

**California State University, Northridge
University Student Union, Inc.
Fixed Asset and Leasehold Improvement Policy**

SUBJECT: Fixed Asset and Leasehold Improvement Policy

DEFINITIONS: **Fixed Assets** are tangible property with a single unit value equal to or greater than \$5,000 which is used in a productive capacity and benefits the USU for a period of more than one year. Acquisition costs include the full cost of the purchase plus expenditures related directly to their acquisition (freight charges, handling fees, installation charges, and sales tax).

Leasehold Improvements are improvements, betterments, or modifications of leased property which will benefit the Union for the period of more than one year. Acquisition cost includes the full cost of the purchase plus expenditures related directly to their acquisition, (i.e. freight, handling fees, installation charges, sales tax, etc.)

Expendable Equipment is equipment and furniture to be used in a productive capacity which has a useful life of one year or more with a unit acquisition cost of less than \$5,000.

Expendable Equipment of a Sensitive Nature is equipment to be used in a productive capacity which has a useful life of one year or more with a unit acquisition cost of less than \$5,000.00. This equipment is portable and is highly susceptible to being lost or stolen.

Capital Outlay is the outlay of funds for capital equipment purchases. These funds are identified during the annual budget process and are part of the approved operating budget.

Asset Tagging is the physical labeling of fixed assets, group fixed assets, leasehold improvements, or expendable equipment with a unique number so that the item's location, asset type, description, and value can be tracked in the asset management system.

POLICY: The University Student Union will approve a capital outlay budget for capitalized fixed assets and leasehold improvements each fiscal year. Intended fixed asset and leasehold improvement purchases that were not included in the approved capital outlay budget must be approved by the USU Board of Directors. Fixed asset and leasehold improvement

purchases must follow the procedures outlined in the Purchasing Policy of the Union.

All University Student Union Fixed Assets and Leasehold Improvements with a unit value of \$5,000 or more, including all expenditures related directly to their acquisition and or construction will be capitalized, inventoried, depreciated over their useful life, and recorded on the financial records of the Union.

Useful Life Schedule

Useful life Computer Equipment & Peripherals is three (3) years

Useful life of Software applications & systems is three (3) years

Useful life of Audio Visual Equipment is five (5) years

Useful life for Furniture & Fixtures is five (5) years

Useful life for Leasehold Improvements is fifteen (15) years

Depreciation Method

All fixed assets and leasehold improvements are depreciated using the straight line method over its estimated useful life.

The fixed asset must be fully depreciated before it can be replaced unless the asset is completely inoperable or it is determined to be more cost effective to replace the item than to repair it.

Group fixed assets will use the straight-line depreciation method over the estimated useful life of the entire group.

Expendable equipment and furniture listed below with a unit acquisition cost of less than \$5000.00 will not be capitalized nor depreciated.

However, expendable equipment of a sensitive nature will be recorded in the asset management system at no cost (zero value) for purposes of tracking and location. They will be expensed to chartfield string number 720100. Some of examples of expendable equipment are:

Computer Equipment

Digital Cameras

Video equipment, projectors, and related equipment

Radio communication equipment

Desks

Department managers must notify Business Services of the receipt of expendable equipment of a sensitive nature in order to be entered into the asset management system and for the purposes of asset tagging.

Business Services
Fixed Asset and Leasehold Improvement Procedures

- I. Appropriation of Fixed Assets and Leasehold Improvements
 - A. Fixed Asset and Leasehold Improvement purchases are approved by management and the board of directors during the annual budget process within the capital outlay budget.
- II. Purchasing Fixed Assets and Leasehold Improvements
 - A. All items and improvements to be capitalized will be purchased following the Purchasing Policy of the Union.
 - B. Fixed Assets/Leasehold Improvements purchased through a purchase order must contain specifics about the purchase including location of the item/improvement.
 - C. Capitalized purchases are charged to the following fixed asset chartfield strings:

| <u>Account No.</u> | <u>Description</u> |
|--------------------|-------------------------|
| 180120 | Software |
| 180210 | Furniture & Fixtures |
| 180220 | Equipment |
| 180230 | Computers & Peripherals |
| 180310 | Building |
| 180320 | Leasehold Improvements |
| 180330 | Infrastructure |
| 180400 | Land |

- III. Authorization
 - A. All capitalized purchases are approved by the Associate Director of Operations.
 - B. Capitalized fixed asset/leasehold improvements not approved in capital outlay are approved by the board of directors prior to purchase.
- IV. Receipt and Tagging
 - A. All capitalized purchases will be received through the USU Receiving Department.
 - B. All capitalized purchases must be asset tagged for identification purposes.
 - C. Receiving will verify that the items delivered match to the packing slip. If there is a match, Receiving will tag the item and deliver it to the department manager who ordered the item. The manager must sign as verification of receipt.
 - D. Department managers must notify Business Services upon arrival of expendable equipment of a sensitive nature.
- V. Recording & Asset Identification Numbers
 - A. All capitalized purchases are recorded onto the PeopleSoft asset management system. The following information is needed:
 - i. model no.



- ii. serial no.
 - iii. location, and
 - iv. estimated useful life
 - B. Receiving will enter the item into the asset management system. The system will automatically generate an asset identification number uniquely identifying that item in the asset management system. The asset identification number is not the same as the asset tag number.
- VI. Payment Possessing
 - A. Receiving forwards all packing slips and documentation to Business Services.
 - B. The Accounts Payable Technician will match up the invoice from the vendor to the packing slips and compare them to the Purchase Order.
 - C. All paper work is then forwarded to the department manager for payment approval and signature.
- VII. Safeguarding of Fixed Assets & Physical Inventories
 - A. Business Services is responsible for the safeguarding of fixed assets.
 - B. A physical inventory of capitalized fixed assets will be done annually_ under the supervision of the Accounting Coordinator.
 - C. A physical inventory of expendable equipment of a sensitive nature will be done annually under the supervision of the Accounting Coordinator.
 - D. Completed inventories will be signed and dated and retained for (4) years for review purposes.
 - E. USU equipment shall not be removed from the Union without approval and signature of the Executive Director/designee on an Inventory Sign Out form supplied by Shipping and Receiving
 - F. The Union may outsource the physical inventory function at its discretion.
- VIII. Reconciliation to General Ledger
 - A. The Accounting Coordinator will reconcile the fixed asset subsidiary to the fixed asset accounts in the general ledger each month.
 - B. All discrepancies will be identified and recorded in the following month.
 - C. The reconciliations will be signed and dated by the Accounting Manager
 - D. This documentation will be retained for up a minimum of four years for review purposes.
- IX. Re-Location of Property
 - A. Department managers must complete an Equipment/Furniture Re-Location Form if any item is re-located from one department to another department. This form documents where the equipment has been relocated.
 - B. The form must be turned into Business Services prior to the move so the change in location can be recorded in the asset management system.
- X. Disposition of Property

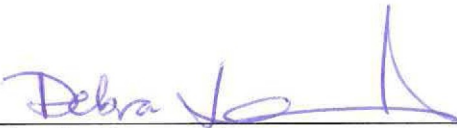
- A. Functional Obsolescence – items that have reached functional obsolescence will be written off as a Loss on Disposal of a Fixed Asset, chartfield string 750600 if they are not completely depreciated.
- B. Surplus Property Disposal - is disposal of surplus goods or equipment by means of a sale or donation. These items will be written off to Gain/Loss on Sale of Assets, chartfield string 750500. Any one of the following methods or combination of the following methods may be utilized for the sale or donation of surplus equipment:
 - 1) Acceptance of offers from interested parties
 - 2) Donation of the items to another non-profit, tax-exempt California corporation
 - 3) Donating the items to an agency or organization of the State of California
 - 4) Public Sale
- C. Property may not be sold or donated to USU officers or employees unless the campus population is given equal access to purchase the property.
- D. Requests to dispose of, sell, or donate functionally obsolete or surplus items must be made in writing to, and approved by, the Executive Director/designee.

XI. Theft or Loss of Property

- A. Department managers must inform the Associate Director of Operations immediately upon becoming aware of a theft or loss of property under their supervision.
- B. Business Services must be formally notified with a copy of the incident and/or police report.
- C. Business Services will determine if a claim for the loss or theft must be filed with its insurance company.
- D. Such property if not fully depreciated, will be written off as a Loss on Disposal of a Fixed Asset, chartfield string 750600.

XII. Mitigating Controls

- A. All fixed asset purchase orders are reviewed and approved by the Associate Director, Finance & Business Services/designee.
- B. The Receiving department is responsible for receipt of all goods and matching packing slips with the quantities delivered.
- C. Monthly reconciliation of the fixed asset subsidiary to the general ledger.
- D. Annual physical inventories of fixed assets and expendable equipment.



Debra L. Hammond,
Executive Director



Date