

Capital Asset Policy

Objective

The objective of the University of St. Thomas' capital asset policy is to ensure assets purchased by the University are:

- purchased and approved in accordance with University policy;
- accounted for in accordance with Generally Accepted Accounting Principles (a requirement for the University); and
- properly tracked.

Definition of a Capital Asset

A "Capital Asset" is defined by the University as the purchase (or construction) of a building, piece of equipment or furnishing with total costs equal to or greater than \$3,000. A capital purchase must be long term in nature (the asset has an estimated useful life of greater than 1 year).

The cost of a capital purchase may include the following:

- Cost of the item
- Labor
- Shipping
- Permits
- Appraisals
- Any other costs that get the asset ready to be placed into service

Capital purchases may be either recorded using a capital equipment budget (Fund 76) or a Plant project budget (Fund 796xxx). See examples of capitalization in this document below.

Purchase Requisition Requirements

Generally speaking, the University desires to record and "tag" each capital asset it purchases. Capital asset tracking begins upon the completion of a purchase requisition by a departmental requisitioner. Therefore, the proper completion of purchase requisitions is critical. ***As a general rule, one line item should be created on the purchase requisition for a distinct and separate single asset.*** Line item descriptions should contain as much information as possible related to the asset (detailed description, location, serial number, etc.). The asset should include all components of the purchase (all "sub-components", labor, freight, permits, appraisals, etc.). The commodity code default description should not be used. Within a requisition, item text may be used to provide detail of the components for each capital line item.

Because of limitations within Banner related to the recording of capital assets versus expendable equipment, a separate purchase requisition should be created for capital asset acquisitions and expendable equipment purchases.

Setting up a plant project fund

In most cases, plant project funds are set up through the budgeting process. However, there are cases in which a plant fund may need to be setup after the budget process is complete. If this is the case, you will need to fill out the form titled "Budget Request for Capital Projects" which is located on the Controller's Office website, under the heading *Institutional Budget* and then under the heading *Budget Forms* <http://www.stthomas.edu/media/controllersoffice/pdf/BudgetRequestforCapitalProject.pdf>



Sale/Disposal of University-owned Capital Asset

In order to maintain accurate financial reporting, it is requested that the Controller's Office is notified whenever a University-owned movable asset is sold, disposed of, becomes obsolete/scrapped, is moved to storage or is stolen. A moveable asset is defined as vehicles, computer equipment/software and furniture/equipment that are not part of the supporting structure of a building. Please fill out the "Capital Asset Disposal Form", which is located on the Controller's Office website, under the heading *Policies, Procedures and Forms* (<http://www.stthomas.edu/controllersoffice/policies/>). Please electronically forward completed forms to Katelyn Shehu at sheh9359@stthomas.edu or forward hard copy completed forms through inter-campus mail to AQU 219, Attn: Katelyn Shehu.

If you are planning on selling a University-owned fixed asset, please contact Lindy Stankey in Purchasing to facilitate the sale. She can be reached at extension 2-6381.

In addition to filing out the "Capital Asset Disposal Form", please contact the following individuals to assist in the process of capital asset disposals:

Type of Disposal	Please Contact	Extension	E-mail
To be sold	Lindy Stankey, Purchasing	2-6381	lindy.stankey@stthomas.edu
Obsolete/Scrapped/ Move into storage	Paul Hietpas, Physical Plant	2-6387	hiet9744@stthomas.edu
Stolen	Campus Security	2-5555	N/A, SEE PHONE EXT.

Additional Contact Information

For additional questions and assistance with Purchase Requisitions, please contact:		For assistance with Accounting Treatment of Capital Purchases, please contact:
Lindy Stankey 651-962-6381 lindy.stankey@stthomas.edu		Katelyn Shehu 651-962-6142 sheh9359@stthomas.edu

Detailed Capitalization Policy

<i>Purchase Description</i>	<i>Purchase Classification</i>	<i>Recording</i>	<i>Purchase Requisition</i>
Plant Projects	Plant	Record to plant project fund (fund 796XXX), and a capital account (79XXX).	Complete the purchase requisition with a separate line item for each capital item. Note that items containing separate components that should be classified and tracked as a single item should be included on one line item with components documented in item text.
Purchase of individual equipment items, each with a cost under \$3,000	Expendable Equipment	Record to departmental operating budget (fund 12, account 72XXX).	A purchase requisition is generally not required for goods totaling less than \$3,000. See the following pages for exceptions to this.
Purchase of individual equipment items, each with a cost over \$3,000.	Capitalized Equipment	Record to capital equipment budget (fund 76, account 79XXX).	Complete the purchase requisition with a separate line item for each capital item. Note that items containing separate components that should be classified and tracked as a single item (AV system, etc.) should be included on one line item with components documented in item text.
Purchase of individual equipment items, all or some with a cost over \$3,000	Items over \$3,000 – Capitalized Equipment Items under \$3,000 – Expendable Equipment	Items over \$3,000 – Record to capital equipment budget (fund 76, account 79XXX). Items under \$3,000 – Record to departmental operating budget (fund 12, account 72XXX).	Ensure a separate purchase requisition is completed for those items recorded as capitalized “Equipment” (fund 76, account 79XXX) versus those items recorded as “Expendable Equipment” (fund 12, account 72XXX).
Furniture for administrative offices- Except as part of office remodel or replacement of furniture for total office (see below)	Items over \$3,000 – Capitalized Furniture Items under \$3,000 – Expendable Furniture	Items over \$3,000 – Record to capital equipment budget (fund 76). Items under \$3,000 – Record to departmental operating budget (fund 12).	Ensure a separate purchase requisition is completed for those items recorded as capitalized “Furniture” (fund 76, account 79XXX) versus those items recorded as “Expendable Furniture” (fund 12, account 72XXX).
Furniture for administrative offices- Part of office remodel or replacement of furniture for total office	Plant	Record to plant project fund (fund 796XXX), and a capital account (79XXX).	Complete the purchase requisition with a separate line item for each capital item. Note that items containing separate components that should be classified and tracked as a single item (i.e. modular furniture, etc.) should be included on one line item with components documented in item text.

Detailed Capitalization Policy cont.

<i>Purchase Description</i>	<i>Purchase Classification</i>	<i>Recording</i>	<i>Purchase Requisition</i>
Furniture for classroom space (under \$50,000 a year per building) or dorms	Expendable Furniture	Record to departmental operating budget (fund 12).	A purchase requisition is generally not required for goods totaling less than \$3,000. See the following pages for exceptions to this.
Furniture for classroom space (over \$50,000 a year per building)	Plant	Record to plant project fund (fund 796XXX), and a capital account (79XXX).	Complete the purchase requisition with a separate line item for each capital item. Note that items containing separate components that should be classified and tracked as a single item should be included on one line item with components documented in item text.
Modular Furniture – Cost of Combined Unit < \$3,000 (Combined = component pieces are attached and dependent on one another)	Expendable Equipment	Record to operating budget (fund 12).	A purchase requisition is generally not required for goods totaling less than \$3,000.
Modular Furniture – Cost of Combined Unit > \$3,000 (Combined = component pieces are attached and dependent on one another)	Equipment	Record to capital equipment budget (fund 76).	If possible, complete the purchase requisition with combined units included on one line item and components documented in item text.
Carpeting - Replacement	Expendable Equipment	Record to operating budget (fund 12).	Complete the purchase requisition.
Carpeting – New Building	Plant	Record to plant project fund (fund 796XXX), and a capital account (79XXX).	Complete the purchase requisition.
Non-Movable Equipment Attached to Building	Plant	Record to plant project fund (fund 796XXX), and a capital account for Building (79571) or Leasehold Improvements (79601).	Complete the purchase requisition with a separate line item for each capital item.
One-Time Start-Up Fees / Initial Consulting Fees Related to a Capital Asset Purchase	Plant or Equipment	Either capital equipment budget (fund 76) or plant project fund (fund 796XXX), and a capital account (79XXX).	Cost should be included on the same line item as the capital asset purchase.
Shipping Charges Related to a Capital Asset Purchase	Plant or Equipment	Either capital equipment budget (fund 76) or plant project fund (fund 796XXX), and a capital account (79XXX).	Cost should be included on the same line item as the capital asset.
Labor Related to a Capital Asset Purchase	Plant or Equipment	Either capital equipment budget (fund 76) or plant project fund (fund 796XXX), and capital account (79XXX).	Cost should be included on the same line item as the capital asset.

Detailed Capitalization Policy cont.

<i>Purchase Description</i>	<i>Purchase Classification</i>	<i>Recording</i>	<i>Purchase Requisition</i>
Deposits Related to a Capital Asset Purchase	Plant or Equipment	Either capital equipment budget (fund 76) or plant project fund (fund 796XXX), and a capital account (79XXX).	Cost should be included on the same line item as the capital asset. Deposit detail (i.e. 50% down, 50% due upon completion) should be included in Document Text on the purchase requisition.
Repairs or Replacements (General)	Expendable Equipment	Record to operating budget (fund 12).	Complete the purchase requisition.
Tuckpointing- Total estimated cost per building being worked on is under \$100k	Expense	Record to operations within deferred maintenance (fund 54120), assign applicable activity code and use account code 71106.	Complete the purchase requisition.
Tuckpointing- Total estimated cost per building being worked on is over \$100k	Plant	Record to plant project fund (fund 796XXX), and a capital account (79571- Buildings).	Complete the purchase requisition.
Demolition- Demolition of complete building to build new facility	Expense	Record to plant project fund (fund 796XXX), and operating expense account 76930.	Complete the purchase requisition.
Demolition- Internal demolition (i.e. demolition due to remodeling)	Plant	Record to plant project fund (fund 796XXX), and a capital account for Building (79571) or Leasehold Improvements (79601).	Complete the purchase requisition.
Internal Labor Costs within plant projects-total plant labor costs under \$3,000	Expense	Using the journal voucher system, record to plant project fund (fund 796XXX), and a plant internal charge account (77XXX). These expenses will be reclassified back to the plant index on a semi-annual basis.	N/A
Internal Labor Costs within plant projects-total plant labor costs over \$3,000	Plant	Using the journal voucher system, record to plant project fund (fund 796XXX), and a plant internal charge account (77XXX). These expenses will be capitalized within the plant index on a semi-annual basis.	N/A
Environmental Clean Up Costs (except for Asbestos Abatement)	Expense	Record to operations within Contracted Services (fund 54037) and use account code 71111.	Complete the purchase requisition.
Asbestos Abatement	Plant	Record to fund 796224 and use a capital account code (79xxx).	Complete the purchase requisition.