

Responsible University Officials:

- Vanderbilt University Controller

Responsible Offices:
University Finance

Date: March 2017

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Capitalization – Policy and Procedures

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1. Policy Statement

This policy establishes requirements for the capitalization of moveable equipment and real property (including the acquisition of land, buildings, fixed equipment, and the renovation and improvement of existing real property owned or leased by Vanderbilt) and is applicable to all areas within Vanderbilt University. Vanderbilt University follows uniform policies and procedures for financial statement purposes and for compliance with federal requirements 2 CFR 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards).

2. Scope

This policy applies to all Vanderbilt staff responsible for initiating, processing, and authorizing asset purchases. The policy serves as the single governing authority for all capitalization of assets.

3. Definitions

Capitalize – is an accounting method used to delay the recognition of expenses by recording the expense as a long-term asset. In general, capitalizing expenses is beneficial as companies acquiring new assets with a long-term lifespan can spread out the costs.

Real Property – fixed property, principally land and buildings.

Fixed Asset Sub Ledger (FASL) – repository containing all details of capital assets.

4. Policy

- a) All **moveable equipment** having a useful life of more than one year **and** an acquisition cost of \$5,000 or more per unit will be capitalized on a per unit basis. A unit is defined as a piece(s) of equipment that, when assembled, functions as a stand-alone asset, or is an enhancement to an existing asset.
- b) A group or lot of moveable equipment that in total costs \$5,000 or more, but each unit costs less than \$5,000, will not be capitalized. Examples of this type of group purchase include, but are not limited to, one lot of modular furniture or computer workstations where the total cost is \$5,000 or more, but the unit cost is less than \$5,000.
- c) All **real property** acquisitions or improvements having a useful life in excess of one year **and** a cost of \$20,000 (\$100,000 beginning in FY18) or more will be capitalized.

- d) Vanderbilt University **depreciates** all buildings and equipment utilizing the straight-line method over their useful lives.
- e) Assets are **retired** from the fixed asset system when an asset has been sold, scrapped, traded-in, lost or stolen, or Vanderbilt no longer has title. For real property that has been modified or replaced by a building renovation, the original cost and accumulated depreciation, if separately identifiable, is removed from the fixed asset system.

5. Procedures

- Business Units initiate purchase of capital assets
- Finance maintains the FASL, records additions, retirements and depreciation monthly.
- Vanderbilt conducts a physical inventory for moveable equipment at least once every two years.
- Asset transfers to other departments, retirements, and trade-ins must be communicated in writing, on an on-going basis, to Finance using the Property Transmittal Form. The only exception is a location change that does not involve a change in departmental ownership (i.e. moving equipment from one lab or office to another lab or office within the same department). This type of change can be communicated to the appropriate property management office via e-mail.
- Finance is responsible for the depreciation calculation and maintaining the property records in the FASL.
- Departments are responsible for communicating updates regarding all capital assets to Finance in a timely manner and completing physical inventories for their respective areas.

The table below lists key capital asset procedures and the responsible parties.

Activity	Finance	Business Unit
Initiate purchase of capital asset		✓
Maintain capital asset details in FASL	✓	
Complete journal entries for changes in FASL activity	✓	
Conduct/participate in physical inventory	✓	✓
Communicate asset changes via Property Transmittal Form		✓
Process Property Transmittal Form	✓	

Appendix A: Asset Lives

Asset Type	Life
Land	N/A
Land Improvements	10 – 20 years
Buildings – New	50 years
Buildings – Purchased	20 – 25 years
Building Improvements	15-20 years
Leasehold Improvements	Not to exceed the life of the lease plus renewals
Fixed Equipment	5 – 25 years
Moveable Equipment	5 – 15 years

Appendix B: Capital Project Examples

Project	Capital (Y/N)	Comments
Lighting retrofit	N	Typically treated as non-capital as scope of work is generally to replace with more efficient bulb types, not major lighting redesign
Repair drainage issues in bathrooms	N	Typically treated as non-capital as project is simply correcting a deficiency in design (rather than a major improvement of the overall space)
Replace leaking pipes	N	Replacing sections of pipe due to leaks and other damage with new piping is not considered capital. However, a plumbing project could be considered capital if there is a major redesign of the plumbing.
Replace aging water pumps	N	Typically treated as non-capital as project is simply replacing a building component that is not functioning. There is typically no significant added value or new operation.
Roof Repairs	N	Typically treated as non-capital as project is simply replacing a building component that is not functioning. There is typically no significant added value or new operation.
Roof Replacement	Y	Full roof replacements are treated as capital costs.
Bathroom upgrades	Y	Typically treated as capital if performing a complete major upgrade such as replacing fixtures, plumbing, flooring, and other surfaces.
Replacing or Upgrading major mechanical/electrical	Y	Replacing major mechanical electrical equipment with age over 10 years is typically treated as capital since new equipment is more efficient and improves the operation of the building.
Window replacement	Y	Typically treated as capital but assessment depends on the nature of the replacement. Replacing single pane with single pane is non-capital, but replacing single pane with double pane or similar windows that improve efficiency and performance of the space would be capital.

Appendix C: Property Transmittal Form

<https://finance.vanderbilt.edu/accounting/policies.php>