Virginia Polytechnic Institute and State University

Fixed Asset Accounting

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1.0 Purpose

The university has a significant investment in fixed assets (land, buildings, fixed equipment, infrastructure, moveable equipment, intangible assets, etc.) used to carry out its instruction, research and outreach or public service missions. The total historical cost value of the university's fixed assets exceeded $2.6 billion at June 30, 2014. In addition to the Blacksburg campus, the university has numerous off-campus locations in most cities and counties in the Commonwealth of Virginia and in other sites throughout the world to accomplish its missions. The purpose of this policy is to ensure all the university's fixed assets are acquired, safeguarded, controlled, disposed and accounted for in accordance with state and federal regulations, applicable accounting pronouncements and in a manner that adequately supports the maximum recovery of Facilities and Administrative (indirect) costs associated with these assets. In addition, this policy also addresses the following issues related to fixed assets:

- General provisions about acquisitions, disposals, impairments, and depreciation of fixed assets and the property management system used to account for and control these assets
- Ownership of the university's fixed assets
- Assignment of responsibility and accountability for fixed assets
- Definition of the capitalization thresholds for fixed assets

As a public institution, the university and its employees have a fiduciary responsibility to protect and safeguard all university assets and ensure they are used in the furtherance of the university's mission. University policies, state laws and federal regulations prohibit the use of university assets for private use or personal business activities of university employees or other persons. This policy identifies specific additional requirements for property, equipment, and other items meeting the criteria for fixed assets. University departments and employees are also expected to establish reasonable business practices over all other university assets such as equipment below the capitalization threshold (personal computers, mobile communication devices, furniture, etc.), supplies and materials, and other items to meet their fiduciary responsibilities of safeguarding and protecting university assets.

2.0 Policy

2.1 General Provisions

2.1.1 General Provisions about Acquisitions of Fixed Assets

The university follows the same basic procurement policies and procedures for the purchase of equipment and other fixed assets as it does for any other purchase of goods and services (see Policy Number 3200, Disbursements). However, additional procedures must be followed to meet all state and federal regulations related to fixed assets.

This policy addresses the basic requirements for fixed assets, but does not address all specific regulations, especially those processes related to the approval, authorization, and appropriation of building construction or capital outlay projects. Donations of equipment and other fixed assets are addressed in Policy 12115, Accepting and Reporting Gifts-in-Kind (http://www.policies.vt.edu/12115.pdf) and departmental responsibilities for such items are addressed in section 2.3.1 below.

2.1.2 General Provisions about Disposals or Impairments of Fixed Assets

The university follows the Surplus Property requirements for asset disposals contained in the Code of Virginia Section 2.2-1124 (https://law.lis.virginia.gov/vacode/title2.2/chapter11/section2.2-1124/), applicable policies and procedures established by the Division of Purchases and Supply of the Department of General Services of the Commonwealth of Virginia, and any applicable federal regulations related to the disposal of equipment and other property funded or owned by federal agencies such as Title 2 Code of Federal Regulations Chapter II Part 200 "Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards" (https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl) (hereafter referred to as the Uniform Guidance) for federal awards received after December 26, 2014 and applicable federal regulations (such as Office of Management and Budget's Circular's A-110 and A-21) for federal awards received before that date.

Equipment and other fixed assets cannot be sold, loaned, transferred or taken to another organization, given away (outside the university), scrapped/cannibalized or disposed of by any faculty, staff, student, or department without prior written approval of the University Surplus Property Officer in coordination with the Manager of Fixed Assets and Equipment Inventory Services. Department heads and their designated equipment coordinators (as described in Section 2.3.1) are responsible for safeguarding all equipment and other assets assigned to their organization, including items no longer needed, until a Surplus Property Report Form is completed and the Surplus Property Office officially removes it from their possession. **Under no circumstances should any equipment or other fixed assets be thrown away.**

See Policy 3955, Management of Surplus Property (http://policies.vt.edu/3955.pdf), for additional information related to surplus property. See also Policy 3951, Transfer of Equipment between Domestic Institutions (Policy Number 3951), for procedures related to the **limited circumstances** under which equipment may be transferred or sold to other institutions.

A fixed asset is considered **impaired** when its service utility has declined significantly and unexpectedly. The university accounts for impairments in accordance with Statement Number 42 of the Governmental Accounting Standards Board, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries (https://www.gasb.org/st/summary/gstsm42.html)." Generally, this standard requires that the asset value be written-down for the amount of the impairment loss if the impairment is determined to be permanent.

2.1.3 Property Management System

The Assistant Vice President for Finance and University Controller is responsible for the coordination, development and implementation of policies and procedures that comprise the university-wide property management system. The components of this system were developed to facilitate good business practices and internal controls over the acquisition (through purchase, lease, donation, transfer or other methods), disposal (through surplus property procedures), and renovation or replacement of the university's fixed assets. The major components of this system and the assignment of responsibilities for this system are included in the remainder of this policy.

A key component of this system is the software used to record and track fixed assets. The Banner Fixed Assets software system, the official system of record, provides university management with the information necessary to effectively manage and control its fixed assets. This system contains all fixed asset demographic information (bar code tag number, ownership, location, operating condition, cost, acquisition date, source of funding, serial number, etc.) about each asset as well as information about their acquisition, disposal and the results of physical inventories. Departments may maintain additional supporting subsystems to augment their control procedures; however, these systems cannot be used in lieu of the Banner Fixed Assets system. The Banner Fixed Assets system maintains data records necessary to comply with federal and state regulations for custody, control and regulatory or audit reporting requirements. Updating the Banner Fixed Assets system on a timely basis to record changes in the operational condition, location or demographic information about fixed assets is the joint responsibility of **Fixed Assets and Equipment Inventory Services (FAEIS)** staff in the Controller's Office and the department with custody or proprietary control over such fixed assets.

2.1.4 Depreciation

The university uses the straight-line method of depreciation for all depreciable fixed assets which includes buildings, fixed and moveable equipment, infrastructure, library books, and software and other intangible assets. Fixed assets such as land, equipment-in-process, software-in-development and construction-in-progress, are not depreciated. A full year of depreciation is taken in the year of acquisition and none is taken in the year of disposition. Useful lives are based on guidelines provided in the Commonwealth Accounting Policies and Procedures (CAPP) manual section 30605 (www.doa.virginia.gov/CAPP_Topics_Cardinal/30605), and these are periodically evaluated and modified if actual experience at the university differs significantly from these guidelines.

2.2 Ownership of Fixed Assets

All fixed assets (land, buildings, fixed equipment, infrastructure, moveable equipment, etc.) are owned by the university and not by a specific individual, department or other operating unit. Generally, the university has sole ownership of, or title to, all equipment acquired regardless of source of funding or method of acquisition with the following exceptions:

- Equipment acquired through sponsored projects where the federal government or other sponsor explicitly retains title or an equity interest in the equipment or where the sponsor furnishes equipment merely for the duration of the project.
- Equipment acquired on federally-sponsored projects generally results in the university having **conditional title** for the duration of the sponsored project, and the final determination of ownership is made upon the conclusion of the project in accordance with Uniform Guidance Section 200.313 (www.ecfr.gov/se2.1.200_1313)
- Equipment on short-term loan from another institution.
- Leased equipment (unless such equipment meets the criteria for a capital lease).

The university has title or conditional title to the majority of the equipment and other fixed assets it acquires. However, additional procedures are required for the acquisition and disposal of equipment owned by the federal government or other sponsors, equipment purchased from federally sponsored projects and equipment purchased with the Commonwealth of Virginia's Equipment Trust Fund program. These procedures are explained in section 2.3 below.

2.3 Responsibility and Accountability for Fixed Assets

2.3.1 Departmental Responsibility and Accountability

University employees are personally responsible for protecting all university fixed assets and other property (regardless of ownership, method of acquisition or source of funds used to acquire such items) entrusted to them and for helping protect all university assets in general. Additionally, deans, vice presidents, department heads, department chairs, and directors (or similar titles for the administrative manager of each university organizational unit and hereafter referred to as "department heads") are ultimately responsible and held accountable for assuming proprietary control of all equipment and other fixed assets in their care, custody, control, or assigned to their department. This responsibility includes establishing business practices and procedures for equipment and other fixed assets that provide the following:

1. Proper care, maintenance, control and reasonable safeguards to prevent loss, damage or theft of equipment and other fixed assets. This is especially important for equipment purchased under the Equipment Trust Fund (ETF) program because such equipment serves as the security interest for the bonds issued to fund the program. Generally, ETF equipment cannot be disposed during the first seven years of ownership, the current bond maturity period. There is an exception for personal computers, which can be disposed after three years of ownership, if such items meet the normal criteria for disposition of surplus materials.
2. Proper usage of equipment and other fixed assets. Such items should be used for university business purposes and in accordance with university policies, state laws and directives, and federal regulations, which prohibit the use of university property for private, personal, or commercial business activities.
3. Assisting the Controller's Office with initial screening to avoid the purchase of duplicate equipment. Verification steps to ensure all items ordered are actually received and in good operating condition; and providing assistance to the FAEIS staff to complete the initial inventory of the item acquired within 60 days of receipt. Once the barcode is affixed to the equipment, it should not be removed.
4. Proper disposal of obsolete, unneeded or inoperable equipment, and other property as described in the surplus property policies and procedures (see Policy Number 3955, Management of Surplus Property). Departmental personnel must contact the Office of Sponsored Programs so that they can seek disposition instructions from the applicable federal agency for any planned disposals of federally owned or federally funded equipment. Such disposals must be done in accordance with the Uniform Guidance. Coordination with the Office of Sponsored Programs must be completed prior to requesting pickup by Surplus Property. Department heads may act to transfer property to another university department, but cannot sell or donate property to an individual, outside entity, or commercial firm. Departmental procedures for all disposals or transfers to other departments should ensure all transactions are recorded in the Banner Fixed Assets system on a timely basis.
5. Creation of procedures to ensure any faculty or staff terminating employment are reminded and counseled about the limited circumstances available for transferring or selling university equipment to another university as described in Policy 3951, Transfer of Equipment between Domestic Institutions (http://policies.vt.edu/3951.pdf). Generally, procedures in Policy Number 3951 require extensive lead time because the specific equipment must be reviewed, approvals must be obtained, sales must be negotiated and disposition instructions must be obtained from federal sponsors. Equipment cannot be removed or transferred until all procedures are finalized.
6. Reporting thefts (or other suspected fraud, waste, and abuse) of equipment and other assets to the Virginia Tech Police Department and/or Virginia Tech Internal Audit Department as required by Policy 1040,

Reporting and Investigating Suspected Fraudulent Activities (http://policies.vt.edu/1040.pdf). FAEIS and Risk Management staff should also be notified. Additionally, equipment lost or destroyed as a result of a casualty (fire, flood, etc.) should be immediately reported to the University Police Department, FAEIS and Risk Management. If the item(s) involved are sponsor-funded or sponsor-owned, the Office of Sponsored Programs must also be notified.

7. Document and control equipment loaned to employees to accomplish work on university business at home. At a minimum, there should be written authorization from the department head, documentation of the university business purpose, signed consent by the employee to return the equipment upon request or upon termination of employment, specific details about the equipment (barcode, serial number, manufacturer, model number, cost, etc.), and a process to track all equipment and update the location information (change the location from the university building/room to "home") in the Banner Fixed Assets system on a timely basis. A sample form to document this process is available on the Controller's Office website.

8. Designate an equipment coordinator(s) and ensure they attend training for the Banner Fixed Assets system. This will allow trained users to run reports and download spreadsheets to assist in the management and control of equipment and other assets assigned to the department, make changes to location and responsible person as needed, and assist FAEIS staff in coordinating the equipment inventory process.

9. Ensure FAEIS staff are notified of changes to departmental equipment and assets resulting from trade-ins (documented on the Purchase Order for replacement equipment) or assets returned to the vendor. For assets returned, procedures must ensure equipment is repaired, a replacement asset is received, or credit memos and/or refunds are issued for assets not replaced by the vendor. The Procurement department can assist in dealing with the vendor for equipment obtained on a Purchase Order. Proper recording of trade-ins is an important part of ensuring the accuracy of the fixed assets systems for inventory and financial reporting requirements.

10. Ensure the cost of fabricated equipment and related labor costs required to construct an asset are reported to FAEIS prior to the equipment being placed in service so the Banner Fixed Assets system asset information is accurate and current.

11. Reporting donated equipment in accordance with Policy 12115, Accepting and Reporting Gifts-in-Kind (http://www.policies.vt.edu/12115.pdf). This policy requires the University Development Office be notified of all gifts in-kind (including equipment) on the transmittal form issued for that purpose. The gift will be entered into the Development Office records and information sent to the Virginia Tech Foundation. All gifts-in-kind will be entered on the books of the Virginia Tech Foundation unless alternate arrangements are stated at the time of receipt. Title to the property will be transferred to the university and entered into the university Banner Fixed Assets system provided the equipment meets the university's capitalization threshold or must be controlled.

Generally, the construction, renovation, and maintenance of the university's buildings and related service systems and grounds are the responsibility of the various facilities departments, not individual departments.

2.3.2 Controller's Office Responsibility and Accountability

The Assistant Vice President for Finance and University Controller is responsible for the coordination, development and implementation of policies and procedures related to fixed assets and the university-wide property management system. In addition, the section of the Controller's Office called **Fixed Assets and Equipment Inventory Services (FAEIS)** is charged with the central responsibility to maintain and update the Banner Fixed Assets system (for acquisitions, disposals, transfers, and other changes to fixed assets) and to ensure the information contained in that system is accurate and complete and reconciles with the general ledger. Additionally, they are responsible for providing leadership in the accounting and control (through physical inventories and other methods of verification) of all the university's fixed assets. The responsibilities of the FAEIS staff are:

1. Initiate and control the inventory/barcode tagging and collection of detailed demographic information (location, serial number, operating condition, etc.) of all equipment acquired by purchase, donation, fabrication, transfer or other methods of acquisition.
2. Coordinate the physical inventory of equipment and other fixed assets to ensure compliance with applicable state directives and federal regulations and ensure the accuracy and completeness of the fixed assets records for proper financial reporting. The goal of the inventory process is to verify the existence, physical location, and operating condition of the equipment and that the equipment is still in use and to advise departments of the surplus property procedures if equipment appears to be no longer needed. It is not practical or cost effective to locate 100 percent of all equipment items, especially low dollar items that are controlled and not capitalized. Therefore, the goal of the inventory process is to verify the existence and condition, through physical inspection (or written confirmation if physical inspection is not practical or efficient), of at least 95 percent of both the number of items and the cost value of the items of capitalized equipment and controlled equipment owned or loaned by federal or private sponsors assigned to the department being inventoried.

   Departmental inventories will be conducted approximately every two years to achieve this objective, with an emphasis on the equipment held in research intensive departments and other high to medium risk departments. Low risk departments, such as departments in remote locations with small amounts of equipment will be done on a rotating basis over a more extended period. The risk based process with 95 percent dual thresholds was chosen to exceed the requirements of the Uniform Guidance which allows inventories to be performed using statistical sampling techniques. The results of the inventory (including the location, operating condition, and inventory date) are updated in Banner Fixed Assets system as items are verified. Summary results of inventories by department are reported to management quarterly.
3. Record disposals (and related sales proceeds, gains or losses, and reduction in accumulated depreciation) through sales, write-offs, trade-ins and all other means for all assets in the Banner Fixed Assets system. For capitalized fixed assets, this also includes ensuring that the Banner general ledger totals are appropriately reduced for such disposals.
4. Provide training to departmental equipment coordinators and other university personnel related to fixed assets policies and procedures and how to use the Banner Fixed Assets system to control and maintain up-to-date information for departmental fixed assets.
5. Maintain and record changes, transfers, or other updates as appropriate to the land, building, infrastructure, fixed equipment, moveable equipment, software, etc., records in the Banner Fixed Assets system.
6. Reconcile detailed fixed assets records for accountable or capitalized items in the Banner Fixed Assets system with the Banner general ledger.
7. Provide Risk Management fixed assets cost values for insurance reporting purposes. Also provide proof of ownership documentation to Risk Management, Internal Audit, or the university Police Department (as appropriate) for assets recorded in Banner Fixed Assets which are lost, stolen, or damaged as a result of a casualty loss.
8. Prepare reports to assist management in planning and budgeting for fixed asset replacement and for equipment which has reached the end of its useful life, and for the periodic evaluation of the useful lives of categories of fixed assets based on the actual experience of how long assets are held and actively used.

9. Provide deans, directors and department heads with accurate and timely information about equipment and other fixed assets recorded in Banner Fixed Assets under their control or assigned to their departments. Assist departments with inquiries and provide guidance as needed.
10. Prepare data on depreciation for the university's financial statements and the federal Facilities and Administrative (F&A) Cost Proposal computations.
11. Assist in the preparation and completion of property information reports as required by governmental entities, state or federal auditors, etc.

Additionally, the Cost Accounting section of the Controller's Office is responsible for reviewing purchases of equipment in excess of $25,000 to determine if existing items owned by the university could be used instead of purchasing new equipment.

2.3.3 Procurement Department

The Procurement Department as part of the normal competitive procurement process is charged with acquiring quality goods and services, in conformance with applicable state policies and procedures, at fair and reasonable prices. These same procurement practices also apply to the acquisition and lease of equipment and other fixed assets, with the exception of leases for real property which are the responsibility of the Office of Real Estate Management.

Additionally, the Procurement Department should clearly identify, and document on the Purchase Order, demographic information such as bar code numbers, etc. for any equipment trade-ins used as part of the acquisition of replacement equipment. In conjunction with the department acquiring the equipment, the Procurement Department should notify FAEIS so the trade-in can be removed from the Banner Fixed Assets system when the transaction is completed and the acquisition is recorded.

2.3.4 Surplus Property Office

The university Surplus Property Manager and his/her staff are responsible for implementing a system of processes and procedures to comply with applicable state and federal laws and regulations related to the pick-up, transfer, redistribution, and sale or other final disposition of surplus property held by the university. This includes equipment and other fixed assets recorded in the Banner Fixed Asset system (both accountable and controlled) as well as supplies and materials no longer required by any university organization. See Policy 3955, Management of Surplus Property (http://policies.vt.edu/3955.pdf), and the Fixed Assets procedures on the Controller's Office webpage for more details about the surplus property procedures.

2.3.5 Office of Sponsored Programs

The Office of Sponsored Programs (OSP) is responsible for the preparation and submission of all property reports required by awards from federal agencies. OSP will coordinate the content of all reports with the Manager of FAEIS prior to submission to the sponsoring agency.

OSP is also responsible for requesting disposition or title for government funded or sponsor owned equipment at the end of the grant or contract or when such equipment is no longer needed in accordance with the terms and conditions required by federal regulations such as the Uniform Guidance or Federal Acquisition Regulations. OSP will coordinate with FAEIS staff and the principal investigator or other departmental personnel to ensure equipment and other fixed assets are physically present and in good operating condition before transferring equipment to another federally sponsored project or initiating other disposition options.

Similarly, the OSP must obtain disposition instructions from the federal agency for projects with federally funded equipment where the university has **conditional title** and **a current per unit fair market value in excess of $5,000**. If such equipment is retained or sold by the university, the federal agency is entitled to their proportional share of the fair market value. If the equipment has a **current per unit fair market value of less than $5,000**, then the equipment can be disposed in accordance with this policy without further obligation to the federal agency. The university uses the net book value (historical costs less accumulated depreciation) as a surrogate for fair market value.

The OSP is also responsible for reviewing requisitions for potential equipment to be charged to sponsored projects. These reviews are performed to detect and mitigate potential problems related to the following:

- Multiple funding sources or agencies (including Equipment Trust Fund) which could result in conflicts in title or ownership to the equipment. Such conflicts are prohibited; they result in problems with use and future disposition of equipment.
- Equipment purchases in the latter part of a sponsored project to ensure adequate documentation and justification exists to demonstrate the project will benefit from the purchase of equipment and it is necessary to complete the scope of work. Equipment purchases late in the project (e.g. within six months of the project end-date) may require written approval from the sponsor's contracting officer. If a grant is continued or renewed, equipment purchases late in a project may be appropriate.
- Determine if the sponsored project has a Technology Control Plan (TCP) or Controlled Unclassified Information Management Plan (CMP) as outlined in OSP 29 05 (www.osp.vt.edu/vt_osp_export_control_policy_osp-29-05). If so, notify the Office of Export and Secure Research Compliance (OESRC) and FAEIS to ensure the equipment is properly identified and recorded in Banner Fixed Assets as being purchased on a restricted research project.

2.3.6 Risk Management

The Office of Risk Management (ORM) is responsible for ensuring adequate insurance coverage is maintained on all university fixed assets based on information obtained from the Banner Fixed Assets system and other sources of information and for coordinating, submitting and assisting in the negotiation of settlements for all insurance claims on casualty losses, theft, etc. related to fixed assets.

2.4 Capitalization Thresholds

The university is vitally concerned that all fixed assets of any substantial value are properly controlled and recorded in the Banner Fixed Assets system. However, because of the wide range in value and volume of different items owned by the university, it is neither practical nor economical to maintain elaborate inventory records for all categories of property and equipment. Two different categories of fixed assets are tracked in the Banner Fixed Assets system for all university-owned, federal government-owned or funded, leased and loaned property: **accountable** and **controllable**. Accountable or capitalized fixed assets are all property meeting the university's capitalization criteria defined for each category of fixed assets below. The cost value of such fixed assets are also recorded in the Banner general ledger. **Controllable** property is all property that does **not** meet the university's capitalization criteria, but which the university is obligated or chooses to control or track (such as firearms, leased equipment, equipment owned by external entities such as the federal government in the custody of the university, low dollar transportation equipment requiring license and registrations, or other low dollar items which departments choose to control). For accounting purposes, the cost value of controllable property is **not** recorded in the Banner general ledger nor is it included in the calculation of depreciation expense.

2.4.1 Equipment, Software and Intangibles

The university capitalizes moveable equipment and separately acquired fixed equipment with an original unit cost of $2,000 or more and an expected useful life of greater than one year. An additional requirement for capitalization is that the university must own or have conditional title to such items. An exception to this general rule is made for the equipment purchased with funds from the Commonwealth of Virginia's Equipment Trust Fund (ETF) Program. Under this program, bonds are sold by the Virginia College Building Authority to finance the purchase of instructional and research equipment purchased by public colleges and universities of the Commonwealth. ETF program equipment is capitalized if it has an original unit cost of $500 or more and an expected useful life of greater than one year.

The amount capitalized or recorded in the general ledger (as well as in the Banner Fixed Assets system) is the purchase price of the asset plus any cost necessary to prepare the asset for use including shipping and installation. Vendor discounts are deducted but trade-in allowances are not. Fixed equipment is generally of a configuration requiring contractor installation. Installation often includes charges for various permanent service connections, assembly, site preparations and other miscellaneous types of labor. These associated installation costs, when properly documented, are included in the capitalized cost of newly acquired fixed equipment.

Purchased software systems with a unit cost of $100,000 or more, including any significant internally generated costs to place the software into service, are also capitalized or recorded in the general ledger and included in the intangible assets category for financial reporting purposes. Basic operating software for personal computers is normally included in the cost of the personal computer.

Software and other intangible assets are not subject to capitalization if they are to be leased or sold, used in research and have no alternative uses, or are developed for others under contractual arrangements.

2.4.2 Land, Buildings, Fixed Equipment, Infrastructure, and Construction-in-progress

Generally the acquisition of land, buildings, fixed equipment and infrastructure assets require the special approvals, authorizations, and appropriations in accordance with the Commonwealth of Virginia's capital outlay projects policies and procedures. Alternatively, under the authorities granted by the Restructuring Act, the university's Board of Visitors may authorize capital projects if no state general fund appropriations are required to complete the project. The special procedures and authorizations are necessary for all acquisitions in excess of $2,000,000 or as amended by the Commonwealth. The Controller's Office reviews all of these project expenditures and uses the general contractor's "schedule of values" to determine how to capitalize these projects. Construction project costs are accumulated and reported in the "Construction-in-Progress" asset category until the project is substantially complete and the related asset is placed in service. The construction-in-progress costs are reclassified into the various fixed asset categories (land, buildings, infrastructure, fixed equipment or moveable equipment) and recorded in the Banner Fixed Assets system. The construction-in-progress costs are not recorded in the Banner Fixed Assets system; however, journal entries are prepared to update the Banner Finance general ledger with summary totals for each construction project to ensure proper financial reporting. Moveable equipment included in the expenditures of construction or renovation projects is only capitalized or recorded in the general ledger if the unit cost exceeds the capitalization thresholds for equipment acquired individually.

The university records buildings into the three subcategories described in the Uniform Guidance – building shell, building services systems, and fixed equipment. Building structures and service equipment located on the central campus in Blacksburg and in existence before July 1, 1980 are capitalized at the appraised historical value established during fiscal year 1980-81 by independent appraisal. Buildings located at the various off-campus research stations are capitalized at the county tax assessed value in effect for fiscal year 1982-83. Buildings put into service before

July 1, 1980 were recorded at appraised or county tax assessed values and were generally only allocated to the building shell subcategory.

Certain research-intensive buildings are further allocated to individual components within each of the three subcategories mentioned above based on a special building componentization appraisal study. Depreciation on these detail components is calculated (based on the useful lives of these detailed components) and treated consistently in the university's financial statements and the Facilities and Administrative Cost Proposal.

2.4.3 Repairs and Renovations

Significant costs incurred after an asset is acquired that materially extend the life or increase the value of the asset, are also capitalized. Renovation projects in excess of $100,000 are reviewed by the Controller's Office to determine if the above criteria are met. Items meeting the criteria are allocated to the proper asset category(s) and recorded in the Banner Fixed Assets system and capitalized or recorded in the general ledger.

2.4.4 Capital Leases

Transactions meeting the criteria of a capital lease will be recorded in the Banner Fixed Asset system and capitalized or recorded in the general ledger (see Section 4 for definition of a capital lease). Generally, the amount capitalized will be the net present value of the lease payments after excluding executory costs, utilities, and other operational costs included in such payments. Such transactions usually relate to the acquisition of buildings or equipment.

3.0 Procedures

This policy applies to all fixed assets (land, buildings, fixed equipment, infrastructure, software, moveable equipment, etc.) regardless of the source of funds or method used to acquire these assets (including donated fixed assets) and apply to all university departments that use, have custody, or have been assigned responsibility for these assets. Detailed procedures related to the acquisition and disposal of fixed assets can be found under the FAEIS section of the **Controller's Office** home page (www.controller.vt.edu).

4.0 Definitions

Moveable Equipment - Equipment (items with a unit value of $2,000 or more and an estimated useful life greater than one year, except Equipment Trust Fund items where the unit value is $500 or more) is an item of tangible personal property that is generally mobile and is not permanently affixed to any building or room.

Software and Intangible Assets – Computer software and internally generated software valued at $100,000 or more and an estimated useful life greater than one year.

Buildings - The university records buildings into the subcategories – building shell, building services systems, and fixed equipment.

1. **Building Shell** - includes excavation, building structures or shell foundations, framing, floor structure, roof structure, roof cover, floor covering, ceiling, interior construction, exterior finish, doors, windows, hardware, etc.
2. **Building Service Systems** - includes components of buildings or systems affixed to buildings, which have useful lives shorter than the building shell itself. Included are attachments to buildings such as wiring, electrical fixtures, plumbing, heating systems, air conditioning, etc. that provide the required basic services for occupants.

3. **Fixed Equipment -** equipment attached or fastened to a room or building, but not permanently affixed, used as a furnishing, decoration or for some specialized purpose. Equipment is considered not permanently affixed to the building if it can be removed without costly or extensive alterations or repairs to the building to make the space useable for other purposes. Fixed equipment supports the functions being performed in the building rather than the building itself. Such equipment is generally contractor-installed and includes items such as built-in benches, cabinets, counters, tables, fume hoods, built-in shelves, autoclaves, sterilizers and washers, paging systems, clock systems, and fixed furniture. Also included as fixed equipment are secondary structures such as greenhouses, silos, feed bins, shelters, etc. and the specialized equipment permanently attached to these structures for normal operation.

Infrastructure - This category includes roads, bridges, streets, sidewalks, open places, drainage/sewer systems, steam tunnels, lighting systems, parking lots, landscaping, and other similar assets. New infrastructure funded on capital outlay projects are capitalized the year they are placed in service. Infrastructure assets in existence before July 1, 2001, not previously capitalized, were capitalized at the appraised historical value established during fiscal year 2001-2002 by independent appraisal. Generally, the road system located throughout the university's main campus is owned and maintained by the Virginia Department of Transportation, not the university.

Land - This category includes all holdings of land properties owned by the university. Values of individual land tracts are based on county tax assessment records or actual purchase cost if documented.

Capital Lease – A lease of property, facilities or equipment meeting any one of the following criteria:

- The lease transfers ownership of the property to the lease by the end of the lease term
- The lease contains a bargain purchase option
- The lease term is equal to 75 percent or more of the remaining estimated economic life of the leased property, unless the beginning of the lease term falls within the last 25 percent of the total economic life of the leased property
- The present value of the minimum net lease payments equals or exceeds 90 percent of the fair market value of the leased property. This criterion does not apply if the beginning of the lease term falls within the last 25 percent of the total economic life of the leased property.

Bargain Purchase Option – A provision allowing the lessee, at his/her option to purchase the leased property for a price sufficiently lower than the expected fair value of the property at the date the option becomes exercisable.

5.0 References

Commonwealth Accounting Policies and Procedures Manual, Section 30000, "Fixed Asset Accounting" and related subsections, Section 30705, "Surplus Property Management" and Section 30805, "Disposal Management," dated May 2013 and as revised.
https://www.doa.virginia.gov/reference/CAPP/CAPP_Summary_Cardinal.shtml

Title II of the Code of Federal Regulations Chapter 2 Part 200 "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards", referred to herein as the Uniform Guidance.
https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl

Statement Number 42 of the Governmental Accounting Standards Board, "Accounting, Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries"
https://www.gasb.org/st/summary/gstsm42.html

Commonwealth Accounting Policies and Procedures (CAPP) manual section 30605
https://www.doa.virginia.gov/reference/CAPP/CAPP_Topics_Cardinal/30605.pdf

Uniform Guidance Section 200.313
https://www.ecfr.gov/cgi-bin/text-idx?node=se2.1.200_1313&rgn=div8

Policy 3200, Disbursements
http://policies.vt.edu/3200.pdf

Policy 12115, Accepting and Reporting Gifts-in-Kind
http://www.policies.vt.edu/12115.pdf

Policy 3955, Management of Surplus Property
http://policies.vt.edu/3955.pdf

Policy 3951, Transfer of Equipment between Domestic Institutions
http://policies.vt.edu/3951.pdf

Policy 1040, Reporting and Investigating Suspected Fraudulent Activities
http://policies.vt.edu/1040.pdf

OSP 29 05, Management of Restricted Research Agreements
https://osp.vt.edu/content/dam/osp_vt_edu/policies/vt_osp_export_control_policy_osp-29-05.pdf

6.0 Approval and Revisions

- Revision 5
  Various responsibilities reassigned due to reorganization. The Controller's Office is responsible for property management functions, with the Purchasing Department responsible for equipment screening. The Director of Property Management is now the Manager of Plant Accounting. Wording changes were made throughout the document to reflect these changes and a new Section 2.3, "Purchasing Department," added (following sections renumbered).

  Approved September 16, 1992 by Vice President for Business Affairs and Treasurer, Raymond D. Smoot, Jr.

- Revision 6
  Minor additions made to Section 2.8, Physical Inventory of Equipment, and Section 3.3, Missing Equipment.

  Approved June 11, 1997 by Vice President for Finance and Treasurer, Raymond D. Smoot, Jr.

- Revision 7
  Entire policy reviewed and rewritten in July 2003.

  Approved October 30, 2003 by Vice President for Budget and Financial Management, M. Dwight Shelton, Jr.

- Revision 8
  Entire policy reviewed and updated for changes in the references for federal regulations, changes in accounting pronouncements and federal regulations, and clarifications or changes related to various responsibilities, inventory procedures, and capitalization thresholds in June 2015.

  Approved September 25, 2015 by Vice President for Finance & Chief Financial Officer, M. Dwight Shelton, Jr.