**Inventory**

Capitalization and Depreciation Policies and Procedures

Southeastern Oklahoma State University, as a state agency, maintains an inventory of moveable equipment to account for "state property.” The following guidelines are developed to protect the assets of the state, and to provide a uniform procedure in the accounting for such assets to the individuals who are responsible for the safekeeping of the inventory. Question regarding these guidelines should be directed to the Accountant in the Finance Office.

**Capitalization Policies**

The following capitalization procedures will be applied to fixed assets as defined by the Financial Accounting and Reporting Manual for Higher Educations (FARM).

1.) Land - Capitalized at cost. Land and structures purchased or donated together will be separated when possible and capitalized separately. Cost of preparing the land for use will be capitalized, when material, along with the cost of the land.

2.) Buildings - Capitalized if $25,000.00 or more and a life expectancy of at least 10 years. Additions and renovations will be capitalized if (a) the cost of the projects is $25,000.00 or more, and (b) the renovation extends the useful life if the facility or modifies and/or upgrades a building, i.e., installation of updated fire alarms, removal of handicapped barriers, etc.

3.) Improvements other than buildings – Capitalized if it significantly increases the value or extends the useful life of the structure. Examples are parking lots, sidewalks, fiber optics, etc.

4.) Equipment - Capitalized if

a.) Acquired for use in operations and not held for resale.

b.) Useful life is long-term in nature. It must yield services for five years or more.

c.) Meets capitalization threshold of $5,000.00. The cost of the equipment will include the purchase price, freight cost, insurance while in shipment, installation cost, and other cost incurred to get the equipment ready for actual use.

d.) It is not an integral part of another unit.

5.) Software - Capitalized if cost is $5,000.00 or more, subject to a non-exclusive license, not substantially modified and the useful life is five years or more.

6.) Computer Upgrades - as of July 1, 1998, internal upgrades to machines already in service are no longer capitalized.

7.) Library books - Capitalized at cost if the item becomes a part of the volume count for the library.

8.) Art collections - Capitalized if records and values exist for the collection. Purchased items will be valued at cost and donated items at fair value. If no value can be determined, then the title "collections" should be shown on the balance sheet with no amount shown and the collection then described in the notes to the financial statements.

 9.) Assets which are constructed by the university will be capitalized if it meets the criteria for its asset class. The value of such an asset is the direct cost of materials, labor, and installation of the item.

10.) Leased equipment will be capitalized at the lower of (1) present value of the minimum lease payments during the lease term or (2) the fair value of the leased asset at the inception of the lease if it meets one of the following criteria:

1. Lease transfers ownership of the property to the lessee.

2. Lease contains a bargain purchase option which allows the lessee to purchase the leased property for a price that is lower than the expected fair value at the date the option becomes exercisable. The difference must be large enough to make exercise of the option reasonably assured.

3. Lease term is 75% or more of the estimated economic life of the leased property.

4. The present value of the minimum lease payment equals or exceeds 90% of the fair value of the leased property at the time of the lease.

11.) Assets donated to the university will be capitalized at fair market value if it meets the criteria for its asset class.

**Depreciation Policies**

Depreciation if recorded on a straight-line basis over the estimated useful life of the asset. Useful life will be 40 years for buildings, 20 years for renovations, 10 years for improvements other than buildings, 5 years for equipment, and 5 years for library books.

**Responsibility and Accountability Policies**

It is essential that all employees recognize the concept of institutional ownership and accountability with departmental responsibility. The department chair/supervisor is responsible for all equipment purchased for or assigned to the department and shall promptly report any transfer or loss of equipment to the Finance Office Accountant. A yearly inventory verification will be performed for all equipment for which he/she is responsible, using a list provided by the Finance Office.

Transfer of movable equipment shall not be made from building to building or from department to department within the same building without reporting such activity to the Finance Office Accountant. Such transfers may be reported by using the Southeastern Inventory Transfer Sheet.

Selling, trading, or disposing of an inventory item must be coordinated with Administrative Services. This policy also applies to the disposal of scrap, salvage, or obsolete equipment. Surplus equipment will be disposed of through sealed bids or public auction.

Theft of equipment must be reported to Campus Police.

University owned or controlled equipment shall not be removed from the University premises except in cases where such equipment is to be used for official duties. The Vice-President of Business Affairs or his designee must give approval when university equipment is used off-campus. The use of university vehicles is restricted to official University business.

**Capitalization Procedures**

1.) Requisition is made by the department requesting equipment.

3.) Invoice arrives and accounts payable packet is submitted to Finance Office for payment. Accountant sorts general ledger activity for equipment purchases that have been submitted for payment.

4.) Accountant provides inventory tag to the department acquiring the new equipment. The following information is entered into the data base: (a) SOSU tag number (b) description of the equipment (c) department name (d) purchase order number (e) Invoice date (f) amount capitalized (g) location of equipment.

5.) Equipment purchases are reviewed and reconciled at Fiscal Year End.

6.) Accountant follows up on any inventory information which has been sent out but not returned. After several attempts have been made to retrieve these cards, the Director of Finance/Comptroller will contact the department about requests.

7.) During the spring semester of each fiscal year an inventory listing is sent to departments to verify their equipment inventory. Any changes noted on the inventory listing will be updated in the inventory file as needed.