Fixed Assets

ROWAN UNIVERSITY POLICY

Title: *Fixed Assets*
Subject: *Accounting Services*
Policy No: *FIN: 2016: 04*
Applies: *University-Wide*
Issuing Authority: *President*
Responsible Officer: *Senior Vice President for Finance and CFO*
Adopted: *05/30/2016*
Last Revision: *11/12/2018*
Last Reviewed: *11/20/2020*

I. PURPOSE

The purpose of this policy is to ensure that Rowan University owned capital assets, government funded and furnished capital assets are properly protected, controlled, and accounted for in accordance with the requirements established by Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB) and with the regulatory standards set forth in the Federal Acquisition Regulation (FAR) §200.313 and §200.439, and the Office of Management and Budget (OMB) Circular A-110.

II. ACCOUNTABILITY

Under the direction of the President, the Senior Vice President of Finance and CFO shall implement this policy and the Senior Director of Risk Management and the Assistant Vice President for Finance and Controller shall ensure compliance with the policy.

III. APPLICABILITY

It is the responsibility of every faculty, staff member, student organization that is involved in any financial activity on behalf of the University to be fiscally responsible and to exercise appropriate financial controls.

IV. DEFINITIONS

Capital assets consist of:

1. *Buildings*: Roofed facilities intended for the shelter of persons and/or equipment. The building should be valued at purchase price or construction cost. When buildings are constructed, all the direct costs related to construction should be included in the valuation. These costs are labor, material, services related to construction, insurance, and other construction related costs during the period of construction.
2. *Building Improvements*: Renovations and additions to existing building that improve and extend the facility's useful life of the original asset will be considered a capital asset; general repairs and maintenance are not capitalized.
3. *Fixed Equipment*: Equipment affixed to a building, but separate from the building itself. It is generally contractor installed. Examples are counters, built-in cabinets and benches bolted to the floor and built-in projection equipment and screens.
4. *Land*: The solid part of the earth's surface, whether improved or unimproved. It includes all the land purchased or acquired by the university, or donated land by the donor. The value of the land should be recorded at its cost; the donated land should be recorded at fair market value at time of the donation.

5. *Land Improvements*: Additions and improvements that enhance the usefulness and increase the value of land, some examples are excavation, fill, grading, roads, walkways, lighting, signage, parking lots, water and sewer lines, and cabling.
6. *Moveable Equipment*: Items that are neither permanently affixed to nor part of a building, such as computers, furniture, refrigerators, freezers and vehicles. Some of the equipment comes with multiple components, all the components combine can be considered one item and recorded as one capital asset.
7. *Software*: Software is computer instruction or data. Software can be divided into two categories, systems software and applications software. System software is an operating system along with all other utilities to enable the computer to function. Application software is the programs we use to complete our work examples are Microsoft word, excel, and outlook etc.
8. *Software system*: Software system includes all hardware, software, and cabling associated with the installation of the system for the university.

V. REFERENCES

1. Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB) and,
2. Office of Management and Budget (OMB) Circular A-110
3. Regulatory standards set forth in the Federal Acquisition Regulation (FAR) §200.313
4. Regulatory standards set forth in the Federal Acquisition Regulation (FAR) §200.439

VII. POLICY

1. Rowan University has a significant investment in fixed assets which are used to carry on the university's mission and objectives. Under the direction of the President, the Vice President of Finance and CFO ensures that Accounting Services maintains all records related to fixed assets. The Senior Director of Risk Management is responsible for maintaining adequate insurance on all property owned by the University or for which it controls. The Accounting Services department details the proper accounting for, and control of, University owned capital assets and Government funded and furnished capital assets.
2. All employees of Rowan University are responsible for protecting the institution's assets. It is the primary responsibility of every faculty and staff member who is involved in any financial activity on behalf of the University to be fiscally responsible and to exercise appropriate financial controls; the Department Head or Chair is responsible to make adequate procedures for the physical security in their care, this includes the proper care, maintenance, records, and safeguards to prevent damage, loss or theft of the fixed assets within their control.
3. Capital Assets
    a. Capital assets are expenditures by the University that meet the following capitalization criteria.
        i. The asset is non-expendable tangible property used in the University's operations.
        ii. The asset is not intended for investment or sale in the ordinary course of business.
        iii. The asset has an estimated useful life of two years or greater.
        iv. The asset cost exceeds the capitalization threshold set forth below.
    b. Capitalization Thresholds:
        i. Buildings $50,000 and greater
        ii. Building Improvements $50,000 and greater
        iii. Land Capitalized regardless of cost
        iv. Land Improvements $50,000 and greater
        v. Movable and fixed equipment $5,000 and greater
        vi. Software and Software Systems $50,000 and greater
        vii. Bulk Assets (Furniture, Computer Hardware Telephone Equipment) $50,000 and greater
    c. Capital equipment where the value of each item is over $5,000 is purchased using the Banner Account Code 7645 - Equipment and Software over $5,000. If additional smaller components are required for the operation of the asset, the smaller items are included in the aggregate cost of the asset. Additional, services including delivering and installing the item for operation are included in the total capitalized cost. Capital assets are recorded into the Banner Finance module. Bulk

asset purchases of similar items that have an aggregate value of $50,000 or more are captured as a fixed asset regardless of the individual price of the item. For example, the University purchases 25 computers at $2,000 each. The total purchase of $50,000 will be considered a fixed asset purchase.

4. Noncapital Assets
    a. Noncapital assets are items that do not meet the capitalization criteria and are expensed in the year purchased. However, if an individual item such as a component part or accessory is part of a fabricated project, it must be capitalized even if its cost falls below the capitalization threshold.
    b. Equipment purchases for items with an individual cost less than $5,000 should be purchased using Banner Account Code 7015 Equipment under $5,000 and expensed. Software with a one year life should be purchased using Banner Account Code 7210 Licenses. Warranties are should be purchased using Banner Account Code 7228 Contracted services.
5. Depreciation
    a. Depreciation of capital assets is dependent upon the estimated useful life of the asset. All new additions to the Banner Finance module shall be depreciated (except land and art). The following table represents the general asset life guidelines using the straight-line depreciation method, with a half year depreciation allocated in both the first and last years of the asset life and zero salvage value.
    b. Construction in Progress is not depreciated. Capital expenditures recorded as Construction in Progress are not entered into the fixed asset database until the construction or renovation is complete and asset is deemed placed into service. A determination is made as to the proper asset category and life.
    c. Fully depreciated assets remain in the Banner Finance module with their related accumulated depreciation for as long as the assets continue to be used in University operations. Bulk assets, once fully depreciated, are reviewed for removal from the general ledger.
6. Acquisition and Title
    a. Equipment is acquired by the University through purchase, donation, capital lease or Government funding. The title to capital equipment vests with the University unless specifically stated otherwise in donation or award documentation. Copies of donor letters and/or grant contracts will be requested when needed to determine ownership.
7. Capital Equipment
    a. An equipment purchase to be capitalized will be recorded in the Banner Finance module.
    b. Periodically, Accounting Services executes a program to capture all University invoices with a value equal to or greater than the capitalization threshold (currently set at $5,000). In order to determine whether an equipment expense captured by this program shall be capitalized in accordance with the stated policy, the invoice must be obtained and analyzed. If the description of the item or items purchased is not clear as listed on the invoice, the purchase order referenced in the program shall be located and analyzed.
    c. Records of all capitalized assets shall maintained by the Accounting Services office.
    d. Physical Security, Maintenance and Care – The Custodian (Department Head or Principal Investigator) is required to make adequate provisions for the physical security of equipment in their care. Areas containing capital equipment should be kept locked after business hours or when not in use. Special precautionary measures should be taken for high value portable capital equipment.
        i. The Custodian is responsible for exercising the necessary care to maintain the condition of the capital equipment so that the longest useful life is obtained. Written approval must be obtained from the appropriate Government agency prior to making any major repair or rehabilitation to Government furnished property.
8. Physical Inventory
    a. Accounting Services conducts a rotating physical inventory of capital assets to:
        i. Verify the existence of equipment recorded in the Banner Finance module
        ii. Verify location and condition
        iii. Determine equipment disposals
        iv. Identify obsolete assets on hand
        v. Comply with Government inventory requirements
        vi. Bulk assets are not individually tagged and are not included in the physical inventory process

9. Financial Reporting
    a. The following reports are generated by the Accounting Services department based on the information contained in either the University's Banner Finance or Service Now modules:
        i. Asset Listing for Equipment, Buildings, Land and Other Assets
        ii. Construction in Progress
        iii. Cost to Complete Capital Projects

VIII. ATTACHMENTS

1. Attachment 1 – Depreciation Schedule
2. Attachment 2 – Acquisition and Title
3. Attachment 3 – Physical Inventory of Capital Assets

ATTACHMENT 1

DEPRECIATION SCHEDULE

The following table represents the general asset life guidelines using the straight-line depreciation method, with a half year depreciation allocated in both the first and last years of the asset life and zero salvage value.

Asset Type	**Years**	**Asset Type**	**Years**
Furniture, Computer, Telephone Equipment (bulk)	2-5	Custodial Equipment	5-10
Computer Hardware	2-4	Grounds Equipment	5-10
Telephone Equipment	2-4	Musical Instruments	10
		Firefighting Equipment	10
Engineering, Scientific Equipment	5-10	Police Special Equipment	10
Medical Equipment	5-10	Traffic Control Equipment	10
Radio, Communications Equipment	5-10	Software - Large Systems	10
Recreational/Athletic Equipment	5-10	Software	3
Automobiles/Light Trucks	5	Buses	8-10
Kitchen Equipment	5-10	Heating, Air Conditioning	10
Outdoor Equipment	5-10		
Life for New Construction And Improvements	**Years**		
Building Improvements	20		
Land Improvements	20		
New Construction	40		

ATTACHMENT 2

ACQUISITION AND TITLE

Equipment is acquired by the University through purchase, donation, capital lease or Government funding. The title to capital equipment vests with the University unless specifically stated otherwise in donation or award documentation.
Copies of donor letters and/or grant contracts will be requested when needed to determine ownership.

1. Direct Purchase: The majority of University capital equipment is acquired through direct purchase using the same procurement policies and procedures as those for any other product.
2. Donation: The Advancement Office will inform Accounting Services of any equipment gifts with an estimated fair market value that meets or exceeds the University's capitalization thresholds. Any donation over $5,000 is required to be supported by an appraisal.
3. Capital Lease: The Department of Contracting and Procurement must provide Accounting Services with copies of all lease agreements. Accounting Services will determine if it is a capital lease if it meets at least one of the following criteria.
    a. Ownership transfers to the University at the end of the lease.
    b. It contains a bargain purchase option.
    c. The period is at least 75% of its useful life.
    d. The present value of the lease payments is at least 90% of fair market value.
4. Government Funded or Furnished Capital Equipment
    a. Government Funded: Unless otherwise specified in the sponsored award agreement, title to capital equipment purchased or fabricated with Government funds will vest with the University. In special situations the sponsored award agreement may require that title to such capital equipment pass directly to the Government. In these cases, the University is prohibited from capitalizing the asset and recognizing the depreciation expenses. However, if the asset must be tracked, the asset is tagged, labelled and entered into the fixed asset inventory.
    b. Government Furnished Capital Equipment: Sponsored activity may result in the University obtaining use and/or ownership of capital equipment outside the procurement process. If title passes to the University, the items must be valued by methods similar to those described in the Donation section above. If title does not pass to the University, the University is prohibited from capitalizing the asset and recognizing depreciation expense. The asset will be tagged, labeled and entered into the fixed asset inventory for tracking and control purposes. In either case, the PI is responsible for notifying the Accounting Department.
5. Loaned Capital Equipment: Capital equipment on loan to the University from an external organization must have prior written approval of the receiving department head/chair or his/her designee. Assets on loan to the University cannot be further loaned to an external organization or individual without the written approval of the title holder. All equipment on loan to the University must be reported to Accounting by the PI using the Equipment Disposal / Adjustment Form. Such assets will be entered into the fixed asset inventory for tracking and control purposes. When capital equipment is returned, the PI must inform Accounting using the Equipment Disposal / Adjustment Form.

ATTACHMENT 3

PHYSICAL INVENTORY OF CAPITAL ASSETS

Accounting Services, with the assistance of Property Requisitioners, Custodians and Principal Investigators (PI), conducts a rotating physical inventory of University owned capital assets, and capital assets for which the University is accountable. Government funded and furnished capital assets are inventoried annually.

The purpose of the physical inventory is to:

- Verify the existence of equipment recorded in the Banner Finance module
- Verify location and condition
- Determine equipment disposals
- Identify obsolete assets on hand
- Comply with Government inventory requirements
- Tag and photograph the item (if feasible) for reference purposes.

Capitalized equipment will be tagged if feasible. Current fiscal year additions to equipment are tagged (if feasible) periodically throughout the fiscal year.

Each fiscal year a physical inventory is performed on selected equipment in the inventory database such that all items have a Last Inventory Date of two years or less as of the end of the current fiscal year.

To ensure adequate tracking of fixed equipment additional information is required in the requisition notes when purchasing equipment over $5,000 (account #7645), which should indicate:

- The name of the custodian
- The physical location of the item
- The description of the equipment
- The intended usage
- The estimated useful life of the asset.

To ensure the Banner cost will reflect the actual purchase cost of the item, only the asset to be capitalized can be included on a requisition. Non-capitalized items should be processed on a separate requisition using accounting codes other than #7645 (7228, 7015, etc).