

FIXED ASSETS ACCOUNTING PROCEDURES

Responsibility, Accountability and Ownership

All fixed assets (land, buildings, fixed equipment, infrastructure, moveable equipment, intangible assets, etc.) are owned by the University and not by a specific individual, department or other operating unit. Generally, the university has sole ownership 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 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 result 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
- Equipment on short-term loan from another institution
- Leased equipment (unless meets criteria for capital lease)

University employees are personally responsible for protecting all property entrusted to them and to protect all university assets in general. This includes the proper care, maintenance, control and reasonable safeguards to prevent loss, damage or theft of equipment and other assets. This is especially important for equipment purchased under the SCHEV/Equipment Trust Fund (ETF) program; this equipment serves as a security interest for the bonds issued to fund the program. ETF equipment cannot be disposed of (with a few exceptions, i.e. personal computers) during the first seven years of ownership, the current bond maturity period.

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 assets in their care, custody, control or assigned to their department. See Section 2.3.1 of Policy 3950 “Fixed Assets Accounting” for further department responsibilities. Also see the Department Business Management Guide for establishing good business practices and procedures and “Suggestions for Successfully Managing Equipment Inventories” on the Controller’s Office website.

Assets 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. Project investigators are responsible for ensuring sponsor funded equipment is used only for grant or contract authorized purposes.

Part of this control is the designation of a departmental equipment coordinator(s) and ensuring they attend training for the Banner Fixed Assets system. This allows 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 Fixed Assets and Equipment Inventory Services (FAEIS) staff in coordinating the equipment inventory process.

Major ownership categories are listed below:

1. University owned

As mentioned above, the university generally has sole ownership of all equipment regardless of the source of funding or acquisition method. This includes purchases in which ownership has changed from federal government or SCHEV to university owned.

2. Equipment Trust Fund or SCHEV

The Higher Education Equipment Trust Fund was established in 1986 by the General Assembly to provide funding to upgrade equipment needed for instruction and research. A large infusion of equipment was needed in a short period of time and the state could not afford to pay for it directly from operating appropriations. The State Council of Higher Education (SCHEV) shares administrative responsibility for the program with the Virginia College Building Authority. The program has several goals that include significantly reducing the amount of obsolete technology and equipment and to provide every faculty member with appropriate equipment and training to use technology in support of teaching and learning. Virginia Tech receives a large portion of SCHEV funding annually to achieve these goals. All equipment purchased with SCHEV funding remains property of SCHEV (even items with split funding) for seven years. This equipment must be maintained as a functional unit as originally purchased and physically tagged with a university barcode (if possible). This equipment cannot be altered, destroyed or cannibalized for seven (7) years after the date of purchase since these items are collateral for bonds and must be maintained in good working condition. In a certain cases, personal computers may be surplus after 3 years.

3. Sponsor owned – purchased or furnished

This category covers all equipment purchased by or furnished to the University for use on a specific grant or contract by a sponsor (federal, state or local). Occasionally,

title for sponsor owned equipment is transferred to the University at the conclusion of the related grant or contract.

4. Equipment on loan to VT including evaluation equipment

This covers equipment on loan to the University for use on specific research projects through an agreement with the contracting agency or sponsor. Researchers must report the details of the loan arrangement to the Office of Sponsored Programs who will forward to FAEIS. Occasionally the university is given equipment to evaluate, this should be covered by a written agreement. If the loan or evaluation agreement is for 90 days or longer the equipment is included in the Banner Fixed Assets system for control purposes only.

5. Leased

This category covers assets the university leases where title for the equipment remains with the vendor. This equipment is included in the Banner Fixed Assets system for control purposes only.

Acquisitions, Value and Classifications

Capitalization Thresholds and Values

There are two different categories of fixed assets tracked in Banner Fixed Assets: accountable and controllable. **Accountable (or capital)** property is all property that meets the University's capitalization criteria. **Controlled** property is all property that does **not** meet the University's capitalization criteria, but which the University is obligated or by policy chooses to physically control (such as firearms, leased equipment, low dollar transportation equipment requiring license and registrations).

The acquisition value for each fixed asset is generally measured by the cash outlay required to obtain the asset. **Fixed assets are valued at actual cost or, if the cost is not readily determined, an estimated cost.** Acquisition cost includes the purchase price or construction cost, as well as all costs incurred to place an asset in its intended location and in an operable condition. Such costs associated with an asset include:

- freight and transportation charges
- installation costs
- site preparation expenditures
- professional fees (including title costs and surveying fees if appropriate)
- legal costs directly attributable to asset acquisition, and
- cost of necessary easements and right-of-ways

Acquisitions

Assets included in the University's Banner Fixed Asset System are normally acquired in one of six ways:

1. New purchases, including lease-purchase or installment purchase transactions
2. Donations
3. Transfers from other agencies
4. Federal and state surplus property
5. Fabricated or constructed
6. Loans and Leases

New Purchases, Lease or Installment Purchases

New purchases are recorded if the asset meets the capitalization threshold. 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 exception to this general rule is made for equipment purchased with funds from the Commonwealth of Virginia's ETF Program. ETF program equipment has an original unit cost of \$500 or more and an expected useful life of greater than one year. Purchased assets are recorded at invoice or contract price and all other ancillary costs.

Title is normally considered to pass to the university the date the equipment is received. Assets may be acquired through lease purchase or installment agreements (an agreement in which title passes to Virginia Tech).

Donations

Policy Number 12115, "Reporting Gifts-in-Kind to the University," requires the University Development Office to be notified of all gifts in-kind (including equipment). The gift will be entered into the Development Office records and the information sent to the Virginia Tech Foundation (VTF). Unless agreed upon at the time of receipt, all gifts-in-kind will be entered on the books of the Virginia Tech Foundation. VTF supplies detailed information to the FAEIS staff on a monthly basis so the items can be included in the Banner Fixed Assets system. Typically, the donor is a corporation and VTF completes a Gift in Kind Transmittal and the IRS 8283 form as documentation for the fair market value used to determine the amount of charitable deduction to be claimed by the corporation. Occasionally gifts are received directly by university departments and the fair market value is determined at the time of receipt. Title to the property will transfer to the university and will be entered in the university Banner Fixed Assets system if the equipment meets the capitalization threshold. Donations are **NOT** considered personal property of faculty or staff although they may have been a primary contact for the donation.

Transfers from Other Agencies

An asset transfer between agencies usually represents the sale of an item by one agency to another and may be treated as a purchase (recorded at the purchase price). Transfers between related agencies may also be treated as a transfer rather than a sale. In this case the asset is recorded with the original acquisition date and cost. Transfers of assets from other institutions are generally accomplished by a formal agreement specifying terms and conditions of title and custodial responsibility if the University does not receive title to the equipment. Transfer agreements that involve grants or contracts are approved by the Director of Sponsored Programs. Information about the transferred assets should be provided to the FAEIS staff by the department, college or division that assumes physical responsibility for the property.

Equipment may follow a principal investigator from another institution; normally only grant related equipment is transferred. New or existing employees who bring equipment to the University should notify FAEIS within two weeks after the new equipment arrives at a VT facility (whether in the Blacksburg location or off-campus). The department or employee should inform FAEIS of the approximate number of equipment items, the dollar value, and the original location of the equipment (other agency) and provide supporting documentation.

FAEIS will physically inventory the equipment. If the equipment involved is grant equipment, the Office of Sponsored Programs will be contacted to ensure all rules and regulations were properly followed. The equipment will then be entered in the Banner Fixed Asset system.

Federal and State Surplus Property

Department heads are responsible for ensuring all equipment received from federal agencies is acquired with clear title to the university and with appropriate written documentation. Most federal agencies must follow federal surplus property regulations contained in Title 2 Code of Federal Regulations Chapter II Part 200 “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards” (hereafter referred to as the Uniform Guidance) for federal awards received after December 26, 2014 and applicable federal regulations (such as OMB Circular A-110 and A-21) for federal awards received before that date and are therefore not authorized to simply give away federal assets. The acquisition value should be provided by the agency along with title restrictions enforced. Departments are responsible for notifying FAEIS about property acquired from federal government agencies.

The University also acquires surplus property from other state agencies. These assets are usually acquired by University departments directly from the agency declaring the property surplus. A list of available surplus property can be obtained from the state

Division of Purchases and Supply. The acquisition value of surplus property is the current purchase price including any costs associated with making the asset operational. Departments are responsible for notifying FAEIS about property acquired from other state agencies.

Fabricated or Constructed Assets

Equipment

- Departments occasionally build special-purpose assets from various combinations of components and materials. If an asset is fabricated with an aggregate original cost of \$2,000 or more and has a useful life greater than 1 year, FAEIS should be notified in writing in a timely manner. This should include a description, location and value of the asset with documentation to support the cost of components, labor, etc. The equipment will be physically inventoried, recorded in Banner Fixed Assets and covered under the university's Risk Management Policy. See Acquisition Value section below for additional items to consider for valuation.

Land Acquisition, Building Construction, Building Service Systems, Infrastructure

- FAEIS, in cooperation with Cost Accounting and Capital Design and Construction, separately identifies the building and building components for all new construction. FAEIS enters all data about buildings, building service systems, improvements, and land into the Banner Fixed Assets system.

Equipment on Loan or Lease

Departments must report to FAEIS all equipment on loan to the university or evaluation equipment received if the department will retain possession for 90 days or longer. This equipment will be physically inventoried, recorded in Banner Fixed Assets and covered under the university's Risk Management Policy. It is the department's responsibility to notify Fixed Assets when the equipment is returned to the vendor/sponsor and it will be promptly removed from the system.

Departments must also report all equipment leased to FAEIS when the lease agreement contains an initial non-cancelable term of one year or more and either the total lease payments are greater than or equal to \$5,000 over the lease term or the fair market value of the lease is \$5,000 or more. Leases are divided into two categories: operating and capital.

- **Operating** – Agreements using an asset for a short period of time and ownership will not transfer or use up most of the assets worth. Operating leases are recorded at the minimum lease payments. Leased equipment with an estimated fair market value of less than \$50,000 are considered operating leases.
- **Capital** – If an asset is essentially being paid for or used for most of its life, then the lease is classified as capital whether ownership is acquired or not. Equipment valued at \$50,000 and above will be subject to all four tests set forth by the Financial Accounting Standards Board unless the lease is for an asset in the last 25% of its economic life. Capital leases are recorded at the lower of the present value of the minimum lease payments or the fair market value of the leased asset. The Board of Visitors should approve all capital leases before the contract is finalized.

Classifications

• **Land** - The cost of land should include, in addition to the acquisition costs, ancillary costs as legal and title fees, unpaid taxes assumed, surveying and recording fees, appraisal and negotiation fees, easements, damage payments, site preparation costs (clearing, filling, and leveling) and demolition of unwanted structures.

The cost of land does **not** include expenditures in connection with land improvements that are considered exhaustible (that deteriorate with use or passage of time) or are part of an infrastructure asset.

• **Fixed Equipment** - Fixed equipment is generally 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. Equipment items that are either built in or largely immobile but do not lose their identity as part of the building itself are fixed equipment since they are separately identifiable.

• Fabrications or Construction

- **Buildings** - The cost of buildings should include all the purchase or construction costs, professional fees for architects, attorneys, appraisers or financial advisors, and any other expenditure necessary to put a building or structure within its intended state of operations.
- **Equipment** – The cost of equipment fabricated should include all purchase or construction costs, labor, and the cost to place the asset in its intended location and in an operable condition. Also see Specific considerations that affect recording acquisitions section below.

Amounts related to buildings are recorded in Construction-in-Progress until the project is complete. Amounts related to equipment are recorded in Equipment-in-Progress until the

equipment is placed in service. Upon completion the total cost is transferred to the appropriate fixed asset.

Specific considerations that affect recording acquisitions

1. Equipment Unit

Moveable equipment is normally complete in itself; does not lose its identity or become a component of the building where it resides; and, is durable in nature with an expected service life of more than one year.

An equipment unit is a single item constructed from various materials and assemblies to perform a specific useful function in a separate configuration having suitable size, shape, and usage to make individual identification feasible. Acquisition cost includes all costs incurred to place an asset in its intended location and in an operable condition. Multiple payments are “attached” to primary tag to reflect the total cost of an asset. The university capitalizes moveable equipment and separately acquired fixed equipment that have an original unit cost of \$2,000 or more and an expected useful life of greater than one year. There is one exception to this general rule for the Commonwealth of Virginia’s ETF Program in which the unit cost is lowered to \$500.

2. Equipment System

An equipment system is several pieces of equipment that are combined to perform a specific function (functional unit). For inventory purposes, a system is primarily identified as such on the original requisition and purchase documentation. It is generally capitalized as a single asset regardless of the individual unit costs. Departments should notify FAEIS for assets assembled over a period of time on several orders to various vendors. Such systems may be capitalized if a department provides adequate cost-supporting documentation and if the intended usage and application is consistent with other capitalization policies. Other systems-related equipment acquisitions are determined by FAEIS to be either capitalized with the related system, capitalized as a single equipment item, or expensed as a replacement or supply item based on the best information available at the time of the field verification. Equipment that works in conjunction with other functional units is designated as a component unit.

3. Subsystem

An equipment subsystem is part of a large system and may consist of several components. For inventory purposes, a subsystem is determined to be a separately identifiable asset if it is purchased as an addition to an existing system or when better asset control would be achieved by separately identifying each asset. In all other cases, a subsystem is considered as a system subject to the University's capitalization policy.

- **Software and Intangible Assets** – Computer software and internally generated software valued at \$100,000 or more are included in this category.
- **Capital Leases** – Leases are classified as capital if the asset is essentially being paid for or used for most of its economic life, whether ownership is acquired. A capital lease meets one of the following tests: ownership transfers by the end of the lease, the lease contains a bargain purchase price, the lease term is equal to 75% of the estimated economic life of the asset or the present value of the minimum lease payments equals or exceeds 90% of the fair market value of the asset.

Initial Inventory for Equipment Acquisitions

For all purchase orders coded to an equipment account code, upon receipt of the invoice and receiving report, the system automatically creates transactions to record the expense, related accounts payable and updates the general ledger for fixed assets (moveable or fixed equipment). A temporary table is automatically created with all invoices coded to equipment account codes (22XXX) and a Banner process is ran (FFPOEXT) daily to extract the invoice data and create a new record (origination tags) in the Banner Fixed Asset system for each equipment item purchased (determined by unit of measure and quantity). The creation of the fixed asset record begins the inventory process for new acquisitions.

The FAEIS Asset Tagger is responsible for placing barcodes on new equipment. All new equipment acquisitions should be physically tagged with a barcode and a colored ownership label within 60 days of receipt unless problems are noted. The ownership labels are different colors to indicate ownership and contain a statement ‘Do not dispose, cannibalize or trash’ (pink indicates university ownership, orange indicates US Government ownership, green is for rental equipment and yellow indicates SCHEV funded items). During the “tagging” process, FAEIS staff gather demographic information about the asset including manufacturer, model, serial number, location, and custodian. The demographic information as well as the barcode number is scanned or written on the purchase order. If through discussion with departmental staff the equipment cannot be physically tagged or embossed, the tag number is “assigned” to the asset. The barcode is physically placed on the purchase order and this alerts data entry the item is untaggable and is designated as such in the system (user status code is U for untaggable, E for embossed, blank if physically tagged). If the asset is untaggable, as much demographic information as possible is noted for the asset. For equipment located off campus, mail out forms, barcodes and colored ownership labels are mailed directly to either a designated coordinator or other responsible individual. The coordinator must locate the item, attach the barcode, complete the required demographic data, and return the completed form to the FAEIS staff within two weeks of receipt.

Disposal of Equipment

The disposal of equipment is strictly regulated by state law, university policy and controlled by donor/sponsor restrictions. Equipment cannot be sold, loaned, transferred or taken to another organization, given away (outside the university), scrapped/cannibalized or disposed by any department without prior written approval of the University Surplus Officer in coordination with the Manager of FAEIS. Department heads may act to transfer property to another university department, but cannot sell or donate property to an individual or commercial firm. Departments are responsible for all equipment assigned to their organization until a Surplus Property Report Form is completed AND the Surplus Property Officer or his designee officially removes it from their possession. **Under no circumstances should any equipment be thrown away.**

University departments may only dispose of equipment in accordance with Section 2.2-1124 and 2.1-457.2 of the Code of Virginia and the surplus property policies and procedures administered by the Commonwealth of Virginia's Division of Purchases and Supply of the Department of General Services. It is never appropriate to simply throw away equipment or other items of value. These procedures apply to equipment and other items below the equipment capitalization threshold, such as desks, chairs, file cabinets, etc. Although Surplus Property procedures allow for various methods of disposals, the most common and preferred procedure is the public auction managed by the Virginia Tech Surplus Property Office. Other methods available include interdepartmental transfers, trade-ins, sales or transfers to other state agencies, sales to political subdivisions (public school districts, city or county governments, etc.), sealed bids, or negotiated sales.

Special procedures are required for disposals of equipment not owned by the university (items owned by the federal government, or leased equipment, etc.) or for equipment purchased with SCHEV funds (Equipment Trust Program). SCHEV equipment cannot be disposed, altered, destroyed or cannibalized for seven (7) years after the date of purchase since these items are collateral for bonds. 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.

To initiate removal of equipment from a department, a Surplus Property Report Form must be completed for each piece of equipment (non-equipment items or similar items can be grouped). All items should be labeled and completed forms sent to the Surplus Property Office, mail code 0359. Labels are available from the Surplus Property Office, phone (540) 231-5660. The Surplus Property Report Form is available on-line in the forms section of the Procurement website (www.procurement.vt.edu).

Each department is responsible for the continued security of assets until removed by Surplus Property for disposal. FAEIS staff is responsible for maintaining records of all departmental transfers and disposals of equipment. When equipment is picked up by

Surplus property, the surplus form should be signed by personnel from the department and Surplus property. Following removal of surplus items from the department, the responsible department is changed to Surplus Property based on the completed and signed Surplus Property Report form. This transfer removes the equipment item from the department's inventory and transfers responsibility to the surplus property department. A change report (FZRFCHG) is emailed monthly to department Equipment Coordinators detailing transfers to Surplus Property in Section 3. This report should be reviewed in detail to ensure accuracy and all items sent to Surplus are properly removed from the originating department.

Interdepartmental Transfers

Once the department equipment coordinator attends Banner Fixed Asset training they should make transfers into their department using the Banner screen FZATRAN. If the receiving department has not been trained, FAEIS will complete the transfer with an approved Inventory Update Form, appropriate emails or telephone calls. (See the on-line forms section on the Controller's Office website for Fixed Assets www.controller.vt.edu). Department heads of both the giving and receiving departments must sign the Inventory Update Form indicating approval of the transfer before the transfer is performed by FAEIS. It is the responsibility of both the giving and receiving departments to ensure all transfers are performed in Banner Fixed Assets in a timely manner.

Trade-Ins or Equipment Returned to Vendors

Trade-ins are **not** required to be declared surplus on the Surplus Property Report Form. Obsolete, worn-out, inactive, or uneconomical operating equipment may be traded-in for the purchase of similar equipment as long as the university holds title. Trade-in procedures should **NOT** be used if the monetary allowance offered is substantially below the known current fair market value of the proposed trade-in. Items for trade-in must be fully described (barcode number and serial number) on the requisition and purchase order. The credit amount applied to the new purchase must be on the purchase order and/or invoice. For items returned to the vendor for replacement, the new asset received must be tagged and the information updated for the returned item. The cost of the new asset is the sum of the cash expended plus the cash equivalent of the value of old asset given in exchange.

Theft or Casualty Loss

When equipment is discovered to be missing from its designated location with no record of its disposition, and theft is suspected, the Virginia Tech Police and Internal Audit should be notified immediately. See Policy Number 1040 "Reporting Suspected Fraudulent Activities" for more information. In addition, Risk Management and the FAEIS staff should also be notified so records are updated accordingly. When federal

government or other sponsor owned property is discovered missing, the department should also notify the Office of Sponsored Programs. Sponsored Programs will then contact the appropriate sponsoring agency(s) for disposition instructions. A list of missing equipment should be supplied to those involved in the investigation.

Campus police will investigate the circumstances of the theft. Risk Management will assist with documentation and file the appropriate insurance claim for settlement. See the Insurance and Risk Management section of the Controller's Office website for further details. Internal Audit will identify the weaknesses in security that contributed to the occurrence, and the FAEIS staff will provide information to assist in the identification of the equipment as needed.

In addition, 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 equipment, the Office of Sponsored Programs should also be notified.

Transferring Equipment to another Institution (See Policy 3951)

In limited circumstances equipment and supplies may be transferred to other institutions. Approval and disposition of equipment requested by the faculty to be transferred depends on the ownership of the equipment. There are three cases to be considered:

- Equipment ownership retained by sponsor, and purchased on the transferred sponsored project.
- Equipment owned by the university, but purchased on the transferred sponsored project or equipment brought by the faculty member from another institution.
- Equipment owned by the university and purchased from sources other than the transferred sponsored project. In these cases, Surplus Property regulations apply and a no-cost transfer would normally be prohibited.

Depending on the original acquisition cost and ownership of the assets, various approvals from the Department Head to Legal Counsel and the Vice President for Finance and CFO are required. See Policy 3951 "Transfer of Equipment from the University to Other Domestic Institutions" for more details.

Control and Management

Changes to Equipment Records

The Inventory Update Form (see the on-line forms section on the Controller's Office website for Fixed Assets www.controller.vt.edu) is used to report routine transfers, disposals, or other changes on individually inventoried assets. For transfers between

departments, both the giving and receiving department heads must approve the Inventory Update Form, indicating approval of the transfer. Updates are required for the following changes:

- Change departmental ownership
- Change location on record
- Change operating condition (operable, inoperable)
- Equipment returned to the vendor
- Disposal of property by trade-in, theft or casualty loss
- Change in custodian

Departments with trained equipment coordinators may transfer assets into their organization, update the location and custodian information by utilizing the FZATRAN form.

Location Changes

Department coordinators should record location changes in the Banner Fixed Assets system in a timely manner. Training for this procedure is provided to departments on an on-going basis. This screen (FZATRAN) only allows departments to update organization, location and custodian. This form has 'organizational security' so departments can only update assets within their department.

For department coordinators which have not yet attended Banner Fixed Asset training, the Inventory Update Form can be submitted to FAEIS for location changes. Departments can also use e-mail to notify FAEIS of changes. When notification is received, FAEIS makes the necessary changes in Banner using the FFATRAN screen. It is very important equipment locations are accurate so the allocation of depreciation for the Facilities and Administrative (F & A) Cost Proposal computation. It is also critical since all equipment will be physically inventoried every two years and will be scrutinized by various auditors.

Equipment Located at Home

Department heads may authorize employees to take university equipment to their personal residences in order to facilitate the completion of university business activities. When this situation arises, departments must have procedures to account for equipment, at a minimum, would require 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, and a process to track all equipment and ensure the location information is updated in the Banner Fixed Assets system in a timely basis. A sample

form to document the equipment loan is in the forms section on the Controller's Office website for Fixed Assets www.controller.vt.edu. Equipment Coordinators should facilitate the completion of this form or a similar form and obtain the signature of the employee removing the equipment from university property. The form should contain a statement the equipment is still owned by the university (not the employee) and the equipment will be returned upon the request of the Department Head, FAEIS staff, auditors, or upon the termination of employment. The Equipment Coordinator should maintain a copy of these forms and the original should be placed in the employee's departmental personnel file for reference. These forms should be updated at least annually.

Equipment Trust Fund/SCHEV Equipment

Whenever possible, grant/contract funds should not be commingled with SCHEV purchases. Serious problems arise with conflicting ownership, use and disposition restrictions of the grant/contract versus the restrictions for SCHEV. All equipment items purchased with SCHEV funding remain property of SCHEV (even items with split funding) for seven years. This equipment must be maintained as a functional unit as originally purchased and physically tagged with a university barcode (if possible). This equipment cannot be altered, destroyed or cannibalized for seven (7) years after the date of purchase since these items are collateral for bonds. If equipment purchased with SCHEV funding is destroyed, stolen, lost, cannibalized, etc. before the seven year requirement is met; the department is responsible for replacing the item with like equipment within 90 days of loss with departmental funds. FAEIS should be notified when replacement items are received so the records can be updated and the new item physically tagged with a barcode.

Reporting

A change report (FZRFCHG) is emailed monthly to department Equipment Coordinators detailing acquisition, transfer, and disposal information. Equipment Coordinators are responsible for reviewing this report and notifying FAEIS of changes needed. Special attention should be given to Sections 2 and 3 (transfers out and surplus) as mentioned in the departmental training. If problems occur, the Manager of FAEIS should be contacted immediately. These reports should be reviewed/reconciled and retained for future audit in accordance with university record retention requirements.

Trained equipment coordinators can run three reports in Banner Fixed Assets. The Organizational Equipment Report (FZRFORG) details information about all equipment assigned to their department and the Single Asset Report (FZRFSAR) provides detailed information about a specific barcode or serial number. FZRFORG produces both a

printable report and a download file while FZRFSAR only produces a printable report. Trained coordinators also have the ability to run their missing report (FZRFIMS) by inventory ID.

Physical Inventories

The purpose of physical inventory is to verify the existence, condition and accuracy of our records for equipment owned by, donated, furnished to or accountable to the university. Uniform Guidance requires a physical inventory of all equipment every two years. FAEIS staff are responsible for conducting physical inventories for each department and this requires a team effort in coordination with Departmental Equipment Coordinators and departmental staff. Departments are expected to provide assistance and cooperation during all phases of the inventory. The Equipment Inventory Certification form is used to certify equipment located at home or at an off campus location during the physical equipment inventory (See the Equipment Inventory Certification in the forms section on the Controller's Office website for Fixed Assets www.controller.vt.edu). When these forms are received, FAEIS records the necessary changes in Banner Fixed Assets. Departments should conduct periodic inventories of equipment to ensure the Fixed Asset records are accurate, up-to-date and to properly control their equipment.

The reconciliation phase of the inventory is a crucial part of the inventory process and could take a significant commitment of time depending on the problems encountered. After the initial physical inventory and receipt of the related inventory reports (missing reports) each department should review, investigate and follow-up on missing/unverified equipment. Departments are expected to find at a minimum, 95% of their equipment value and items within 60 days of receipt of the initial missing report. Beginning January 2016 the following will be included in the 95% calculation: Any accountable/capitalized item (generally \$2,000 or more) and any item below \$2,000 where the university does not have title (Government owned, SCHEV, leased, etc.) Items costing less than \$2,000 where the university holds title will no longer be included in the 95% calculation. After the department indicates no more equipment can be located, a final report will be issued. Departments that cannot meet the established standard (95%) will be closed for reporting purposes after 6 months; however departments are still expected to continue to account for their missing assets and notify FAEIS to scan/account for those items. Department heads are expected to approve this report noting agreement with the results of the inventory and accept responsibility for the equipment in accordance with university policy. The certification should be returned within two weeks of receipt.

Definitions

Moveable Equipment

Equipment (items with a unit value of \$2,000 or more with an estimated useful life greater than one year, except for 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. Computer software systems costing \$100,000 or more are also included in this category. Controlled equipment consists of any equipment that does not meet the university's capitalization criteria and includes leased items, firearms, low dollar transportation equipment.

Land

Land is considered to be an inexhaustible asset (with infinite life) and therefore is not depreciated. Improvements that produce permanent benefits to the land, such as costs for fill and grading that ready the land for erection of a structure, or landscaping, are also considered inexhaustible.

Values of individual land tracts are based on county tax assessment records or actual purchase costs if documented.

Buildings

The university records buildings into the subcategories allowed in Office of Management and Budget Circular A-21 "Cost Principles for Higher Education Institutions"; building shell, building service 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 Equipment**- 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** -is equipment that is attached or fastened to a room or building, but not permanently affixed, and is used as a furnishing, decoration or for some specialized purpose. Such 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

Assets are long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets and that normally are stationary in nature. They are not identifiable to any particular structure, but nevertheless, have a quantifiable value to the University. This category includes roads, bridges, sidewalks, open places, steam tunnels, drainage/sewer systems, lighting systems, parking lots, landscaping and similar assets.

New improvements funded on capital outlay projects are capitalized the year they are put in service. Infrastructure assets in existence before July 1, 2001 that were 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 are owned and maintained by the Virginia Department of Transportation, not the university.

Construction in Progress

Construction in progress is a temporary account for the recording of architect and engineering fees, labor, materials, and equipment to later be capitalized to a construction project. When the project is completed, costs in the construction-in-progress account are reclassified into one or more of the other major asset classes of land, buildings, infrastructure or equipment. Construction-in-Progress is recorded both for the financial statements and accounting systems but not in Banner Fixed Assets.

The costs included in Construction-in-Progress are the total project to date expenditures together with related accounts payable, insurance premiums, interest and other related costs.

Works of Art or Historical Treasures

Works of art, historical treasures, or similar assets (i.e., University collections) are items having historical value, cultural value, and/or are of special significance to the university. In general, these items possess a quality that makes them worth more than their utility value. Works of art, historic treasures or similar assets are recorded at their historic cost or fair value at the date of donation. These assets are not capitalized. See Policy 3952 "University Owned Works of Art, Historical Treasures, and Similar Assets" for further information.

Depreciation

Depreciation, as described by the American Institute of CPA's, is a system of accounting which aims to distribute the cost or other basic value of tangible capital assets over the estimated useful life of the asset in a systematic and rational manner. The University uses the straight-line method of depreciation, which accumulates depreciation uniformly over the asset's life. The straight-line method is the official method for statewide

reporting in both the University's financial statements submitted to DOA and the Comprehensive Annual Financial Report (CAFR). Depreciation is calculated for Buildings, Infrastructure, Fixed Equipment and Moveable Equipment. Land is considered inexhaustible and non-depreciable. Equipment in Progress financial statement line items are also not depreciated.

Equipment in Progress

Equipment in Progress is a temporary account for recording payments to be later capitalized as equipment. This would include all partial payments and contract payments for assets not yet placed in service. Once the asset is placed in service the balance is transferred to the moveable or fixed equipment classification.

Capital Leases

Equipment Leases are classified as capital if the asset is essentially being paid for or used for most of its economic life, whether ownership is acquired. A capital lease meets one of the following tests: ownership transfers by the end of the lease, the lease contains a bargain purchase price, the lease term is equal to 75% of the estimated economic life of the asset or the present value of the minimum lease payments equals or exceeds 90% of the fair market value of the asset.