## TABLE OF CONTENTS

INTRODUCTION ................................................................................................................................. 4
GOVERNING OFFICE AND REGULATORS ..................................................................................... 4
RESPONSIBILITY, ACCOUNTABILITY, OWNERSHIP ....................................................................... 4
DEFINITION: FIXED ASSET .............................................................................................................. 4
COMPONENTS .................................................................................................................................. 5
CAPITALIZATION ............................................................................................................................... 5
FIXED ASSETS IN BANNER ............................................................................................................... 5
49ER MART ......................................................................................................................................... 5
EQUIPMENT ACCOUNT CODES ........................................................................................................ 6
ADDITIONS VS. EXPENSES ............................................................................................................ 6
MAINTENANCE ................................................................................................................................. 6
BUILDINGS/BUILDING IMPROVEMENTS ....................................................................................... 6
MODULAR FURNITURE ...................................................................................................................... 7
FIXED EQUIPMENT ........................................................................................................................... 7
LAND .................................................................................................................................................... 7
INFRASTRUCTURE ............................................................................................................................ 7
DEPRECIATION ..................................................................................................................................... 7
CONSTRUCTION IN PROGRESS (CIP) AND CAPITAL IMPROVEMENT PROJECTS ..................... 8
INFORMAL CONSTRUCTION PROJECTS ........................................................................................ 8
GUIDANCE FOR INFORMAL PROJECTS COMPRISED OF MULTIPLE PROJECTS ......................... 8
CAPITAL LEASE OBLIGATIONS ........................................................................................................ 8
CHANGING LOCATIONS OF ASSETS AND TRANSFERS OF ASSETS ........................................ 9
TRADE-INS ....................................................................................................................................... 9
DISPOSALS ....................................................................................................................................... 9
UNC CHARLOTTE USEFUL LIFE RANGES FOR FIXED ASSETS .................................................... 10
FABRICATED EQUIPMENT ............................................................................................................... 11
SOFTWARE ...................................................................................................................................... 11
LAPTOP COMPUTERS ..................................................................................................................... 11
GRANTS ........................................................................................................................................... 11
GIFTS ............................................................................................................................................... 11
SPECIAL COLLECTIONS AND HISTORICAL TREASURES ............................................................ 12
LIBRARIES ....................................................................................................................................... 12
TAGGING .......................................................................................................................................... 12
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 Procedure Book with regards to its capital assets. The Governmental Accounting Standards Board (GASB) is an independent nonprofit organization that sets financial reporting and accounting principles for state and local governments in the United States. GASB issued Statement No. 34 ‘Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments’ which required significant changes to fixed asset accounting records. GASB Statement No. 35 is an amendment to Statement No. 34 where those standards apply to public colleges and universities. These policies became effective at UNC Charlotte in fiscal year 2002.

RESPONSIBILITY, ACCOUNTABILITY, OWNERSHIP
All 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
- Equipment that is leased
- 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 have become more scrutinized in recent years during state audits. Not following correct policies and procedures can lead to audit findings for the University. Repeated audit findings can have the consequence of restrictions on how future state appropriations can be spent. All University employees and in particular: Department Heads, Unit Directors, Provosts, Vice Chancellors, Deans, Public Safety, the Office of Research Cost Management, the Controller, and Internal Audit all have specific responsibilities with regards to fixed assets. For details, see University Policy 601.15.

DEFINITION: FIXED ASSET
A fixed asset is defined as property with a total cost equal to or greater than $5,000 and a useful life of two or more years. Some examples of fixed assets are land, infrastructure, buildings, equipment, and art. 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. A tangible asset can be touched or physically measured like vehicles, furniture, and buildings. Intangible assets are rights that result from ownership of assets that are owned by the University, lack physical substance, and are non-financial in nature. Intangible assets include patents, easements, trade names, and logos. 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 separate from the primary asset. As a component of a primary tag, an asset is grouped with other items, but can be adjusted and depreciated independently. It is referenced as the primary tag number with a letter at the end.

CAPITALIZATION

An asset becomes capitalized when it is recorded as a fixed asset in that statement of net position. The fixed asset is then depreciated over its useful life. Certain fixed assets are kept at their original cost indefinitely. This is the case with land, collectibles, and other appreciable assets such as works of art. The benefits to 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. The only exception is intangible assets. 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. 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 Financial Information System contains a module to 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. When a university department purchases new equipment, a requisition is created in the 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 if 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 the 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.

49ER MART

The 49er Mart was introduced to UNC Charlotte in July 2010 in order to streamline purchases from the University’s most popular vendors. The Fixed Assets Office is a reviewer in this system for purchases over $5,000 and/or the use of fixed assets account codes. For capital asset purchases, the correct account code must be used in order for the requisition to be approved. See the Fixed Assets Account Code Reference Table for a list of appropriate codes. Additional documentation is requested such as a quote from the vendor or use of internal notes to help the Fixed Assets Office easily identify the assets being purchased.
EQUIPMENT ACCOUNT CODES
For a complete list of account codes, click on the link from the Financial Services website: http://finance.uncc.edu/resources/manuals-guides-procedures/expense-account-code-list.

ADDITIONS vs. EXPENSES
An addition that costs $5,000 or more, increases the size or capability of a building, and extends the useful life is considered a new fixed asset. An example would be a new wing of an existing building. Maintenance agreements and other maintenance costs or repairs to existing spaces such as carpeting and painting are not new assets and are considered an expense.

MAINTENANCE
Maintenance keeps assets in working condition and doesn’t extend the life of an asset. 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 they are not capitalized accordingly. See the Fixed Assets Account Code Reference Table above 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 appraised 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 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 or six months of depreciation is taken.

If a building is leased, the University must determine if the lease is a capital lease or an operating lease. A capital lease is accounted for like a purchase. For a building lease to be classified as a capital lease, please see section “Capital Lease Obligations.”

A building addition, renovation, or improvement is capitalized when it exceeds the University’s capitalization threshold. Such events are capitalized as assets separate from the building, and therefore, have their own useful lives. Such events must also be clearly distinguished from maintenance costs which are expensed rather than capitalized. Buildings are not considered to be fully depreciated until all separately accounted for additions/renovations/improvements to the building have also been fully depreciated.
If extraordinary repairs or replacements are incurred and the building was componentized, the component net book value is disposed when the replacement asset is capitalized. If the building was not componentized and the cost of the original asset cannot be removed from the books, the cost of the replacement asset is expensed.

The treatment for additions to leased buildings that meet the capitalization criteria depends on whether the lease is capital or operating. If the lease is capital, the addition should be capitalized as an asset. However, if the lease is operating, the addition is capitalized as a leasehold improvement and amortized over the life of the lease or improvement, whichever is shorter.

MODULAR FURNITURE
Modular furniture such as cubicle walls are capitalized if their costs are buried in the total cost associated with the construction of a new building or building improvement project. When the cost of modular furniture is separately identifiable from other project costs, the modular furniture is expensed since each piece would be individually under $5,000.

FIXED EQUIPMENT
Fixed equipment includes any equipment affixed to a building. Such equipment may be secured, bolted or otherwise fastened to a wall 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 wires, 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. The price is recorded at the time of purchase and should include any fees pertaining to the acquisition. If land and buildings are purchased at one price then the land still needs to be valued separately. After ownership has been established, a Land Update Form is to be submitted to the State Property Office.

INFRASTRUCTURE
Infrastructure is a long lived capital asset that is normally stationary. Examples of infrastructure are roads, bridges, tunnels, walkways, dams, sewer systems, and lighting systems. Prior to GASB Statement No. 34, these assets were classified as ‘Other Capital Assets’. Since July 1, 2001 these assets have been categorized as ‘General Infrastructure’ on the Annual Financial Statements. Assets acquired before this date do not need to be reclassified.

DEPRECIATION
UNC Charlotte uses the straight line depreciation method to depreciate most of its assets over their useful lives. It 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. Buildings, building improvements, and infrastructure are to be depreciated using the half year convention where only 6 months of depreciation are calculated in the first year. All other depreciable assets begin depreciating based on their in-service date, and depreciation is calculated on the basis of the nearest full month. Depreciation is set by the Fixed Assets Office. Land, certain land improvements (excavation, grading, etc.), construction-in-progress, inexhaustible works of
art, and historical treasures are not depreciated. UNC Charlotte has established the useful lives for its fixed assets using OSC guidelines.

**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 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. Some examples of Completed Capital Improvement Projects are the EPIC and Motorsports buildings that were completed in 2012 and the North Parking Deck also completed in 2012. These projects are monitored by the UNC Charlotte Budget Office which provides the accounting and financial oversight for these plans. The money used for Capital Improvement Projects originates from the General Fund, debt financing, and also through the specific university departments’ fund balances. On very few occasions, Capital Improvements Projects are financed with federal grant money.

**INFORMAL CONSTRUCTION PROJECTS**

Informal Construction Projects (i.e., generally, those whose costs are less than $500,000 and are handled through the Facilities Management Design Services group) are identified through the Controllers Compliance Office analysis of the Capital Services expense accounts (account codes 948xxx) at year end. The Compliance Office researches these expenses and communicates with Facilities Management to determine if these expenses need to be reported as capital projects.

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 INFORMAL 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 $300k 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; represents a new asset vs. replacement of an existing asset). 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; represents a new asset vs. replacement of an existing asset).

**CAPITAL LEASE OBLIGATIONS**

A capital lease is a lease that meets one or more of the following criteria: 1) ownership of the property is transferred to the lessee (the University) at the end of the lease; 2) the lease contains an option (“bargain purchase option”) to purchase the property for less than fair market value; 3) the lease term is greater than
75% of the property’s estimated economic life; or 4) the present value of the lease payments exceeds 90% of
the fair market value of the property. If a lease does meet at least one of these criteria, the property being
leased that meets the capital asset thresholds (>100,000 for software; >5,000 for all other assets) must be
capitalized. If a lease doesn’t meet any of these criteria, it is considered an operating lease and is recorded as an
expense.

**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 and returned to the Fixed Assets Office.

- When an asset is being moved to another department, use a [Fixed Assets Equipment Disposition/Transfer Form](#). This form must be reviewed and signed by the Department Head and returned to UNC Charlotte Surplus Property in the Receiving and Stores Building. When you transfer a fixed asset 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, then a [Fixed Assets Off Campus Location Form](#) and a [Fixed Assets Equipment Disposition/Transfer Form](#) must be completed and returned to the Fixed Assets Office.

- When a department intends to transfer an asset to another agency, a [Fixed Assets Transfer Between Agencies Approval Form](#) and a [Fixed Assets Equipment Disposition/Transfer Form](#) must be completed and returned to the Fixed Assets Office. 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 Equipment
Disposition/Transfer Form](#) and a [Fixed Assets Trade-In Approval Form](#) must be completed. The Purchasing
Office will gain the approval of 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 Equipment
Disposition/Transfer Form](#) must be completed and returned to UNC Charlotte Surplus Property, Receiving and
Stores Building. This office 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 accumulate depreciation of each asset.
### UNC Charlotte Useful Life Ranges for Fixed Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Account Code</th>
<th>Useful Life in Years (as of June 19, 2012)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture</td>
<td>940501</td>
<td>20</td>
</tr>
<tr>
<td>Office Reception Equipment</td>
<td>940510</td>
<td>10</td>
</tr>
<tr>
<td>Non-Wan DP Equipment</td>
<td>942770</td>
<td>12</td>
</tr>
<tr>
<td>Lan Equipment</td>
<td>942710</td>
<td>10</td>
</tr>
<tr>
<td>PC/Printers</td>
<td>942720</td>
<td>5</td>
</tr>
<tr>
<td>Server Equipment</td>
<td>942730</td>
<td>10</td>
</tr>
<tr>
<td>Voice Communications</td>
<td>942760</td>
<td>10</td>
</tr>
<tr>
<td>Wan DP Equipment</td>
<td>942780</td>
<td>12</td>
</tr>
<tr>
<td>Non Wan DP Equipment</td>
<td>942770</td>
<td>12</td>
</tr>
<tr>
<td>Networking Equipment</td>
<td>942711</td>
<td>10</td>
</tr>
<tr>
<td>Video Equipment</td>
<td>942800</td>
<td>12</td>
</tr>
<tr>
<td>Science Equipment 2-8 yr life</td>
<td>944510</td>
<td>8</td>
</tr>
<tr>
<td>Engineering/Draft Equip 2-8 yr life</td>
<td>944520</td>
<td>8</td>
</tr>
<tr>
<td>Science Equipment &gt; 8 yr life</td>
<td>944540</td>
<td>20</td>
</tr>
<tr>
<td>Engineering/Draft Equip &gt; 8 yr life</td>
<td>944550</td>
<td>20</td>
</tr>
<tr>
<td>Musical Equipment</td>
<td>944560</td>
<td>15</td>
</tr>
<tr>
<td>Audio Visual Equipment</td>
<td>944580</td>
<td>15</td>
</tr>
<tr>
<td>Other Educational Equipment</td>
<td>944590</td>
<td>15</td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>946502</td>
<td>15</td>
</tr>
<tr>
<td>Motor Vehicle Trailers</td>
<td>946530</td>
<td>15</td>
</tr>
<tr>
<td>Utility Vehicles</td>
<td>946540</td>
<td>15</td>
</tr>
<tr>
<td>Motor Vehicle Other</td>
<td>946590</td>
<td>15</td>
</tr>
<tr>
<td>Security Equipment</td>
<td>947510</td>
<td>20</td>
</tr>
<tr>
<td>Athletic Equipment</td>
<td>947520</td>
<td>15</td>
</tr>
<tr>
<td>Grounds Keeping/Maintenance Equip.</td>
<td>947530</td>
<td>15</td>
</tr>
<tr>
<td>Kitchen Equipment</td>
<td>947550</td>
<td>20</td>
</tr>
<tr>
<td>Telecom Equipment</td>
<td>947560</td>
<td>12</td>
</tr>
<tr>
<td>Other Capital Equipment</td>
<td>947600</td>
<td>20</td>
</tr>
<tr>
<td>Buildings</td>
<td>948110</td>
<td>75</td>
</tr>
<tr>
<td>Building Renovations, additions, room repurpose</td>
<td>948110</td>
<td>50</td>
</tr>
<tr>
<td>Fire &amp; Sprinkler Systems (in buildings)</td>
<td>948110</td>
<td>30</td>
</tr>
<tr>
<td>Elevators (in buildings)</td>
<td>948110</td>
<td>30</td>
</tr>
<tr>
<td>Handicap Lifts (in buildings)</td>
<td>948110</td>
<td>20</td>
</tr>
<tr>
<td>Plumbing, HVAC, Electrical (in buildings)</td>
<td>948110</td>
<td>24</td>
</tr>
<tr>
<td>Fixed Equipment (in buildings)</td>
<td>948110</td>
<td>10</td>
</tr>
<tr>
<td>Roofs (on buildings)</td>
<td>948110</td>
<td>20</td>
</tr>
<tr>
<td>Other Structures</td>
<td>948610</td>
<td>25</td>
</tr>
<tr>
<td>Landscaping</td>
<td>948180</td>
<td>75</td>
</tr>
<tr>
<td>Fences</td>
<td>948840</td>
<td>75</td>
</tr>
<tr>
<td>Dams</td>
<td>948840</td>
<td>75</td>
</tr>
<tr>
<td>Utility</td>
<td>948610</td>
<td>75</td>
</tr>
<tr>
<td>Roads</td>
<td>948610</td>
<td>35</td>
</tr>
<tr>
<td>Parking</td>
<td>948610</td>
<td>75</td>
</tr>
<tr>
<td>Exterior Lighting</td>
<td>948610</td>
<td>75</td>
</tr>
</tbody>
</table>
**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 a fabrication. The total of all the parts must be $5,000 or greater and have a useful life of more than two 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 the 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 Fixed Assets Fabricated Equipment Form must be completed at the start of the fabrication. In addition, by June 15th of each fiscal year until the fabrication is complete, a Fabricated Equipment Spreadsheet (a tab within the Fabricated Equipment Form) must be completed describing each piece of the fabrication so it can be capitalized as either a completed asset or an asset in progress at year end. Both forms are to be forwarded to the Fixed Assets Officer.

**SOFTWARE**

Software purchased or developed for internal use that has a cost greater than $100,000 is capitalized as an intangible asset and amortized on a straight-line basis over its anticipated useful life. 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 of the product. Costs related to the preliminary project stage should be expensed as incurred. Likewise, training costs and data conversion costs should be expensed as incurred. An example of software that has been capitalized at UNC Charlotte would be the Banner implementation that occurred throughout the university in 2005. All other software that is less than $100,000 should be expensed in the current fiscal period. See the Fixed Assets Account Code Reference Table above for a list of appropriate software codes.

**LAPTOP COMPUTERS**

As of FY2007, laptop computers are no longer tagged and inventoried by the Fixed Assets Office. Individual departments are responsible for maintaining current inventory records of laptop computers. It is suggested that departments establish either a tracking log or sign out form for their department’s laptops. The UNC Charlotte Internal Audit Department inspects all of a department’s assets (including laptops) during annual audits.

**GRANTS**

Fixed assets acquired with federal funds are subject to the Federal guidelines of OMB Circular A-102. For cases when the State does not hold title to property acquired with Federal funds, the property should not be capitalized. Grant property with a total cost over $5,000 is tagged, inventoried, and flagged as federally owned in Banner by the Fixed Assets Office. University departments must refer to the specific regulations of the contract and its awarding agency. For information regarding grant property see UNCC Policy Statement #601.12.

**GIFTS**

In addition to cash donations, gifts given to UNC Charlotte may be in the form of equipment, art, rare books, and other fixed assets worth over $5,000. The Vice Chancellor for Development & Alumni Affairs and the Vice Chancellor for Business Affairs have the authority to accept gifts. The UNC Charlotte Office of University
Development is responsible for issuing the official gift receipt. Individuals, departments, and colleges are all encouraged to express appreciation to donors as well. If this gift meets the criteria for a fixed asset, the Fixed Asset Officer must be notified. Capital gifts are recorded as an asset at the fair value in the year of receipt. See UNCC Policy Statement #602.2 for more information regarding gifts.

**SPECIAL COLLECTIONS AND HISTORICAL TREASURES**
Art, special collections, historical treasures and the like are capitalized at their historical cost or the value at the time of donation. Rare books, manuscripts, and sculptures are part of UNC Charlotte’s Special Collections. These items are kept for their significance and not held for financial gain. These items are considered inexhaustible and therefore not depreciated.

**LIBRARIES**
Individual library books and other similar materials that cost $5,000 or more and have a useful life of over two years are considered fixed assets. These items that meet the threshold will be capitalized, inventoried, and depreciated. These books are treated different from special book collections (see section Special Collections and Historical Treasures). Subscription services that are replaced each year are considered to have a useful life of less than two years and are not capitalized. CD-ROMs are considered software and are treated as an expense.

**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 complete a Fixed Assets Equipment Disposition/Transfer Form in order to have a replacement tag issued. Buildings, land, infrastructure, and mainframe 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 to 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 a 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 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 liaisons will be contacted by the Inventory Control & Surplus Property Office to schedule an appointment to conduct the inventory. ALL fixed assets are 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, surplused, lost, or moved to another location require a Fixed Assets Equipment Disposition/Transfer Form. If the asset has been stolen, an official copy of the police report needs to be included as well. For any assets that are currently being used outside of campus, a Fixed Assets Off Campus Location Form needs to be completed. Both of these forms are to be returned 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:** An employee must report thefts of assets to their supervisor within three days per OSC policy. Their supervisor reports the theft to the Department Head. The Department Head must notify the Fixed Assets Office and UNC Charlotte Police & Public Safety. An investigation will be done by UNC Charlotte Policy & Public Safety who will then submit a report to the Director of the State Bureau of Investigation. The State Bureau 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 state laws and penalties.

- **Missing assets:** All assets that were missing during the Annual Inventory are forwarded to the UNC Charlotte Internal Audit Department who includes the assets in their report to the State Bureau of Investigation. 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 are still missing. For further information regarding missing or stolen assets see the [Procedures Supplemental to Policy Statement #601.15](http://legal.uncc.edu/university-policies/chapter-600-property-finances-services-and-records/601-university-property).

SEPARATION OF DUTIES

There are several different departments involved in the accounting for fixed assets. The Fixed Assets Office records, assigns tags, and keeps accurate accounting records for all fixed assets. UNC Charlotte Central Receiving and Stores 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 Annual Inventory and the physical tagging. 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 an event occurs to considerably reduce the quality or usage. Some indicators of impairments are evidence of physical damage, changes in environmental regulations, or major improvements in technology. An example of an impairment is a natural disaster that damages a classroom building and it can no longer be occupied until it is repaired. The Controller’s Office checks annually to see if there are any impairments. Any impairments are noted on the Comprehensive Annual Financial Report (CAFR).

FIXED ASSETS FORMS

- Fixed Assets Equipment Disposition/Transfer Form
- Fixed Assets Building & Infrastructure Disposition Form
- Fixed Assets Off-Campus Location Form
- Fixed Assets Trade-In Approval Form
- Fixed Assets Transfer Between Agencies Approval Form
- Fixed Assets Fabricated Equipment Form

USEFUL WEB LINKS

- UNC Charlotte Reporting and Fixed Assets Web Page: [Reporting and Fixed Assets | Financial Services](http://www.gasb.org/)
- NC Office of the State Controller: [Capital Asset Policies](http://legal.uncc.edu/university-policies/chapter-600-property-finances-services-and-records/601-university-property)

UNC CHARLOTTE OFFICE OF LEGAL AFFAIRS RELATED POLICIES

- Policy Statement # 601.15 Control and Management of University Equipment and Other Property: [http://legal.uncc.edu/policies/up-601.15](http://legal.uncc.edu/policies/up-601.15)
CONTACT INFORMATION
The Reporting and Fixed Assets Office is located on the 4th floor of the Reese building. The department serves under the Vice Chancellor of Business Affairs, part of Financial Services, and reports to the University Controller. A list of office personnel and their contact information can be found here: http://finance.uncc.edu/about-us/controllers-office/reporting-fixed-assets.
SOURCE INFORMATION FOR THIS DOCUMENT

UNC Charlotte Policy Statement# 601.1
UNC Charlotte Policy Statement# 602.2
UNC Charlotte Policy Statement# 601.10
UNC Charlotte Policy Statement# 601.12
UNC Charlotte Policy Statement# 601.15
Office of North Carolina State Controller, Capital Assets Policies
Office of North Carolina State Controller, North Carolina Accounting System Expenditure Accounts
UNC General Administration, Chart of Accounts