Delaware State University

University Area(s) Responsible: Finance and Administration Division, Controller, responsible individuals and their designee.

Policy Number & Name: General Finance - Fixed Asset and Inventory Management Policy

Approval Date: 9/10/12

Related Policies & Procedures: Purchasing and Accounting

Purpose

Delaware State University (DSU) has a significant investment in fixed assets, such as land, buildings, equipment, software, furniture and vehicles which are used to carry on its missions of purposefully integrating the highest standards of excellence in teaching, research and public service. The purpose of this policy is to ensure that the University's fixed assets are acquired, safeguarded, controlled, disposed of, and accounted for in accordance with state and federal regulations, audit requirements, and generally accepted accounting principles. DSU will specifically comply with the Federal Office of Management and Budget Circulars, Federal Acquisition Regulations and State of Delaware Asset Management Accounting Policy.

Policy

DSU will provide proper stewardship over all assets. Fixed assets are defined as tangible property items, have an estimated life of more than one year, and be of significant value. The federal threshold for asset tracking is $5,000 and up. Delaware State University assets purchased with federal and state funds threshold for capital asset capitalization is $5,000. It is management's responsibility to ensure that assets purchased with federal and state funds are properly accounted for at DSU. Responsible staff and/or their designee will maintain proper stewardship over all assets. Assets will be maintained in DSU's Fixed Asset and Inventory Management System.

The System is designed to support all control, accounting, and reporting functions of physical asset items. The system will maintain detailed records of all land, buildings, improvements to land, betterments, equipment, software and vehicles, etc. owned by DSU. The specific components of the fixed asset system will be outlined in the Fixed Asset and Inventory Management Procedures Manual.

It is the responsibility of management to perform physical verification of property, plant and equipment annually in order to ensure that assets are in existence. Responsible staff and/or their designee will
conduct verification. Verification evidence is required by way of obtaining a certification document from responsible staff to ensure a physical inventory has been conducted. A physical inventory certification must be forwarded to the Fixed Asset and Inventory Manager no later than July 31 following the fiscal year in which the inventory was taken. The certification document can be found in the Fixed Asset and Inventory Management Procedures Manual.

Scope and Applicability

This policy applies to responsible individuals and/or their designee for carrying out this policy in each division, department, section, unit, and all other components.

Definitions

Fixed Assets at DSU are defined as a purchase with a value of $5,000 and above and a useful life of more than one year. Fixed assets are segregated and defined below in the following classification:

1. Buildings - A building is any structure erected to stand permanently and designed for human use or occupancy or as shelter for animals or goods. Each building is comprised of components such as framing, interior finish, roof structure and cover, and building service systems.

2. Building Improvements - A building improvement’s primary purpose is to increase output, lower operating costs, improve working conditions, enhance the original quality, extend the useful life, or otherwise add to the worth of future benefits or utility expected to be received from the asset.

3. Easements - An easement is a non-possessory interest in land owned by someone else, which entitles the owner of the interest to a limited use or enjoyment of the land and to protection from interference with its use. The landowner retains fee title to the property, while the easement holder maintains the rights to control development of the land.

4. Infrastructure - Infrastructure is defined as long-lived fixed assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most fixed assets. Examples include highways, roads, bridges, dams, and lighting systems.

5. Land - Land is considered real property. Land costs include initial purchase costs, surveying fees, appraisal and negotiation fees, legal and title fees, damage payments, site preparation costs (clearing, filling, and leveling), and the assumption of any liens, mortgages, or encumbrances on the property.

6. Land Improvements - Land improvements are physical changes in, or appurtenances to, land of such character as to increase the utility of the land (exclusive of structures). Land improvements meeting the $5,000 per unit historical cost threshold will be capitalized and entered into DSU’s Fixed Asset and Inventory system.
7. Leasehold Improvements - *Leasehold improvements* are capital expenditures made to real estate not owned by the DSU, where DSU has the right to the use of the real estate by virtue of a lease.

8. Leased Assets - DSU leases some assets through lease purchase agreements. Based on the threshold, University will determine whether to capitalize or expense the item. This is a determining factor whether the item is a part of capital lease or operating lease. If a fixed asset is transferred to DSU at the conclusion of a lease, the asset is added to the Fixed Asset and Inventory Management system based on the costs incurred to purchase the asset, including interest costs.

9. Software - The University recognizes divisions purchase computer software for many of the same reasons they purchase other fixed assets, including reducing costs, improving efficiencies, strengthening internal controls, and improving customer service. DSU Information Technology Department will review all hardware and software prior to procurement to ensure the equipment is compatible with the University's ability to manage and support, is configured correctly and that all appropriate security measures are addressed. All computer software with a useful life of one year or more and purchased with a cost of $5,000 or more must be tracked in the Fixed Asset and Inventory system for reporting purposes.

10. Vehicles/Furniture/Equipment - Costs of vehicles/furniture/equipment include the total purchase price after discounts, plus any trade-in allowances, transportation charges, installation costs, and any other costs required to prepare the asset for its intended use.

11. Works of Art and Historical Treasures - The Governmental Accounting Standards Board's (GASB) 34 states that governments should capitalize works of art, historical treasures, and similar assets at their historical cost or fair value at the date of donation (estimated if necessary), if they are held as a collection. Governments are exempted from capitalizing collections, given certain conditions are met. The conditions will be outlined in the Fixed Asset and Inventory Management Procedures Manual.

**Depreciation:**

All capitalized assets are depreciated using the straight-line method of depreciation, except those assets that are considered inexhaustible such as land, works of art, historical treasures, and similar assets. Depreciation is calculated monthly in the Fixed Asset and Inventory System, based on the invoice date.

When a fixed asset is deemed lost, obsolete, sold, stolen, or otherwise disposed, all accumulated depreciation is expensed and the fixed asset is retired from the active Fixed Asset listing.

The estimated useful lives of capitalized assets are as follows:

- Buildings and building improvements ......................... 40 years
- Vehicles........................................................................... 7 years
- Furniture/Equipment .................................................. 7 years
- Computers and Software............................................. 7 years
- Library Books.............................................................. 5 years
DSU procedures and guidelines will address this policy in detail to include the following areas:

1. Acquiring a Fixed Asset
2. Receipt of Fixed Asset, Inspection and Tagging
3. Receipt of Donations
4. Recording Assets in the Fixed Asset and Inventory System
5. Property Inventory
6. Retiring and Disposing of Fixed Assets
7. Grant Equipment
8. Procedures for Disposal
9. Library Books
10. Fiscal and Record Control

Responsibility

Responsible staff and/or their designee will maintain proper stewardship over all assets. Assets will be maintained in DSU’s Fixed Asset and Inventory Management System.

The University Controller is responsible for the coordination, development, and implementation of the policies and procedures that comprise the university-wide fixed asset system. All assets must come through Central Receiving in order to ensure accuracy of the inventory. Assets that go directly to users must be reported to Central Receiving for proper tagging and recording. The “Receiving Record” completed by Central Receiving verifies materials have been received, inspected, and verified against purchase orders. No payments will be processed by University Finance Division without a signed “Receiving Record” from Central Receiving.