

Appendix E Thresholds and Chart String Guidelines

Policy: Property, Plant and Equipment (ID 024-0001)

Summary

The threshold for tracking property in Oracle's Fixed Asset Module is \$5,000. The property must also have a useful life of more than one year and not be obtained for investment or resale. Dartmouth has defined distinct types of assets, each of which is handled differently in Dartmouth's accounting system.

Threshold by Property Type

- Non-Capital property/moveable equipment \$5,000-\$24,999.
- Capital property/equipment equal to or greater than \$25,000.
- Construction in Progress (CIP) with budget equal to or greater than \$50,000.
- Land is capitalized regardless of value.
- Fabricated property/equipment \$5,000 or greater. For fabricated equipment meeting the threshold above, an Intent to Fabricate Form must be completed. For fabricated equipment with an estimated total cost of over \$25,000, a CIP must also be established to account for the costs.
- Leased property/equipment equal to or greater than \$100,000 is subject to capitalization. However, grant-funded leased property costing greater than \$5,000 must be tracked in the Fixed Asset Module.

Accounting Treatment

When deciding which natural class to use when purchasing property, plant, or equipment, use the following guidelines:

- **Non-Capital Property/Moveable Equipment Under Threshold** If the item(s) you are purchasing are individual items that work on their own, use the dollar amount for each item to determine the natural class. For example, if you are purchasing ten rowboats at \$4,000 each, with a total invoice of \$40,000, you would choose a natural class in the "under \$5,000" category. The total invoice amount is not relevant if each piece works on its own.
- **Non-Capital Property/Moveable Equipment** If you are purchasing multiple individual items that will be combined to form one piece of equipment or an equipment system, use the dollar amount of the combined items to determine the natural class. For example, if you are purchasing five items at \$4,000 each with a combined invoice amount of \$20,000 and all items will form one unit, you would choose a natural class in the "\$5,000 to \$24,999" category.

- **Capital Property/Equipment** If the item(s) being purchased (single piece of equipment or equipment system) * has a purchase price of \$25,000 or higher it would be considered capital equipment. You would then choose (1) natural class '1700-Oracle Fixed Asset Clearing' on GL strings or (2) an expenditure type in the "CAP EQUIP OVER \$25K" category on PTAEOs.
- **See Appendix C Additional Guidance for Specific Types of Equipment**

Audio Visual Systems - Although an audio-visual system total combined cost is often greater than \$25,000, a system generally consists of individual items of varying cost and may include items that are not considered to be part of the equipment cost. Therefore, each item would be evaluated separately to determine the correct natural class usage.

Accessories - An item which can be added to make an existing piece of equipment more useful or versatile which is purchased separately after the original equipment has been received and made operable should not be added to the value of the original piece of equipment. If an accessory meets all the criteria of non-capital or capital property it should be treated as a separate item of equipment.

Additions - Acquisition of new assets or improvements or modifications to existing assets that increase the useful life or the service potential of an existing asset that cost over \$5,000 are added to the original capital or non-capital equipment. Examples include an addition to a building or renovations to repurpose the space or adding a new part or feature to an existing piece of equipment that increases functionality.

Upgrades - A change, modification, or improvement made to a piece of equipment that improves capacity, capability, efficiency, or useful life that costs \$5,000 or greater is added to the original capital or non-capital equipment.

- **Leased Equipment/Vehicles**

If leasing vehicles or equipment, please contact Financial Reporting for proper accounting treatment and asset tracking as the accounting for each lease is dictated by the terms of the individual lease agreement. Generally, if the right to use the item(s) covered by the lease has a value of \$100,000 or higher, it will be treated as capital equipment and tracked in Oracle's Fixed Asset Module. Use natural classes '8642-DEBT SERV PRIN Capital Leases' and '8612-INTEREST EXTERNAL Capital Leases' as directed by Financial Reporting to record each lease payment. If the lease does not meet this threshold, a rent expense natural class would be appropriate. If leasing multiple individual items that work on their own under one lease agreement with a total aggregate right of use value of \$1,000,000

or higher, the lease would be treated as prescribed above. However, grant-funded leased equipment/vehicles with a cost of \$5,000 or higher must be tracked in the fixed assets system regardless of the natural class used. For guidance with lease buyouts, see the Property, Plant, and Equipment Management Policy.

What to Include in Equipment Natural Classes

Installation and freight are to be included in the equipment natural class. Consumable supplies, warranty, training and design or engineering services invoiced along with an equipment purchase are NOT considered to be capital equipment; if these costs are identifiable, please record in a supply, warranty, purchase services, or professional fees natural class.

What Not to Include in Equipment Natural Class

If the items being purchased are consumable (replaced on an annual or regular basis), such as lab supplies, uniforms, or maintenance and repairs materials, please use a supplies or repairs and maintenance natural class rather than an equipment natural class.

Construction in Progress (CIP)

If purchasing CIP related goods or services, use Org 003-Capital Projects combined with the specific funding and activity assigned to the CIP, and the appropriate CIP natural class. See the Dartmouth Constructed and Fabricated Asset Policy (ID 024-0006), Appendix F Constructed Asset Guidance for Specific Costs, Appendix H Capital Projects Natural Class Guidance, and the Dartmouth Finance website, Capital Projects, for additional guidance, including natural class definitions and usage instructions.

How to Obtain Natural Class Values

A list of Natural Class Values may be obtained by accessing the [Institutional Reporting and Analysis \(IRA\)](#) tool, navigate to the 'Lookups' section, select 'LU001 – Segments Lookup Dashboard', run the 'Natural Class Segment Lookup' report.

- For non-capital and capital property/moveable equipment natural classes filter by NatClass L4 D702 EQUIP FURN AND FIX UNDER 5000 or D710 EQUIP FURN AND FIX 5000 TO 24999.
- For CIP (capitalized purchases) natural classes filter by L4 D170 CONSTRUCTION IN PROGRESS.
- For CIP (expendable purchases) natural classes filter by NatClass L5 E547 NONOPERATING NONCAP EXPENDITURES.