



**NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**  
*Dr. R. Scott Ralls, President*

June 20, 2013

**IMPORTANT INFORMATION**  
**Effective July 1, 2013**

**MEMORANDUM**

**TO:** Business Officers  
Controllers/Bookkeepers

**FROM:** Matt Williams, Associate Vice President  
Chief College Accounting Officer  
Division of Finance and Operations

**RE:** Fixed Asset Changes (Capitalized and Non-Capitalized Assets)

The following changes will be effective July 1, 2013. Colleges should not make changes to their fixed asset inventory system until after they transmit their year-end equipment files to the System Office.

**Capitalized Assets**

- A capital asset is property, such as land, land improvements, easements, buildings, equipment, works of art and historical treasures, and infrastructure, with a cost equal to or greater than \$5000 and a useful life of two or more years.
- Capital assets are acquired for use in normal operations and are not for resale.
- These assets must be capitalized and entered on the College's fixed asset inventory system.
- A physical inventory must be taken of inventoried assets at least once a year.

**Non-Capitalized Assets**

- Assets costing below \$5000 are expensed; they are not capitalized nor depreciated for financial reporting purposes.
- These assets **are not consumable and have an extended useful life.**
- Non-Capitalized Equipment is purchased using either the **expense object code 555100 (Non-Capitalized Equipment) or the expense object code 555200 (Non Capitalized Equipment – High Risk)**. The term "Minor Equipment" will no longer be used.

- **Non Capitalized Equipment** is a non-consumable asset and should never be purchased using a supply object code.
- **Object Codes 555100 and 555200** can be used with either a **capital purpose code (920) or with a current operating purpose code (1XX, 220, 3XX, 4XX, 510).**
- Only expenditures charged to Equipment object codes in purpose code 920 will be used to calculate the amount of equipment carryover funds.

### **High Risk Assets**

- The System Office considers the following equipment to be **High Risk**:
  - Data processing and networking equipment, servers, computers, laptops, portable projectors, I-pads and other tablets, and guns.
- Equipment that the System Office considers high risk must be purchased using the expense object code 555200 (Non-Capitalized Equipment – High Risk).
- Colleges can also use **expense object code 555200 (Non-Capitalized Equipment – High Risk)** for other items that they consider high risk, such as, audio-visual equipment, microscopes, medical equipment.
- Using a separate object code to code high risk equipment purchases provides a balancing tool between the 112 report and the fixed asset inventory system for those colleges that are adding non-capitalized high risk equipment to their fixed inventory system.

### **Fixed Assets System**

- Colleges are required to enter capitalized assets to the College's fixed asset inventory system
- Colleges are not required to enter equipment purchased with a non-capitalized equipment code to the College's fixed asset inventory system, but are allowed and encouraged to track them on the inventory system.
- New non-capitalized assets added to the inventory system must be designated with fund source "9".
- Any asset item currently entered on the college's inventory and costing less than \$5000 must either be reclassified to fund source "9" or deleted from the inventory system. The System Office will provide colleges information on how to make a global change in the fund source file for colleges wishing to reclassify their non-capitalized equipment to fund source "9." This must be completed by December 31, 2013.
- An annual physical inventory is not required on non-capitalized inventoried items, but it is recommended that one be done annually. College's using the Ellucian inventory system must do a physical inventory at least once every 2 to 3 years. We also recommend that you inventory high risk items not kept on the inventory system at least once every 2 to 3 years, if not annually.

- Colleges must have the ability to **keep track of their high risk non-capitalized equipment**.
- The college's tracking process for **Non-Capitalized – High Risk Equipment** items must be written and reported to the System Office. Colleges will submit what process they are using to the System Office when requested (December 2013). This submittal must be signed by the college's CFO showing that they have approved the process.
- Colleges are required to change all assets classified as buildings or Infrastructure on the Fixed Asset System to a **fund source "8"**. This must be completed by December 31, 2013.

**CC13-012**  
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