

General Policy – Capital Assets

Policy:

Capital assets include land, land improvements and infrastructure, buildings, building additions, library books and periodicals, equipment, software and other intangibles. Capital assets can be acquired through purchase, gift or bequest, or fabrication.

In accordance with [NDCC Section 44-04-07](#), BSC will maintain a record of the inventory of equipment. Each department is required to do a physical inventory of tagged equipment each year and certify said inventory. Inventories include equipment and furnishings with an individual value greater than or equal to \$2,500 and computers, network printers, and other IT equipment (as deemed necessary) less than \$2,500.

Procedures:

Accounting Services is responsible for the accounting and reporting of all capital assets. The responsibility includes assisting departments in tagging assets, coordinating annual physical inventories of assets, gathering asset values for insurance, and calculating annual depreciation and loss or gain on disposals.

Definitions:

Capital Assets

Equipment with an acquisition cost greater than or equal to \$5,000 AND having a useful life beyond one year AND is the property of BSC is capitalized. Equipment used in grants and contracts are considered BSC property if it is probable that the equipment will revert to the institution at the end of the grant. Depreciation lives for equipment range from 4 to 12 years.

Movable equipment with a cost greater than or equal to \$5,000 will have an inventory tag and number and will be coded to one of the capitalized equipment codes below:

- 691005 Office Equipment
- 691010 Athletic Equipment
- 691015 Audio Visual Equipment
- 691020 Equipment Fabrication
- 691025 Maintenance/Constr Equipment
- 691030 Musical Equipment
- 691035 Other Equipment
- 691040 Vending/Food Equip
- 693005 Computer Equipment
- 693015 IT Printers
- 693020 Other IT Equipment
- 693025 Telecommunications

Fixed equipment consists of items that become identified as a part of the building (i.e. physically attached) instead of being capitalized separately. Thus, these items will not have inventory tag numbers, as they become part of the building itself. Fixed equipment is coded to account 682020 – Building Improvements Capitalized.

Tracked equipment has a cost less than \$5,000 but greater than or equal to \$2,500. Also included in tracked equipment are computers, network printers, and other IT items (as deemed necessary) that are less than \$2,500. These items are not capitalized, but will have an inventory tag and number for tracking purposes. The following account codes should be used for tracked equipment:

- 551005 Computer Equipment under \$5000
- 551020 Other IT Equipment under \$5000
- 551025 Printer Equipment under \$5000
- 551035 Telecomm Equip under \$5000
- 552005 Office Equipment under \$5000
- 552010 Athletic Equipment under \$5000
- 552015 Audio Visual Equip under \$5000
- 552020 Maint/Constr Equip under \$5000
- 552025 Musical Equip under \$5000
- 552030 Other Equipment under \$5000
- 552035 Vending/Food Equip under \$5000

Equipment enhancements are costs added to the value of a capitalized asset AND have a useful life beyond one year AND are the property of BSC. The cost of equipment enhancements are added to existing tag numbers and depreciated over the remaining useful life. Depreciation lives for equipment enhancements will match the remaining life assigned to the original piece of equipment. Equipment enhancements will use the same account coding as equipment.

Equipment fabrications costing greater than or equal to \$5,000 AND have a useful life beyond one year AND is the property of BSC are capitalized. Equipment used in grants and contracts are considered BSC property if it is probable that the equipment will revert to the institution at the end of the grant. Salary expense associated with equipment fabrication may be included in the cost of the capitalized asset. Departments will work with the asset management/purchasing associate on accounting for equipment fabrications. Equipment fabrication costs are coded to account 691020 – Equipment Fabrication.

Land acquired by purchase, gift or bequest or otherwise acquired is included in the accounting records. When land is purchased, the valuation includes the amount paid for the land itself and all costs incidental to its acquisition, such as legal expenses. The valuation also includes broker's fees and expenses incurred in preparing the land for use, such as building demolition and grading. When acquired by gift or bequest, the land is recorded at fair market value at the date of acquisition. An independent professional appraisal is considered appropriate for establishing the valuation of land and buildings acquired by gift or bequest. Land is not depreciated. The account code used for land is 682060 – Land & Site Preparation Capitalized.

Land improvement and infrastructure costing more than \$10,000 AND extends life AND significantly increases value of BSC property are capitalized. Examples include: BSC owned streets, roads, bridges, pavements, landscaping, utility distribution systems, cabling and networking between buildings. The valuation method is the same for land. The depreciation life is 20 years. The account code for land improvements and infrastructure is 682060 – Land & Site Preparation Capitalized.

Special Assessments are costs to improve land and infrastructure that is owned by the city. These costs are expensed at the time of original assessment using account code 682110.

Buildings and building improvements and additions costing more than \$10,000 AND that extend life AND significantly increase value are capitalized. Significant alterations, structural changes, extraordinary repairs and replacements or betterments that increase the usefulness, efficiency or life of an existing building are considered building improvements and additions. When buildings are purchased or acquired by gift or bequest, the valuation method to be utilized is the same as that for land. Care should be taken to allocate all elements of related cost proportionately between the buildings and the land. When buildings are constructed, all identifiable direct costs are included, such as payments for insurance and interest during the construction period. If the building is constructed by the institution's own labor forces, the cost should include properly allocated overhead or indirect costs. The depreciable life for all new building and capitalized improvements is 39 years. Buildings and building improvements are coded to the following accounts:

- 682005 Architect Fees Capitalized
- 682020 Building Improvements Capitalized
- 682030 Electrical Contractor Capitalized
- 682040 General Contractor Capitalized
- 682050 Heating/Ventilation Capitalized
- 682090 Other Capital Payments Capitalized
- 682100 Plumbing Contractor Capitalized

Intangible assets lack physical substance (cannot be physically touched), are non-financial in nature and the initial useful life extends beyond a single year. Intangible assets are capitalized and amortized over 5 years or the term of any agreement if different than 5 years. Capitalized intangibles are identified below:

Website costs are capitalized if at the start of a web project the total expenses related to the development of a website internally are expected to exceed \$50,000. Salary expense associated with internally developed software may be included in the cost of the capitalized asset. If the website is developed using a 3rd party, the costs are capitalized if they are expected to exceed \$25,000 at the onset of the 3rd party agreement. The account code for capitalized website costs is 691065 Website Intangible.

Internally developed software is capitalized if at the start of the project if the total expenses are expected to exceed \$50,000. In addition to the \$50,000 threshold, the project must have a specific objective and service capacity; demonstrate feasibility to complete the project; and demonstrate an intention to develop the software. Salary expense associated with internally developed software may be included in the cost of the capitalized asset. Departments will work with the asset management/purchasing associate on accounting for internally developed software. The account code for capitalized website costs is 693030 Internally Developed Software Intangible.

Computer software purchased or donated with a value greater than \$5,000 is capitalized. The account code for capitalized computer software is 693035 Capitalized Software Intangible.

Mineral, Water, Timber Rights; Other Easements; and Right of Ways are capitalized if expenses related to search and removal of rights and to the interest to use or allow someone to use real property are expected to exceed \$25,000. The account codes for capitalized rights are:

- 691045 Mineral, Water, Timber Rights Intangible
- 691070 Other Easements Intangible

- 691075 Right of Way Intangible

Copyrights, Trademarks and Logos are capitalized if at the onset of the project the total expenses are expected to exceed \$25,000. The account codes for capitalized expenses are:

- 691050 Copyright Intangible
- 691060 Trademark Intangible
- 691080 Logo Intangible

Patents are capitalized if at the onset of the project the total expenses are expected to exceed \$25,000. This includes the costs of filing a patent as well as expenditures for developing a patent if the objective was to develop a patent when the research began. The account code for capitalized patents is 691055 Patent Intangible.

Library Resources purchased from campus library funds that have volumes that can be counted, are capitalized annually as library assets. Library resources are depreciated over 10 years. Account codes for capitalized library resources are as follows:

- 532145 Video/Audio/DVDs/CDs/Tapes
- 532020 Books
- 532085 Periodicals
- 532090 Library Continuations
- 532122 Electronic Resources/Subscriptions > 1 Year

Depreciation and Amortization of Capital Assets

The depreciation and amortization of capitalized assets for a fiscal year is calculated by accounting services and booked to the general ledger.

- Equipment is depreciated using the straight-line method and starts the month the equipment is placed in service.
- Building improvements and infrastructure are depreciated using the straight-line method and starts mid-year, regardless of the month that the asset is placed in service.
- Library resources are depreciated using the composite method with a 10-year rolling average.
- Intangible assets are depreciated using the straight-line method and starts the month the asset is capitalized.

Maintenance of Capital Assets

Departments are responsible to maintain all equipment and to keep it in good working order. Departments will notify accounting services of any equipment transferred between departments, moved, lost/stolen or to be taken to Surplus Property, according to BSC Policy [Use, Movement and Disposal of College Property](#). Assets of the college are to be used only for college business.

References:

NDCC Section 44-04-07 requires each institution to maintain a record of equipment.

NDCC Section 54-27-21 requires the capitalization of equipment acquired for more than \$5,000.

Financial Accounting and Reporting Manual for Higher Education 407.64 requires the capitalization of equipment used in grants and contracts if it is probable that the equipment will revert to the institution at the end of the contract.

History of This Policy:

First policy draft January 2011. Reviewed by the Operations Council on January 12, 2011 and approved by the Executive Council on January 14, 2011.

Revised – October 19, 2015.

Reviewed – October 3, 2016.