

Procedures for Fixed Assets Capitalization Policy June 1, 2007

This policy is to ensure that the capitalized assets are depreciated and accounted for in an accurate and timely manner as required by GAAP.

Certain items purchased by the University have a significant cost and a useful life of more than one year. As a result, these items are recorded as capitalized assets in the general ledger and are depreciated over their estimated useful lives, as required by generally accepted accounting principles (GAAP).

Cost Guidelines:

Expenditures for land, buildings, improvements, equipment, furnishings, and vehicles purchased for a unit cost of \$5,000 or more will be capitalized. Equipment or furniture purchased in conjunction with a building renovation or capital project, but not having a unit cost of \$5,000 or more will be capitalized as part of the project. All library books should be capitalized regardless of their unit cost.

Depreciation Guidelines:

All depreciation calculations should use the "straight line" method. For financial statement purposes depreciation expense for an asset will be recorded monthly beginning the month the asset is acquired or project is completed. Land is not depreciated. The expected useful life of each category of asset is:

Land Improvements: 15 years

Acquisition of buildings - purchase or construction: 50 years

Building Improvements: 50 years

Building Improvements: 15 years

Athletic Equipment: 10 years

Audiovisual Equipment: 10 years

Furniture: 10 years

Instructional Equipment: 10 years

Library Books: 15 years

Maintenance Equipment: 30 years

Network & Information Systems: 15 years

Office Equipment: 10 years

Technology Equipment: 10 years

Vehicles: 10 years

Grant Funded Assets:

In situations where grant funds, whether private or government, are used to purchase equipment, our policies of inventorying the equipment will exist just as if University funds had been used. Our inventory records will reflect the funding agency through the use of the proper fund number so that internally and externally funded equipment can be segregated.

In situations in which a faculty member comes to the University from another institution in the middle of one or more grants and brings with him/her equipment purchased by the related grant(s), a summary of the specific equipment must be provided to the Accounting Office to allow for proper inventorying of the equipment. If a faculty member leaves the University in the middle of one or more grants and takes equipment with him/her to the new institution, a summary must be provided to the Accounting Office for the same reasons. Also, the summary would allow the University to provide the new institution with a listing of grant-funded equipment the faculty member is bringing. If federal funds were used to purchase assets of \$5,000 (federal capitalization limit) or more, the Grant Accounting Office will contact the granting agency, if necessary, to determine the appropriate procedure to dispose of the asset(s).

Donated Assets:

Individuals and organizations at times donate assets to Drake that become the property of the University and should, therefore, be tracked and accounted for the same as an asset that has been purchased.

For a department to receive a physical asset by donation, prior approval must be obtained from the Vice Presidents of Business and Finance and Institutional Advancement. The request for approval should include identification of the item to be received, the intended use of the asset, its source, the date to be received, and, to the extent possible, its estimated market value. Upon approval and receipt of the asset, Business and Finance will notify the Accounting Office for capitalization and tracking.

Disposals/Moves:

It is important to update the financial system whenever there is a disposal or change in location of a fixed asset. The disposal process should be coordinated through the Accounting office by completing the Fixed Assets Form.

Disposal - When the department determines that a tagged asset is to be disposed, it should initially contact the Accounting Office to discuss disposal alternatives, including sale, re-assignment to another department, donation to a charitable organization, or scrapping. Without this notification, the department will continue to be responsible for the equipment as reported in the fixed asset system.

Moves - If a fixed asset is being moved from one room to another, to another building, or the using department of the equipment changes, the department should contact the Accounting Office

Fixed Asset Inventory:

The Accounting Office will provide departments with an annual listing of their capitalized assets. The department is responsible for taking inventory of the assets, updating the listing, and returning it to the Accounting Office by the due date given. Accounting will then update the fixed asset system and general ledger.