

JACKSONVILLE STATE UNIVERSITY
Manual of Policies and Procedures

POLICY NO: IV:03:09

DATE: September 2010

**REVISION/REVIEW DATES: Aug 2011, Aug 2013, Aug 2015, June 2017,
Feb. 2022, October 2022**

SUBJECT: Capitalization of Assets

APPROVED: Dr. Don C. Killingsworth, Jr. , President

PURPOSE

This policy establishes the University's regulations and procedures regarding capitalized assets.

POLICY

Governmental accounting standards require assets with a useful life of more than one year and meeting minimum cost requirements set by University policy to be classified as capital assets. Capital assets (other than land) are required to be depreciated. The University has six categories of capitalized assets: land, buildings, improvements other than buildings (includes infrastructure), equipment, library holdings, and intangible assets. These assets are recorded and depreciated as detailed below:

Land Capitalized at acquisition and not depreciated.

Buildings Capitalized and depreciated over a 40-year useful life. The purchase/construction of buildings is capitalized if the cost is \$100,000 or more. Improvements to buildings costing \$100,000 are capitalized if the improvement is not considered maintenance but a capital expenditure that extends the useful life of the building. The determination of the extended useful life of the building will be recommended by the Capital Planning and Facilities Office.

Improvements other than buildings

Capitalized when the cost is \$75,000 or more and depreciated using a five-year useful life. Additions to existing improvements other than buildings costing \$75,000 or more are capitalized if the improvement is not considered maintenance but a capital expenditure that extends the useful life of the building. The determination of the extended useful life of the building will be recommended by the Capital Planning and Facilities Office.

Equipment

Capitalized when the cost is \$5,000 or more and depreciated on a four- or eight-year useful life. Examples are listed below.

Four-Year Life

Furniture, office equipment, computer hardware/software, cameras, automobiles.

Eight-Year Life

Athletic equipment, grounds equipment, musical instruments.

Capitalized equipment is defined as movable, non-consumable property that has a life expectancy of one year or more and has a unit value of \$5,000 or more. Responsibility for maintaining control of State of Alabama property is outlined under the Code of Alabama, 1975, Sections 36-16-8 through 36-16-11. Capitalized equipment owned by Jacksonville State University will be assigned and tagged with an identification number. Each building manager will be responsible for all University property assigned to the general areas of their respective buildings. General areas will include lounges, hallways, conference rooms, or other areas not assigned to a specific department or budget manager.

Capitalized equipment is charged to account codes 76001 and 76012. All costs associated with the purchase of the equipment will be included in the value of the item, including shipping. Capitalized equipment purchases cannot be entered on the same purchase requisition as non-capital items. As with any purchase, once the equipment has been received, the budget manager should sign the receiving report and forward to accounts payable. The University Warehouse Manager will affix the identification tag to the equipment and update the asset record in the Banner system. [Form #37](#) should be completed and forwarded to the Warehouse Manager when capitalized equipment locations are changed.

Because property purchased with funding from the Federal government may have additional requirements, the fixed asset record for equipment purchases from Federal funds will have a notation of "Federal Funds."

Non-capitalized equipment (\$500 up to \$4,999) is charged to account code 76008. Non-capitalized equipment is not tagged by the Warehouse Manager. Individual budget managers are responsible for non-capital equipment purchased from their budgets. Examples of non-capitalized equipment are desk top computers, notebook computers, cellular telephones, copiers, etc.

Intangible Assets

Intangible assets are assets that lack physical substance, are non-financial in nature, and have an initial useful life extending beyond one year. Intangible assets are capitalized if all the following conditions are met:

- Asset is owned by the University and held for operations, not for resale.
- Asset has a useful life that exceeds one year.
- Asset meets the capitalization threshold.

If an intangible asset is considered to have an indefinite useful life, it should be capitalized but not depreciated. An intangible asset is considered to have an indefinite useful life if there are no legal, contractual, regulatory, technological or other factors that limit the useful life of the asset.

Intangible assets are recorded and depreciated as detailed below:

<u>Description</u>	<u>Capitalization Threshold</u>	<u>Useful Life</u>
Capitalized Software (Purchased or Internally Generated)	\$1 Million	8 Years
Easements and Land Use Rights	\$200,000	20 Years
Patents, Trademarks, and Copyrights	\$200,000	20 Years

Library Holdings Capitalized and depreciated using an eight-year useful life.

All University property (both capitalized and non-capitalized) that has been declared excess or surplus by a budget manager/department should be turned in to the Warehouse Manager. Property will be disposed of in accordance with Article 6 of Section 41 – 16 of the Code of Alabama 1975. The Senior Vice President for Finance and Administration and CFO will approve and authorize the Director of Procurement & Fixed Assets and the University Warehouse Manager to dispose of surplus property.

Generally, accepted accounting principles require that library books be recorded in the financial records. Annually, the Dean of Library Services will provide the estimated historical cost and estimated value based on appropriate indices of current holdings in the University library as of September 30 and no later than October 1.

Depreciation for buildings, improvements other than buildings, equipment, and intangible assets is calculated using the straight-line method. Depreciation for library holdings is calculated using the composite method. The University assumes no salvage value in the calculation of depreciation.

Achievement of the purpose of this policy is evaluated by the annual financial audit performed by External Auditors.

RESPONSIBILITY

The Senior Vice President for Finance and Administration and Chief Financial Officer is responsible for this policy.

EVALUATION

This policy will be reviewed at least every five (5) years.