Report* shall be completed by the person responsible for the asset. The form is routed through proper management levels as determined by each campus department for signatures. A fixed asset report listing missing assets from the Fixed Asset Coordinator shall be sent to the Vice Chancellor, Dean, or appropriate Division Head responsible for the unit where the asset is located. Upon receipt, the Vice Chancellor, Dean, or appropriate Division Head shall cause to be documented all efforts that were made to find the missing asset(s). If the asset(s) is found, it is noted on the printout and the status code changed.

After one year, if the asset is not found and not determined to be stolen, it shall be retired as a lost asset. The number of reviews of the missing asset listing (after the physical inventory and before the next year's physical inventory) is left to the Chancellor and/or Vice Chancellor of Business and Finance's discretion.

B. Stolen Assets

All incidences of lost or stolen University property should be reported to the University's Police for investigation. A copy of the incident report should be sent to the Fixed Assets Coordinator.

According to North Carolina law, if any state property has been stolen, the employee discovering the theft must report it to his/her supervisor. This is to be done as soon as possible, but no later than three (3) days from the day of discovery. The supervisor is then to notify his/her chain of command until the Legal Counsel and the University

Police have been notified. The Legal Counsel must notify the State Bureau of Investigation (SBI) in writing within ten (10) days of being notified. The SBI may investigate or may allow the University Police to investigate. If the investigation reveals a violation of criminal laws, the district attorney will be contacted for further legal action. The fixed asset shall be retired on the Fixed Assets System with a retirement code. The General Ledger shall reflect an entry to reduce the fixed asset account.

C. Cannibalized Equipment

If equipment becomes irreparable, but certain parts or components can be used to maintain other similar pieces of equipment, the irreparable item can be cannibalized. The Fixed Assets coordinator should be notified of the irreparable or cannibalized asset, and also of the asset the cannibalized equipment will be used to support.

D. Replacement of Defective Equipment Under Warranty

If an asset becomes defective while under warranty and is replaced by the vendor, the following information shall be reported to the Fixed Assets Coordinator:

- Vendor's name and return address
- Purchase Order Number
- Serial Number
- Asset Tag Number for capitalized fixed assets
- Contact the Fixed Assets Coordinator to remove the University tag

Once the equipment is replaced, the Fixed Assets Coordinator shall replace the original University tag for capitalized fixed assets.

VII. DEPRECIATION

Depreciation is the allocation of the total acquisition cost of a fixed asset over its estimated useful life. Land, certain land improvements, construction-in-progress, inexhaustible works of art, historical treasures and similar assets are not depreciated. The University uses the straight-line method of depreciation using the half-year convention method. *Straight-line* is a time-based method used when the service life of the asset is affected primarily by the passage of time. The estimated useful life of a depreciable asset is the period over which services are expected to be rendered by the asset. *Straight-line depreciation* is calculated by dividing total asset cost by estimated useful life in years, generally fifteen (15) to seventy-five (75) years for general infrastructure, fifty (50) to one hundred (100) years for buildings, and seven (7) to thirty (30) years for machinery and equipment. A review of the useful life of assets shall be conducted annually. Donated capital assets are valued at acquisition value at the date of acquisition.

VIII. SURPLUS PROPERTY

A. Obsolete, Unserviceable, and Unnecessary Equipment and Furniture

Under no circumstance can State-owned equipment be sold, scrapped, donated, traded or given to another entity without the approval of the State Surplus Property Agency. State-owned equipment may not be disposed of outside of cannibalization by the department who has custody of the equipment without the prior approval of the State Surplus Property Agency.

Prior to transferring assets to surplus, the department head shall complete an *Equipment Transfer Form (FA-14)*. After the completion of the form, the department shall contact the Surplus Property Coordinator. Before assets can be turned in for surplus, the Surplus Property Coordinator will inspect the asset. If necessary, the department will execute a work order for Facilities Management to move the surplus items. Departments are required to maintain a copy of the signed *Equipment Transfer Form (FA-14)* for the items turned in to surplus.

B. Hard Drive Erasure of Computer Equipment

The University is obligated and committed to the removal of confidential data and University owned and licensed software applications from obsolete computers sent to surplus property. This will ensure the University is maintaining data security and integrity while being compliant with the *IRMC Enterprise Security Standard Number S003, Permanent Removal of Data from Electronic Media*.

To ensure due diligence, the following process shall be followed:

1. A department desiring to have a computer surplus should contact ITTS;
2. ITTS shall pick up the computer(s) marked for surplus or salvage; and determine if the equipment is salvage or should be surplus;
3. If determined to be salvage or surplus, ITTS shall completely erase the hard drive;
4. ITTS shall attach a pre-printed label to each computer that indicates the hard drive has been erased; and
5. ITTS shall submit a work order to Facilities Management requesting pick up of the computer(s) to be salvaged along with a completed and signed *Equipment Transfer Form (FA-14)*.

C. Equipment Trade-Ins

On occasion, it is more economical to trade-in an asset than to sell it as surplus property. When bids for the purchase of a new item are requested and it appears a trade-in may be advantageous, the solicitation must contain a provision requesting that a trade-in allowance be offered and prior approvals by the Surplus Property Coordinator and State Surplus Property Office are required. After authorization is obtained, the asset removal procedure will begin by the Surplus Property Coordinator.