

100.455 Fixed Asset Accounting

Office: Business Services
Procedure Contact: Director of Business Services
Related Policy or Policies: Noted within procedure statement

Revision History

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A. Purpose

The following procedure provides for the consistent accounting of capital assets and serves as a reference for answering questions relating to capital assets. Capital assets comprise tangible property (also known as fixed assets, personal property and real property) and intangible property that are recorded as assets in the accounting records. The capital assets may be depreciated or amortized in the accounting records. This procedure pertains to the accounting for tangible capital assets. A separate, related procedure exists for the accounting of intangible assets (See Fiscal Procedure Manual 55.115).

SOU seeks to ensure that the policies and procedures related to purchasing and accounts payable are documented, communicated, clearly understood, and consistently applied.

B. Definitions

- Fixed assets: Tangible assets that last more than one year. Examples include land, buildings, equipment, vehicles, vessels, etc.

C. Procedures

APPLICATION OF FIXED ASSET ACCOUNTING PROCEDURES

Although the accounting theory of capitalizing and depreciating fixed assets is conceptually straightforward, applying the theory in practice gives rise to several complications that must be addressed:

Overwhelming Number of Fixed Assets:

Capitalizing and depreciating every one of SOU's fixed assets is impractical. To make the accounting theory practical, SOU has "capitalization thresholds," relating to specific dollar values, above which a fixed asset is capitalized (recorded as an asset) and depreciated over multiple years, and below which a fixed asset is fully expensed in the year of purchase. The use of the capitalization threshold divides fixed assets into "non-expendable" (capitalized and depreciated over multiple years) and "expendable" (expensed in the year of purchase).

Use of Estimates:

The accounting and depreciation of capital assets involves estimates and is knowingly inexact. To illustrate, each capital asset's service life, salvage value, and trade-in value can only be estimated. However, in accordance with generally accepted accounting principles, our capital asset accounting procedures involve estimates. The accounting procedures must correspond to generally accepted accounting principles, State of Oregon financial reporting procedures and OMB Circular A-21. Once established, the accounting procedures must be consistently applied.

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Multiple Special Case Issues:

The acquisition, depreciation, and disposal of capital assets creates many special cases, which have the tendency to make the accounting for each capital asset seem somewhat unique. To illustrate:

- Capital assets are acquired by many means - such as purchase, trade-in, donation, construction, installment purchase, rental, operating lease, and capital lease.
- Capital assets can have differing depreciation start dates, service lives, and components that are separately depreciated. Depreciation methods and salvage values can also differ, but for practicality and consistency purposes, SOU uses straight-line depreciation and zero salvage value for all capital assets.
- Capital assets are disposed of in varying methods - such as sold, scrapped, traded-in, and returned at the end of a capital lease.

Additional complications arise depending on purchases of single or groups of capital assets, ancillary costs, if:

- the capital asset is somehow related to another capital asset
- the capital asset purchased comprises multiple capital asset types
- a capital asset is acquired through multiple funding sources
- additional expenditures are incurred related to an existing capital asset.

Software Design

The Banner Fixed Assets software is very flexible but should not be expected to take into consideration every special case that is unique to a particular capital asset. As a result, the procedures to accomplish the accounting procedures must fit within the general design of our accounting software.

Varying Information Needs

The accounting for capital assets must provide sufficient information for managing the investment in capital assets. Capital assets' information becomes especially critical for (1) safeguarding of capital assets, (2) financial and managerial reporting, (3) insurance coverage, (4) facilities and administration rate proposals, and (5) distribution of insurance assessments.

C. OBJECTIVES OF BANNER FIXED ASSETS ACCOUNTING SYSTEM

Capital assets are recorded in the Banner Fixed Assets system. Banner Fixed Assets is a module of the Banner Financial Information System (FIS), which contains the official accounting records. This system provides information for:

- Safeguarding Capital Assets (recording location and disposition)
- Financial and Managerial Reporting (recording capitalized cost and depreciation)
- Insurance Coverage (recording replacement and insurance values)
- Facilities and Administration Rate Proposals (recording use, location, funding source, and depreciation)
- Distribution of Insurance Assessments (recording the funding source)

Banner Fixed Assets includes records of all capital assets (except land). For insurance coverage, Banner Fixed Assets also includes records of certain non-capitalized personal and real property (e.g., property used but not owned by SOU such as rental and operating leases).

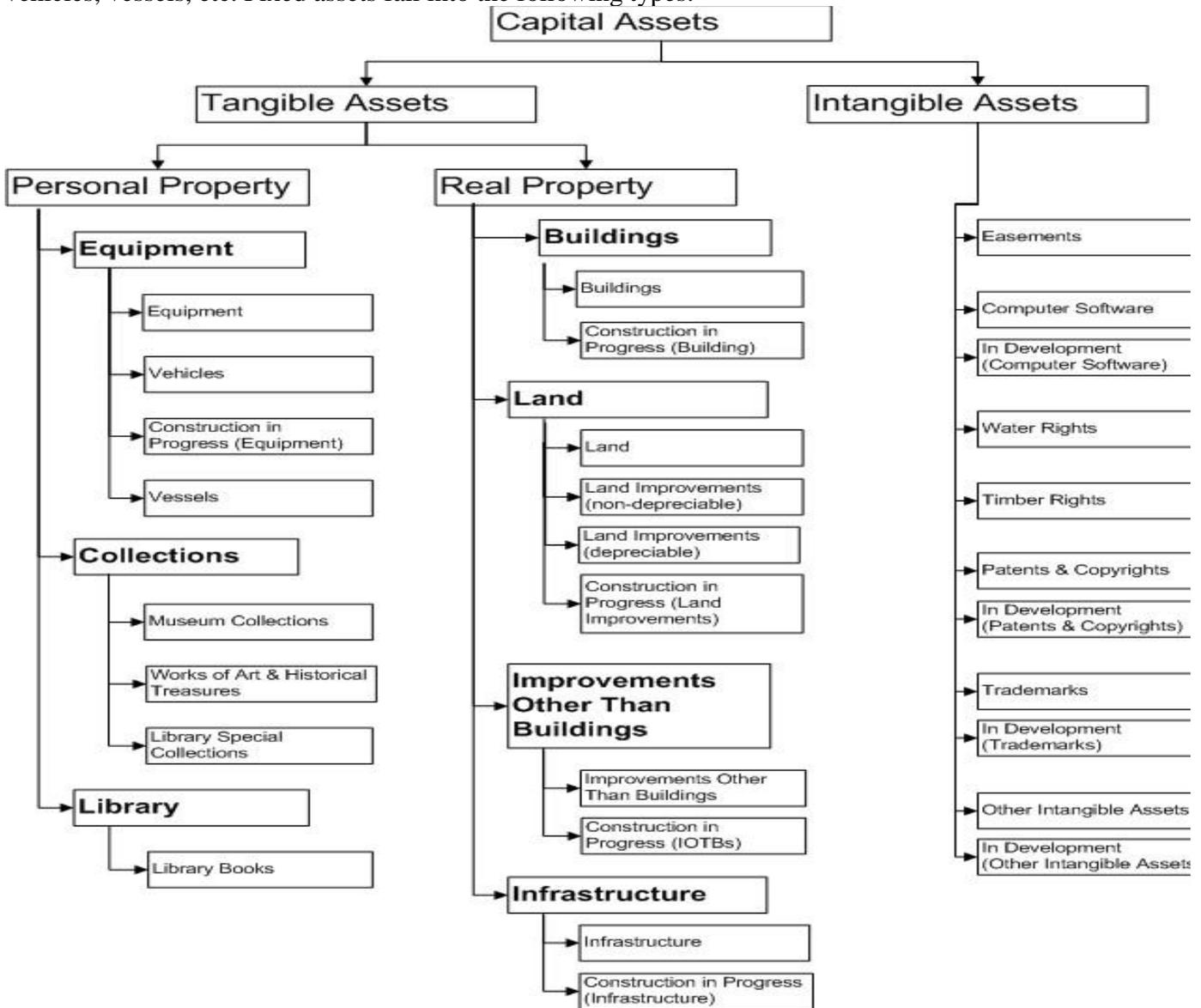
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The following information about capital assets is not tracked by the Banner Fixed Assets System and is the responsibility of each university to track and maintain. Departments maintaining supplemental databases of capital assets are responsible for reconciling those databases to Banner Fixed Assets. Examples:

- Detail of grouped assets. For example, Banner Fixed Assets records the total cost of library books so a separate database of the detail must be kept by the library.
- Building space inventories used for preparing facilities and administration rate proposals.
- Maintenance records.

Information regarding the condition of real property. SOU Facilities Division maintains real property records pertaining to deferred maintenance, seismic studies, etc. Banner Fixed Assets has a "condition" field, which is updated at every physical inventory of personal and real property.

Fixed assets are tangible assets that last more than one year. Examples include land, buildings, equipment, vehicles, vessels, etc. Fixed assets fall into the following types:



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Capital assets refer to fixed assets that are recorded as assets in the Banner FIS General Ledger. Capital assets are not expensed in year of purchase, but are capitalized and depreciated over multiple years. For example, the purchase price of a vehicle with a five-year service life should be recorded as a capital asset and then spread as a monthly depreciation expense over a five-year period.

For additional definitions applicable to accounting for fixed assets refer to Appendix .790 of this procedure.

RESPONSIBILITIES

Department:

- Determining needs.
- Working with Service Center to make purchases.
- Reviewing and signing off on inventory reports.
- Safeguarding capital assets.

Service Center:

- Coordinating purchasing efforts.
- Determining whether an item meets capitalization thresholds.
- Selecting the proper assets account codes to categorized type of asset.
- Communicating with Business Services to place the asset into inventory records within Banner.
- Maintaining supporting documentation for all transactions in Banner Fixed Assets and Banner FIS. Holding supporting documents in accordance within institution document retention polices.
- Providing property control over capital assets, which involves conducting periodic capital asset physical inventory count, by issue regular inventory reports to departments for verification of assets held and on inventory. Communicating information to Business Services for making adjustments to Banner Fixed Assets as appropriate.

Business Services/Controller:

- Recording capital asset transactions in Banner Fixed Assets and Banner FIS, including:
 - Acquisition, depreciation, disposal of capital assets, and corrections of capital asset records.
 - Completion of year-end accounting procedures related to capital assets.
 - Reconciling Banner Fixed Assets to Banner FIS.
 - Reconciling university supplemental databases to Banner Fixed Assets.
 - Providing certifications that capital asset accounting functions have been completed.
- Developing accounting procedures pertaining to capital assets.
- Coordinating with the Service Center to insure accurate and complete accounting records.
- Maintaining and updating Banner Fixed Assets validation tables.
- Preparing capital asset sections of annual financial statements.

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GENERAL ACCOUNTING PROCEDURES

A. PROPRIETARY AND NON-PROPRIETARY FUNDS

Proprietary funds comprise auxiliary enterprises (fund types 20-29) and service departments (fund type 13). Proprietary funds are intended to be self-supporting. To accurately reflect the financial position of each proprietary fund, capital asset transactions pertaining to proprietary funds are recorded as follows:

- Expenditures for personal property are capitalized, and depreciated in proprietary funds.
- Expenditures for real property are charged to unexpended plant funds (fund type 81), or renewal and replacement funds (fund type 83) and then capitalized and depreciated in the proprietary funds. Resources will be transferred from the Proprietary Fund to the Unexpended Plant Fund, to insure adequate cash flow needs.

Non-proprietary funds comprise university operations that are not included in proprietary funds (includes current operating funds within fund types: 11 [Budgeted Operations], 12 [Designated Operations], & 30 [Restricted Funds])

- Expenditures for personal property are initially charged as an expense for budget monitoring purposes to the non-proprietary fund using a 4xxxx account code. The purchase is then capitalized and depreciated in the investment-in-plant fund (fund 890000).
- Expenditures for real property are charged to the unexpended plant funds (fund type 81) or budgeted operating funds (fund type 11), 004000 Repair and Remodeling funds and then capitalized and depreciated in the investment-in-plant fund.

B. RESERVE PROCEDURES

Auxiliary enterprises and service departments are required to set aside funds on a periodic basis to help ensure that sufficient funds are on hand for equipment replacement and building repair. These procedures are outlined in Internal Management Directive 6.350.

.180 CAPITALIZATION PROCEDURE

A fixed asset is capitalized only if it meets all of the following conditions:

- Owned or considered owned ⁽¹⁾ by the University.
- Held for operations (not resale).
- Has a useful life that exceeds one year.
- Meets the capitalization threshold.

(1) "Considered owned" refers to capital leases (see fiscal procedure 05.281 Accounting for Leases), leasehold improvements and "conditionally owned" assets purchased with grant/contract funds.

The tables in Appendices .711 and .712 provide additional information of the capitalization thresholds and also the account codes used in the proprietary and non-proprietary funds for purchasing and capitalizing fixed assets. The information included in these appendices is integral to this procedure.

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ACCOUNT CODES

FIXED ASSETS/ACCUMULATED DEPRECIATION

Account Type 18 = Capital Expense:

- Used for capitalizing the expenditures on new personal property fixed asset purchases associated with proprietary funds (Auxiliary Enterprises & Service Centers).

Account Type 73 = Capital Expense:

- Used for capitalizing the expenditures on new personal property fixed asset purchases associated with non-proprietary funds. They are also used for real property purchases.

Account Type 78 = Depreciation/Amortization Expenses:

- Used to record the depreciation expense of assets. The expenses will be recorded in a proprietary fund (when associated with a proprietary funds purchases), or will be recorded within the Net Investment in Plant fund for all non-proprietary fund asset purchases.

ACQUISITION OF CAPITAL ASSETS

A. PURCHASE

Purchases of capital assets are processed through the Banner FIS accounts payable system.

Purchases of personal property from proprietary funds (auxiliary enterprises and service departments) involve using an "asset" A80xx general ledger account code to purchase and capitalize the asset in the proprietary fund.

Purchases of personal property from non-proprietary funds involve initially charging the purchase, for budget tracking purposes, to a 401xx or 402xx operating ledger account code and capitalizing the asset in the investment in plant fund.

Purchases of real property typically involve multiple invoices and multiple payments. The payments are initially recorded throughout the year with real property 403xx, 404xx, 405xx, or 407xx account codes in fund types 11 - Budgeted Operations, 81 - Unexpended Plant Funds and 83 - Renewal and Replacement Funds. Periodically (at least annually), the real property account codes are reviewed to determine which of those expenditures should be capitalized as construction in progress, or completed assets in Banner Fixed Assets. For additional information, see D Construction, below.

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B. TRADE-IN

The trade-in of an old asset towards the purchase of a new asset often results in a gain or loss because the old asset's trade-in value differs from its book value (cost less accumulated depreciation). SOU recognizes gains and losses on exchanges for both similar (e.g., a vehicle for a vehicle) and dissimilar (e.g., a vehicle for machinery) assets.

Calculation of Gain or Loss

The gain/loss on the trade-in is calculated by the purchase price of the new asset less the sum of the cash paid and the net book value of the old asset. The gain or loss needs to be recorded in the accounting records, based on the calculation and accounting below.

The net book value of the old asset is the amount recorded in Banner Fixed Assets. It comprises the old asset's capitalized value less its accumulated depreciation.

The purchase price of the new asset is the amount one would pay in cash if no trade-in was involved. The purchase price maybe different from the list price, because often the actual purchase price for a new asset is less than the manufacturer's list price.

Accounting for Gain or Loss

Gains and losses should be recognized in the year the asset is traded-in.

For proprietary funds, gains and losses are recorded as part of the trade-in.

For non-proprietary funds, neither Banner FIS nor Banner Fixed Assets records the gain or loss on the trade in. Because of how Banner Fixed Assets works, the cost and accumulated depreciation of the old asset is simply removed from the investment-in-plant fund and the remaining book value is an adjustment to the investment-in-plant fund balance. The proceeds from the trade-in of an asset are recorded as a gain on sale in the fund that traded in the asset.

C. DONATION

SOU receive donations of capital assets. Donations of capital assets should be recorded in the accounting records as revenue at the fair value at date of receipt, and capitalized in the accounting records. The methodology used for determining fair value should be documented. The university's valuation might differ from the donor's valuation. Fair market value may be determined by:

A written appraisal,

A qualified expert on the faculty or staff if he or she is considered to hold special knowledge or expertise related to the property being donated,

Documentation obtained from a qualified outside source such as "blue book" or a knowledgeable dealer, or Identifying what it would cost the university if it were to purchase the gift outright from a vendor or an original bill of sale for new equipment.

Refer to appendix .714 of this procedure for detailed accounting instructions pertaining to donations of personal property and real property.

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D. CONSTRUCTION

Construction typically pertains to real property (e.g., land improvements, buildings, IOTBs, infrastructure) and involves the payment of many invoices over a long period of time. Expenditures for construction projects are paid from fund types 11 - Budgeted Operations 004000 Repair and Remodeling, fund type or 81 - Unexpended Plant Funds. When completed, the total cost of a construction project should be capitalized and then allocated over multiple years through depreciation expense.

The following accounting issues arise:

Construction in Progress

At fiscal year-end when preparing annual financial statements, expenditures are divided into "expenses" and "amounts to be capitalized."

Capitalized Expenditures

Expenditure of incomplete construction projects must be capitalized but not depreciated until the project is complete. These expenditures become "Construction in Progress (CIP)." CIP is an asset account that reports the total capitalized expenditures of construction projects that are incomplete at fiscal year-end.

Determination of When to Remove Projects from Construction in Progress (CIP) and Begin Depreciation.

The project should be removed from CIP and depreciation should begin when the project is substantially complete. "Substantially complete" means receipt of an unconditional certificate of occupancy from the appropriate state and/or local building officials and the majority (i.e. 98%) of the expenditures related to the project have been paid.

A project is complete when all invoices have been paid and the funds related to that project are closed. Ideally, projects would not be capitalized as a completed asset to be depreciated until the project is complete. The difficulty, however, is that a project maybe substantially complete and in operation, but miscellaneous expenditures continue to occur for several years until all invoices are finally paid and the funds are closed. In the meantime, the project has not been capitalized as a completed asset, and is not being depreciated. For this reason, the project should be removed from CIP and depreciation should begin when the project is substantially complete.

Frequency of Identifying and Capitalizing Projects

Expenditures of construction projects should be identified and capitalized periodically throughout the fiscal year but at least once at the end of each fiscal year. Expenditures of substantially completed projects should be removed from CIP to completed assets in the month of completion and immediately begin to depreciate.

Recording Additional Expenditures After Capitalization

Once a project has been capitalized and depreciation has started (i.e., no longer construction in progress), any additional capital expenditure should be added to the asset's capitalized value in Banner Fixed Assets. For example, if a \$10,000 capital invoice is paid two years after the capitalization of a \$500,000 building with a 30-year life, the \$10,000 would be added to the \$500,000 capitalized value in Banner Fixed Assets. The additional \$10,000 will be depreciated over the remaining life of 28 years.

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Once a project is capitalized and depreciation has started, no additional expenditures related to that project will ever be "construction in progress." As part of year-end closing procedures, all additional expenditures will be added to the capitalized value of the existing asset.

Reconciliation of Capitalized Expenditures.

Each university needs to provide a reconciliation at the end of each fiscal year to show that the capital expenditures and capital asset donations, less capital asset disposals, agree to the change in the Banner FIS fixed asset account code balances.

See Year-end Accounting Procedures Related to Capital Assets.

E. INSTALLMENT PURCHASE

Some fixed assets are acquired and owned by a university but not immediately paid for. The payments occur over multiple years. Accounting procedure for installment purchases (that exceed the capitalization threshold) is to capitalize the fixed asset and to create a liability in the accounting records for the principal portion of the installment purchase. The university must maintain a loan amortization schedule for each installment purchase.

ORS 283.085 - .092 requires approval of the Department of Administrative Services for financing arrangements in excess of \$100,000.

F. CAPITAL LEASE

A capital lease is somewhat similar to an installment purchase. Although the university does not own the fixed asset being leased, the terms of the lease are such that the university in essence "purchases" the asset. If the leased fixed asset meets the capitalization threshold, and if the lease meets one or more of the following criteria, it is capitalized and becomes known as a "capital lease:"

The lease transfers ownership of the property to the lessee by the end of the lease term.

The lease contains an option to purchase the leased property at a bargain price.

The lease term is equal to or greater than 75 percent of the estimated economic life of the leased property (e.g., lease term six years, estimated life eight years).

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

Capital leases should be recorded in Banner Fixed Assets. The amount to be recorded upon signing the lease is the present value at the beginning of the lease term of the minimum lease payments during the lease term, or the fair value of the leased property, whichever is less. Executory costs (e.g., insurance and maintenance) are not included for purposes of calculating minimum lease payments.

The university must maintain an amortization schedule for each capital lease. The periodic lease payments are divided between the lease obligation and interest as determined by the amortization schedule.

See Year-end Accounting Procedures Related to Capital Assets.

See Fiscal Procedure 05.281, "Accounting for Leases" for additional information.

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G. RENTAL

Some fixed assets are not purchased, but rented on a month-to-month basis. Since rented fixed assets are only used but not owned by SOU, the accounting procedure is to expense the rental payment in a 240xx account code and not to capitalize the fixed asset.

Although rentals are not capitalized, they may be included in Banner Fixed Assets for insurance coverage purposes.

H. OPERATING LEASE

Operating leases are similar to rentals except that the rental agreement has a specific time period. SOU accounting procedures for operating leases are the same as for rentals, except that at the end of each year for financial reporting purposes, each university must provide a listing of all operating leases and the expected future payments of those operating leases. Since operating leases are not recorded in Banner Fixed Assets, each university needs to maintain separate records of operating leases.

Although operating leases are not capitalized, they may be included in Banner Fixed Assets for insurance coverage purposes.

See Year-end Accounting Procedures Related to Capital Assets.

See Fiscal Procedure 05.281, "Accounting for Leases" for additional information.

.210 DEPRECIATION OF CAPITAL ASSETS

Depreciation is defined as, "The accounting process of allocating the cost of tangible assets to expense in a systematic and rational manner to those periods expected to benefit from the use of the asset. Depreciation is not a matter of valuation but a means of cost allocation. Assets are not depreciated on the basis of a decline in their fair market value, but on the basis of systematic charges to expense."

SOU uses straight-line depreciation with zero salvage value, and useful lives that vary depending on the type of asset. Refer to the asset type table maintained by the Controller's Division.

The table in Appendix .721 provides additional detail of depreciation procedures by account code. The information included in the appendix is integral to this procedure.

.220 DISPOSAL OF CAPITAL ASSETS

When capital assets wear out or become obsolete, they are sold, scrapped, traded in, or may be returned at the end of a capital lease.

When disposing of capital assets, departments must follow the rules outlined in SOU Surplus Property disposal procedures. Surplus Property disposal procedures will be represented on the SOU website (search on "Surplus Property").

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Disposing of a capital asset requires removing the asset's net book value from the accounting records. This involves removing the original cost and the accumulated depreciation of the asset. Any difference between the proceeds received and the net book value represents a gain or loss on the disposal of capital assets.

For proprietary funds, gains and losses are recorded in the proprietary funds using account codes

- 08030 - Gain on Disposal of Capital Asset
- 42001 - Loss on Disposal of Capital Asset

For non-proprietary funds, no losses are recorded and any and all cash proceeds received are recorded in 06981 - Sale or Trade-In of Assets. Because of how Banner Fixed Assets works, the cost and accumulated depreciation of the old asset is removed from the investment-in-plant fund and the remaining book value is charged to E1001 - "NIP Change in Fixed Asset" which at year end is closed to fund balance.

Capital assets disposals are entered into the accounting records when they take place.

.230 YEAR END ACCOUNTING PROCEDURES RELATED TO CAPITAL ASSETS

Library Accounting

Significant work is needed at year-end to capitalize additions, and to record disposals and annual depreciation to university libraries.

Refer to SOU Fiscal Procedure 55.105 - Library Accounting and the annual Closing of the Books Instructions.

Construction in Progress

Refer to the annual Closing-of-the-Books instructions.

As a result of GASBs 35, SOU must report the total expenditures of construction in progress (CIP) at the end of each fiscal year.

Capital and Operating Lease Disclosures

Refer to SOU Fiscal Procedure 05.281 "Accounting for Leases" and the annual Closing of the Books instructions.

.690 CONTACT INFORMATION

Direct questions about this procedure to the following offices:

Subject	Contact
General questions from institutional personnel	Service Center
General questions from Service Center	Business Services/Controller's Office

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APPENDIX

.710 CAPITALIZATION THRESHOLDS

.711 CAPITALIZATION THRESHOLDS, FUND AND ACCOUNT CODES - PROPRIETARY FUNDS

Type of Capital Asset	Capitalization Threshold	Account Codes Used in Proprietary Funds	
		for PURCHASE	for CAPITALIZATION
Equipment, Livestock, Vehicles, Vessels	Unit cost \geq \$5,000	A8011 - Equipment (includes livestock) A8012 - Vehicles A8015 - Vessels	Same
Museum Collections	Total cost of museum collection \geq \$5,000	A8031 - Museum Collections	Same
Works of Art and Historical Treasures	Unit or total cost of artwork \geq \$5,000	A8032 - Works of Art & Historical Treasures	Same
Library Special Collections	Total cost of collection \geq \$5,000	Not applicable to proprietary funds.	Not applicable to proprietary funds.
Library Purchases (General Books, not online subscriptions)	University library purchases are capitalized regardless of amount. Online subscriptions & departmental library purchases are expensed.	Not applicable to proprietary funds.	Not applicable to proprietary funds.
Land	All acquisitions of land are capitalized regardless of amount. Purchases of buildings require that a portion of the cost be allocated to land.	Land purchases may only be charged to unexpended plant funds (fund type 81). Account code 403xx, except 40303 and 40304	A8121 - Land
Land Improvements	Land Improvements \geq \$75,000	See Note 1	A8123 - Land Improvements (non-depreciable) A8124 - Land Improvements (depreciable)
Buildings	All buildings \geq \$50,000 are capitalized. Purchases of buildings require that a portion of the cost be allocated to land.	See Note 1	A8111 - Buildings
Buildings - Additions	Total cost of additions \geq \$100,000.	Construction of building additions are charged to unexpended plant funds (fund type 81) Account code 405xx	A8111 - Buildings
Buildings - Major Improvements	All major improvements - See .715 Capitalization of Real Property - Additional Clarifications.	Account code 405xx See Note 1	A8111 - Buildings
Buildings - Normal Repair and Maintenance	Not capitalized	Use a maintenance/repair 235xx account code.	Not capitalized
Buildings - Major Repair and Maintenance	Not capitalized	Use a maintenance/repair 235xx account code. See Note 1	Not capitalized
Improvements other	IOTBs \geq	Account code 404xx.	A8131 - Improvement Other

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than Buildings (IOTBs)	\$50,000	See Note 1	Than Buildings
Infrastructure	Infrastructure ≥ \$75,000	Account code 407xx. See Note 1	A8141 - Infrastructure

Additions or major improvements to IOTBs or infrastructure should be accounted for the same way as new IOTBs or new infrastructure. Acquisitions of fixed assets not meeting the above capitalization thresholds should be recorded as an expense in the accounting records.

Note 1: Expenditure may only be made from fund types 11 - Budgeted Operations (fund series 004000), fund type 81 - Unexpended Plant Funds, or fund type 83 - Renewal and Replacement Funds.

.712 CAPITALIZATION THRESHOLDS, FUND AND ACCOUNT CODES - NON-PROPRIETARY FUNDS

Type of Capital Asset	Capitalization Threshold	Account Codes Used in Non-Proprietary Funds	
		for PURCHASE	for CAPITALIZATION in Investment in Plant Fund
Equipment, Livestock, Vehicles, Vessels	Unit cost ≥ \$5,000	40101 - Equipment 40102 - Livestock 40104 - Vehicles 40201 - Vessels	A8011 - Equipment (also used for Livestock) A8012 - Vehicles A8015 - Vessels
Museum Collections	Total cost of museum collection ≥ \$5,000	40103 - Artwork/Collection Items	A8031 - Museum Collections
Works of Art and Historical Treasures	Unit or total cost of artwork ≥ \$5,000	40103 - Artwork/Collection Items	A8032 - Works of Art & Historical Treasures
Library Special Collections	Total cost of collection ≥ \$5,000	40190 - Library Purchases	A8033 - Library Special Collections
Library Purchases (General Books, not online subscriptions)	University library purchases are capitalized regardless of amount. Online subscriptions & departmental library purchases are expensed.	40190 - Library Purchases	A8042 - Library Books (General)
Land	All acquisitions of land are capitalized regardless of amount. Purchases of buildings require that a portion of the cost be allocated to land.	Land purchases may only be charged to unexpended plant funds (fund type 81). Account code 403xx, except 40303 and 40304	A8121 - Land
Land Improvements	Land Improvements ≥ \$75,000	Account code 40303 - 40319. See Note 1	A8123 - Land Improvements (non-depreciable) A8124 - Land Improvements (depreciable)
Buildings	All buildings ≥ \$50,000 are capitalized. Purchases of buildings require that a portion of the cost be allocated to land.	Building purchases and construction may only be charged to unexpended plant funds (fund type 81). Account code 405xx	A8111 - Buildings
Buildings - Additions	Total cost of additions ≥ \$100,000.	Construction of building additions are charged to unexpended plant funds	A8111 - Buildings

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		(fund type 81). Account code 405xx .	
Buildings - Major Improvements	All major improvements - See .715 Capitalization of Real Property - Additional Clarifications.	Account code 405xx. See Note 1	A8111 - Buildings
Buildings - Normal Repair and Maintenance	Not capitalized	Use a maintenance/repair 235xx account code.	Not capitalized
Buildings - Major Repair and Maintenance	Not capitalized	Use a maintenance/repair 235xx account code. See Note 1	Not capitalized
Improvements other than Buildings (IOTBs)	IOTBs \geq \$50,000	Account code 404xx. See Note 1	A8131 - Improvement Other Than Buildings
Infrastructure	Infrastructure \geq \$75,000	Account code 407xx. See Note 1	A8141 - Infrastructure

Additions or major improvements to IOTBs or infrastructure should be accounted for the same way as new IOTBs or new infrastructure. Acquisitions of fixed assets not meeting the above capitalization thresholds should be recorded as an expense in the accounting records. (Note: The unit cost threshold does not apply to personal property attachments, however the threshold does apply to the asset as a whole.)

Note 1: Expenditure may only be made from fund types 11 - Budgeted Operations (fund series 004000), fund type 81 - Unexpended Plant Funds and fund type 83 - Renewal and Replacement Funds.

.713 CAPITALIZATION THRESHOLDS - ADDITIONAL CLARIFICATIONS

Ancillary Charges

The capitalized cost of the fixed asset should include all ancillary charges necessary to place the asset into service. Examples of ancillary charges include freight and transportation costs, site preparation costs, and professional fees.

The additional cost of maintenance agreements and extended warranties are not capitalized because they can be separately identified and are not required to place the asset into service.

Interest incurred during construction of real property is not capitalized.

.714 ACCOUNTING FOR PERSONAL PROPERTY AND REAL PROPERTY OBTAINED BY GIFT -- ADDITIONAL CLARIFICATIONS

Gifts of personal property and real property are accounted for as revenue in the year of receipt and either as an expense (if consumed in current year) or capitalized as an asset and depreciated in current and subsequent years.

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Non-capitalizable gifts of personal property (refer to Section .180 Capitalization Procedure) should be recorded by JV as a revenue using the appropriate 03xxx account code and an expense using the appropriate 2xxxx account code. Non-capitalized gifts of personal property consumed in the current year are not capitalized or recorded in Banner Fixed Assets.

Capitalizable gifts of personal property and real property (refer to Section .180 Capitalization Procedure) should be accounted for as follows:

- Submit a report showing gifts of capitalizable personal property and real property to the institution's Property Control personnel for inclusion in the Fixed Assets System and Finance Ledgers.
- For real property, the report should include the name of the donor, legal description, the use to which the property is dedicated, and the estimated value segregated between buildings, land, improvements other than buildings (IOTBs), infrastructure, and land improvements.
- Create records for each asset in the Banner Fixed Asset System using the Master Maintenance form (FFAMAST) utilizing the Gift/Donation action.
- Capitalize the records using the Fixed Asset Adjustment form (FFAADJF) using the SCAP Pta
- Capitalization function to post to the capitalization entries to the appropriate auxiliary enterprise, service department, or investment in plant funds.
- Recognize the gift revenue via Journal Voucher. – by crediting the appropriate 03xxx account code against the asset's capitalization fund/FOAPAL where depreciation will be charged and debit the same fund using account E1001.

Endowment of quasi-endowment gifts of real property are considered investments and therefore should be recorded but NOT capitalized in Banner Fixed Assets. The accounting should be as follows:

- Submit a report showing gifts of capitalizable personal property and real property to the institution's Property Control personnel for inclusion in the Fixed Assets System and Finance Ledgers.
- For real property, the report should include the name of the donor, legal description, the use to which the property is dedicated, and the estimated value segregated between buildings, land, and improvements other than buildings (IOTBs), infrastructure, and land improvements.
- Create records for each asset in the Banner Fixed Asset System using the Master Maintenance form (FFAMAST) utilizing the Gift/Donation action.
- Do not capitalize the asset in Banner Fixed Assets.
- Recognize the gift revenue and asset via Journal Voucher. – by crediting the appropriate 03xxx revenue account code and debiting the A2580 – Real Property Endowment asset account in the appropriate endowment or quasi-endowment fund.

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.715 CAPITALIZATION OF REAL PROPERTY - ADDITIONAL CLARIFICATIONS

Real property involves acquisition, new construction, and improvements to existing real property.

Capitalizable Expenditures:

- Expenditures for real property are by their inherent nature an item that is to be capitalized, if owned or considered owned (refers to capital leases, leasehold improvements) by the University
- Held for operations (not resale)
- Has a useful life that exceeds one year

Expenditures for improvements to existing real property are capitalizable if:

- They meet the above three conditions, and
- Enhance the asset beyond its original functionality and/or materially extends the useful life of the underlying real property asset. Expenditures that merely restore the asset to its original or previously serviceable condition are not capitalizable. Refer to additional guidelines below.

Expenditures funded by tax-exempt bond proceeds are capitalizable if:

- They meet the above three conditions, and
- Bond repayment period is no greater than 120% of asset service life.
- Project either materially increases the value or life of the asset.

For additional guidelines, an expenditure is considered capitalizable if it:

- Improves a condition or defect that either existed prior to the acquisition of the unit of property or arose during the production of the asset, whether or not the institution was aware of the condition or defect at the time of acquisition or production;
- Is for work performed prior to the date the asset was actually placed in service by the institution;
- Adapts the unit of property to a new or different use (including a permanent structural alteration of the asset);
- Results in a betterment (including a material increase in quality or strength) or a material addition (including an enlargement, expansion, or extension) of the asset; or
- Results in a material increase in capacity (including additional cubic or square space), productivity, efficiency, or quality of output of the asset.

Due to a capitalization threshold, not all capitalizable real property expenditures are capitalized in the accounting records. Use of a capitalization threshold avoids having a separate fixed asset record for every one of the numerous low-cost capitalizable items, and having to calculate, record, and report immaterial depreciation amounts on those items.

Real property acquisition, construction and improvement projects over the capitalization threshold are generally capitalized in the accounting records, and real property acquisition, construction and improvement projects less than capitalization threshold are generally expensed in the the accounting records.

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Real Property Capitalization Thresholds

Land

- All acquisitions of land are capitalized regardless of amount for tracking of deeded documents and insurance purposes.

Buildings

- Buildings \$50,000 or more are capitalized. A building is defined as a permanent structure normally used to house people or property.

Building Improvements

- Building Improvements \$100,000 or more are capitalized.

Land Improvements and Infrastructure

- Land Improvements and Infrastructure \$75,000 or more are capitalized.

Improvements Other Than Buildings (IOTBs)

- IOTBs \$50,000 or more are capitalized.

Leasehold improvements

- For capitalization purposes, the leasehold improvements are considered “owned by SOU.” leasehold improvements are depreciated over 20 years (e.g., for building improvements) or the remainder of the lease, whichever is shortest. The capitalization threshold for leasehold improvements is \geq \$5,000. See Fiscal Procedure Manual 05.281, section .200 H, for additional information on accounting for leasehold improvements.

Exception to Real Property Capitalization Threshold

Use of the capitalization thresholds is presumed except under very unusual circumstances.

Capitalizable expenditures less than the capitalization threshold may be capitalized under either of the following circumstances:

- The cost of the improvement is significant to the underlying asset.
If the underlying asset has limited value, expenditures less than the capitalization threshold amount could be a major improvement to that asset. For example, a \$90,000 building improvement to a building with a \$150,000 market value would be far more significant than \$90,000 spent on a building with a \$2 million market value.
- The cost of the improvement is significant to the applicable proprietary fund.
A proprietary fund may wish to capitalize expenditures less than the capitalization threshold if (1) the proprietary fund has entered into a long-term debt agreement and the capitalizable expenditures must be capitalized to offset the long-term debt in the proprietary fund’s balance sheet, or (2) the proprietary fund transfers monies to the unexpended plant funds to acquire/construct the real property, and then subsequently wishes to include depreciation expense in its rate setting.

Capitalizable expenditures that meet the capitalization threshold are always capitalized.

SOU has the prerogative to capitalize expenditures less than the capitalization threshold, but this is an unusual occurrence, the reasons for doing so and how those reasons fit within the capitalization procedure must be well-documented within the accounting records, and approved by the Business Services Controller (or delegate).

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Determination of Project for Capitalization Purposes

- The identification of a project for capitalization purposes is determined at the beginning of the project. A project to be capitalized is defined as (1) a new grant project code required as a result of each legislative limitation or (2) separate capital renewal, code compliance, and safety projects as defined by SOU. The definition of projects to be capitalized must consider all projects for each building and all funding sources of each project.

Expenditures to be Capitalized

- The amounts capitalized include all capitalizable expenditures attributable to that project from all unexpended plant fund, E&G repair and remodeling funds, and renewal and replacement funds for the project across all fiscal years. The amount capitalized is based on all invoices taken together, not each invoice separately.

Amounts capitalized do not include expenditures not directly associated with the asset, such as:

- Office relocation costs
- Temporary leasing of space for moving into may be included in cost of project authorized by legislature but from accounting standpoint is not part of the cost of the underlying asset and therefore should be expensed.
- Temporary structures
- Costs not required for the capital construction project.
- Hosting expenditures
- Expenditures for catering at meetings associated with capital construction projects is considered an expense and not part of the capitalization of real property.

Amounts capitalized do not include the following other costs:

- Interest expense. GAAP would suggest capitalizing interest expense incurred during the construction of the project. This has not had a material impact on our financial statements and is not part of our normal process. Capitalization of interest is not required by procedure but may be done at the option, if approved by the Business Services Controller (or delegate).
- Abandoned construction. Expenditures from abandoned construction are expensed in year construction is determined to be abandoned.

.716 ACCOUNTING FOR PROPERTY 'CONSIDERED OWNED' BY SOU

Expenditures for personal property or real property are capitalized if the property is owned or “considered owned” by the university. “Considered owned” refers to capital leases, Leasehold improvements and “conditionally owned” assets purchased with grant/contract funds. If SOU does not obtain, or reasonably expect to obtain title to the property, the costs should be expensed and not capitalized. Property is considered “conditionally owned” if the grant terms provide for title to be transferred to the university at the end of the grant pending receipt of final reports. Conditionally owned assets are “considered owned” and capitalized and depreciated in the Banner Fixed Assets system from date of original purchase or when the asset is placed into service.

If the terms of the grant do not provide for transfer of title, the expenditures for the property are expensed and not capitalized. If the grantor does later transfer title to the university, the university should record the property as an in-kind gift as of the date the title is transferred. Valuation of the asset should be determined based on the fair market value at time of ‘donation’. If fair market value cannot be readily obtained, an acceptable approximation can be made by determining what the net book value of the asset would have

100.455 Fixed Asset Accounting

been had it been capitalized and depreciated from date of original purchase from the grant/contract fund. Refer to section “.714 Accounting for Personal Property and real Property Obtained by Gift – Additional Clarifications” for additional information.

Expenditures for property purchased from grant/contract funds for which SOU does not obtain title or reasonably expect to obtain title are to be expensed and not capitalized in the accounting records. The property expenditure may still be recorded in the grant funds using the capital outlay 4xxxx account codes however a corresponding capitalization entry should not be done. This may be achieved by using accounts 40180 ‘Non-State Equipment’ or 40185 ‘ Non- SOU Equipment. The property may be recorded in the Banner Fixed Asset system for inventory and/or insurance purposes as a non-capitalized fixed asset with a non- SOU owned title-to code. (Account codes 40101, 40104 & 40201 automatically create capitalization entries when used in Banner invoices and therefore should not be used for equipment on grants if SOU does not expect to obtain tile.)

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.720 DEPRECIATION PROCEDURES

.721 DEPRECIATION PROCEDURES BY ACCOUNT CODE

Capital Asset Account Code	Depreciate (Yes/No)	Depreciation Frequency	Depr. Expense Account Code	Accumulated Depreciation Account Code	Treatment of First Year Depreciation (see note below)	Treatment of Additions and Major Improvements (see note below)
A8011 - Equipment	Yes	Monthly	80511	A8511	1	4
A8012 - Vehicles	Yes	Monthly	80512	A8512	1	4
A8014 - Construction in Progress (Equip)	No					
A8015 - Vessels	Yes	Monthly	80515	A8515	1	4
A8031 - Museum Collections	No					
A8032 - Works of Art & Historical Treasures	No					
A8033 - Library Special Collections	No					
A8042 - Library Books (General)	Yes	Monthly	80542	A8542	2	4
A8111 - Buildings	Yes	Monthly	80611	A8611	3	4
A8112 - Construction in Progress (Building)	No					
A8121 - Land	No					
A8123 - Land Improvements (non-depreciable)	No					
A8124 - Land Improvements (depreciable)	Yes	Monthly	80624	A8624	3	4
A8125 - Construction in Progress - Land Improvements	No					
A8131 - Improvement Other Than Buildings	Yes	Monthly	80631	A8631	3	4
A8132 - Construction in Progress - IOTBs	No					
A8141 - Infrastructure	Yes	Monthly	80641	A8641	3	4
A8142 - Construction in Progress - Infrastructure	No					

Notes:

1. Proportional - Depreciation begins in month that asset is acquired and ready for use.
2. Half Year - Library additions added to Banner Fixed Assets at end of the fiscal year. Depreciation start date is set to the middle of that fiscal year (January 1). Assumption: on average, library additions occur proportionately throughout the year.
3. Proportional - Depreciation begins in month that real property is acquired and ready for use (e.g., "substantially complete"), and removed from CIP in Banner Fixed Assets. If the maintenance in Banner Fixed Assets is performed late, "catch-up"

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depreciation is to be performed, back to the month that the property was completed or "substantially completed." Additional capitalizable costs to completed or "substantially completed" records will be added at the end of the fiscal year, with depreciation on the additional capitalizable costs to begin on July 1 of subsequent year. Construction in Progress amounts must be updated in Banner Fixed Assets at least at year-end, but more frequently is more desirable.

4. Asset additions or major improvement results in a new capital asset record that would have its own depreciation schedule. The new capital asset record would be a "component" of the original asset. See Appendix .825 Components and Attachments of Existing Capital Assets. Depreciation pertaining to capital assets of proprietary funds is charged to auxiliary enterprise or service department funds. Depreciation pertaining to other funds is charged to the investment-in-plant fund.

.750 CONSISTENCY IN CODING

.751 ASSET TYPES BY ASSET ACCOUNT CODE

To provide for consistency in coding, the following provides, by each account code for fixed assets, the associated account codes for accumulated depreciation and depreciation expense, and allowable asset types:

Account Type	Account Code	Description	Data Entr	Accum Depr	Depr Expense	Asset Type Code
18		Fixed Assets/Acc Depreciation				
	A8000	Fixed Assets	N			
	A8001	Personal Property	N			
	A8010	Equipment	N			
	A8011	Equipment	Y	A8511	80511	NB-NK,NN-NT
	A8012	Vehicles	Y	A8512	80512	NV,NX,NY,NZ
	A8014	Construction in Progress (Equip)	Y			NB-NK,NN-NZ
	A8015	Vessels	Y	A8515	80515	NW
	A8030	Collections	N			
	A8031	Museum Collections	Y			NM
	A8032	Works of Art & Historical Treasures	Y			NA
	A8033	Library Special Collections	Y			NA
	A8040	Library	N			
	A8042	Library Books (General)	Y	A8542	80542	NL
	A8100	Real Property	N			
	A8110	Buildings	N			
	A8111	Buildings	Y	A8611	80611	BA-HL,JG-KL,M%,OG-
	A8112	Construction in Progress (Building)	Y			BA-HL,JG-KL,M%,OG-
	A8120	Land	N			
	A8121	Land	Y			LA
	A8122	Easements/Right of Ways	Y			LA
	A8123	Land Improvements (non-depreciable)	Y			LA
	A8124	Land Improvements (depreciable)	Y	A8624	80624	LD
	A8125	Construction in Progress (Land Imp)	Y			LA, LD
	A8130	Improvement Other Than Buildings	N			
	A8131	Improvement Other Than Buildings	Y	A8631	80631	IO
	A8132	Construction in Progress (IOTB)	Y			IO
	A8140	Infrastructure	N			
	A8141	Infrastructure	Y	A8641	80641	IE-IW
	A8142	Construction in Progress (Infrastr)	Y			IE-IW

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.752 DISTINGUISHING BETWEEN TYPES OF NON-BUILDING REAL PROPERTY

To provide for consistency in coding, the following provides a categorization of types of real property other than buildings and an associated account code (IOTB, infrastructure, or land improvement) and corresponding asset type:

- See Fixed Asset Type Codes: 55.100-752

.790 FIXED ASSET DEFINITIONS

Term	Definition
Ancillary Costs	Costs necessary to put a capital asset into use, such as freight and handling, insurance in transit, and assembly or installation costs. These costs are capitalized as part of the asset.
Asset Type	A code that signifies an asset's service life, depreciation method, and salvage value.
Attachments	A piece of personal or real property that is a part of an existing asset.
Banner Financial Information System (FIS)	The software used to store SOU official accounting records.
Banner Fixed Assets	A subsidiary accounting module of Banner FIS that tracks capital assets. The totals of Banner Fixed Assets should agree to the balances of the capital asset accounts in Banner FIS.
Book Value	The historical cost less the accumulated depreciation of an asset.
Buildings	Permanent structures normally used to house people or property. Fixtures attached to and forming a permanent part of a building should be included in the cost. When constructing a new building on land owned by SOU, the cost of demolishing existing buildings is included in the cost of the new building. The value of land associated with buildings should be reported separately as land.
Buildings - Additions	Permanent additions to structures normally used to house people or property.
Buildings - Major Improvements	Permanent improvements to structures normally used to house people or property. A major improvement, unlike a repair, significantly enhances a building's functionality (effectiveness or efficiency) or extends its expected useful life.
Buildings - Repair and Maintenance	Expenditures for repairs and maintenance that do not enhance a building's functionality (effectiveness or efficiency), or extend its expected useful life.
Buildings - Space Inventory	A database kept by each university to track the usage of university buildings. Space inventory reports provide data for facilities and administration proposals.
CAFR	Comprehensive Annual Financial Report issued by the State of Oregon.
Capital Asset	A fixed asset that is recorded (i.e. "capitalized") as an asset in the accounting records. To be capitalized, the fixed asset is owned by SOU, used for operations (not held for resale), has a useful life over one year and a cost that meets or exceeds the capitalization threshold.
Capital Construction	Expenditures for the construction of buildings and improvements, improvements other than buildings, and infrastructure. Also included are additions and major improvements. Construction costs include advertising, architect fees, land acquisition, land clearing, legal services, materials, project management (including inspections, permits, planning fees), subcontractors and agency labor, and other fees and services. Capital construction expenditures are generally recorded in fund types 11 - Budgeted Operations (Repair and Remodeling funds), 81 - Unexpended Plant Funds and 83 - Renewal and Replacement Funds.
Capital Lease	A lease of personal or real property, which meets the criteria for capitalizing an asset and recording a liability in the accounting records. Capital lease criteria is defined in section .200 F.

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Capitalization Threshold	Amount at or above which personal or real property is capitalized and below which personal or real property is expensed in the year of purchase.
Components	A piece of personal or real property that is related to but not part of another asset. Personal property that is part of another asset is referred to as an attachment.
Construction in Progress	Total expenditures of a construction project undertaken but not yet completed. When the project is complete (i.e., asset is ready for its intended use), capitalized costs are reclassified from Construction in Progress to the appropriate capital asset account (e.g., Buildings, Improvements Other than Buildings, Infrastructure, Land Improvements).
Depreciation Start Date	Date the asset is acquired and ready for use. - "Acquired" refers to the acquisition date - the date one takes possession of the asset. An asset can be "ready for use" but may or may not be "in-use" or "in-service". In circumstances when the asset acquired is not ready for use, the asset should be initially coded as construction in progress. The depreciation start date would then be the date the asset is ready for use (e.g., "substantially complete"), and removed from CIP. Exceptions: Library acquisitions - Depreciation is calculated using January 01 of the fiscal year acquired. Real Property records prior to July 2003- Depreciation is calculated using July 01 of the fiscal year following the fiscal year acquired and ready for use. Note: In cases where the depreciation start date is not in accordance with the above, the university must maintain adequate records to substantiate a different depreciation start date.
Depreciation	The accounting process of allocating the cost of tangible assets to expense in a systematic and rational manner to those periods expected to benefit from the use of the asset. Depreciation is not a matter of valuation but a means of cost allocation. Assets are not depreciated on the basis of a decline in their fair market value, but on the basis of systematic charges to expense.
Donation	Capital assets donated to an SOU university. Donated capital assets should be reported at their estimated fair value at the time of donation plus ancillary charges, if any. Estimated fair value may be based on the applicable market value or, when the market value is not readily determinable, an appraisal value.
Equipment	See account code A8011.
Expendable Property	See "Non-Capital Asset."
Facilities and Administration Rate Proposals	A proposal submitted to the federal government to negotiate an indirect cost rate to apply to federal grants and contracts.
Financing Agreement	A lease-purchase agreement, an installment sale agreement, a loan agreement, or any other agreement to finance real or personal property, which is or will be owned and operated by a university, or to refinance previously executed financing agreements.
Fixed Asset	Tangible asset owned by SOU and used in SOU operations (not for resale) that has an initial estimated useful life beyond a single year. A fixed asset with an initial cost (inclusive of ancillary charges) of at least \$5,000 is capitalized and becomes known as a capital asset.
Gains and Losses	On disposal of an asset, the difference between its fair value and book value (historical cost less accumulated depreciation).
Generally Accepted Accounting Principles (GAAP)	Accounting principles sanctioned by recognized authoritative bodies such as the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).
Governmental Accounting Standards Board (GASB)	The independent board established under the Financial Accounting Foundation in 1984 as the official body designated to set accounting and financial reporting standards for state and local governments (which includes state and local governmental agencies).
Historical Cost	The amount paid, or liability incurred, by an accounting entity to acquire an asset and make it ready to render the services for which it was acquired. If historical cost information is unavailable, the asset's estimated historical cost may be used. Any established method of estimating historical cost may be used, provided the university documents their methodology and assumptions used.

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Improvements Other Than Buildings (IOTBs)	Capitalized improvements that are not part of land or buildings. Examples include fountains, bleachers, dugouts, goal posts, and scoreboards. See account code A8131.
Infrastructure	<p>Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples include roads, bridges, tunnels, drainage systems, water and sewer systems, sidewalks, alleyways, street lighting systems, traffic lights/signs, fire hydrant, gas/electric/fiber optic distribution systems, dams, wells and septic systems. See account code A8141.</p> <p>Infrastructure could be confused with land improvements. Distinction is generally the magnitude of the project. Infrastructure tends to pertain to large parts of campus rather than to a specific building or specific piece of land.</p>
Installment Purchase Contract	See "Financing Agreement."
Investment in Capital Assets	<p>Net investment in capital assets. Includes historical cost, less accumulated depreciation and any related debt outstanding at year-end.</p> <p>For example an entity with capital assets that cost \$10 million with accumulated depreciation of \$2 million and outstanding debt related to those assets of \$7 million would have a \$1 million net investment in capital assets.</p>
Land Improvements - Depreciable	<p>Permanent improvements, other than buildings, that ready land for its intended use and that deteriorate with use or the passage of time. Examples include parking lots, yard lighting, fencing and gates, paths, telephone and power lines, retaining walls, railroads, tennis courts, athletic fields, golf course, and septic system. See account code A8124.</p> <p>See "Infrastructure" for delineation between land improvements and infrastructure.</p>
Land Improvements - Non-Depreciable	See account code A8123.
Land	<p>Reflects the carrying value of land owned by the State. If land is purchased, this account includes the purchase price and costs incurred to get the land in condition for its intended use such as legal fees, title fees, surveying costs, appraisal and negotiation charges, site preparation and excavation costs (clearing, filling, and leveling) and similar costs. If land is purchased as a building site (not previously owned by SOU), demolition costs to remove existing buildings are added to the cost of the land. Land purchased for resale is accounted for as inventory. Land acquired by donation is valued at fair market value at the time of donation. Land is not depreciated. See account code A8121</p>
Lease	A legal contract by which one party gives to another the use and possession of real or personal property for a specified time in exchange for periodic payments.
Leasehold Improvements	Addition or improvement made to leased property. The improvements are attached to property not owned by the lessee. The lessee has the right to use the leasehold improvement for the remaining term of the lease.
Library General Collections	Library holdings of an institutional library (not departmental reference library) that are exhaustible by nature and have a useful life greater than one year. Includes general books, periodicals, reference materials, microfilm, maps, manuscripts, etc.
Library Special Collections	<p>Library holdings of an institutional library (not departmental reference library) normally considered inexhaustible and accounted for like works of art and historical treasures. They are not easily replaced and meet the following conditions:</p> <p>Held for public exhibition, education or research in furtherance of public service, rather than financial gain.</p> <p>Protected, kept unencumbered, cared for, and preserved.</p> <p>Subject to an organizational procedure that requires the proceeds from sales of collection items to be used to acquire other items for collections.</p>
Livestock	See account code 40102.
Long-term Assets	See "Capital Asset."
Maintenance and Repair	Costs that do not significantly improve the economy efficiency, or expected useful life of a capital asset.

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	<p>For example, periodically resurfacing a road would be treated as a repair (the cost would not be capitalized), while adding a new lane constitutes an addition (a cost that would be capitalized). For example, replacing a roof with the same type of roof would be considered a repair because it would not necessarily improve the economy or efficiency of the building.</p> <p>Other examples of maintenance and repair include building and structure repair, interior and exterior decorating, minor additions and/or repairs.</p>
Museum Collections	See account code A8031.
Non-Capital Asset	Tangible or intangible property used in University operations having a useful life beyond a single year and an initial cost (inclusive of ancillary charges) below the capitalization threshold. Non-capital assets should not be capitalized; they should be expensed in the period they are purchased.
Non-expendable Assets	See "Capital Assets."
OMB Circular A-110	Issued by the Federal Office of Management and Budget titled "Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education and Other Non-Profit Organizations."
OMB Circular A-133	Issued by the Federal Office of Management and Budget titled "Audits of States, Local Governments, and Non-Profit Organizations."
OMB Circular A-21	Issued by the Federal Office of Management and Budget titled "Cost Principles for Educational Institutions."
Operating Lease	A lease of personal or real property that does not meet the criteria for a capital lease. This type of lease is treated similarly to normal rental payments.
Organized Departmental Inventory	See "Storeroom, Departmental."
Organized Storeroom	See "Storeroom, Organized."
OTAG	Origination tag number assigned by Banner Fixed Assets to fixed assets records.
Perpetual Inventory	A system of maintaining property records that reflect the balance of property on hand. Such records may also show the value of such property. A record is kept for each item or group of items inventoried. The current balance is maintained by adding goods received and deducting goods used or issued. A perpetual inventory system is required for organized storerooms and recommended for departmental storerooms.
Personal Property	Assets such as equipment, vehicles, vessels, livestock, and library collections.
Physical Inventory Count	Physical verification of all items listed on the inventory records. Normally, agencies will conduct physical inventories on capital assets biennially, on organized and departmental storerooms annually, and on departmental supplies once every 5 years. Discrepancies between the physical count and the property records should be investigated. Documented support that a physical inventory has been taken should be retained by the university.
Proprietary Funds	Funds used to account for SOU activities that are intended to be self-supporting.
PTAG	Permanent tag - the record number used to identify each fixed asset recorded in the Banner Fixed Assets system.
Real Property	Capital assets, such as land, buildings, land improvements, improvements other than buildings, and infrastructure.
Rental	A contract by which one party gives to another the use and possession of land, buildings, or personal property in exchange for periodic payments.
Salvage Value	Estimated value of an asset at the end of its estimated service life. For depreciation purposes, SOU uses

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	\$0 as a salvage value for all assets. (For real property insurance purposes, a 4% salvage value representing an estimate of the cost of the real property's concrete foundation is deducted from the initial insurance & replacement values.)
Service Lives	Length of time an asset is expected to last. Service life is used to calculate annual depreciation expense. Service life is dictated by the asset type.
Storeroom, Departmental	A departmental storeroom (or organized departmental inventory) is a segregated and controlled store of expendable property intended primarily for department use. The property is not normally intended for resale. Such stores must be managed as departmental storerooms if the inventory is valued at \$50,000 or more at any time or if annual purchases equal or exceed \$150,000. (Smaller stores may also be managed as departmental storerooms.) Examples of departmental storerooms include: Stores of gym suit service supplies Stores of dormitory operating supplies Stores of athletic operating supplies
Storeroom, Organized	An organized storeroom is a segregated and controlled store for property that will eventually be distributed to users outside the department (e.g., students, faculty, staff, other departments or the general public). The cost of property is redistributed to related FOAPALs when withdrawn for use, sold or incorporated into a product (e.g., lumber, nails and drywall used to construct a wall). Such stores must be managed as organized storerooms if the inventory is valued at \$50,000 or more at any time or if annual purchases equal or exceed \$150,000. (Smaller storerooms may also be managed as organized storerooms.) Examples of organized storerooms include the following: Physical plant stores Dining service stores Chemistry stores Computer center stores Printing inventories Extension stockrooms
Straight-line Depreciation	Depreciation method that divides the asset's capitalized value by the number of years of service life. Straight-line depreciation results in the same depreciation amount each month.
Supplies, Departmental	Departmental supplies include expendable property normally considered to be put into use when received. Such property is acquired for use by the department, not for resale. Stores with inventories valued at less than \$50,000 and with annual purchases less than \$150,000 that are not managed as organized or departmental storerooms may treat their inventories as departmental supplies. Examples include the following: Stores of departmental office supplies Stores of departmental instructional supplies
Surplus Property	All personal and real property, vehicles, and titled equipment excess to the state agency's needs and available for sale.
Transfer of Assets	When capital assets are moved from one fund to another, the recipient fund should continue to report those assets at the net book value previously reported (that is, historical cost less accumulated depreciation).
Unallowable Costs	Costs that are not allowed to be charged to federal programs under OMB Circular A-21. These include, but are not limited to, interest costs for non-building purposes, mass transit taxes, expensed capital purchases, future capital needs, contingency reserves, or any profit above operational expenses.
Unexpended Plant Fund	Funds used to account for financial resources segregated for the construction or acquisition of major capital facilities and land, and major repairs and maintenance that involve SOU Facilities Services. Capital project funds are established upon project or debt issue authorization by the Legislature. All expenditures necessary to bring the facility to a state of readiness for its intended purpose are reported as capital project fund costs.
Vehicles	See account code A8012.
Vessels	See account code A8015.
Works of Art and	Works of art and historical treasures that are inexhaustible, that is, their economic benefit or service

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Historical Treasures	potential is used up so slowly that their estimated useful lives are extraordinarily long. Works of art and historical treasures are not depreciated. See account code A8032.
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- .800 BANNER FIXED ASSETS
- .810 GENERAL
- .811 BANNER FIXED ASSETS VALIDATION TABLES

Banner Fixed Assets uses "validation tables" to help ensure that the accounting for comparable capital assets is consistent. In addition to supporting Banner Finance related validation tables, updates/changes to the following Banner Fixed Asset module's validation data may only be made by the Controller's Division:

- Data Type (Related Banner Table)
- Asset Type codes (FTVASTY)
- System Control (FFBSYSC)
- Condition codes (FFVAACON)
- Acquisition codes (FFVACQM)
- Title To codes (FFVTTST)
- Disposal Method codes (FFVDISP)
- Depreciation codes (FTVDEPR)
- User Defined System codes (FFVSDAT)
- System and User Status codes (FTVSDAT)

.812 BANNER FIXED ASSETS ASSET TYPE TABLE

Each fixed asset has an asset type code to signify the depreciation method and service life. Each asset type code also refers to the type of personal property or real property so that one has a means for being able to select the appropriate asset type when establishing the asset record on Banner Fixed Assets and for differentiation of assets for various reporting needs.

The Controller's Division establishes asset type codes. Asset type codes contain two digits. The first digit denotes the type of fixed asset (personal property or type of real property).

First Digit	Description	Prefix of Asset Type Description
PERSONAL PROPERTY - NOT CAPITALIZED		
A	Expendable Assets (those assets that are not capitalized and therefore not depreciated). These assets are recorded in Banner Fixed Assets only for inventory purposes.	AN
REAL PROPERTY - NON-COMPONENTIZED BUILDINGS		
B	Buildings	BLDG

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C	Major Improvements to Buildings	BLMI
REAL PROPERTY - COMPONENTIZED BUILDINGS		
H	Building Component - 50 year	BLDA
K	Building Component - 23 year	BLDB
O	Building Component - 20 year	BLDC
Q	Building Component - 15 year	BLDD
S	Building Component - 10 year	BLDE
J	Major Improvements to Building Component - 50 year	BLMA
M	Major Improvements to Building Component - 23 year	BLMB
P	Major Improvements to Building Component - 20 year	BLMC
R	Major Improvements to Building Component - 15 year	BLMD
T	Major Improvements to Building Component - 10 year	BLME
REAL PROPERTY - OTHER		
I	Infrastructure and Improvements Other Than Buildings	INF/IOTB
L	Land and Land Improvements	LAND
PERSONAL PROPERTY - CAPITALIZED		
N	Non-Expendable Assets (those assets that are capitalized and therefore depreciated)	NONEXP

The second digit identifies the type of personal property, building, land, land improvements, improvements other than buildings, or infrastructure.

See Asset Type Code Listing

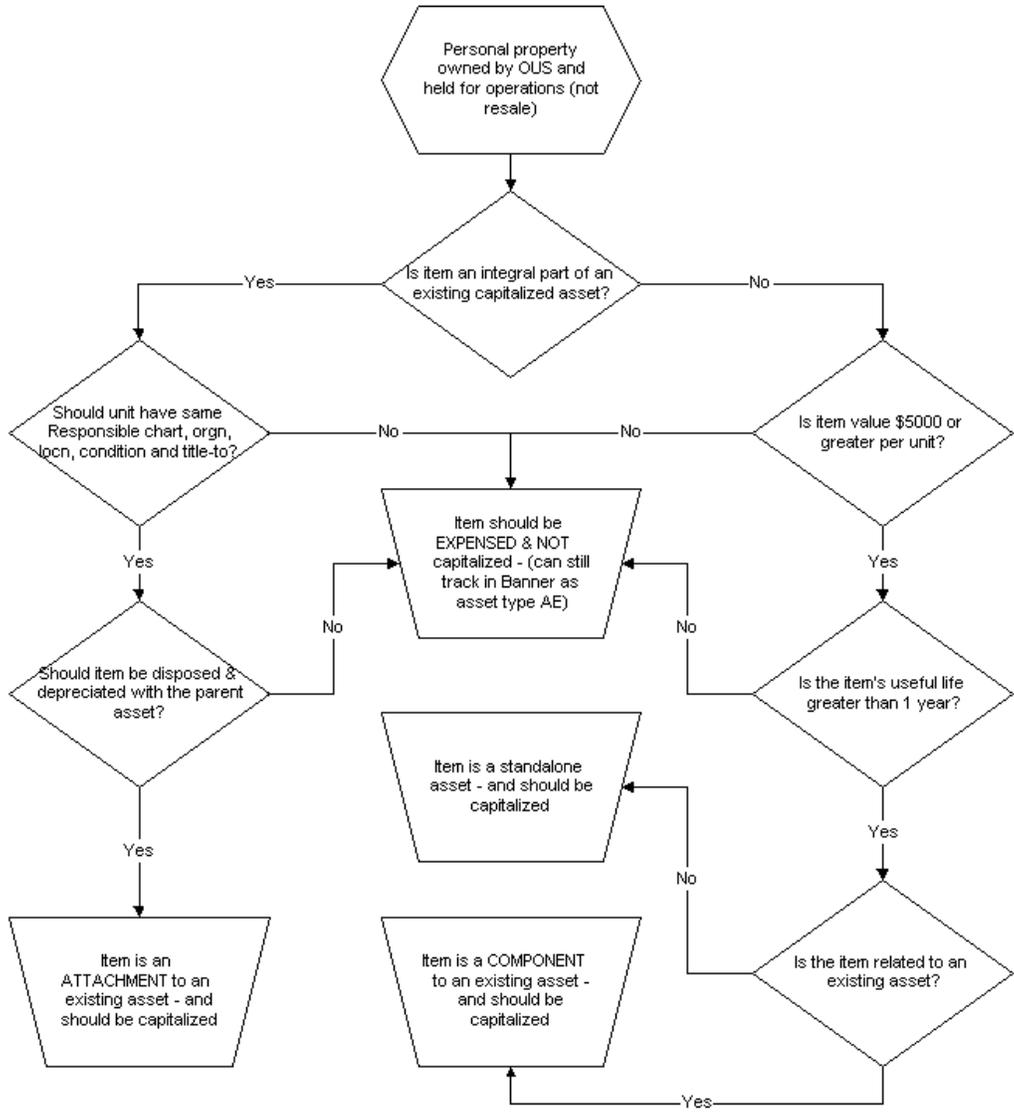
Building component records also require a "user defined code" to identify the type of building component. Refer to Fixed Assets Building Component Depreciation Procedure 55.110, section .710, for additional information.

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.820 ACQUISITION

.825 COMPONENTS AND ATTACHMENTS OF EXISTING CAPITAL ASSETS
Attachments & Components

Personal Property Component Vs Attachment



Terminology: Parent asset = Permanent Tag recorded in the Primary tag field on Component or Attachment tags. (Synonymous with Primary tag)

Attachments are tangible, personal property that have an integral relationship with a Parent asset (they become one). There is no dollar threshold limit on attachments but they must meet the following criteria:

- Must have same Responsible Chart, Organization, Location, Grant & Custodian as Parent asset.

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- Must have same Condition and Title-To as the Parent asset.
- Must have same User status as the Parent asset.
- Must have same Functional Use as Parent asset.
- Must be depreciated and disposed with their Parent asset.

Use account codes 401xx & 402xx for non-proprietary fund asset purchases that meet the criterion of an Attachment.

Use account codes A80xx for proprietary fund asset purchases that meet the criterion of an Attachment.

Attachments can also be used to reflect changes to an asset where no physical object is involved. i.e. direct pay credit memos, JV's, "adjustments" from 2.0 conversion acquisition sequences etc.

(Note: Attachment costs are automatically added to the Parent Total Cost and Total Net Book Value. Attachment Funding is displayed on the Parent asset as is the Capitalization data.)

Depreciation of attachments

An attachment's funding and capitalization/depreciation information is added to its parent asset's funding and capitalization/depreciation records when the attachment is performed in Banner Fixed Assets. Once attached, the attachment depreciates in the parent asset's records over the remaining useful life of the parent asset.

It is SOU procedure, that the depreciation start date for all assets (including attachments) is the date the asset is acquired and ready for use. Parent assets have a single stored depreciation start date in Banner. Attachments do not have their own separately stored depreciation start date; however there is an inferred depreciation start date for attachments. The inferred start date is the date the attachment is performed in the fixed asset system. If the month/year the attachment is performed in Banner Fixed Assets is inconsistent with SOU depreciation start date procedure, a fixed asset adjustment must be performed to record depreciation for prior periods not taken for the attachment.

Components are tangible, personal property that are related to, but not an integral part of, an existing asset.

Components must meet the following criterion:

- Must meet all requirements of a standalone capitalized asset.
- Are not consumed in the normal course of business.
- Have a unit value that meets or exceeds the capitalization threshold.
- Have a useful life that exceeds one year.
- Are related to, but not an integral part of, an existing asset.
- Are depreciated and disposed of separate from Parent asset.

Use account codes 401xx & 402xx for non-proprietary fund asset purchases that meet the criterion of a Component.

Use account codes A80xx for proprietary fund asset purchases that meet the criterion of a Component.

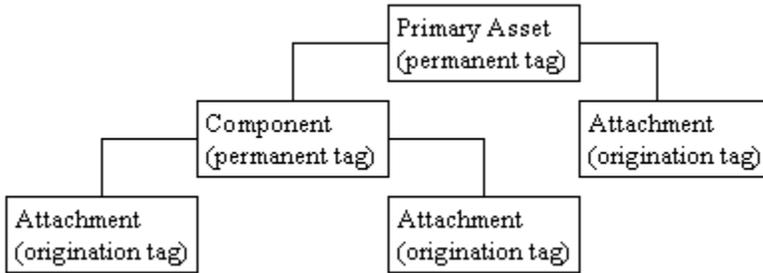
Components can have different Responsible Organization, Location, Grant, Custodian, Condition Title-To and Status codes from the Parent asset. (Note: Components must be "unlinked" before disposal of the Component or the Parent asset can occur. This is done with the transfer form FFATRAN.) When purchasing assets that do NOT meet the criterion for capitalized non-expendable assets, attachments or components, use the appropriate (20xxx) supplies expense account codes.

Primary, Attachment & Component Relationships

Primary Permanent tags can have both Components and Attachments.

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Components can have Attachments but NOT Components.
 Attachments can NOT have Components or Attachments.



(Note: If an origination tag was made an Attachment in error, it can later be made into a Component or a standalone permanent tag. Components or standalone tags can NOT later be made into attachments.)

.850 CORRECTIONS

.851 CORRECTION OF BANNER FIXED ASSET RECORDS

Corrections of Fixed Assets/Accumulated Depreciation general ledger data and Banner Fixed Assets record data are to be made using the Banner Fixed Assets system forms whenever possible. The use of journal vouchers should be rare.

Once a record has been created in Banner Fixed Assets, subsequent corrections should be made to the existing record. (Records should not be removed and new records created to correct an asset's information. Doing so overstates additions and deductions during the yearend fixed asset analysis for the annual financial statements.)

Costs are often incurred for an addition or major improvement that pertains to an existing asset in Banner Fixed Assets. This would suggest that one update or correct the existing capital asset record in Banner Fixed Assets. However additions or major improvements of real property should be added as additional records to the Banner Fixed Assets module.

Once an asset has been entered into the Banner Fixed Assets and started to depreciate, no changes should be made to the asset type or service life of the asset. Exceptions need to be approved by the Controller's Division.

This procedure may be revised at any time without notice. All revisions supersede prior procedures and are effective immediately upon approval.

D. Appendix

N/A