04-03-00 Property Management

PURPOSE

The purpose of this policy is to establish guidelines for Property Management for Nashville State employees.

DEFINITIONS

- **Capital Asset.** Any nonexpendable personal property having a useful life of more than one year and costs $5,000 or more.
- **Sensitive Minor Equipment.** Items are of a movable nature which is particularly vulnerable to theft and have a cost or fair value (for donated items only) between $1,500.00 and $4,999.99, or any computer tablets regardless of cost, regardless of funding source.
- **Infrastructure.** Improvements related to the skeletal structure and function of the campus.
- **Improvement Replacement.** When the new part of the asset is similar in nature to the part being eliminated.
- **Improvement Betterment.** When the new part represents an improvement in quality over the part being eliminated.

POLICY/GUIDELINES

A. **Capital Assets**

1. Capital assets are the responsibility of the budgetary unit head to control and monitor the assets located within their area. All employees should be made aware of the importance of the safekeeping of institutional property. The policies and guidelines described in this document are to be considered minimum controls for capital assets.
2. All purchases shall be made in accordance with the College's policy 04-04-00 Purchasing, Accounts Payable, and Central Receiving. The following list includes some of the costs that should be capitalized in the appropriate asset account:
    a. The original bargained acquisition price.
    b. Freight, insurance, handling, storage, and other costs related to acquiring the asset.
    c. Cost of installation, including site preparation, assembling, and installation.
    d. Cost of trial runs and other tests required before the asset can be put into full operation.
    e. Cost of reconditioning equipment acquired in a used state.

3. The department receiving the property is responsible for documenting the receipt of all items purchased. Asset information is entered into the Fixed Asset module upon payment. Each capital asset will be assigned an inventory number and tagged by the Business and Finance department staff. The tag will remain on the item until such time as the item is no longer located at an official college location.

B. **Sensitive Minor Equipment**

1. Sensitive minor equipment (SME) is the responsibility of the budgetary unit head to control and monitor the assets located within their area. All employees should be made aware of the importance of the safekeeping of institutional property.
2. The policies and guidelines described in this document are to be considered minimum controls for capital assets. All purchases shall be made in accordance with the College's policy 04-04-00 Purchasing, Accounts Payable, and Central Receiving.
3. The department receiving the property is responsible for documenting the receipt of all items purchased.
4. Asset information is entered into the Asset tracking software upon payment. Each SME will be assigned an inventory number and tagged by the Business and Finance department staff. The tag will remain on the item until such time as the item is no longer located at an official college location.

C. **Donated Personal Property**

1. All donations of personal property should be accepted in accordance with the College's policy concerning gifts to the institution, 12-03-00. Donated items should be coordinated with the Foundation.
2. The value to use in recording the gift-in-kind should generally be the lower of the fair market value on the date of the gift or the reasonable value of the gift-in-kind to the institution. The value to be used in recording the gift-in-kind must be determined by the department receiving the use of the item and approved by the President or his designee before being submitted to the Business and Finance department. The appropriate ledger accounts will be charged with an expenditure equal to the value determined and an institutional revenue account will be credited.
3. All donated capital assets must be tagged and inventoried.

D. **Disposal or Surplus of Property**

1. Business and Finance is designated as the authority for the disposal of surplus property, and the communications and procedures concerning the disposal of surplus personal property.

2. When a department or division determines that there is equipment or items no longer needed in their area, a Surplus Property Form can be obtained on the Nashville State Finance website requesting items be removed from the department or division.
3. Tag numbers should not be removed from surplus items.
4. Central Receiving will remove the items from the rooms once the form has been completed.
5. The appropriate accounting entries will be made by Business and Finance to remove the item from the department's inventory listing and to designate such items as surplus property. Generally, items will be disposed of for the following reasons:
    a. Traded in
    b. Lost or stolen
    c. Transfer to other institutions or schools within the TBR system
    d. Transfer to other state agencies
    e. Sale to eligible political subdivisions of the state and other governmental entities
    f. Public auction, publicly advertised and held
    g. Sale under sealed bids, publicly advertised, opened and recorded
    h. Negotiated contract for sale, at arm's length; but only in those instances in which the availability of the property is recurring or repetitive in character, such as marketable waste products
    i. Donations to a public school or public-school system
    j. Item destroyed by an appropriate method because it was determined not to be usable by the institution and has little or no salvage or other economic value.
6. All disposals of must be approved by the Vice President of Business and Finance. This approval will serve as the authorization for the Business Office to record the removal of the item, after final disposition, from the capital asset inventory list and the general ledger. For item number 2, the appropriately completed property loss report submitted to the TBR will serve as authorization to remove the item from the inventory list and the general ledger.

E. **Physical Inventory**

A physical inventory of all capital assets and a sample of SME is to be completed annually. An inventory listing is to be distributed to the custodians. Each item listed is to be located; tag number and description should be verified. All changes in location, condition code, custodian, etc. should be indicated on the inventory listing. The inventory lists are then approved by the

Department Head and returned to the Business and Finance department. The Business and Finance department may, at its discretion, physically audit any and all items.

F. **Missing or Stolen Property**

1. State law requires that any official of any agency of the State of Tennessee having knowledge of shortages of state monies or the unauthorized removal of state property report such shortages or removal immediately to the Comptroller of the Treasury.
2. To comply with the law, employees should report, as soon as possible, in written form any capital asset not accounted for to the Vice President for Business and Finance and the Chief of Campus Police. The notification should include a description of the item, tag number and serial number, if available.
3. It is required that the Chief of Campus Police send the local law enforcement a police report detailing each missing item.
4. The Vice President for Business and Finance must then file a property loss report with an attached copy of the police report to the Tennessee Board of Regents who will then file a report with the Comptroller's office.
5. Therefore, all missing property reports, whether identified immediately or through an inventory review, must include a police investigation report or an explanation from the Vice President as to why no report is submitted.
6. Missing capital assets can be removed from the college's records only after the above forms have been submitted by the Vice President for Business and Finance.

G. **Employee-Owned Items**

The College will assume no responsibility for employee-owned items. Such items must be removed when the employee ceases to be employed by the College.

H. **Reconciliation**

The general ledger control accounts for capital assets must be reconciled with the fixed asset system at least annually before the accounting records for the fiscal year is closed.

I. **Land**

1. Land is generally considered to have an unlimited life and is therefore a non-depreciable asset. Land acquired by the institution should be recorded at its original cost which includes a variety of expenditures related to its acquisition and its preparation for use as intended by the institution. The following are examples of expenditures that should be capitalized as a part of the cost of land:
   a. The original acquisition price.
   b. Commissions related to the acquisition.

c. Legal fees related to the acquisition.
d. Cost of surveys.
e. Cost of an option to buy the acquired land.
f. Cost of removing unwanted buildings from the land, less proceeds from salvage.
g. Unpaid taxes (to the date of acquisition) assumed by the institution.
h. Cost of permanent improvements (e.g., landscaping) and improvements that will later be maintained and replaced by other governments (e.g., street lights, sewers).
i. Cost of getting the land in condition for its intended use, such as excavation, grading, filing, draining, and clearing.

J. **Land Improvements**

Expenditures for land improvements that have limited lives and exceed $50,000 should be capitalized in a separate account from the Land and depreciated over their estimated useful lives. Examples of land improvements include, but are not limited to, site improvements such as landscaping that has a limited life (e.g., shrubbery, flowers, trees); retaining walls, parking lots, fencing, sidewalks, sculptures, and artwork. Land improvements are normally depreciated over a useful life of 20 years.

K. **Leasehold Improvements**

Leasehold improvements include improvements to existing or new leased spaces. These improvements should be capitalized if the cost exceeds $50,000 and the cost is borne by the institution. Leasehold improvements are generally depreciated over the lesser of the original term of the lease or the useful life of the improvements.

L. **Buildings**

1. The cost of a building includes all necessary expenditures to acquire or construct and prepare the building for its intended use. Buildings consist of relatively permanent structures, including all permanently attached fixtures, machinery and other appurtenance that cannot be removed without damaging the building or the item itself. Buildings are erected for the purpose of sheltering persons or property. Examples include, but are not limited to such items as academic buildings, dormitories, apartments, barns, etc. All buildings costing $100,000 and above should be capitalized. Buildings costing less than $100,000 should be expensed. Buildings are normally depreciated over a useful life of 60 years.
2. Buildings acquired by purchase should be capitalized at their original cost. The following major expenditures are capitalized as part of the cost of buildings:
   a. The original bargained purchase price of the building.

   b. Cost of renovation necessary to prepare the building for its intended use.
   c. Cost of building permits related to renovation.
   d. Unpaid taxes (to date of acquisition) assumed by the institution.
   e. Legal and closing fees.
3. Buildings acquired by construction should be capitalized at their original cost. The following major expenditures are capitalized as part of the cost of buildings:
   a. Cost of constructing new buildings, including material, labor, and overhead.
   b. Cost of excavating land in preparation for construction.
   c. Cost of plans, blueprints, specifications, and estimates related to construction.
   d. Cost of building permits.
   e. Architectural and engineering fees.
   f. Landscaping and other improvements related to the building construction that cannot be separately identified from the building project (e.g., wiring within the building, shrubbery and sidewalks around the building).

M. **Additions and Improvements to Buildings**

1. Additions represent major expenditures that are capital in nature because they increase the service potential of the related building. Additions costing $50,000 or above should be capitalized. Additions costing less than $50,000 should be treated as repairs and maintenance even though they have the characteristics of capitalized expenditures.
2. Improvements represent the substitution of a new part of an asset for an existing part. For example, the roof of a building may be replaced or a new HVAC may replace an old HVAC system. If the new part of the asset is similar in nature to the part being eliminated, the substitution is a called a replacement.
3. If the new part represents an improvement in quality over the part being eliminated, the substitution is called betterment. Both replacements and betterments are subject to capitalization if the cost is $50,000 or more.

N. **Infrastructure**

Improvements valued at or above $50,000 should be capitalized. Improvements valued at less than $50,000 should be expensed. Examples include, but are not limited to, roads, steam lines, chiller systems, storm sewers, tennis courts, sewer lines, severe weather systems, athletic scoreboards, turf, lighting, radio and television towers, water lines, signage, all-weather track, telecommunications and computing wiring, and energy management systems. The same accounting rules that apply to improvements to buildings also apply to improvements to infrastructure. Infrastructure items are normally depreciated over a useful life of 20 years.

O. **Software**

Software with a cost of $100,000 or greater should be capitalized and amortized. Capitalized software costs will include external direct costs of materials and services consumed in developing or obtaining internal-use computer software. Training costs are not internal-use software development costs and should be expensed as incurred. Data conversion often occurs during the application development stage. Data conversion costs should be expensed as incurred. Internal costs incurred for maintenance should be expensed as incurred. Software costs are normally amortized over a useful life of 10 years.

SOURCES

- TBR 04.02.20.00 Disposal of Surplus Personal Property
- TBR B-110 Fixed Assets and Sensitive Minor Equipment
- TBR B-080 Reporting and Resolution of institutional Losses
- T.C.A. § 49-8-203
- NSCC 07-04-00 Reporting Crimes and Emergencies
- NSCC 12-03-00 Solicitation and Acceptance of Gifts policy

Approved by NSCC Cabinet 8/9/21