

**EAST CAROLINA UNIVERSITY
CAPITAL ASSETS GUIDELINES
ISSUED - FEBRUARY 2012
UPDATED – JANUARY 2020**

INTRODUCTION

These guidelines are being provided by the University's Financial Services Office to promote efficiency and effectiveness within the Capital/Fixed Asset Group. The Capital/Fixed Asset Group is a generic term used to refer to one or more offices responsible for (1) maintaining the University's capital equipment asset inventory, (2) maintaining the detail information on individual assets for supporting the buildings and other capital assets reported on the University's financial statements, and (3) recording capital asset changes and depreciation on the University's general ledger. Key members to this group are the capital improvement/fixed assets accountant and the fixed assets coordinator in Financial Services. Other members include certain staff within Financial Services, Facility Services, and ITCS. For purposes of these guidelines the term capital assets management system refers to any method, system, or worksheet used to track and account for capital asset inventories and / or supporting detail information for each unique capital asset owned by the University. The University uses the Fixed Assets module within the SCT Banner Finance system. These guidelines are intended for use by employees or outside interested parties to assist in understanding management directives over required controls and procedures for identifying, tagging, recording, maintaining and reporting capital assets.

These guidelines are being issued in addition to the issuance of the UNC Business Process Standards Capital Assets Standards effective June 2016. Together they represent the University's policy over capital assets.

GENERAL:

1. CLASSIFICATION AND CATEGORY OF CAPITAL ASSETS:

Capital Assets are classified in accordance with the Office of State Controller requirements. The North Carolina Accounting System (NCAS) accounts used for capital assets are located at:

<https://www.osc.nc.gov/state-agency-resources/chart-accounts/balance-sheet-accounts/127xxx-capital-assets>

2. STANDARD ASSET LIVES:

Capital Assets standard lives fall within the ranges established by the Office of State Controller. The standard asset classes and ranges are located at:

<https://www.osc.nc.gov/state-agency-resources/statewide-policies/100-accounting-financial-reporting/depreciation>

3. DEPRECIATION:

The University uses the straight-line method of depreciation over the estimated useful lives of the assets, generally 25 to 50 years for general infrastructure, 30 to 75 years for buildings, 4 to 50 years for equipment (See Note below), and 5 to 20 years for computer software. When capital assets are acquired during the fiscal year, depreciation is computed using the half-year convention. Depreciation rates are established in accordance with the asset classes and ranges by the Office of State Controller. The standard asset classes and ranges are located at:

<https://www.osc.nc.gov/state-agency-resources/statewide-policies/100-accounting-financial-reporting/depreciation>

Details by capital equipment class are located at the on the ECU SharePoint website for Capital Assets at: <https://collab.ecu.edu/sites/capitalassets/Shared%20Documents/Forms/AllItems.aspx> in the Fixed Assets Job Procedures Manual under Useful Life Policy.

Note: The University has noted some outliers to the standard useful life range for equipment based on historical information and estimated useful lives information obtained from departments. This is evaluated annually and class ranges revised as needed.

EQUIPMENT:

4. EVALUATION FOR REASONABLENESS OF DEPRECIATION RATES:

In addition to completing an annual inventory of all capital assets identified and recorded in the University's capital/fixed assets system, we also conduct a secondary study to determine the useful life of all recorded assets. Each year during the annual inventory process, departmental coordinators are required to tell us how many years they are planning to keep their equipment. If the department reports that the equipment is no longer used and has no value, we encourage them to surplus the equipment. If the equipment is needed for parts, departments are instructed to fill out a cannibalization form and submit it to the Fixed Assets Office. The Fixed Assets Office generates the FYRF238 report at the end of each fiscal year, which pulls in assets with less than 2 years of remaining useful life. If any of these assets were reported on the annual inventory report that they were going to be surplused or cannibalized but have not, the Fixed Assets Coordinator contacts the department to determine if the useful life needs to be changed. Updates will be made to ensure no equipment is listed below 2 years of remaining life. Equipment that has been cannibalized will be disposed of. Equipment that is lost, surplused, or located in the ITCS sanitizing area with less than 2 years useful life will be updated and remain on the University's fiscal year end reports for depreciation. The University deems all equipment property of the University and it will be included in the depreciation process until sold, recycled, or trashed. The equipment will be disposed of after receiving approval from State Surplus Property.

5. ACQUISITION OF EQUIPMENT CAPITAL ASSETS:

The acquisition of capital assets is handled outside the Fixed Assets Office and is completed in several forms including Purchase Orders, and P-Card Purchases. The Fixed Assets Office runs a report to identify capital purchases made via Purchase Orders. All capital assets from P-Card purchases are pulled in on a separate report (FYMF124). The fixed assets accountant in Financial Services sends a list of gifts, donations, and leases to the Fixed Assets Office for review and tagging.

6. RECEIVING AND TAGGING OF EQUIPMENT CAPITAL ASSETS:

When a piece of equipment is purchased and paid for, personnel in the Fixed Assets Office gather the information from the accounting system through INB and determine which items should receive a fixed asset tag. When they tag the asset they record into their database the location, model, serial, VIN-(for vehicles), HULL-(for vessels) numbers, manufacturer and the responsible department's organization number.

The main criteria used for determining whether an asset should be tagged or not is:

1. The original cost is more than \$5,000; and
2. The item will last 2 or more years.

To deter theft and increase accountability, EDP (Electronic Data Processing) equipment such as laptops, servers and computers purchased at \$2,500-\$4,999 are tagged and tracked by the Fixed Assets Office but are not capitalized or depreciated.

Tagging an item allows us to assign a unique number that easily identifies the asset as ECU property. ECU fixed asset tags are white stickers with black lettering. Equipment purchased on Grant funds are tagged with a white with green and black lettering tag.

Occasionally, an asset meets the criteria to be tagged but it is not physically possible to place a sticker on it. For example, a piece of research equipment that is located underwater, or software or lab equipment that is too sensitive to be moved around for us to affix a sticker. In these cases, we still assign a number to it and record the asset's information in our capital assets system (INB database).

If a department discovers an asset that should be tagged but is not, they are instructed to let the Fixed Assets Office know the purchase information for the asset. We will research the item and tag it if necessary. If the tag has been removed from an item we ask the department to let us know and we will make an appointment to come and re-tag it.

Procedures for tagging assets are located on the ECU SharePoint website for Capital Assets at: <https://collab.ecu.edu/sites/capitalassets/Shared%20Documents/Forms/AllItems.aspx> in the Fixed Assets Job Procedures Manual under Tagging Equipment.

See also - Office of State Controller – Capital Assets Policies; *Tagging* at:
<https://www.osc.nc.gov/state-employees/statewide-policies/100-accounting-financial-reporting/tagging>

7. RECORDING OF EQUIPMENT CAPITAL ASSETS:

Once the tagging of the asset has been completed, the asset information is entered into the capital/fixed assets system (INB database) by a designated Fixed Assets staff member. The information recorded includes the unique fixed asset tag number, description, manufacturer, model, serial number, vehicle plate number (if applicable), location (which includes building and room number), original cost of asset, useful life, organization code of the responsible department, acquisition method, date of payment, asset type, condition, FOAP (original funding information), purchase order and invoice number, and the capitalization information. If the asset's original cost is over \$5,000 it is capitalized and depreciation is set up.

8. THE CAPITAL ASSETS SYSTEM FOR EQUIPMENT:

The capital/fixed assets database utilized by the University to record and track capital assets is a module within the SCT Banner Finance system. This system is automated and accessed via the INB (Internet Native Banner) portal. Access to INB is restricted. The portal is located at:
<https://banner.ecu.edu/>.

9. RECONCILIATION OF CAPITAL/FIXED ASSETS SYSTEM TO GL FOR EQUIPMENT CAPITAL ASSETS:

The Fixed Assets Coordinator utilizes several monthly reports to reconcile the fixed assets system in Banner to the GL. These reports are scheduled to run monthly and are deposited into the Banner Finance repository within the E-print system. Access is restricted.

E-print is located on the Financial Services website at:
http://www.ecu.edu/cs-admin/financial_serv/eprint/index.cfm.

A detailed listing and description of these reports is included in the Fixed Assets Job Procedures Manual under Reconciliation of Monthly Capitalized Assets and is located on the ECU SharePoint website for Capital Assets at:
<https://collab.ecu.edu/sites/capitalassets/Shared%20Documents/Forms/AllItems.aspx>.

10. ANNUAL CAPITAL EQUIPMENT INVENTORY:

Annual capital equipment inventory procedures are located on the Fixed Assets' website at:
<https://financialservices.ecu.edu/fixed-assets/> . This includes links to departmental inventory guidelines, instructions for inventory report look up, and other useful annual inventory information.

See also <https://financialservices.ecu.edu/fixed-assets-and-equipment-information>

See also – Office of State Controller – Capital/Fixed Assets Policies; *Physical Inventory* at: <https://www.osc.nc.gov/state-agency-resources/statewide-policies/100-accounting-financial-reporting/physical-inventory>

11. SPOT CHECK PROCEDURES:

The Fixed Assets Office performs on-site spot inspections of departmental equipment annually. Spot check procedures are included in the Fixed Assets Job Procedures Manual under Spot Checks located on the ECU SharePoint website for Capital Assets at: <https://collab.ecu.edu/sites/capitalassets/Shared%20Documents/Forms/AllItems.aspx>.

12. MISSING CAPITAL EQUIPMENT ASSETS:

Procedures for reporting lost, surplus, cannibalized, and stolen assets are located on the Fixed Assets website at: <https://financialservices.ecu.edu/fixed-assets-and-equipment-information>

13. FULLY DEPRECIATED EQUIPMENT CAPITAL ASSETS:

As of 2008, East Carolina University does not allow equipment to be fully depreciated. Items with a useful life of 2 years or less are reviewed annually and adjusted accordingly.

See section 4 for additional information.

14. OFF-SITE LOCATION OF CAPITAL EQUIPMENT ASSETS:

Procedures for equipment going off-site are located on the Fixed Assets website at: <https://financialservices.ecu.edu/fixed-assets-and-equipment-information> and the form for tracking off campus equipment can be viewed directly at: <https://financialservices.ecu.edu/wp-content/pv-uploads/sites/86/2018/05/ECU-Equipment-Change-in-Status-Form.pdf>

15. TRANSFERS OF CAPITAL EQUIPMENT ASSETS:

Procedures for transferring equipment are located on the Fixed Assets website at: <https://financialservices.ecu.edu/fixed-assets-and-equipment-information>

See also – Office of State Controller – Capital/Fixed Assets Policies; *Transfers of Capital Assets* at: <https://www.osc.nc.gov/documents/transfers-capital-assets>

16. CHANGE IN LOCATION OF CAPITAL EQUIPMENT ASSETS

Procedures for recording changes in location of equipment assets are located on the Fixed Assets website at: <https://financialservices.ecu.edu/fixed-assets-and-equipment-information>

17. SALES / DISPOSITION OF CAPITAL EQUIPMENT ASSETS:

Procedures for surplus, transfers, sales, or disposition of capital assets are located on the Fixed Assets website at: <https://financialservices.ecu.edu/fixed-assets-and-equipment-information>

18. SEGREGATION OF DUTIES REQUIREMENTS FOR THE CAPITAL EQUIPMENT ASSETS ACCOUNTING / REPORTING FUNCTION:

Follow Office of State Controller's of North Carolina policy at:
<https://www.osc.nc.gov/documents/separation-duties>

Also, a rolls and responsibilities matrix, as required by UNC FIT Standards is maintained and reviewed annually by the Financial Services Office with members of the Fixed Assets Office. This matrix is located on the ECU SharePoint website for Capital Assets at: <https://collab.ecu.edu/sites/capitalassets/Shared%20Documents/Forms/AllItems.aspx>.

19. FIXED ASSETS OFFICE RESPONSIBILITIES OVER CAPITAL EQUIPMENT ASSETS (INCLUDING YEAR-END PROCEDURES):

The Fixed Assets Office is responsible for all accounting classifications and entries to recognize capital asset equipment and their associated values first in the Fixed Assets system (INB database) and ultimately to the General Ledger which filters up to the financial statements and Note on Capital Assets.

Fixed Assets Office responsibilities are located on the Fixed Assets website at: <https://financialservices.ecu.edu/fixed-assets>. Specific details are included in the Fixed Assets Job Procedures Manual located in the ECU SharePoint website for Capital Assets at: <https://collab.ecu.edu/sites/capitalassets/Shared%20Documents/Forms/AllItems.aspx>.

20. FINANCIAL SERVICES OFFICE RESPONSIBILITIES OVER CAPITAL EQUIPMENT ASSETS (INCLUDING YEAR-END PROCEDURES / ADJUSTMENTS):

The Financial Services Office is responsible for reviewing the equipment reports received from the Fixed Assets Coordinator at fiscal year end and reviewing the class useful lives ranges.

As part of the year end process, the Capital Improvements/Fixed Assets (CI/FA) Accountant contacts Materials Management for a list of capital leases. Rental accounts are reviewed to look for items that could potentially be a capital lease. The CI/FA Accountant prepares an adjustment to properly record the capital leases and contacts the Fixed Assets Coordinator to ensure the equipment costs are accurately recorded.

As part of the year end process, the CI/FA Accountant receives information from each Foundation on donated equipment and provides this information to the Fixed Assets Coordinator. (Performed at the same time as item number 24.)

21. DEPARTMENTAL OFFICE RESPONSIBILITIES OVER CAPITAL EQUIPMENT ASSETS:

Departmental responsibilities are located on the Fixed Assets website at:

<https://financialservices.ecu.edu/fixed-assets/>

BUILDINGS, CONSTRUCTION IN PROGRESS (CIP), LAND AND INFRASTRUCTURE:

22. EVALUATION FOR REASONABLENESS OF DEPRECIATION RATES:

Estimated useful lives are determined based on historical information and communications with Facilities Services. The useful life of new construction is 75 years effective July 1, 2010. Prior to this, the useful life of new construction was set at 50 years. For a purchased building, the CI/FA Accountant in Financial Services consults with the Real Estate Office and/or Facilities Services to determine the purpose and useful life. The university uses a range of 2 to 50 years for purchased buildings. The useful life of improvements to buildings is set at 2 to 50 years. The CI/FA Accountant consults with Facilities Services to determine the useful lives within this range.

Remaining useful lives for buildings and infrastructure are reviewed by the CI/FA Accountant as part of the year end process. If it is determined that an asset will last longer than originally estimated, the useful life estimate is adjusted.

Class List for Buildings:

| | |
|-------------------------------------|--------------|
| New Construction Prior to 7/1/2010: | 50 years |
| New Construction After 7/1/2010: | 75 years |
| Purchased Buildings: | 2 – 50 years |
| Improvements to Buildings: | 2 – 50 years |

23. STANDARD PROCEDURES FOR IDENTIFYING BUILDING PROJECTS / ACTIVITIES FOR CI BUDGET CODES AND COMPLETING THE CIP WORKSHEET:

New projects are received from Facilities Engineering and Architectural Services throughout the year. The code and item number has already been assigned. At year end, the CI/FA Accountant in Financial Services requests information on the project to determine if it should be capitalized or expensed. Occupancy memos are received from Facilities Services throughout year. At year end, the CI/FA Accountant communicates with Facilities Engineering and Architectural Services to verify “occupied” projects. The cost of each project is obtained from the 725 report. Items are then classified accordingly as Construction in Progress, Buildings, Infrastructure or repair and maintenance costs.

The Financial Services Capital Assets SOPs are located in the Accounting Services SOP folder. All individuals in Accounting Services have access to this folder.

24. STANDARD PROCEDURES FOR IDENTIFYING BUILDING PROJECTS / ACTIVITIES FOR NON-CI BUDGET CODES AND COMPLETING THE CIP WORKSHEET:

The CI/FA Accountant runs a query to pull expenses from “construction” accounts. Financial Services reviews the query and discusses it with Facilities Services. Purchase orders are pulled and reviewed to determine if items should be expensed or capitalized. A query is also run to pull expenses from repair and maintenance accounts. This list is reviewed to determine if any of these expenses need to be capitalized.

The Financial Services Capital Assets SOPs are located in the Accounting Services SOP folder. All individuals in Accounting Services have access to this folder.

25. COMMUNICATIONS REQUIRED FOR REAL ESTATE PURCHASES, SALES/DISPOSITIONS, CAPITAL LEASES AND REAL PROPERTY TRANSFERS FROM AFFILIATED PARTIES OR REAL PROPERTY GIFTS FROM DONORS:

Communication between Financial Services and Business Services comes during the year end process when the CI/FA Accountant requests any purchases, sale/dispositions and capital lease information at year end. Dispositions include real property sold or destroyed. Each Foundation sends a list of noncash donations to the CI/FA Accountant who reviews it to determine if the University received any real property throughout the fiscal year. The CI/FA Accountant analyzes this information to determine items that should be capitalized and the proper classification (buildings, land or infrastructure). Appropriate journal entries are made and the lists of gifts are reconciled to the financial statements at year end.

The Financial Services Capital Assets SOPs are located in the Accounting Services SOP folder. All individuals in Accounting Services have access to this folder.

26. COMMUNICATIONS WITH FACILITIES OPERATIONS REGARDING BUILDING INFORMATION:

The CI/FA Accountant requests building scope information from Facilities Engineering and Architectural Services. This is used to determine if the project should be capitalized or expensed.

The CI/FA Accountant obtains a list of buildings from the General Administration website. This website is updated based on information gathered from across campus by the University's Institutional Planning, Assessment and Research (IPAR) office. The CI/FA accountant reconciles this list to information in the Banner Fixed Assets System. Differences are noted, researched and resolved. The fiscal inventory is done by the IPAR office.

27. COMMUNICATIONS WITH FACILITIES OPERATIONS OR OTHER APPROPRIATE OFFICE REGARDING MAINTENANCE, INSPECTIONS, AND MATERIAL IMPAIRMENTS:

The CI/FA Accountant communicates with Facilities Engineering and Architectural Services, Insurance and Risk Management, and Environmental Health and Safety to determine if there have been material impairments to capital assets in accordance with GASB 42. If there are extraordinary repairs and replacements, the magnitude is evaluated. Since the University does not componentize capital assets, an adjustment is made only if material to the financial statements as determined by the Accounting Manager. If historical values are not available for the repaired/replaced component, an estimate is made of the amount to retire.

28. UNDERSTANDING OF PROCEDURES OVER AUTHORIZING, PROCESSING, AND CERTIFYING CONSTRUCTION CONTRACT PAYMENT APPLICATIONS:

Facilities Engineering and Architectural Services and Financial Services initiate and approve and process payments for all CI projects. The financial services CI/FA Accountant must understand these processes and be familiar with the format of the Architect Certifications for the contractor payments.

29. UNDERSTANDING OF CI BUDGET ACCOUNTING AND REPORTING PROCESS (BD725):

The Financial Services Office oversees BD725's. BD725's should equal all 91 fund activities for year. The CI/FA Accountant uses BD725's to research questions and verify the Investment in Plant worksheet totals on particular projects.

30. CONSTRUCTION IN PROCESS VERSUS COMPLETED BUILDINGS AND REQUIRED COMMUNICATIONS:

Projects are reviewed and placed into service when Facilities Engineering and Architectural Services receives notification of beneficial occupancy. The occupancy memo is sent to Financial Services by Facilities Engineering and Architectural Services. If a project is not accepted by

June 30 of the current fiscal year it is classified as construction in progress. Facilities Services is contacted about occupancy on projects when related contracts are nearly paid out.

31. COST INCLUDED IN THE CAPITALIZATION OF BUILDINGS (INCLUDING CAPITALIZATION OF INTEREST):

The CI/FA Accountant reviews costs to determine what is capitalized in each building. These costs include the majority of all expenses related to the project except in cases when equipment and moveable furniture can be pulled out and either tagged or expensed out separately. Non-capital items identified not attached to the building are excluded from the costs of the building and are expensed. Occasionally land is included in the cost of the project and is must be capitalized separately. The Financial Services Bond Accountant provides the CI/FA Accountant with the interest costs. The interest costs are included in the cost of the building for capitalization.

32. RECORDING OF BUILDING, LAND AND INFRASTRUCTURE CAPITAL ASSETS:

The recording of building, land and infrastructure capital assets takes place at year-end. After the deletions worksheet is completed and building, land and infrastructure costs are verified and tied to the general ledger, they are given tag numbers. Projects that have been entered in the Banner Fixed Assets System in prior years are given a suffix to the asset number in the system.

The Financial Services Capital Assets SOPs are located in the Accounting Services SOP folder. All individuals in Accounting Services have access to this folder.

33. RECONCILIATION OF THE BANNER FIXED ASSETS SYSTEM FOR BUILDINGS, CIP, LAND AND INFRASTRUCTURE TO THE GL AND FINANCIAL STATEMENTS:

The Banner Fixed Assets System is maintained by the CI/FA Accountant for buildings, CIP, land and infrastructure. The CI/FA Accountant prepares a reconciliation of the Banner Fixed Assets System to the General Ledger and Financial Statements. This is reviewed yearly by the Accounting Manager along with the deletions worksheet.

The Financial Services Capital Assets SOPs are located in the Accounting Services SOP folder. All individuals in Accounting Services have access to this folder.

34. FINANCIAL SERVICES RESPONSIBILITIES OVER CAPITAL ASSETS (BUILDINGS, CIP, LAND AND INFRASTRUCTURE) INCLUDING YEAR-END PROCEDURES / ADJUSTMENTS:

Financial Services is responsible for all accounting classifications and entries to recognize capital asset categories and values that filter up to the financial statements and Note on Capital Assets.

Tasks:

- Evaluate fully depreciated assets and review to determine changes needed in class lives
- Review all CIP projects and determine if they are completed
- Record infrastructure and land expenses not included in CI activity
- Review for and record any demolished buildings
- Obtain and review information from campus on GASB 42 Capital Asset Impairments
- Complete OSC capital asset impairment worksheet
- Complete capital asset impairment note in auditor's package, if required
- Record donated assets additions
- Categorize new projects as expendable or capital for CIP
- Accrue CI capitalized interest
- Add completed buildings to Banner Fixed Assets
- Make other adjustments to Banner Fixed Assets for deletions and/or capital renovations to buildings
- Determine and accrue CI contract retainage and determine outstanding commitments
- Evaluate last architect certifications for work done & not billed. Estimate payable
- Prepare OSC note #220 Capital Asset Statistics
- Run depreciation for the current year. Banner records depreciation expense and accumulated depreciation
- Prepare OSC worksheets on changes in capital assets and depreciation 201 & 210

35. LINKS TO RELATED SITES:

Fixed Assets Office website:

<https://financialservices.ecu.edu/fixed-assets/>

Capital Assets Group SharePoint Site:

<https://collab.ecu.edu/sites/capitalassets/Shared%20Documents/Forms/AllItems.aspx>

Office of State Controller's policies over capital assets:

<https://www.osc.nc.gov/state-employees/statewide-policies/Section-100>