



# Fixed Assets Guidebook

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## **INTRODUCTION**

The University of North Carolina at Charlotte (UNC Charlotte) has made a significant investment in fixed assets, and these assets are used to support its mission of providing education and research. The purpose of this document is to ensure that assets are properly acquired, accounted for, maintained, and disposed. These procedures are carried out in accordance with state policies, federal regulations, audit requirements, and generally accepted accounting principles.

## **GOVERNING OFFICE AND REGULATORS**

The North Carolina Office of the State Controller (OSC) requires their agencies to have an Internal Policy/Procedure Manual to detail the agency's capital asset requirements (NC OSC Policy 102.14).

The University of North Carolina (UNC) System Office provides oversight to the multi-campus University of North Carolina system. As part of this oversight, they maintain the UNC Business Process Standards for Capital Assets. UNC Charlotte complies with these standards in its own policies and procedures. The latest version of the standards can be found on the [Reporting and Fixed Assets website](#).

The Governmental Accounting Standards Board (GASB) is an independent, private sector organization that establishes accounting and financial reporting standards for state and local governments in the United States. GASB Statements No. 34, 'Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments' (as amended) and No. 35 'Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities' govern fixed asset accounting and reporting for public colleges and universities.

## **RESPONSIBILITY, ACCOUNTABILITY, OWNERSHIP**

All University fixed assets are owned by UNC Charlotte and not a specific individual. The University has sole ownership of these assets except for:

- Equipment purchased with certain federal funds for a sponsored project
- Assets that are leased, in which case the University owns an intangible Right to Use the asset.
- Equipment that is on loan from another institution or business

All University employees are responsible for protecting UNC Charlotte property. They are accountable for care, maintenance, and safe-keeping. Fixed assets are audited annually by the Office of the State Auditor. Noncompliance with policies and procedures can lead to audit findings for the University. Consequences of repeated audit findings include restrictions on how future state appropriations are spent. All University employees, including Department Heads, Unit Directors, Provosts, Vice Chancellors, Deans, the Office of Police and Public Safety, the Office of Grants and Contracts Administration, the Controller's Office, and Internal Audit have specific responsibilities with regards to fixed assets. These responsibilities are detailed in [University Policy 601.15](#) 'Control and Management of University Equipment and Other Property' and the 'Supplemental Procedures' to Policy 601.15.

## **DEFINITION: FIXED ASSET**

A fixed asset is defined as tangible property with a total cost at the time of acquisition (or total acquisition value at the time of donation in the case of gifts) equal to or greater than \$5,000 and an estimated useful life of two or more years. Software, other intangible assets including right-to-use leased assets have a higher threshold (see the 'Capitalization' section below for more details). Some examples of fixed assets are land and land improvements; general infrastructure; buildings and building improvements; machinery and equipment; art, literature, and artifacts; software; and other intangible assets including right-to-use leased assets. Total

costs are all costs necessary to place the asset in its location and its condition for use. Total costs include the purchase price plus other necessary costs like shipping charges, legal fees, installation costs, sales tax, surveying fees, demolition costs, and insurance premiums during the construction phase. All of these charges combined must be \$5,000 or greater (\$100,000 or greater for software and other intangible assets; \$1,100,000 or greater for right-to-use leased assets). Tangible assets can be touched or physically measured and include equipment, vehicles, furniture, and buildings. Intangible assets lack physical substance and are non-financial in nature. Intangible assets include software, patents, easements, land use rights, copyrights, trademarks, and right-to-use leased assets. Fixed assets are acquired for use in normal operations and are not allowed to be resold without written approval from the NC State Surplus Property Office.

## **COMPONENTS**

Components are tangible property that are related to an existing asset. Components are depreciated, and can be disposed of separately from the primary asset. As a component of a primary asset tag, an asset is grouped with other items, but can be adjusted and depreciated independently. Components are referenced using the primary asset's tag number with an additional identifying letter at the end.

## **CAPITALIZATION**

An asset becomes capitalized when it is recorded as a fixed asset in that University's Statement of Net Position. The acquisition cost of most fixed assets is depreciated over the useful life of the asset. Certain fixed assets, however, are kept at their acquisition cost indefinitely; they are not depreciable. Non-depreciable assets include land, collectibles, and other appreciable assets such as works of art. The benefits of capitalizing an asset are improved accountability and consistency. Also, it provides comparability to the private sector. The University capitalizes assets that have a value or cost of \$5,000 or greater at the date of acquisition and an estimated useful life of two or more years. Additionally, any capital item transferred from a component unit of the University's reporting entity is recorded at the carrying value of the transferor. Intangible assets, including Right-to-use leased assets and right-to-use subscription assets (SBITAs), are the only exception to the \$5,000 capitalization threshold. Intangible assets with an estimated useful life of two or more years are capitalized if they meet the following thresholds: 1) Purchased or licensed software, easements, land use rights, patents, copyrights and trademarks are capitalized when the value or cost is \$100,000 or greater, and 2) internally generated software is capitalized when the value or cost is \$1,000,000 or greater. Right-to-use lease and subscription assets are recorded at the present value of payments expected to be made during the lease or subscription term, plus any upfront payments and ancillary charges paid to place the underlying right-to-use asset into services. Lease liabilities are capitalized as a right-to-use asset when the leased asset has a cost of \$1,100,000 or greater and an estimated useful life of more than one year. Subscription liabilities are capitalized as a right-to-use asset when the subscription asset has a cost of \$250,000 or greater and an estimated useful life of more than one year. All other assets not meeting these thresholds are expensed in the year of acquisition, including all furniture, machinery, and equipment with a cost of less than \$5,000 or a useful life of less than two years. Library books are generally not considered to have a useful life of more than one year unless part of a collection and are expensed in the year of acquisition regardless of cost.

## **FIXED ASSETS IN BANNER**

The Banner Finance System contains a module to track and manage capital assets. This module is called the Fixed Asset System (FAS). Capital asset records in FAS are entered, updated and maintained by the Fixed Assets Office in the Reporting and Fixed Assets Department. When a University department purchases new equipment, a requisition is created in the University's electronic procurement system (49er Mart). The Purchasing Office then places the order to buy the asset which creates a purchase order and liquidates the

requisition. An invoice will be received from the vendor and a three-way match will occur in 49er Mart with the invoice, purchase order and departmental receiving. Once this has been completed, the invoice will be sent to Banner to be paid on the due date. After the invoice is paid, an origination tag is created. The Fixed Assets Office converts the origination tag to a permanent tag, capitalizes the asset, and sets depreciation; all of this is done in FAS. When Inventory Control physically tags the asset, they obtain any additional information related to the asset such as the custodian, location, serial number, manufacturer, and model number, and they record it on a Tagging Sheet. Upon receipt of the Tagging Sheet from Inventory Control, the Fixed Asset Office enters the additional asset information into FAS. The information maintained in FAS is used to determine the total net book value of fixed assets on hand and to track the University's fixed assets records for all financial reporting purposes.

### **LEASES AND SUBSCRIPTION ASSETS IN DEBTBOOK**

The DebtBook software tracks and manages leases that are within the scope of GASB 87, *Leases* and subscription assets that are within the scope of GASB 96, *Subscription-Based Information Technology Arrangements*. Lease and subscription assets are entered, updated and maintained by the Financial Reporting team in the Reporting and Fixed Assets Department. DebtBook calculates all necessary accrual entries to be posted to Banner, and provides amortization schedules and stores documentation for each lease and subscription agreement.

### **49ER MART**

The University's electronic procurement system, 49er Mart, was implemented at UNC Charlotte in July 2010 in order to streamline purchases from the University's most popular vendors. The Fixed Assets Office is an account code approver in 49er Mart for purchases equal to or greater than \$5,000 and for purchases charged to a capital expense account code. For capital asset purchases, the correct account code must be used in order for the requisition to be approved. For account code resources, see the 'Equipment Account Codes' section. Additional documentation, such as a quote from the vendor or use of internal notes, is required in 49er Mart to help the Fixed Assets Office easily identify the assets being purchased.

### **EQUIPMENT ACCOUNT CODES**

See the 'Expense Account Code List' and 'Expense Account Code Descriptions' resources on the [Reporting and Fixed Assets website](#) for a list of appropriate account codes.

### **ADDITIONS vs. EXPENSES**

An addition or improvement to a building or other asset that costs \$5,000 or more and increases the service capacity or extends the useful life of that building or asset is considered a new fixed asset. Such an asset is capitalized as a component of the original parent asset. For examples and additional information, refer to the resource titled 'Construction Projects: Asset Categories and Other Guidance' on the [Reporting and Fixed Assets website](#). Maintenance agreements and other maintenance costs or repairs to existing spaces such as carpeting and painting are not new assets and are considered expenses.

### **MAINTENANCE**

Maintenance keeps assets in working condition and doesn't extend the useful life of an asset for accounting purposes. Some examples are painting, carpeting, new parts, and plumbing repairs. These are charged as a repair or maintenance expense and are **not** considered fixed assets. University departments should review

these types of costs annually to determine if a service contract is a cost effective option. Note: Service contracts are also repairs and maintenance expenses, and accordingly, they are not capitalized. See the 'Expense Account Code List' and 'Expense Account Code Descriptions' resources on the [Reporting and Fixed Assets website](#) for a list of appropriate maintenance codes.

### **BUILDINGS/BUILDING IMPROVEMENTS**

Buildings are permanent structures, have a life of seventy-five years, and are depreciated. Existing buildings are valued at purchase price or, if donated, the acquisition value at the time of donation. Newly constructed buildings are valued at the end of construction with a total cost that includes the labor and materials (both internal and external) as well as the cost of fixed equipment and other permanently attached fixtures such as carpeting, HVAC, electrical, and plumbing systems. In addition, the capitalized cost of any building (purchased or constructed) includes all charges necessary to put the building into its intended state of operation. Such costs include professional fees for brokers, attorneys, architects, appraisers and financial advisors as well as any interest paid on related debt during the period of construction.

After a building is inspected by the State Construction Office, the University will receive a Letter of Acceptance and the building can then be occupied. Buildings are recorded in Banner's Fixed Asset System and depreciated using a half-year convention basis. Under this convention, it is assumed that the property being depreciated was placed into service at the midpoint of the year. This means that in the first year, regardless of occupancy date, six months of depreciation is taken. For all subsequent years, 12 months of depreciation is taken each year until the final year when another half-year (six months) of depreciation is taken.

A building addition, renovation, or improvement is capitalized when it exceeds the University's capitalization threshold and also increases future service potential of the building or extends the building's useful life. Such events are capitalized as assets separate from the building (also known as components of the building); and therefore, they have their own useful lives. Such events must also be clearly distinguished from repair and maintenance costs, which are expensed rather than capitalized. Buildings are not considered to be fully depreciated until all separately accounted for component assets of that building (i.e. capitalized additions/renovations/improvements to the building) have also been fully depreciated.

When components or portions of a building are removed as part of a renovation or replacement project that meets the criteria for capitalization, the original asset being replaced is removed from the books if its value is material to the financial statements or if component accounting was used when the building was originally capitalized.

If a building is leased, the University must determine if the lease is within the scope of GASB 87, *Leases*, and meets the capitalization policy. If it does then it is recorded as a right-to-use leased building and a leases payable liability. For further details please see section "Right-to-use Leased Assets".

### **MODULAR FURNITURE**

Modular work stations or cubical office installations are generally not capitalized due to one or more of the following facts and circumstances: (1) they are not considered affixed to the building and therefore not considered part of the building but equipment, (2) each item in the installation is considered a single piece of equipment due to the ability to interchange or reconfigure the installation, and/or (3) it is unlikely that the value of an item, after including a prorated share of the labor cost of installation, would equal or exceed the capitalization threshold.

## **FIXED EQUIPMENT**

Fixed equipment includes any equipment affixed to a building. Such equipment may be secured, bolted or otherwise fastened to a wall, ceiling, or floor. It also includes equipment that is contained in a built-in space (such as a wall or counter area) as well as any equipment connected to a building via electrical wiring, gas pipes, water pipes or other similar attachments. By definition, all dishwashers, ovens, refrigerators, and freezers will be considered fixed equipment unless they are specifically designed to be mobile. Generally, such equipment would have the word “mobile” in their title (such as a “mobile icemaker” or a “mobile freezer”). Other examples of fixed equipment include fume hoods, emergency power generators, sinks, refrigerated drinking fountains, lockers, movable partitions, fixed seating in auditoriums and lecture halls, security systems, built-in projection screens, chalk/bulletin boards, and window blinds/shades.

## **LAND**

Land is considered to have an unlimited life; and therefore, it is not depreciated. Land can be purchased or donated. Purchased land is recorded at its purchase price plus any related charges such as site preparation expenditures, professional fees, and legal claims directly attributable to the land acquisition. Donated land is capitalized at its acquisition value at the time of donation. After ownership has been established, UNC Charlotte’s Real Estate Office submits an Asset Update Form to the State Property Office and the NC Department of Administration.

If land and building(s) are acquired together, the value of the land is determined separately from the building(s) and is recorded in the land account. If land and a building are acquired together with the intent to raze the building, the cost of razing the building is capitalized as part of the cost of the land.

## **INFRASTRUCTURE**

Infrastructure is a long-lived capital asset that is normally stationary. Examples of infrastructure include roads, bridges, tunnels, dams, towers, tanks, wells, parking areas, fences, and exterior lighting systems. Other structures and improvements such as sidewalks, curbs and gutters, irrigation systems, general signage, pedestrian bridges, paved paths, fountains, and swimming pools are also considered infrastructure.

## **FABRICATED EQUIPMENT**

Fabricated equipment is equipment that is constructed by combining materials into one identifiable asset. All of the parts must work as one unit, and the parts alone cannot be considered fabricated assets. The total of all the parts must be \$5,000 or greater and have a useful life of two or more years to be considered a fixed asset. Fabricated equipment that meets the threshold will be tagged, inventoried, and recorded as one asset. The department producing the fabrication has the responsibility for tracking the costs and notifying the Fixed Assets Office. The fabricated equipment account code **944085** must be used when entering requisitions in Banner or 49er Mart for all parts of the fabrication. In addition, the name of the project must be referenced in document text (Banner) or internal notes (49er Mart). A [Fabricated Equipment Form](#) must be completed at the start of the fabrication. This form must be submitted by June 15<sup>th</sup> of each fiscal year until the fabrication is complete. A description of each piece of the fabrication is required so it can be capitalized as either a completed asset or an asset in progress at year end.

## **SOFTWARE**

Purchased or licensed computer software that has a cost equal to or greater than \$100,000 and a perpetual life is capitalized as an intangible asset and amortized on a straight-line basis over its estimated useful life.



Internally generated computer software that has a cost equal to or greater than \$1,000,000 and a useful life of two or more years is also capitalized as an intangible asset and amortized on a straight-line basis over its anticipated useful life. Computer software is considered internally generated if it is developed in-house by University personnel or by a third-party contractor on behalf of the University. Commercially available software that is purchased or licensed by the University and modified using more than minimal incremental effort before being put into operation is also considered internally generated. Any of the following activities would satisfy the “modified using more than minimal incremental effort” criterion: changing code, changing fields, adding special reporting capabilities, and testing any changes. Unlike purchased or licensed software, the capitalization threshold for internally generated software is not applied on a per unit basis. Capitalizable costs should only include direct costs of materials and services consumed in developing or obtaining internal-use software, payroll and payroll related costs devoted directly to the project, and interest costs incurred during development. Upgrades and enhancements should be capitalized only to the extent that they increase the functionality or efficiency of the product, or extend its estimated useful life. Costs related to the preliminary project stage (e.g. conceptual formulation and evaluation of alternatives) should be expensed as incurred. Likewise, costs in the post-implementation/operation stage (e.g. training costs and software maintenance costs) should be expensed as incurred. For additional guidance, see GASB 51 ‘Accounting and Financial Reporting for Intangible Assets’ and NC OSC Policy 102.10 ‘Intangible Assets Policy’. All other internally generated software that costs less than \$1,000,000 or has a useful life of less than two years should be treated as non-capital software and expensed in the current fiscal period.

For a list of appropriate software account codes, see the ‘Expense Account Code List’ and ‘Expense Account Code Descriptions’ resources on the [Reporting and Fixed Assets website](#).

#### **RIGHT-TO-USE LEASE AND SUBSCRIPTION ASSETS**

Leased assets are capitalized as a right-to-use asset when the total cost of the noncancelable agreement is \$1,100,000 or greater. Subscription assets are recorded from Subscription-Based Information Technology Arrangements (SBITAs). The University enters SBITAs for the right to use information technology software and cloud computing arrangement assets from external parties. The SBITAs expire at various dates, and some have renewal options. Subscription assets are capitalized as a right-to-use asset when the total cost of the noncancelable agreement is \$250,000 or greater. Amortization for right-to-use lease and subscription assets is computed using the straight-line method over the shorter of the lease/subscription term or the underlying asset’s estimated useful life. If a lease agreement contains a purchase option the University is reasonably certain will be exercised, the right-to-use lease asset is amortized over the asset’s estimated useful life.

Right-to-use lease and subscription assets are recorded at the present value of payments expected to be made during the lease or subscription term, plus any upfront payments and ancillary charges paid to place the underlying right-to-use asset into service. The expected payments are discounted using the interest rate stated per the SBITA contract, or the University’s estimated incremental borrowing rate if there is no stated contractual rate. Short-term leases/subscriptions (less than or equal to 12 months at inception) are not within the scope of GASB 87, *Leases*, and GASB 96, *Subscription-Based Information Technology Arrangements*, and therefore related payments are accounted for as expenses in the current period.

#### **PILFERABLE ASSETS (INCLUDING LAPTOPS, COMPUTERS, MONITORS, DATA PROJECTORS AND OTHERS)**

Pilferable assets are items that have a ready resale value and are subject to theft. The assets the University considers pilferable assets are typically not tagged and inventoried by the Fixed Assets Office since their

individual cost usually falls below the \$5,000 capitalization threshold. It is a requirement that individual departments maintain their department's current inventory with a tracking log for all laptops, computers, monitors, data projectors and other pilferable assets valued between \$1,000 and \$5,000 . A google tracking sheet prepared by the Fixed Asset team is available for use. Each department will annually attest that they are tracking pilferable assets valued between \$1,000 and \$5,000. Each department's assets (including pilferable assets) are subject to inspection by the UNC Charlotte Internal Audit Department during periodic internal audits.

### **DEPRECIATION AND AMORTIZATION**

Depreciation and amortization are the allocation of the total acquisition cost of a capital asset over its estimated useful life. The term depreciation relates to tangible assets, while the term amortization relates to intangible assets. Depreciation and amortization at UNC Charlotte are recorded annually at fiscal year-end. UNC Charlotte uses the straight-line method to allocate costs of all of its depreciable assets over their useful lives for financial reporting purposes. Under the straight-line method, depreciation or amortization is calculated by taking the total cost (minus any salvage value) divided by total productive years. The total productive years for an asset are known as its useful life. UNC Charlotte has established the useful lives for its fixed assets using OSC guidelines. The assumed salvage value for purposes of depreciation is zero. The right to use leased assets is amortized over the noncancelable term of the agreement.

Most assets begin depreciating based on their in-service date, and depreciation is calculated on the basis of the nearest full month. The exception is buildings, building improvements, and infrastructure which are depreciated using a half-year convention basis (see "Buildings/Building Improvements" section).

### **UNC CHARLOTTE USEFUL LIFE RANGES FOR FIXED ASSETS**

DESCRIPTION	ACCOUNT CODE	USEFUL LIFE IN YEARS ( <i>as of June 9, 2023</i> )
Furniture	940501	20
Office Reception Equipment	940510	10
Lan Equipment	942710	12
PC/Printers	942720	12
Server Equipment	942730	10
Voice Communications	942760	12
Wan DP Equipment	942780	12
Non Wan DP Equipment	942770	12
Networking Equipment	942711	15
Video Equipment	942800	12
Science Equipment 2-12 year life	944510	12
Engineering/Draft Equip 2-12 year life	944520	12
Science Equipment > 12 year life	944540	20
Engineering/Draft Equip > 12 year life	944550	20
Musical Equipment	944560	15
Audio Visual Equipment	944580	15
Other Educational Equipment	944590	15
Motor Vehicles	946502	15
Motor Vehicle Trailers	946530	15
Utility Vehicles	946540	15
Motor Vehicle Other	946590	15

DESCRIPTION	ACCOUNT CODE	USEFUL LIFE IN YEARS ( <i>as of June 9, 2023</i> )
Security Equipment	947510	20
Athletic Equipment	947520	20
Grounds Keeping/Maintenance Equip.	947530	15
Kitchen Equipment	947550	20
Telecom Equipment	947560	12
Other Capital Equipment	947600	20
Buildings	948110	75
Building Renovations, additions, room repurpose	948110	50
Fire & Sprinkler Systems (in buildings)	948110	30
Elevators (in buildings)	948110	30
Handicap Lifts (in buildings)	948110	20
Plumbing, HVAC, Electrical (in buildings)	948110	24
Fixed Equipment (in buildings)	948110	15
Roofs (on buildings)	948110	20
Other Structures	948610	30
Landscaping	948180	75
Fences	948840	75
Dams	948840	75
Utility	948610	75
Roads	948610	35
Parking	948610	75
Exterior Lighting	948610	75

Land, certain land improvements (excavation, grading, etc.), construction-in-progress, inexhaustible works of art, and historical treasures are **not** depreciated. Land is considered to have an unlimited useful life, and its salvage value is unlikely to be less than its acquisition cost.

### **CONSTRUCTION IN PROGRESS (CIP) AND CAPITAL IMPROVEMENT PROJECTS**

Construction in Progress (CIP) reflects the construction cost of buildings or other major improvement projects that are not completed at the time of annual financial reporting. The total labor, material, and fixed equipment costs that have been incurred at that time are capitalized temporarily as Construction in Progress. Once these projects are finished, they are known as Completed Capital Improvement Projects. It is at that time that each asset is separately classified, capitalized, and depreciation is set. Funding for capital improvement projects is determined by the UNC Charlotte Budget Office. The money used for Capital Improvement Projects originates from the General Fund, debt financing, capital gifts, and departmental funds. Rarely, Capital Improvements Projects are financed with federal grant money.

### **SMALL CONSTRUCTION, REPAIR, AND RENOVATION PROJECTS**

Small Construction, Repair, and Renovation Projects are those whose costs are less than \$500,000 and are handled through the Facilities Management Design Services group. They are identified through the Fixed Assets Office's analysis of the Design and Capital Services expense accounts at fiscal year-end. The Fixed Assets Office researches these expenses and communicates with Facilities Management to determine if these expenses need to be reported as capitalized projects. "Small construction, repair, and renovation projects" are

sometimes referred to as “Informal Projects”; however, usage of the term “Informal Projects” in this manner should not be confused with the State’s usage of the term (which has no bearing on budgeting or accounting, and only affects Facilities Management’s processes).

Monitoring of Facilities Management Design Services’ “Project Priority List” also occurs during the year. Projects on the priority list that indicate a Project Workflow Status as either Construction, Project Completed, or Punch List and the approved project total is greater than \$75,000 will be reviewed for possible capitalization.

### **GUIDANCE FOR SMALL CONSTRUCTION, REPAIR, AND RENOVATION PROJECTS COMPRISED OF MULTIPLE PROJECTS**

There may be a need to evaluate multiple projects within a Design Services priority list project. Determine if the total project cost is greater than \$75k (the threshold for determining when to evaluate a project for potential capitalization). If it is not, the project should be expensed; if it is, since the project is comprised of multiple projects grouped together, the scope and cost of each individual project should be obtained to determine if each individual project should be capitalized. As an example: For a \$500k project to install door actuators in ten buildings across campus, obtain the cost and scope of the actuator installations by building. For each individual project (or building in this case) that meets the \$75k threshold, determine if it meets the criteria for capitalization (increases the buildings service potential or useful life). For each individual project that does not meet the \$75k threshold, determine if it contains any fixed equipment greater than \$5k (the capitalization threshold for equipment). If it does not, expense all costs associated with the individual project; if it does, determine if the equipment meets the criteria for capitalization (increases the buildings service potential or useful life).

### **CHANGING LOCATIONS OF ASSETS AND TRANSFERS OF ASSETS**

Before an employee physically changes the location of an asset, the relevant, required form must be completed. All Fixed Assets eforms are routed to the Fixed Assets Office for processing.

- When an asset is being moved within the department (e.g. to another room or building) or when an asset is being moved to another department, use a [Fixed Assets Disposition and Change Form](#). This form must be reviewed and approved by the Department Head/Authorized Approver. When you transfer a fixed asset within the department or between departments, the asset will maintain the same value and depreciation as it was recorded originally.
- When a department intends to move or relocate an asset outside of the UNC Charlotte campus, an [Off-Campus Equipment Use Form](#) must be completed.
- When a department intends to transfer an asset to another agency, a [Fixed Assets Disposition and Change Form](#) must be completed. Equipment used on or off campus is for business related purposes only.

### **TRADE-INS**

If a department believes that trading in equipment is better than the other disposal options, they must coordinate their process with the Purchasing Office and the Fixed Assets Office. A [Fixed Assets Disposition and Change Form](#) must be completed. The Purchasing Office will obtain approval from the North Carolina State Surplus Office’s Director of Auxiliary Services. Once all signatures have been obtained, the final documentation is sent to the Fixed Assets Office so the asset can be accounted for properly.

## **DISPOSALS**

There are several reasons to dispose of a fixed asset. Some instances are when the equipment is no longer needed, it becomes obsolete, parts are no longer available, or the asset is being cannibalized to sustain another asset. University departments **cannot** dispose of any asset on their own. A [Fixed Assets Disposition and Change Form](#) must be completed. The UNC Charlotte Surplus Property, Receiving and Stores department will make the decision to dispose of the asset or forward to the NC State Surplus Property Office to be sold. If the latter, the asset is sold to the highest bidder. If the asset doesn't sell, the NC State Surplus Property Office allows UNC Charlotte Inventory Control and Surplus Property Office to dispose of the asset as they see fit. The net book value of a disposed capital asset is removed from the accounting records. This involves removing the acquisition cost and accumulated depreciation of each asset.

## **GRANTS**

Fixed assets acquired with federal funds are subject to the Federal guidelines of the Office of Management and Budget's (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (commonly called 'Uniform Guidance'). Property acquired with grant funds that has a total cost equal to or greater than \$5,000 is tagged, entered in the Fixed Asset System, and inventoried. When the University does not hold title to such property, it is flagged in the Fixed Asset System, not capitalized, and not included with the University's asset totals. For additional requirements associated with grant property, University departments should refer to the specific regulations of the contract and its awarding agency as well as [UNCC Policy 601.12](#).

## **GIFTS**

In addition to cash donations, gifts given to UNC Charlotte may be in the form of equipment, art, manuscripts, rare books, and other fixed assets. The Vice Chancellor for Development & Alumni Affairs and the Vice Chancellor for Business Affairs have the authority to accept such gifts. The UNC Charlotte Office of University Advancement is responsible for issuing the official gift receipt. The Fixed Assets Department receives a quarterly Gift-in-Kind report from Treasury Services, which details all non-cash gifts received by the University. Any gifts of equipment or other fixed assets that meet the \$5,000 capitalization threshold are entered into the Fixed Asset System and capitalized. In addition, for any donated collectibles (e.g. art, manuscripts, rare books), the Fixed Asset Office notifies the Special Collections & University Archives department in the Library, and they add such items to their respective inventories. Those inventories are then provided to the Fixed Assets Office annually for inclusion in the University's asset totals. Capital gifts-in-kind are recorded at acquisition value at the time of donation. For more information regarding gifts, see [UNCC Policy 602.2](#).

## **SPECIAL COLLECTIONS AND HISTORICAL TREASURES**

Special collections and historical treasures include art, artifacts, sculptures, manuscripts and rare books. These items are capitalized at their historical cost or their acquisition value at the date of donation. These items are held for public exhibition, education, and research in furtherance of public service, rather than financial gain; they are protected, kept unencumbered, cared for, and preserved; and the proceeds from sales of collection items are used to acquire other items for collections. These items are considered inexhaustible; and therefore, they are not depreciated.

## **TAGGING**

The Fixed Assets Office issues tags that contain a bar code and 9-digit number. The Inventory Control & Surplus Property Office physically tags assets. If an existing tag becomes defective, the department should contact the Fixed Assets Office in order to have a replacement tag issued. Buildings, land, infrastructure, and software are assigned an asset number and recorded in Banner but are not physically tagged. An 'O' tag, or origination tag, is a temporary tag that Banner will assign to an item when an invoice is paid out of a fixed asset expense account. A 'P' tag is a permanent tag that the Fixed Assets Office assigns from an O Tag. A 'D' Tag stands for a document tag that is created when journal entries are entered against fixed asset accounts. D tags are converted into O tags. Components are identified with the same 6 digits as their parent asset and have an additional identifying letter at the end of number. The first component will have an A at the end of the tag number; the second component to the parent asset will have a B, and so on.

## **PHYSICAL INVENTORY**

An inventory of all fixed assets is conducted annually. This is coordinated by the Fixed Assets Office and performed by the individual departments or Inventory Control & Surplus Property Office. Any new equipment that has not been tagged yet must be included in the inventory and added to a department's inventory list. Department Inventory Liaisons will be contacted by the Inventory Control & Surplus Property Office to schedule an appointment to conduct the inventory if Inventory Control & Surplus Property Office is to verify the respective department's physical inventory. ALL fixed assets must be checked and verified. An updated inventory list will need to be signed by the Department Head and returned to the Fixed Assets Office within 10 business days. Any assets that have been stolen, surplus, missing/lost, or moved to another location require a [Fixed Assets Disposition and Change Form](#). If the asset has been stolen, an official copy of the police report will need to be attached to the form as well. For any assets that are currently being used outside of campus, an [Off-Campus Equipment Use Form](#) needs to be completed. Both of these forms will be routed to the Fixed Assets Office. When there is new management within a university department, it is recommended that inventory be checked again internally and any changes noted with the Fixed Assets Office. In cases of asset-related fraud involving a department head or custodian, an interim review of the inventory will be carried out in consultation with Internal Audit.

## **MISSING OR STOLEN ASSETS**

- **Stolen assets:** Per OSC Policy 102.17 and University Policy 601.15, an employee must report thefts of assets to their supervisor within three days. Their supervisor must report the theft to the Department Head as soon as possible. The Department Head must notify the Fixed Assets Office and Police and Public Safety as soon as possible. An investigation will be done by UNC Charlotte Policy and Public Safety, who will then submit a report to the Director of the State Bureau of Investigation (SBI). The SBI will further investigate and contact the district attorney if legal action is necessary. UNC Charlotte is a state agency; therefore, all fixed assets are indirectly owned by the state of North Carolina and are subject to its laws and penalties. In addition, if stolen asset(s) contains sensitive data such as personal identifying information, contact must also be made with the responsible office over the investigation and reporting of loss of sensitive data (Legal Office, ITS, Internal Audit).
- **Missing assets:** The Fixed Assets Office will contact individual departments with a list of assets that were considered missing for at least one year. The department must confirm if these assets have been found or were still missing. For further information regarding missing or stolen assets see the [Procedures Supplemental to Policy Statement #601.15](#). In addition, if missing asset(s) contains sensitive data such as personal identifying information, contact must also be made with the responsible oversight office over the investigation and reporting of loss of sensitive data (Legal Office, ITS, Internal Audit).

## **SEPARATION OF DUTIES**

The fixed asset responsibilities are distributed among multiple departments and positions. This separation is necessary for adequate internal control. The Fixed Assets Office assigns tags and performs all data entry into the Banner Fixed Asset System. This includes capitalization, depreciation, ongoing asset record maintenance, and disposals. The Fixed Assets Office also coordinates the annual inventory process. The Central Receiving and Stores department checks in and receives assets for those departments that do not have their own loading dock. The Inventory Control & Surplus Property Office conducts the physical tagging and annual verification of fixed assets and the disposal of University property. University departments must document each staff member's responsibility in regards to their fixed assets. It is important to maintain a separation of duties so proper internal controls are achieved.

## **IMPAIRMENT OF CAPITAL ASSETS**

A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. Some indicators of impairments are evidence of physical damage (e.g. from a fire, hurricane, or tornado), changes in legal or environmental factors, technological change or obsolescence, changes in manner or duration of use, or permanent construction stoppage. An example of an impairment is a natural disaster that damages a classroom building that can no longer be occupied until it is repaired. The Controller's Office requests feedback annually from the applicable departments to determine if there are any material asset impairments. If any material impairments are identified, adjustments are made to the related assets prior to their inclusion in the Annual Comprehensive Financial Report (ACFR) and Annual Financial Statements.

## **FIXED ASSETS FORMS**

Effective 07/01/2017, all Fixed Assets Forms are electronic forms with workflow. The respective eForms can be accessed at the links below:

- [Fixed Assets Disposition and Change Form](#)  
Use this eform to surplus assets; report assets that are lost, stolen, or cannibalized for parts; trade-in assets; transfer an asset to another UNC Charlotte Department; transfer an asset between agencies; transfer assets from warehouse (used by Receiving and Stores); change the name of the custodian or location of an asset within your department.
- [Building & Infrastructure Disposition Form](#)  
This eform is for use only by Facilities Management personnel to record the disposition of a building or infrastructure asset.
- [Off-Campus Equipment Use Form](#)  
Use this eform to create a new off-campus equipment use agreement or to extend or terminate an existing agreement. Agreements can only be effective for one year at a time.
- [Fabricated Equipment Form](#)  
Complete this eform to report and track the costs associated with the fabrication of equipment. This includes instances when multiple items are purchased on more than one purchase order, and those items will be combined to make one asset. A more detailed definition of fabricated equipment is provided on the form.

## **USEFUL WEBPAGES**

- UNC Charlotte Reporting and Fixed Assets Web Page: [Reporting and Fixed Assets | Financial Services](#)
- UNC System Office Business Process Standards for Capital Assets: Located on the [Reporting and Fixed Assets website](#) in the 'Manuals/Guides/Procedures' section.
- NC Office of the State Controller: [Capital Asset Policies](#)

- GASB: <http://www.gasb.org/>

#### **UNC CHARLOTTE OFFICE OF LEGAL AFFAIRS RELATED POLICES**

- Policy 601.15 Control and Management of University Equipment and Other Property: <https://legal.charlotte.edu/policies/up-601.15>
- Procedures Supplemental to Policy 601.15: <https://legal.charlotte.edu/UP-601.15-SupplementalProcedures>
- Policy 601.10 Surplus Property Procedures: <https://legal.charlotte.edu/policies/up-601.10>
- Policy 601.12 Acquisition of Surplus, Excess, Gift, & Grant Property: <https://legal.charlotte.edu/policies/up-601.12>
- Policy 601.1 University Supplies, Equipment, & Materials: <https://legal.charlotte.edu/policies/up-601.1>
- Policy 602.2 Solicitation & Acceptance of Gifts: <https://legal.charlotte.edu/policies/up-602.2>

#### **CONTACT INFORMATION**

The Reporting and Fixed Assets Department is located on the 2nd floor of the Reese building. The department serves under the Vice Chancellor of Business Affairs, as part of Financial Services, and reports to the University Controller. A list of office personnel and their contact information can be found here: <https://finance.charlotte.edu/about-us/offices/controllers-office/reporting-fixed-assets>.



***SOURCE INFORMATION FOR THIS DOCUMENT***

UNC Charlotte Policy 601.1

UNC Charlotte Policy 602.2

UNC Charlotte Policy 601.10

UNC Charlotte Policy 601.12

UNC Charlotte Policy 601.15

North Carolina Office of the State Controller, Capital Assets Policies

North Carolina Office of the State Controller, North Carolina Accounting System Expenditure Accounts

UNC System Office, Chart of Accounts

UNC System Office, Business Process Standards for Capital Assets

[www.GASB.org](http://www.GASB.org)