

Property, Plant and Equipment Policy

Introduction

All additions to property, plant and equipment are properly authorized. Expenditures for tangible assets that benefit a period exceeding one fiscal year and whose cost is \$500.00 or greater are capitalized. Property, plant and equipment are generally categorized by the following broad asset types:

- Land
- Improvements-Land
- Buildings
- Improvements-Buildings
- Equipment-Plant
- Equipment-Computer
- Vehicles
- Leasehold improvements
- Library Books
- Faculty Housing
- Construction in Progress

Capital budgeting is integral to the development of the annual operating budget. Since the budgeting process must take place far in advance, estimations of acquisitions in the budget year must be made. The decision to purchase a capital asset is an informed one based on current year budgets, projected benefits of the addition, and analysis of the lease versus purchase option.

Accurate Records of Property, Plant and Equipment

Accurate records are maintained of the cost and accumulated depreciation of property, plant and equipment. The acquisition of capital assets are organized to ensure that no unauthorized acquisitions have been made and that records of each acquisition are accurate, complete, and recorded in the appropriate period.

Depreciation of Property, Plant and Equipment

The cost (less salvage value) of all capitalized assets is allocated (depreciated) over the estimated useful lives using the straight line depreciation method.

Existence of Capital Assets

Control is maintained over capital assets and their related records to ensure that all recorded assets exist and are in use for operations. The physical existence of capital assets is verified and reconciled to the fixed assets records.

Disposal of Capital Assets

Disposal of capital assets occurs only after proper authorization has been given. Control over the disposition of property is maintained not only to preserve the accuracy of the records but also to ensure that assets are safeguarded, improper disposal is avoided, and the best possible terms are received for disposal.

Procedural Items

For more information on the procedural items listed below, see [*Property, Plant and Equipment Procedure*](#):

Property, Plant and Equipment Policy

- Approval of Capital Budgeting
- Capital Asset Purchase Authorizations
- Long-Term Lease or Purchase
- Receipt and Recording of Capital Assets
- Review of Purchase Price Variances
- Maintenance of Detailed Fixed Asset Ledgers
- Depreciable Assets Net Acquisition Costs
- Posting to General Ledger
- Posting to Detailed Ledger
- Capitalization of Expenditures while Building
- Expenditures – Capitalization vs. Expense
- Determination of Useful Life
- Determination of Depreciation Method
- Allocation to Functional Classification
- Identification and Record of Assets
- Documentation of Disposal
- Recording Disposal
- Fully Depreciated Assets