



**FIXED ASSETS
POLICIES AND PROCEDURES
MANUAL**

FIXED ASSETS OFFICE

GENERAL INFORMATION

The Fixed Asset Office has been delegated the following responsibilities:

Entering fixed assets (all assets with a cost of \$5,000 or more) into the fixed asset system.

Assigning each asset a unique number.

Attaching a UNCSA decal with corresponding unique number to each recorded fixed asset.

Documenting location, model, serial number, equipment manager and custodian information for each asset.

Coordinating with University departments the physical inventory of the fixed assets.

Performing spot checks to confirm the validity of the physical inventories.

LOCATION

The University's Fixed Assets Office is within Financial Services, under the supervision of the Director of Campus Procurement Services..

The Fixed Assets Office is located in the Central Receiving Warehouse, 65 East Acadia Avenue, Winston-Salem, North Carolina 27127.

ASSISTANCE

For information or help, contact the office by calling (336) 631-1589.

TRAINING

Training on Fixed Assets and Off Campus Equipment will be offered annually in the Collaborative Training Session and at any time the Purchasing Department receives a request for additional training. To request additional training, please contact the Fixed Asset Coordinator at (336)631-1589.

University Employees must re-certify annually (fiscal calendar) on Off-Campus Equipment procedures by reviewing the policy on the Policy Portal.

UNIVERSITY OF NORTH CAROLINA SCHOOL OF THE ARTS

ADMINISTRATIVE POLICIES AND PROCEDURES MANUAL

FIXED ASSETS POLICY

GENERAL POLICY STATEMENT

DESCRIPTION

A capitalized fixed asset is tangible property, such as land, buildings and equipment, with a cost of \$5000 or more and a useful life of more than one year. Capitalized fixed assets are required for use in normal operations and are not for resale. These assets are long-term in nature and are subject to depreciation, depending on which fund was used to record the asset.

GUIDELINES

According to the Governmental Accounting Standards Board (GASB), the classification of Fixed Assets depends upon the funds used to purchase them.

Assets purchased with general funds are recorded in the Investment in Plant Fund. Depreciation of general fixed assets should not be recorded in accounts of governmental funds.

Assets purchased with proprietary funds are recorded in their respective fund group. Depreciation of fixed assets accounted for in a proprietary fund should be recorded in the accounts of that fund. Depreciation is also recognized in those trust funds where expenses, net income, and/or capital maintenance are measured. Straight-line depreciation is calculated by dividing total asset cost by estimated useful life in years. Total asset cost includes purchase price or cost of construction plus any other charges incurred to place the asset in its intended location and condition for use. Donated assets are valued at their fair market value at date of acquisition. The estimated useful life of a depreciable capital asset is the period over which services are expected to be rendered by the asset. An asset's estimated useful life may differ from agency to agency. An agency's maintenance policy will affect the longevity of a depreciable asset. See table below for UNCOSA's useful life ranges. Periodically, the estimated useful lives of depreciable capital assets should be re-evaluated for reasonableness. An estimated useful life is not reasonable if the associated capital asset is near full depreciation but will remain in use significantly longer than originally estimated. The general rule is that careful estimates of useful lives that later prove to be incorrect based on new information should be considered changes in estimates. Changes in estimates must be handled prospectively (i.e., restatement of prior years is prohibited). However, estimates of useful lives that are computed incorrectly because of lack of historical useful life experience or failure to use available information should be considered accounting errors. Corrections of errors must be treated as prior period adjustments (i.e., restatements).

Acquisition of Equipment

UNCSA uses the Banner Capital Asset System to record and track equipment acquisitions that meet the OSC capitalization requirements. Equipment can be acquired by purchases, donations, capital leases, and transfers from affiliated organizations.

- A. **Purchased equipment** is generally initiated using the Banner Purchasing System. This system generates purchase orders, and the Fixed Asset Officer reviews Purchase Orders over \$5,000 for possible capital assets. If a Purchase Order meets the Capital Assets threshold, the Fixed Asset Officer will make a copy of the Purchase Order to match up with the invoice and check documents. At this time the Capital Asset Officer will make sure that the correct account codes have been used to flag the system for Capital Assets. Once the item has been received and invoiced the Fixed Asset Officer will run a report to identify any potential assets that have been paid in the Banner Invoicing System. Once an item has been identified, a copy of the check and invoice is received from the Accounts Payable department.
- a. Equipment that is potentially a capital asset should be identified for determination of capitalization within an average of 30 days from the invoice payment date. (Excludes equipment purchased through CI funds).
 - b. Items that are determined to be a capital asset should be tagged within an average of 60 days of the invoice payment date or in-service date, whichever is later (excludes equipment purchased thru CI funds).
 - c. Tagged equipment should be recorded in the Banner Capital Asset System before the end of the reporting year. (Excludes equipment purchased through CI funds.)
 - d. Exceptions to these time frames may occur and should be approved by the Controller or other responsible financial officer. Exceptions may allow for delays beyond the standard time frames due to issues resulting from year-end activities or resources available during the year-end process, changes in staff or systems, system limitations, problems in receiving or installation, and problems with determining location or with items not located on the main campus.
 - e. Purchased equipment that is identified as a capital asset and/or tagged after the close of the year is normally treated as an accrual item. Accrual items would include accounts payable items and year-end close pending items. The Controller's office should decide how long the Banner system should remain open for posting of accrual items. This decision is based on the need to record items identified as capital assets during the year and the need to close the general ledger for financial reporting purposes.
 - i. Depreciation on equipment for accounts payable or other unusual accrual items may remain pending due to timing issues with identification, tagging and recording to the Banner Capital Asset System. Generally, the depreciation on pending accrual items would be immaterial to the financial statements and not require adjustment. If material, and adjustment should be recorded to the financial statements.
 - ii. Accrual items not recorded on the Banner Capital Assets System due to timing issues would be reconciling items between the general ledger and the Banner Capital Assets System.

- f. The Fixed Asset Officer reviews all invoices over \$5,000 for misclassifications of capital equipment items.
- g. Equipment is recorded at the purchase price plus shipping fees, setup cost, and legal fees.

B. Gifts/Donations are received from outside sources. If the gift/donation received meets the capitalization requirements, they are recorded at the fair market value at the time of donation. The Advancement department is responsible for notifying the Fixed Assets department of gifts received that meet the capital assets threshold. Upon notification and receipt of the copies of the gift-in-kind documents including the appraisal documentation, the Fixed Asset Officer will add the asset to the Banner Fixed Asset System and assign an UNCSA tag number to it. Departments must work with the Advancement department regarding all gifts and donations to UNCSA.

C. Leases

- a. Equipment that is obtained through a capital lease or scheduled payment arrangement greater than or equal to the capitalization threshold may meet the requirements of a capital asset. The Fixed Asset Officer should obtain a list of leased equipment from the purchasing office and review the contract terms at least annually. If the lease meets the requirements for a capital lease, the associated equipment should be tagged and recorded on the Banner Fixed Assets System prior to the completion of the annual financial report.
- b. To be considered a capital lease, the lease must meet any one of the following criteria:
 - i. The lease transfers ownership of the property to the lessee by the end of the lease term.
 - ii. The lease contains an option to purchase the leased property at a bargain price.
 - iii. The lease term is greater than or equal to 75% of the estimated economic life of the lease property.
 - iv. The present value of rental and other minimum lease payments equals or exceeds 90% of the fair market value of the leased property less any investment tax credit retained by the lessor.

D. Transfers from Affiliated Organizations

- a. Equipment purchased from an affiliated organization that is not a component unit of the university's reporting entity for which no reimbursement is made, or for which a negotiated amount is paid, is treated as a purchase and follows the guidelines listed above in section A. for purchased equipment.
- b. Equipment transferred from an affiliated organization that is not a component unit of the university's reporting entity for which no reimbursement is made, or for which there is no negotiated amount paid, is treated as a capital gift/donation (see section B for standards to record capital gifts).
- c. If the purchase or transfer/gift from the affiliated organization is related party and not a component unit of the university and the transaction is significant to the university's financial statements, the university should disclose the transaction in the related party note to the financial statements as required by FASB #57 (Codification 850-10-05).

- d. For a capital item transferred or purchased from a component unit of the university’s reporting entity, GASB 48 requires that the transaction be recorded at the carrying value of the transferor.
 - i. The difference between the amount paid and the carrying value of the assets transferred should be reported as a gain or loss by the transferor and as revenue or expense by the transferee, in their separately-issued statements, but reclassified as subsidies (capital gifts) in the financial statements of the reporting entity.
 - ii. The Fixed Assets Group should review the method and life utilized by the component unit to depreciate the transferred capital equipment. If the depreciation method or rate is in variance with OSC policy or ranges, a new depreciation method and rate for the remaining asset values not yet depreciated should be established.
 - iii. Equipment transferred from an affiliated organization that is considered a blended component unit may get complicated due to blending entries in the 13th month. Management may consult with the auditor, if necessary, to ensure proper treatment of the transfer and its effect on year end blending entries.

UNCSA Class List and Useful Life Ranges

Class	Useful Life in Years
AD - Art Depreciable	10
AN - Art No Depreciable	N/A
BA - Building Additions	50
BD - Buildings	50
BT - Bridges & Tunnels	50
CE - Computer Equipment	10
CS - Servers, Catalysts, Firewalls	10
ED - Educational Equipment	25
EL - Exterior Lighting	50
FE - Fences	50
FN - Furniture	10
IE - Industrial Equipment	20

LD - Land	N/A
LS - Landscaping	50
MI - Musical Instruments	30
MV - Motor Vehicles	15
OE - Office Equipment	15
OF - Office Furniture	10
OM - Other Motor Vehicles	7
OS - Other Structures	50
PA - Parking Areas	50
RS - Road Systems	50
US - Utility Systems	50

UNCSA uses guidelines established by GASBY in order to determine the useful life ranges. We also use historical data collected from Surplus Property sales and information from the end users to estimate useful life ranges.

DEPRECIATION

Depreciation is an accounting method used to allocate the total cost of a capital asset over its estimated useful life. The expected useful life of a capital asset is based on an estimate of how long the capital asset will be used or in usable condition. For depreciation purposes, equipment is assigned to asset classes and set depreciation rates. To ensure the depreciation rate of an asset class is reasonable and to monitor the appropriateness of amounts reported as accumulated depreciation on the financial statements, the depreciation rates assigned to asset classes are reviewed and adjusted as determined by management. UNCSA uses the straight line method of depreciation using the nearest month method to calculate depreciation. Depreciation is run annually after all the capital assets are entered for the fiscal year. This is typically run after June 30 of that year.

FULLY DEPRECIATED CAPITAL ASSETS

Because depreciation is intended to allocate the cost of a capital asset over its entire useful life, it normally is not appropriate to report assets still in service as fully depreciated. However, because differences may occur between estimated useful lives used for depreciation computations and actual useful lives, agencies may, in limited cases, report capital assets that are fully depreciated, but only if such balances are immaterial. If the balances of fully depreciated capital assets that remain in use are material, the related

estimated useful lives should be changed. Buildings are not considered fully depreciated if renovations and improvements have been capitalized as separate assets and the combined amounts (initial costs plus renovations/improvements) are not fully depreciated.

HOME USE OF UNIVERSITY PROPERTY

Because equipment purchased by the university is to further its educational mission and office space is provided to its faculty and staff, equipment should generally remain on campus. However, if it becomes necessary for equipment, including items (1) capitalized or (2) not capitalized that are high theft items such as laptop computers over a certain amount, to be taken off campus, such use of equipment may be approved by the department head.

- a) If approved, off-campus / home use of equipment allows university employees to take capital equipment home or on trips for use on university business. If the equipment is removed from campus for an amount of time greater than 60 days, or less if required by the capital assets policies and procedures, the employee responsible for the equipment must gain documented approval from the department head that owns the equipment. If approved, a form must be completed by the employee borrowing the equipment to authorize the removal of equipment. This form should be maintained in the department and a copy should be given to the employee using the equipment. The department should notify the *Capital Assets Group* to update the location in the *Capital Assets Management System* to “off campus / home use”. When the equipment is returned to the university, the department should notify the *Capital Assets Group* to update the location and condition of the equipment.
- b) Each year before the annual physical inventory, the employee and department should sign a new approval of off-campus / home use form. This confirmation must reaffirm that the original reasons the item was located off campus are still valid and that the department head continues to acknowledge his or her responsibility for the item.
- c) The approved off-campus / home use equipment should be returned to the department for purposes of the annual physical inventory inspection.
- d) Capital equipment that is moved to an off-campus business location (e.g., equipment moved to a research lab at another university that is a sub-contractor) must be approved by the department head via an Equipment Temporary Check Out Form and reported to the *Capital Assets Group* to change location in the *Capital Assets Management System*.

RECONCILIATION

Capitalized fixed assets must be reconciled monthly. The capitalized assets recorded in the Fixed Asset System will be balanced to the assets recorded on the general ledger. Any differences must be researched and resolved. The reconciliation must be documented and remain on file in accordance with record retention policies.

The following exceptions have been granted for all universities due to federal rules and regulations and systems restraints:

- 1) The dollar threshold for all universities will be \$5000 due to federal rules and regulations.
- 2) The component section of the policies will not apply to the universities due to current systems restraints.

These exceptions are granted on the agreement that if the federal grants regulations change their guidelines; the Universities will change accordingly to comply with federal and eventually the standard North Carolina Fixed Assets Policies.

SEGRAGATION OF DUTIES

The Fixed Asset Officer makes the entries to the Banner Fixed Asset System and tags the assets with the UNCSA Fixed Asset tag. The Fixed Assets Accountant prepares the adjustments form to recognize capitalized additions/deletions and adjustments to the Banner System and for the general ledger.

The Controller's office is responsible for reconciling the Fixed Asset System on a monthly basis.

RECEIVING, RECORDING AND TAGGING

A capitalized fixed asset is tangible property, such as land, buildings and equipment with a cost of \$5,000 or more and a useful life exceeding more than one year. These items are long-term in nature and may be subject to depreciation.

The Banner Fixed Asset Module (CAMS) automatically records the Fixed Asset when any item is purchased that is over \$5000 dollars. Once the Fixed Asset Coordinator completes the inventory verification, the record is updated in the Banner Fixed Asset Module (CAMS) to populate the additional information listed in the Inventory Certification section on page 10 of this manual.

PURPOSE

To set forth procedural instructions for permanent identification of equipment valued at \$5000 or more having a useful life exceeding one year.

OBJECTIVES

- 1) To maintain positive identification of assets upon receipt.
- 2) To provide an accurate method of identifying individual assets.
- 3) To ensure the assignment of accountability and provide a common ground of communication for both the Finance department and the asset's users.
- 4) To improve security of the University's property.

- 5) To control the location of all physical assets.
- 6) To aid in the maintenance of Fixed Assets.
- 7) To aid in the annual inventory.

RESPONSIBILITY

Taking the initial inventory: The Fixed Asset Officer is responsible for ensuring that newly acquired equipment meeting the cost criteria of \$5000 or more are tagged with the UNCSA tag. The following data should be recorded when the initial inventory is taken: the asset tag number, date of receipt, purchase order number, description, serial number, model number, custodian, asset manager and the location of the asset.

Inventory Certification: The Fixed Assets Office has the responsibility for maintaining a computerized data file on all University owned equipment valued at \$ 5000 or more having a useful life exceeding one year. Additionally, this office will also provide the following services:

- A. Issue asset tag numbers.
- B. Classify equipment in accordance with State Codes.
- C. Prepare documented descriptions, locations, and costs of property.
- D. Maintain records of transferred equipment requests.
- E. Provide documentation for financial statements.
- F. Perform spot audits to ensure compliance with University policy.

GENERAL INFORMATION

University departments enter purchase requisitions into the Banner system. If the items being ordered are fixed assets, the Fixed Assets Officer will review and approve the requisition. The requisition is submitted to the Purchasing Department for final approval. The Purchasing Department converts the requisition into a purchase order. The Fixed Asset Officer will keep a copy of the Purchase Order in a file called "Pending Assets". Once the University department receives and inspects the item, they will send an email to the Purchasing Banner Receiving box to notify Accounts Payable that items have been received and are in acceptable condition. Accounts Payable then keys the invoice and the Asset Extract Report is ran and reviewed by the Fixed Asset Officer. Items that fulfill requirements for capitalization and inventory are issued a fixed asset tag number.

PROCEDURES

1. **Assignment of Identification Numbers:** The Fixed Asset Officer is responsible for making sure that each piece of equipment that requires capitalization is assigned a fixed asset number.
2. **Generating a FFPOEXT Report:** This report is generated weekly listing invoices for \$5000 or greater from object codes 751001 through 759991. These reports are then reviewed by the Fixed Assets Officer to determine whether or not there are items to be capitalized. Those items that meet the criteria are then keyed into the Banner System.
3. **Receipt of Equipment Items:** Upon the receipt of equipment items, the University Departments are responsible for receiving and inspecting items.
4. **Tagging Equipment:** Generally, all fixed assets are tagged. The tag number is entered in the Banner Fixed Asset System. The tag number bearing the number assigned to the asset **must** be placed on the equipment.
5. **Tagging Procedures:** Consistently place asset tags in the same location on each similar type of asset. Place the tag where the number can be easily seen and identified in the inventory process. The suggested tag location for the various types of equipment is listed below:
 - a. **Office Machines:** Apply the asset tag on the left side of the machine case next to the serial number, if applicable. If this is not feasible, then on the left side or on the back of the item.
 - b. **Musical Instruments:** Apply the asset tag on the left side of the case. If this is not feasible; then on a smooth surface in some other location. Do not apply the asset tag directly on the instrument.
 - c. **Pianos:** Apply the tag on the left side, under the lip of the keyboard, at the top of the piano leg near the top of a smooth surface. If the Piano is to be used as a concert piano, the tag should be placed on the left leg at the bottom of the piano.
 - d. **Miscellaneous equipment not otherwise listed:** Apply the asset tag on an easily accessible location, preferably on the left side of the item or adjacent to the manufacturer's name plate or model number.
 - e. **Vehicles:** Asset tag should be placed in the driver's side door jam, near the VIN information if possible.
 - f. **Items, which have no surface suitable for affixing a UNCSA tag:** These items should be inventoried,

recorded and a number assigned by the decal number not actually affixed to the asset.

6. **Delivery of equipment:** When an item is delivered and the shipment is verified as a partial or complete, the assigned item number, serial number and delivery location should be recorded on the Receiving Report. The recipient of the goods should examine the shipment thoroughly to verify which items were received and send an email to the Banner Receiving box.
7. **Back orders or Partial Shipments:** In such instances whereby an order is checked as partial, the receiving department emails the Banner Receiving box to accept the initial delivery. Once all items on the Purchase Order have been received, the University department sends an email confirming remaining items have been received for the Purchase Order.

EMPLOYMENT TERMINATION

DESCRIPTION

Each individual employee terminating employment with the University must account for all property under the control and use of that employee prior to termination. Employees must sign an exit form which is certified by their immediate supervisor that all property including keys remains with the University.

PROCEDURE

In those cases where University Administrative Officers (Chancellor, Deans, Department Heads, Division Vice Chancellors, etc.) are terminating employment, the Fixed Asset Officer is notified of the termination by management. The Fixed Assets Officer is required to perform a physical audit for all fixed assets entrusted to their care.

CRITERIA FOR CAPITALIZATION

750000 CAPITAL OUTLAY: This object includes the payments for acquiring legal ownership to equipment, including the related inbound transportation and installation charges. For definition purposes, equipment possesses the following characteristics: It is not consumable or expendable; it is movable, even though sometimes attached to some other objects or buildings, it has an expected or useful life of longer than one year; it costs at least \$5000; and its use does not create a readily observable physical impairment or deterioration. Also, this object class includes the payment to acquire legal ownership to real property, to construct additions to land or buildings, and to equip and furnish buildings with equipment, furniture, furnishings, machinery, and component systems, thus, this object class includes all expenditures for tangible resources which are subsequently subject to fixed asset controls.

Office Equipment: This major object includes the payments for purchasing chairs, desks, tables, cabinets, file cabinets, typewriters, adding machines, bookkeeping machines, calculators, duplicating machines, bookshelves, and other equipment, furniture and furnishings used in offices, reception areas, lobbies, conference rooms, seminar rooms, and

similar areas.

EDP Equipment: This major object includes the payments for purchasing automatic and/or electronic data processing equipment, and includes the costs of central processing units, working storage, control units, peripheral equipment, and terminals. Also, it includes the costs of specialized cabinets, racks, furnishings not usable in non-data processing activities.

Educational Equipment: This major object includes the payment for purchasing educational, scientific, medical, laboratory, and classroom equipment and furniture for use in instructional, research, examination endeavors. It includes the costs of specialized library furnishings, recording studio equipment, audiovisual equipment and musical equipment. Also, it includes the cost of agricultural equipment when its use is for instructional or research purposes.

Motor Vehicles: This major object includes the payment for purchasing motor vehicles and other self-propelled, motorized equipment suitable for general use by the institution. It includes the costs of automobiles, trucks, motorboats, motorized campers, motorcycles, motor scooters, airplanes, and other motor vehicles and self-propelled motorized equipment suitable for general use.

Other Equipment: This major object includes the costs of specialized, motorized equipment, unsuited for general use by the institution, such as construction and maintenance equipment, which are not appropriate for inclusion in major object 5400, and the costs of other equipment, furnishings, and furniture not identified by major objects 751001 through 753001. Also, it includes the payments for purchasing agricultural equipment when its use is for maintenance of institutional grounds. It includes the costs of air conditioners, athletic equipment, and firefighting equipment, forklifts, furnaces, house trailers, lawn mowers, storage sheds, street sweepers, water coolers/fountains, and other items.

Land: This major object includes the payments to acquire legal ownership or title to real property in the name of the State or the institution. This major object is applicable only with capital improvement budgets.

Buildings: This major object includes the payments for construction, purchase, additions, alterations, enlargements, expansions, extensions, improvements, or buildings and other roofed and walled structures. Structural change projects would enhance the value of the building, increase its utility, and/or lengthen its useful life. It includes the costs of affixed or non-moveable component systems in buildings (both initial installations and replacement units), such as electrical, air conditioning, plumbing, communication, heating and transportation systems. It excludes the cost of transportation systems. It excludes the cost of initially equipping and furnishing buildings with non-affixed equipment, furniture, furnishings, and machinery; these costs should be included in appropriate equipment accounts, i.e., major object numbers 751001, 752001, 753001, and 755001. This major object is normally associated with capital improvement budgets, but can be used in operating budgets when the total costs of a qualifying completed project is at least \$ 5,000

and less than \$ 30,000. Projects costs of \$ 30,000 or more are chargeable to this major object in capital improvements budgets. Projects, which cost less than \$ 5,000, are to be treated as acquisitions of "755001 Other Equipment" (when the various above cited structural changes occur). All charges to this account are subject to capitalization as fixed assets.

Other Capital Outlay: This major object includes the payment for non-equipment capital outlays not identified by major objects numbered 756001, 757001, and 758001. It includes the costs of highways, roads, bridges, parking lots, sidewalks, roads, bridges, parking, landscaping, sewer systems, television transmission towers, other towers, tanks, wells, fences, water mains and hydrants, and other qualifying items. This major object is normally associated with capital improvement budgets, but can be used in operating budgets when the total costs of \$ 30,000 or more are chargeable to this major object in a capital improvements budget. All charges to this account are subject to capitalization as fixed assets

Modular Work Stations and Cubicles would not be considered a Fixed Asset unless the individual piece was over the Fixed Asset threshold of \$5,000. Modular work stations and cubicle pieces can be reconfigured and separated from the original parts, thus not meeting the definition of a Fixed Asset.

PHYSICAL INVENTORY

A physical inventory of capitalized fixed asset is taken to verify that capitalized assets physically located at the University are recorded in the fixed asset system. **This requires a hands-on inspection of each asset, verifying UNCSA tag, location and if applicable the serial number.** Inventories are taken at least annually and shall be completed prior to the financial reporting due date.

The Fixed Asset Officer will send inventory worksheets listing all tagged assets to the asset custodians, along with instruction on how to properly conduct the physical inventory. **The custodians shall locate all inventory items listed, update the inventory worksheet data, and return the information to the Fixed Asset Officer within 10 business days.** Upon completion of the physical inventory, the Fixed Asset Officer will update the Fixed Asset System as needed and send a missing items schedule and a final inventory printout to the department.

If a capitalized asset is missing at inventory, the Department Head receives Missing Asset memorandum to document the reason for the missing asset. Every effort shall be made to find the asset. All efforts must be documented and reviewed by management. Refer to the Missing Asset policy statement for further explanation.

POLICY & DESCRIPTION STATEMENT
MISSING/LOST ASSETS

Management is responsible for implementing procedures for maintaining control over and the safeguarding of assets. Physical security measures over facilities and authorized personnel must be established and documented. Department Heads are **FISCALLY** responsible for all property in their departments.

Fixed assets are considered missing when inventory is taken and assets are not found. This can occur because an asset has been moved to another location, sent to surplus, or stolen, etc. without the proper documentation being submitted to the Fixed Assets Office.

The physical inventory requires a hand-on inspection of each asset, verifying the silver UNCSA tag, location, model, serial number, and condition. Once the inventory is complete, the reports are returned to the Fixed Asset Officer. The Fixed Asset Officer then compares assets listed as missing at one location/division with assets found at other locations/divisions. If there are any matches, location changes are made to the Banner System to list it properly. If there are any missing assets after this process, a memo is sent to the person responsible for the asset along with an inventory list, which is to be signed and forwarded back to the Fixed Assets Office.

A fixed assets report, listing missing assets, will be available upon request from the Fixed Assets Office. The listing will be sent to the person responsible for the asset, who then will be required to document all the efforts made to find the missing assets. Notification will be sent to the Department Head / Dean after 90 days to notify them of the missing Asset and require a verification signature. After one year, the missing assets are compared to the next year's inventory. The Internal Audit Office will investigate those assets that are still missing after the one year period.. If the asset is still considered missing after the investigation by the Internal Audit Office it will be retired as a lost asset.

- Departments are responsible for safeguarding their assets and documenting the procedures in place to do so.
- If any equipment is reported missing during the physical inventory, the *Fixed Asset Coordinator* will search the Banner Fixed Asset Module to make sure the asset is not listed in another department inventory list.
- Equipment that is not located in the physical inventory process is considered missing and must be resolved.
- A missing equipment report will be produced and sent to the Department Head / Dean for signature.
- All missing equipment that appears suspicious in nature and likely a theft will be reported by the department to Campus Police and the Fixed Asset Office.
- Equipment subsequently located should be removed from the missing equipment report.

- If after the report to the Department Head / Dean equipment remains missing for 90 days an updated missing equipment report should be sent to the appropriate Dean.

If missing capital or non-capital equipment has been stolen, then contact should be made with the following departments, as needed, to report the theft:

- Campus Police
- Fixed Asset Office
- Internal Auditor
- SBI

If missing or stolen capital or non-capital equipment contains sensitive data such as personal identifying information, contact must also be made with the responsible oversight office over the investigation and reporting of loss of sensitive data should be made to the following, as needed:

- General Counsel
- Information Technologies
- Internal Auditor

SPOT CHECKS

Spot checks are performed by the Fixed Asset Office in order to validate the inventories performed by departments. Spot Checks are performed by the Fixed Asset Office or other independent group using a random, risk based or a combination of random and risk based selection. At a minimum, spot checks are performed when the following risk factors exist:

- A history of related departmental reporting issues or audit findings exist
- Unknown history of performance exist with the department or assigned individual due to the lack of previous monitoring procedures
- Known issues exist with the reporting by the department or the Fixed Asset Office
- Known issues exist with the related systems being used by the department or assigned individuals.
- There is a significant change event in the assigned related procedures or individuals
- There is a significant change event in the related systems being used by the department or assigned individuals

If the spot checks indicate missing assets not reported by the departments, the Fixed Asset Office will notify the University Controller and the follow the same procedures for reporting missing assets during the annual inventory.

THEFT OF A FIXED ASSET

According to G.S. 114-15.1, if any State property has been stolen, the employee discovering the theft must report the theft to his/her supervisor. This is to be done as soon as possible, but no later than three days from the day of discovery. The supervisor is then to notify the Campus Police as well as the Fixed Asset Officer.

Campus Police must notify the Director of the State Bureau of Investigations in writing within ten (10) days of being notified. The State Bureau of Investigation will then investigate the theft, if necessary. If the investigation reveals a violation of criminal laws, the district attorney will be contacted for legal action.

The fixed asset will be retired on the Fixed Asset System with a retirement code of "LS". Also the General Ledger would reflect an entry to reduce the fixed asset account.

PERSONAL USE OF PROPERTY

It is the policy of University of North Carolina School of the Arts that no University assets shall be used for the personal benefit of faculty, staff, students or the public at large. If for any reasons University assets are removed from campus or a campus facility, the faculty or staff so doing must have written approval from his or her supervisor, approved by the area Vice Chancellor. A copy of this approval must be forwarded to the Fixed Assets Office within twenty-four hours.

NON-CAPITALIZED INVENTORY (OFF-CAMPUS OR MOBILE FIXED ASSETS)

When a department head determines that it is necessary for a *University employee* to use or have access to University equipment off campus, the department must complete the Off Campus Equipment Form. This form must include the description, serial number, manufacturer, the name and title of the employee who has custody of the equipment, telephone number for the department head, and the off-campus location (address). The employee must sign the agreement which includes this note: "As a University employee user of the equipment listed on this form, I agree to return the equipment when requested and to complete a new form if I still have the equipment in my possession at the annual inventory date. While assigned to me, if the equipment is not returned when requested by the Department, I agree to repay the equipment's fair market value." The department sends the completed form to the Fixed Assets Officer. Under no circumstances should anyone remove an asset from campus ***prior to approval from department head/supervisor***. Removal of university equipment for off-campus use without department head approval could result in the individual being prosecuted for misappropriation of state property and/or larceny.

The employee and the department head/supervisor must renew the form during the physical inventory process each year (no later than January 31st).

Any missing items should be reported in accordance with the same procedures as capitalized fixed assets outlined above in Section II.

IMPAIRMENT OF A CAPITAL ASSET

A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. The events or changes in circumstances affecting a capital asset that may indicate impairment should be prominent. That is, the events or circumstances that may indicate impairment generally are expected to have already been the subject of discussion by the governing board or management or would otherwise have been the topic of press coverage. An example of impairment would be a natural disaster that damages a building and it can no longer be occupied until it is repaired.

TRANSFERRING ASSETS WITHIN THE UNINIVERSITY

A transfer should not be confused with a location change. A transfer takes place when the asset is moved from one department to another department. If the department does not change, it is a location change.

Assets are transferred when they are permanently moved out of one department to another. An Inventory Action Request Form should be completed and signed by the responsible custodian of the equipment. This form should be forwarded to the Fixed Asset Office to coordinate routing of the requested transfer.

Moving tasks can be performed by the designated moving unit within Facilities Management within reasonable working hours. If the asset is being moved to another location on campus the requesting department is responsible for making arrangements with Facilities Management. If outside help must be obtained, the requesting department must fund the expense.

LIMITATION

Moving services cannot be provided for the following items:

- Delicate Instruments
- Pianos
- Other items determined by Facilities Management

BUILDINGS

DESCRIPTION

Buildings are structures, which are permanent in nature. They will exist for more than one year and depending on the funding used for its purpose, may be subject to depreciation. Buildings are purchased in the normal course of doing business.

GUIDELINES

Buildings valued at over \$5,000 are capitalized. Those purchased for less than \$5000 are expensed.

Buildings are valued at the purchase price or construction cost. Cost should include all charges applicable to the building (i.e. broker's fees, architect's fees, interest on construction, etc.) Permanently attached fixtures to the building (i.e. heating and ventilation systems) should be included in the cost of the building.

Donated buildings shall be capitalized at the appraised fair market value at the time the building was donated. If the donated building is from the UNCSA Foundation, an affiliated organization, the asset is recorded at the carrying value from the UNCSA Foundation.

In-house resources such as labor, materials, and supplies from Facilities Management to construct or add on to the building, the costs are to be included as part of the cost of the asset. Capitalize the cost as if outside sources were used.

If an addition is constructed, it is added to the fixed asset system as a component to the original building. The addition is added to the fixed asset system as a separate asset, but tied to the original building with a component number.

Buildings that are leased follow the same policy as other fixed assets.

Maintenance expenses are incurred to keep assets in normal operation condition. Maintenance expenses are incurred to help maintain the original use of the building and do not extend the life of the building beyond the expected useful life at acquisition. Maintenance costs are expensed and not capitalized. The costs are charged to expenditure object 735XXX.

When a renovation/improvement is constructed, it is as a separate asset if it exceeds the capitalization threshold. Renovation and improvement costs are incurred to restore or improve buildings or other capitalized assets. Normally, these costs take place over an extended period. Care must be given to distinguish between maintenance and renovation over this period.

The long-term construction cost of the building is paid by capital improvement funds. Cost is accumulated while the building is under construction. Annually, they are recorded in the Construction-In-Progress account. When the department moves into the building, it becomes a fixed asset. The cost will be reclassified from the Construction-In-Progress account to the fixed asset building account.

ANNUAL REVIEW OF BUILDINGS

Buildings are reviewed during the annual insurance review conducted by the Purchasing office. The Director of Purchasing, Insurance and Contracts submits the property insurance list to the Associate Vice Chancellor (AVC) of Facilities Management for review. This review is for insurance and capital asset purposes. During the review, the AVC of Facilities Management is responsible for updating the Director of Purchasing, Insurance and Contracts of any changes made to buildings that relate to additions, renovations, demolitions, etc. that may change the replacement value that would reflect building capital assets. This review of the buildings is shared with the Fixed Asset officer to ensure all updates are made to the Banner Fixed Asset System.

ADDITIONS AND IMPROVEMENTS

An addition represents a new asset. It increases the physical size or operating capabilities of an asset through expansion or extension. Additions do not involve renovations. A new wing to a building or the addition of an air conditioning system to a building is examples of additions. Additions are considered separate assets.

Additions costs are different from maintenance costs. Additions add future benefits. Maintenance costs are incurred to keep the original asset in normal operating condition.

When recording an addition or improvement, if part of the asset is removed, the cost of the removed part must be also removed from BANNER. Use all of the available information to determine what the cost of the part being removed was when it was purchased, write-off that amount.

CONSTRUCTION AND MAINTENANCE COSTS

Construction of facilities and renovations are performed primarily with appropriated resources. If using in-house resources such as labor, materials and supplies from Facilities Management; they are included as a part of the costs of the asset. Assets are capitalized as if outside sources are used.

University of North Carolina School of the Arts adheres to the State Controller's guidelines issued effective July 1, 1989. Additions and improvements are capitalized if the total original cost of the asset, including the addition or improvement, is greater than \$5000. The addition or improvement is expensed if the total original cost plus the addition or improvement still remains under \$5000.

If costs are incurred to keep the asset in its normal operating condition and the life of the asset is not extended, do not capitalize the costs. They are expensed instead.

LAND

Land is the real estate property held by the State. The land can be purchased or otherwise acquired. Since land is considered not to have a limited useful life and its salvage value is unlikely to be less than its acquisition cost, land is not depreciated.

Purchased land should be entered at its cost. The cost includes its purchase price and any other charges necessary to purchase land. The other charges include costs such as site preparation expenditures, professional fees, and legal claims directly attributable to the land acquisition. If the land and buildings are acquired as a single parcel, the value of the land should be determined separately from the building and recorded in the land account. If land and a building are acquired together with the intent to raze the building, the cost of raising the building would be capitalized as part of the cost of the land.

Donated land should be capitalized at the appraised market value at the time of donation. If the donated land is from the UNCOSA Foundation, an affiliated organization, the asset is recorded at the carrying value from the UNCOSA Foundation.

Land is entered to the fixed asset system when the State takes ownership of the property.

SURPLUS PROPERTY

UNDER NO CIRCUMSTANCES CAN STATE-OWNED PROPERTY BE DONATED, TRADED-IN, OR GIVEN TO ANOTHER ENTITY WITHOUT APPROVAL OF THE STATE SURPLUS PROPERTY OFFICE.

School equipment that is no longer needed by a department cannot be thrown away or discarded. If not transferred directly to another school department, all school equipment, regardless of cost, must be sent to the **Surplus Property Office** for disposal.

WHAT IS SURPLUS PROPERTY?

Surplus Property is defined as any property which a department or office determines is no longer needed to continue its operation. This encompasses all school property no longer in use by a department. Departments should transfer all property and equipment to Surplus Property as soon as it is determined that it is no longer needed. Surplus property may not be discarded, given away, or converted to personal use.

ORDER OF PRIORITY IN DISPOSITION

UNCSA has a priority for the disposition of all State owned property. Surplus must be made available to other departments on campus. If it is not needed on campus, then it is made available to other State agencies, political subdivisions, or non-profit tax exempt organizations within the state. Only after it has been thru these processes can it be sold to the public using the public bid system.

UNCSA DEPARTMENT TRANSFER

Surplus property which may be of value to another campus department may be transferred to that department using the [Transfer/Surplus Property](#) form. Once both departments have signed this form, it should be submitted to Fixed Asset Coordinator. If the item is an asset, the FAC will send back a final form that has been signed by her indicating that the transfer is complete in the Fixed Asset system.

TRADE-IN OF EQUIPMENT

Some equipment, such as office machines may have a trade-in value on the purchase of new or similar equipment. When equipment is used for trade-in, the responsible department should submit a [Transfer/Surplus Property](#) form to the Surplus Property Officer, who must get approval from the State Surplus Agency. Once approval is received from the State Surplus Agency, the Surplus Property Officer will forward an approved copy of the [Transfer/Surplus Property](#) back to the requesting department. A [Transfer/Surplus Property](#) Form should be completed and sent to the Surplus Property Officer **before** the Purchase Requisition is completed. A notation should be made on the Purchase Requisition detailing the equipment to be traded-in.

HOW TO SURPLUS PROPERTY AND ARRANGE PICK-UP

A [Transfer/Surplus Property](#) form must be completed **prior** to sending any items to our Surplus Property Warehouse **or** to another department. The [Transfer/Surplus Property](#) form must be signed by the Dean or Department Head (no exceptions). The original surplus form needs to be sent to the Fixed Asset Coordinator. Once the form is received, the FAC will enter the work order for Facilities Management to arrange a pick-up for the surplus property. All work orders involving surplus property to be moved to the warehouse must be submitted to Facilities by the Purchasing Department. If your department is transferring items to another department on campus, the department is responsible for submitting the work order to Facilities. A copy of the surplus form **MUST** be attached to the item before Facilities Management will take the items to the Surplus Warehouse.

Multiple items that do not contain a serial or model number may be listed on one [Transfer/Surplus Property](#) form when declared surplus property. For example, if you are sending 20 student chairs to surplus just put "20 student chairs" in the description.

Fixed Asset items and electronic equipment should be listed separately on the [Transfer/Surplus Property](#) form.

If you are delivering surplus directly to the warehouse, all necessary paperwork must be completed prior to scheduling an appointment to deliver items to the warehouse.

RECYCLE

Surplus is committed to recycling as many items for the UNCOSA campus as possible. We meet this goal by having items that are declared surplus available for other departments to use. We are currently recycling most of our electronic equipment. This helps keep obsolete and broken equipment out of our landfills.

SURPLUS PROPERTY SALES TO THE PUBLIC THROUGH BIDS

Surplus property not needed by departments is listed with the State Surplus Property Agency in Raleigh, which advertises it for public bid. Interested parties may view bid sheets, vehicles lists, and place bids on line at <http://www.doa.state.nc.us/ssp/>.