
Property Accounting Guidelines

Purpose Statement

The Property Accounting guidelines have been established to assist University personnel in accounting for and preserving the institution's property, plant, and equipment. Adhering to these guidelines is in the best interest of the University as it aids in ensuring the accuracy of our asset inventory valuation and depreciation expense for Financial Statement purposes and ensuring the proper levels of insurance coverage for the University's assets.

Equipment Classification

I. Capital Equipment

Equipment is considered capital equipment if it meets all of the following characteristics:

- Unit cost of \$5,000 or more unless it will be permanently attached to, installed in, or used with other components that raise the total dollar value to \$5,000 or more
- Useful life of more than one year
- Moveable: not a permanent fixture or part of a building
- Exception: Art objects purchased at **any cost** from the artist or a reputable art dealer will be considered capital

II. Non-Capital Equipment

Equipment with an acquisition value of less than \$5,000 will not be capitalized but may still be tagged and tracked for user and location information. Exception items considered non-capital equipment that are still tagged include the following:

- Desktop computers, laptop computers, and tablets
- Printers with an acquisition value of \$400 or more
- Firearms
- Licensed vehicles (cars, trucks, trailers, utility vehicles, etc.)
- Equipment purchased with grant funds where the grant may require items with an acquisition value of less than \$5,000 be tagged and tracked

Property Accounting Responsibilities

It is the combined responsibility of Property Accounting and departmental custodians to ensure the accountability for capital and non-capital (exception item) equipment when it becomes the property of Indiana State University. Property Accounting performs the following functions:

I. Creates and maintains the official permanent asset record for capital equipment and non-capital equipment exception items:

a. Equipment Acquisition: Equipment can be acquired by the University in the following ways:

- i. Purchased through ISU Purchasing Process: Equipment can be purchased by the University by using a Purchase Order, Check Request or a Procurement Card. Property Accounting runs an extract report on a weekly basis that downloads all equipment purchased using the equipment account codes. These items are reviewed and a tag number is assigned to each if it is considered capital equipment or a non-capital equipment exception item. If an item is

considered capital equipment, it is capitalized in the Fixed Asset System. If an item does not meet the criteria of capital equipment and it is not an exception item, it is moved to the appropriate expense account code using a journal voucher.

ii. Gifts: Assets can be acquired as a gift to the University. The department receiving the gift is required to report this through a [Gift Report](#). Property Accounting relies on the expertise of the receiving department to determine the value of the asset given. These assets are given a gift code (GF) within the Fixed Assets System. At year-end, a list of gifts from the ISU Foundation is also obtained to reconcile with the Fixed Asset System to ensure all gifted assets have been recorded.

b. Tagging New Assets: Property Accounting assigns a unique tag number to each unit of capital and non-capital exception item equipment and physically tags the item with a barcoded tag. When the item is tagged, Property Accounting obtains information regarding the item's location, user, and serial number and updates the Fixed Asset System record.

II. Facilitates the annual inventory verification process and conducts physical inventories of University assets.

a. Inventory Cycle: Inventory is conducted on a department-by-department basis. The inventory cycle is a four (4) year cycle. Each department is assigned to one of four groups. Each group will have a physical inventory conducted every four (4) years and will be required to complete an inventory verification at the midpoint between their next physical inventory.

b. Inventory Verifications: Inventory verification reports are issued to each department scheduled to receive a report at the beginning of the fiscal year. The reports contain a listing of all capital and non-capital exception items for which the department maintains custodial responsibility as well as a memo with instructions for completing the report. The departments verify the existence of the equipment, make updates for location and user changes, and list any additional equipment items not listed on the report. The completed Inventory Verification report is approved by the department Chairperson/Director and returned to Property Accounting. Property Accounting updates the equipment data and follows-up with the department if discrepancies exist.

c. Physical Inventories: Property Accounting conducts a physical inventory for each department every four (4) years. All Federally-purchased capital and non-capital exception item equipment is inventoried every two (2) years. Other inventories are conducted on a periodic basis, which could be due to failure by a department to return an Inventory Verification, a location change of a department, at the request of a department, or other circumstance that warrants a physical inventory.

Custodial Responsibility

Departments have a responsibility to ensure the safeguarding of equipment and that accurate inventory records are maintained. It is recommended that each department identify a specific individual as the department property administrator who is responsible for completing Inventory Verifications and acts as the main point of contact between the department and Property Accounting. Departmental custodial responsibilities are as follows:

I. Provide adequate safeguards to ensure the prevention of loss, damage, or theft of the equipment. Any loss, damage, or theft should be investigated and immediately documented with a [Loss and Theft Report](#)

within 24 hours of discovery. The Loss and Theft Report notifies Public Safety, Property Accounting, and Risk Management.

- II. Report changes and maintain records for the location and users of equipment. Changes reported include the transfer of equipment to another department (using the [Transfer Notice](#) form) or other off-campus location (using the [Request for Use of Equipment Off-Campus](#) form).
- III. Dispose of equipment through Purchasing and Central Receiving by following established procedures (See Disposal of Equipment). The Director of Purchasing is the official “Disposal Agent” of University-owned property, with the exception of works of art. The University Curator’s Office should be contacted to dispose of unwanted works of art. Departmental sale, disposal, or donation of University-owned property outside of the Purchasing and Central Receiving process is prohibited.
- IV. Submit the annual Inventory Verification report within the timeframe requested by Property Accounting. The department’s property administrator should verify the existence of each inventory item and report necessary changes. Inventory verifications should be approved by the department Chairperson/Director before submitted to Property Accounting.
- V. Report gifts received to Property Accounting by submitting a [Gift Report](#).

Disposal of Equipment

The disposal, sale, or donation of University-owned equipment or goods that are no longer of use to the custodian must be directed by the Director of Purchasing and Receiving who acts as the official “Disposal Agent” for the University. Purchasing and Receiving can be advised of unwanted property through the [Surplus Pickup Request System](#).

Inventory Verification Process

If a department is scheduled to receive an Inventory Verification report, it will be issued at the beginning of the fiscal year. The reports contain a listing of all capital and non-capital exception items for which the department maintains custodial responsibility to verify its existence and report necessary changes. The process for Inventory Verifications is as follows:

1. Verification reports and instruction memo issued after the beginning of the fiscal year.
2. Departments have 60 days from the report issuance date to verify the existence of their capital equipment and non-capital equipment exception items, complete the report, and return it to Property Accounting. Inventory Verification reports must be approved by a department Chairperson/Director.
3. Property Accounting will review the completed Inventory Verification report and make necessary updates in the Fixed Asset System. Property Accounting will follow up regarding items reported missing by the department property administrator and by possibly doing an independent physical verification. Items reported missing that cannot be found by Property Accounting will require the completion of a [Loss and Theft Report](#).
4. After Property Accounting is satisfied with the completion of the Inventory Verification and has followed up regarding missing items, an updated listing of equipment will be provided to the department for their records.

If a department fails to complete an Inventory Verification within the required timeframe, the department Chairperson/Director will be notified and Property Accounting will schedule a physical inventory.

Capital Equipment Account Codes

All non-capital equipment exception items should be coded to account code: 73610.

Account Code	Account Title	Description
78360	Office Equipment and Furniture	Non-computer office equipment and furniture used for faculty and administrative purposes (\$5,000 or more)
78370	Instructional and Lab Equipment	Moveable, non-computer instructional and lab equipment (\$5,000 or more)
78400	Art Objects	Works of art purchased from artist or art dealer (any cost)
78510	Computer Equipment- Instructional Use	Computers and related equipment used for instruction in classes & labs (\$5,000 or more)
78520	Computer Equipment- All Other Uses	Computers and related equipment used for faculty & administration purposes (\$5,000 or more)
78530	Computer Equipment- LAN/Network	Computers & related equipment purchased to be used in campus networking (\$5,000 or more)
78550	Computer Software Equipment	Purchase of commercially available computer software (\$5,000 or more)
78605	Telecommunications Equipment	Equipment related to University-wide communications (\$5,000 or more)
78620	Household and Custodial Equipment	Equipment purchased by Facilities Management or Housing & Dining for custodial use (\$5,000 or more)
78630	Athletic Equipment- Intercollegiate	Athletic equipment purchased by Intercollegiate Athletics only (\$5,000 or more)
78650	Media Equipment	Audio-visual equipment (\$5,000 or more)
78655	Musical Instruments	Musical instruments (\$5,000 or more)
78660	Research Equipment	Equipment purchased for research purposes (\$5,000 or more)
78680	Firearms	Firearms (any cost)
78690	Other Equipment	Non-computer equipment that doesn't fall into another category (\$5,000 or more)
78716	Vehicles and Machinery	Vehicles and moveable machinery (\$5,000 or more)
78790	Library Books and Periodicals	Purchases of library books and periodicals for the University Library collection (any cost)

Capital Project Capitalization Guidelines

Capital projects include building construction and renovation, land improvements, and infrastructure projects. Generally, capital projects will be capitalized if the project costs are \$100,000 or more, unless the costs are related to a major renovation. An example of a major renovation under \$100,000 would be the replacement of a roof or the renovation an elevator in a building. Interest costs incurred during building construction or renovation are also capitalized as a cost of the building or renovation.

Capital Project Account Codes

Account Code	Account Title	Description
78840	Land Improvements	Improvements that have a useful life exclusive of land or buildings, such as parking lot improvements, landscaping, and athletic field improvements
78850	New Building Construction- General	Direct expenses for the construction of new buildings, such as materials, labor, overhead, and building permits
78860	Building Rehab and Renewal	Direct expenses for the renovation of existing buildings, such as materials, labor, overhead, and building permits
78870	Infrastructure	Improvements to land that have a useful life exclusive of land or buildings, such as pedestrian walkways, irrigation, and lighting improvements

Land Capitalization Guidelines

All expense incurred to obtain land and prepare it for its intended use is capitalized. Expenses incurred to prepare land for its intended use could include demolition costs, legal fees, realty fees, etc.

Land Account Code

Account Code	Account Title	Description
78830	Land	Direct costs incurred to obtain land and costs incurred to prepare it for its intended use, such as demolition, legal fees and realty fees

Demolition Capitalization Guidelines

- Costs to demolish an existing building or structure which resides on newly acquired property are capitalized if the intent to demolish existed at the time of acquisition. These demolition costs are included in the cost of the land if the cost equals or exceeds \$100,000.
- If a new building or structure is constructed to replace an old one, then these demolition costs are included in the cost of the new building rather than the cost of the land if the cost equals or exceeds \$100,000.

- If the intent to demolish a building or structure did not exist at the time of acquisition, then future demolition costs are expensed.

Leasehold Improvement Capitalization Guidelines

Costs of building modifications and installation of permanent equipment that is considered part of the leased structure are capitalized. These costs are amortized over the useful life of the shorter of the following periods: (1) the useful life of the assets, or (2) the (remaining) lease term at the date the improvements are available.

Routine Repairs & Maintenance vs. Major Repairs

Some repair projects, if large enough in scope and cost, may be considered major repairs and therefore capitalized rather than expensed. If major rework or maintenance is scheduled and estimated costs are \$100,000 or more, please check with Property Accounting for guidance about the proper account codes to use when creating a requisition. If maintenance and repairs are routine (most are) then 77650- Equipment Repairs or 78010- Building Repairs can be used.