



University of Pittsburgh Policy Capital Asset Accounting

Category: Financial Affairs

Section: Asset Management System

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Policy Number: 05-10-01

Effective date: October 2015

Responsible University Officer:

- Arthur G. Ramicone, Senior Vice
Chancellor and Chief Financial Officer

POLICY STATEMENT

The University of Pittsburgh acquires, records, accounts for, depreciates, disposes of, and reports capital assets.

Capital asset management includes identifying, valuing, recording, depreciating, and inventorying capital assets including real estate, equipment, capital leases, and other assets acquired by the University.

Capital assets are capitalized and depreciated in accordance with Generally Accepted Accounting Principles.

University Departments that do not procure capital equipment through normal centralized purchasing methods are to report any capital purchases to the Payment Processing Department.

University departments are primarily responsible for the stewardship of University assets. Stewardship of capital assets includes physical security of assets and compliance with University, sponsored program, and other funding source requirements.

Departments must receive prior approval before the sale or transfer of capital assets to an external entity.

Equipment and related assets no longer in use are transferred to the Surplus Property Warehouse unless purchased with sponsored program funds or acquired by donation.



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Whenever possible, a capital asset will be re-used or reassigned unless otherwise restricted by the funding source.

REASON FOR POLICY

This policy was established to:

- Comply with Generally Accepted Accounting Principles including valuation and depreciation.
- Comply with sponsored program requirements.
- Safeguard University capital assets.

ENTITIES AFFECTED

All University responsibility centers.

WHO SHOULD READ THIS POLICY AND PROCEDURES

- Asset liaison coordinators
- Facilities Management Department
- Controller's Office
- Office of Institutional Advancement
- Payment Processing Department
- Responsibility Center administrators

RESPONSIBILITIES

Budget and Financial Reporting Department:

- Establish plant accounts and funding sources for building construction, renovations, and land improvement projects.
- Identify and record land and property acquisitions, construction projects, renovations, information technology projects, and library book acquisitions.
- Prepare asset addition forms (excluding equipment) and forward to Payment Processing for entry into the Asset Management System.
- Report capital assets and depreciation in accordance with Generally Accepted Accounting Principles.

Office of Institutional Advancement:

- Accept donated assets to the University.
- Comply with donor and IRS requirements for donated capital assets.

Payment Processing Department:

- Identify capital equipment.
- Assign depreciation useful lives to capital equipment.



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- Maintain the capital asset database.
- Conduct capital equipment physical inventories.
- Record donated assets in the capital asset database in accordance with University Policies and Procedures.

Facilities Management Department:

- Maintain supporting documentation for building construction, renovations, and land improvements.
- Maintain the accuracy and integrity of the Job Order Cost System.
- Maintain control and perpetuation of Facilities Management Department stockroom inventories.
- Identify projects that will meet the University's capitalization threshold.
- Assign depreciation useful lives to buildings and their components.
- Notify Budget and Financial Reporting when projects are complete or when cost overages are anticipated and additional funding is required.

University Responsibility Centers and Departments:

- Designate Asset Liaison Coordinators.
- Use proper PRISM account numbers and subcodes for equipment and library purchases.
- Safeguard assets under their responsibility.
- Use capital assets in accordance with sponsored program requirements.
- Obtain approval prior to disposing of or transferring capital assets.
- Conduct capital equipment physical inventories and maintain detailed records.
- Notify the Department of Public Safety when an asset is lost or stolen.
- Process transfers and disposals timely and accurately.

CAPITALIZATION CRITERIA, DESCRIPTIONS, AND DEFINITIONS

Valuation

Capital assets acquired by purchase are recorded at cost including all normal expenditures to ready the asset for use. Capital assets acquired by gift or bequest are recorded at fair market value at the date of acquisition. When an acquisition includes land and buildings, the total cost is allocated between the two in reasonable proportion at the date of acquisition. In absence of a reasonable basis, other sources may be used such as an expert appraisal or real estate tax assessment records.



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Depreciation Method

The depreciation method used by the University of Pittsburgh including the Pittsburgh Cancer Institute is straight-line with one-half year's depreciation to be taken in the first and last years of the asset's life, regardless of the purchase date.

The depreciation method used by Western Psychiatric Institute and Clinic is straight line based on the acquisition date.

Useful lives

Capital asset useful lives are predominantly based on those used by the American Hospital Association. Others are obtained from American Appraisers Corp. or are based on experience with the particular asset.

Equipment

Individual items of machinery, equipment, or furniture with an original cost of \$5,000 or more and a minimum useful life of two years are capitalized. The original cost includes the cost of the item, less applicable discounts, plus delivery charges, the cost of installation, modifications, attachments, accessories, or auxiliary apparatus which are required to make the item usable for its intended purpose.

Software

Software systems including purchased software, large scale system installations, and internally developed systems or software that are \$50,000 or more and have a minimum useful life of 2 years will be capitalized.

Buildings

For new buildings, building improvements, renovations or extraordinary repairs, a building's outside "shell" is treated separately from its building service components for asset classification and cost depreciation purposes. Building service components are categorized by separate asset classes with each asset class having its own estimated useful life.

Capital improvements, renovations, and extraordinary repairs to existing buildings must be greater than \$50,000 to be capitalized.

Capitalized interest for University projects financed with University reserves or bonds of \$7.5 million or more is calculated in accordance with FASB Accounting Standards Codification 835-20 – *Capitalization of Interest*.

Building Improvements

The additions of a building component or a building section where one did not previously exist are capitalized if the capitalization dollar threshold is met.



Building Renovations/Replacements

A renovation/replacement is the total replacement of a unit with a new unit that serves the same purpose and has the same estimated useful life as the unit being replaced. The purchase of a new unit to replace a worn out unit represents an addition to and deduction from property and the cost of the new asset is capitalized. The prior asset and accumulated depreciation are written off.

Replacement parts that do not materially extend the life of an asset are considered ordinary repairs and expensed. Expenditures for dismantling or removing an old asset are to be expensed.

Extraordinary Repairs

Extraordinary repairs, not recurring in the routine maintenance process, which extend the useful life of an asset or increase its use value (utility) beyond what it was before the repair, are capitalized. Expenditures to maintain an asset in efficient operating condition, which do not extend the normal economic useful life, are expensed.

Fabricated Assets

Fabricated assets are capitalized if they meet the general capitalization criteria. All materials, labor, project administration, and management costs required for the construction of the asset are capitalized. The project completion date is considered the acquisition date of a fabricated asset.

Donated Assets

Donated assets with a fair market value of \$5,000 or more meeting the general capitalization requirements are capitalized.

Leases

Equipment and real estate leases are classified as capital or operating leases in accordance with Generally Accepted Accounting Principles.

Export of University Assets

Export of all capital assets must comply with export regulations such as the U.S. Department of Commerce's Export Administration Regulations (EARs) and the U.S. Department of State's International Traffic in Arms Regulations (ITARs). Questions on these regulations should be addressed to the Office of Export Control Services.



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CONTACTS

Subject	Department	Website
Capital asset inventory or tagging	Payment Processing	https://www.cfo.pitt.edu/frs/cam.html
Capital asset reporting	Budget and Financial Reporting	http://cfo.pitt.edu/bfr/index.php

OTHER UNIVERSITY POLICIES, PROCEDURES, AND RESOURCES

Policies

Surplus Equipment Recycling and Disposal, 10-06-04

Noncash Donated Gifts, 03-01-01

Procedures

Noncash Donated Gifts, 03-01-01

Other Resources

Memo from Former Provost James Maher: Federal Government Regulatory Alert: The Export of University Goods, Technologies and Information.

www.pitt.edu/~provost/memo102604.html

Capital Asset Management website <http://cfo.pitt.edu/frs/cam.html>:

- Transfers and retirements
- FAQ's
- Inventory
- Procedures overview
- Forms

HISTORY

October 2015 Capitalization of Fixed and Movable Assets Policy revised and name changed to Capital Asset Accounting.