Nebraska State College System
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NSCS Accounting Manual

Contents

1. Fiscal Year

(Approved 1/12/2022)

The fiscal year shall be the twelve-month period beginning July 1 and ending the ensuing June 30.

2. Basis for Accounting; Structure and Classification

(Approved 1/12/2022)

Financial statements shall be prepared in accordance with generally accepted accounting principles applicable to public colleges as recommended by the Governmental Accounting Standards Board (GASB). The College and System Office financial statements shall be consolidated into one comprehensive financial statement with component unit information included as appropriate. For official financial statement reporting purposes, financial activity is to be accounted for within the Board-approved financial enterprise system with receipts and expenditures provided to the Department of Administrative Service's Accounting System.

Real property will be accounted for at cost. Gifts of real or personal property will be accounted for at fair market value at the time received.

3. Capitalization; Definitions and Classifications

(Approved 1/12/2022)

Asset – Type and Classification	Expected Life *
3.A. Land	N/A
3.B. Buildings	
3.B.1. Buildings and Structures	50 years
3.B.2. Building Improvements/Renovations	35 years
3.C. Improvements Other Than Buildings	
3.C.1. Utility Generation and Distribution Systems	30 years
3.C.2. Fences	10 years
3.C.3. Landscaping	20 years
3.D. Equipment	
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3.D.2. Autos, Vans, and Other Passenger Vehicles Used in Motor Pool	3 years
3.D.3. Trucks, Busses, and Cargo Vehicles	8 years
3.D.4. Mowers, Skid Steer, Toolcat, and Other Grounds Equipment	5 years
3.D.5. Computer Equipment	3 years
3.D.6. Miscellaneous Educational Materials Stored on Computer-Related Equipment/Devices	3 years
3.D.7. Specimens, Collections, and Library Holdings	**
3.D.8. Office Furnishings	7 years
3.D.9. Used Equipment	3 years
3.D.10. All Equipment Not Specifically Defined in Other Classifications	10 years
3.E. Intangible Assets	10 years
3.F. Construction Work in Progress	N/A

* "Expected Life" is a reference to the depreciable life of an asset. A fixed asset, which has been capitalized, shall remain in the College's capital asset accounts net of accumulated depreciation until disposed of.

** "Expected Life" varies depending on the criteria as noted in the Equipment section.

Depreciation Method

The depreciation method used will be straight-line beginning with the month of purchase, donation, or substantial completion.

3.A. Land

Land will be capitalized at acquisition cost including assessments, commissions, legal and recording fees; draining, filling, other site preparation costs; judgments levied from damage suits; and demolition cost of structures on land acquired as building sites. Land acquired by gift will be measured and capitalized at acquisition value. Acquisition cost of property, which includes structures not to be razed, will be allocated between land and buildings based on appraised values. Second level information goes here

3.B. Buildings

3.B.1. Buildings and Structures

3.B.1.a. Acquisition by Construction

Initial capitalization includes initial construction costs of the building structure, including all internal piping, wiring, and permanent fixtures associated with the distribution of utilities within the building. Cost should also include architect fees, inspection fees and permits, bid advertising, any bond issuance costs and insurance costs incurred during the construction period. Exclude costs of landscaping, sidewalks, utility tunnels, or furnishings which are to be capitalized in other fixed asset accounts. The cost of constructing a building of less than five hundred thousand dollars ($500,000) should be charged to expense unless capitalization/reporting is required by bond or lease purchase agreement covenants.

3.B.1.b. Acquisition by Purchase

Buildings acquired by outright purchase will be capitalized at acquisition cost with proportionate allocation of the purchase price and associated closing costs allocated to land on the basis of current fair market values.

3.B.1.c. Building Additions

Additions are extensions, enlargements, or expansions made to an existing asset. Additions are capitalized and depreciated over 50 years because they are considered extraordinary or major alterations. If an addition project exceeds five hundred thousand dollars ($500,000), then the project costs should be added to the capitalized value of a building. Any addition project of less than five hundred thousand dollars ($500,000) should be charged to expense as long as the cost does not exceed twenty-five percent (25%) of the building cost before the addition is built. Also, work done on the existing asset to accommodate the addition should be regarded as part of the cost of the addition and capitalized. Examples of additions are extra floor space added to a building, the addition of an air conditioning system to an office, the addition of pollution control devices, the addition of attached ramps, the addition of truck docks, the addition of fire escapes, and other appurtenances.

3.B.1.d. Building Improvement/Renovation

Capital improvements should be distinguished from ordinary repairs that are expenses that maintain the existing asset in normal operating condition and should be expensed immediately.

Ordinary repairs are recurring in nature and are normally small relative to the value of the asset; they do not materially add to the use of the asset, and do not substantially extend its operational life. Examples of ordinary repairs include replacing minor parts, janitorial and utility services, and care of grounds.

Improvements and replacements are substitutions of a part of an asset for another. While replacement is the substitution of an asset of basically the same type and performance capabilities, improvement is the substitution of a better asset with superior performance capabilities. Replacements are considered as ordinary repairs and maintenance and are expensed as opposed to capitalized. The example of a replacement expense is replacing an old carpet with a new one. The replacement will not increase the service life of the building to which the original cost of the old carpet was added.

Major renovation and remodeling that involves updating a building interior for the purpose of enhancing functionality, and extending the useful life (i.e. sprinklers and fire alarms, data (telephone)/electrical wiring systems within the building, heating, ventilation and air conditioning (HVAC) systems) will be capitalized if the renovation is viewed as a single project:

1) Exceeds five hundred thousand dollars ($500,000).

2) The project objective and scope includes modernization of the structure as a whole, and not merely a rearrangement of selective office/classroom areas.

3) In the event a renovation project involves significant razing of the existing structure, an estimate of the cost of initial construction, which was razed, should be removed from the existing building asset valuation.

4) Office furnishings of renovations should be capitalized separately from any structural renovation costs.

A special maintenance project, undertaken primarily to preserve or enhance the general appearance should be charged to expense (i.e. costs of repairs or replacement of roofs, painting, caulking, tuck pointing, etc.).

3.C. Improvements Other Than Buildings

3.C.1. The following classifications of improvements will be capitalized:

3.C.1.a. Utility Generation and Distribution System

Includes cost of utility generation systems within power plant structures, as well as equipment for transmission of utilities from one location to another but does not include equipment and transmission lines for utilities contained within a building for its own use. (Utility Distribution Systems within a building structure, i.e., internal piping and wiring, are capitalized as part of the building cost.) This account includes the installed cost of equipment used in the generation of heat, power, steam, electricity, and cooling; the cost of constructing utility tunnels; as well as any equipment, switchgear, piping, and wiring housed in the tunnels. Includes costs on sanitary and storm sewers, electrical transmission lines and similar type equipment.

Cost includes actual equipment, related transportation costs and installation costs, as well as any legal or other fees, licenses, surveying, equipment rental, or other such costs incurred in connection with the installation of the facilities. Additions or extensions to existing utility generators and distribution capacity will be capitalized in the year such addition was completed.

Utility Generation and Distribution System projects will be capitalized if the project exceeds two hundred fifty thousand dollars ($250,000). Repairs and related maintenance of current systems should be charged to expenses.

3.C.1.b. Fences

Includes cost of material, installation, surveying and other related items incurred for the construction of permanent security and traffic control fences. Cost of replacing wire, sections of posts and/or rails and wire should be charged to expense. Additions to fences or complete replacement of fences should be capitalized in the year completed. Costs under one hundred thousand dollars ($100,000) should be charged to expense.

3.C.1.c. Landscaping

Includes initial construction cost of sidewalks, drives, parking lots, athletic fields, trails, plazas, outdoor lighting, digital or lighted signs, shrubs and trees, lawns, ground watering systems for lawns, and roads. Also includes surveying, filling, and draining costs if such costs are incurred solely for the installation of the improvement and are not part of an overall land acquisition and construction project. These examples are to be used as a guide and are not intended to be all-inclusive.

Additions to existing landscaping should be capitalized in the year completed. Maintenance, partial replacement, and resurfacing projects are to be charged to expense.

Landscaping projects with a cost under one hundred thousand dollars ($100,000) should be charged to expense.

3.D. Equipment

Equipment items acquired by the Colleges with a cost exceeding five thousand dollars ($5,000), and having an economic useful life of two (2) years, will be capitalized at net invoice price plus freight, installation charges, and trade-in allowance, if any. Items purchased in bulk quantity will be classified according to the smallest useable unit, (e.g., ten (10) computers purchased for one thousand five hundred dollars [$1,500]. Although the invoice will be for fifteen thousand dollars [$15,000], these items will not be capitalized.) Component parts, which individually cost less than the capitalization level but when combined exceed the capitalization level, shall be capitalized when purchased as a functional unit. Items of lesser value may be capitalized when required by a regulatory agency.

3.D.1. Heavy Equipment

Includes tractors, front-end loaders, and telehandlers.

3.D.2. Autos, Vans, and Other Passenger Vehicles Used in Motor Pool

Includes all vehicles which are used primarily for the transportation of individuals.

3.D.3. Trucks, Busses, and Cargo Vehicles

Includes all busses used to transport individuals as well as vehicles used to transport cargo.

3.D.4. Mowers, Skid Steer, Toolcat, and Other Grounds Equipment

Includes all equipment which is used for the upkeep of grounds.

3.D.5. Computer Equipment

This equipment should be classified separately due to the rapid obsolescence. Cost includes net invoice price plus inbound transportation and installation costs. Warranties and built-in software included as part of the original purchase price (and not a separate line item on the invoice) shall be included in the capitalization amount. The cost of software purchased subsequently should not be capitalized for financial reporting purposes since such software is generally licensed and not owned, even if the license agreement allows perpetual use of the software without additional license payments. Subsequent purchases of warranties shall not be capitalized but entered as operating expenses.

3.D.6. Miscellaneous Education Materials Stored on Computer-Related Equipment/Devices

Miscellaneous educational materials that are stored on computerized hardware or software devices shall be capitalized at acquisition cost. If donated, these items should be measured and capitalized at acquisition value at the date of donation.

The miscellaneous education materials will be capitalized as a single unit entry each year (not as the smallest useable unit) if in excess of five thousand dollars ($5,000) per year.

3.D.7. Specimens, Collections, and Library Holdings

Art objects, specimens, and artifacts shall be capitalized only when they are installed as an integral part of a building structure and cannot be easily moved from the building. In that case, they are capitalized as part of the building project. All other art objects, specimens, artifacts, and collections, including library materials, shall be expensed, so long as the items meet the following three (3) conditions:

3.D.7.a. Items are held for public exhibition, education, or research in furtherance of public service, rather than financial gain;

3.D.7.b. Items are protected, kept unencumbered, cared for, and preserved; and

3.D.7.c. The proceeds from sales of any collection items must be used to acquire other items for collections.

3.D.8. Office Furnishings

Includes furniture such as desks, chairs, cabinets, and appliances in a building.

3.D.9. Used Equipment

Includes all heavy equipment, autos, vans, passenger vehicles, trucks, busses, cargo vehicles, mowers, skid steers, toolcats, computers, office furnishings, and all other equipment which is purchased in a used condition by the Colleges.

3.D.10. All Equipment Not Specifically Defined in Other Classifications

This classification includes apparatus, machinery, implements, and tools used on campus grounds or in classrooms, laboratories, offices, shops, production operations, storerooms, and auxiliary enterprises which do not fall into one of the categories noted above.

3.E. Intangible Assets

Intangible assets are those that lack physical substance, are nonfinancial in nature, and have an initial useful life that extends beyond a single reporting period. To be recorded as an asset the intangible must be owned by the Colleges and be separately identifiable. Examples of intangible assets are computer software and website, easements, various rights (e.g. land use, water, timber, and mineral), licenses and permits, patents, copyrights and trademarks. Intangible assets must have an acquisition cost of five hundred thousand dollars ($500,000) and a life greater than two (2) years to be capitalized. Purchased intangible assets shall be capitalized using the asset's purchase price. Donated intangible assets shall be measured and capitalized at the asset's acquisition value. Intangible assets with indefinite useful lives should not be amortized. Intangible assets that are the result of contractual or legal rights, including patents, license, trademarks, etc., should be amortized over the contractual or legal life.

Internally developed software for capitalization purposes includes software that is developed in-house by the Colleges' own personnel or by a contractor on the Colleges' behalf and commercially available software that is purchased or licensed by the Colleges that requires more than minimal incremental effort before being put into operation. Such software shall be amortized over ten (10) years.

Software development generally involves three (3) phases as follows:

3.E.1. Preliminary project stage

Activities in this stage will generally include the conceptual formulation and evaluation of alternatives for the software project, the determination of the existence of needed technology, and the final selection of alternatives for the development of the software.

3.E.2. Application development stage

Activities in this stage will generally include the design of the chosen path, including software configuration and software interfaces, coding, installation of hardware, and testing, including the parallel processing phase.

3.E.3. Post-implementation/operation stage

Activities in this stage include user application training and system maintenance.

Costs associated with activities of the preliminary project stage and post-implementation/ operation stage should be expensed as incurred. Once preliminary project stage activities are completed and management has authorized and committed to funding the software project, costs associated with activities of the application development stage should be capitalized until the software is in place and operational.

3.F. Construction Work in Progress

Construction Work in Progress account is designed to accumulate all costs incurred in connection with projects undertaken for the construction or renovation of capital assets. Costs should remain in the Construction Work in Progress account until the project is complete and the building or other constructed asset is placed in service.

Upon completion of the project, all costs will be removed from the Construction Work in Progress account and charged to appropriate building, improvements other than buildings, equipment, and intangible asset accounts in accordance with the capitalization policy.

Interest cost incurred before the end of a construction period is to be expensed

4. Leases

(Approved 6/15/2022)

The Colleges enter into various leasing agreements for the use of equipment, space, etc. In governmental accounting a lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction.

4.A. Lease Exclusions

4.A.1. Short-term leases

A short-term lease is defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract.

4.A.2. Contacts that transfer ownership

If the underlying asset transfers ownership to the lessee by the end of the contract, the transaction should be reported as a financed purchase of the underlying asset by the lessee, or sale of the asset by the lessor.

4.A.3. Capitalization Threshold

If the lease agreement is less than the Equipment capitalization threshold, it will be expensed rather than amortized.

4.B. Lease Reporting

Any agreement that doesn't qualify as a short-term lease, ownership transfer contract, or below capitalization threshold will fall into this category, with implications for both lessees and lessors. This includes leases that previously were considered operating leases and, therefore, were not reported as liabilities.

At the commencement of the lease term, the lessee should recognize a lease liability and an intangible right-to-use lease asset (lease asset). The lease liability will be measured at the present value of payments expected to be made during the lease term. Lease payments will result in reduction of the lease liability and recognition of interest expense. The lease asset will be measured as the sum of the initial measurement of the lease liability, initial direct costs, and lease payments made at or prior to commencement, less any lease incentives received from the lessor at or before the commencement of the lease term. The lease asset will be amortized over the shorter of the lease terms or the useful life of the underlying asset.

4.B.1. Lessees

Recognize a right-to-use asset & a lease liability.

4.B.2. Lessor

Recognize a lease receivable & a deferred inflow for all leases.

5. LB309 Guidance

(Approved 6/15/2022)

The Colleges work with the LB309 Task Force on different projects and the LB309 Task Force approves to fund a portion or all of a project.

5.A. Payment Processing

All invoices/certification to pay go through the College's approval process prior to being sent to LB309 for payment. Money is then paid directly to the vendor from LB309 funds.

5.B. Payment Tracking

The Colleges will manually record an entry in SAP to show the expenditure or capital asset. The College records a revenue of Capital Appropriations or State Grants and Contracts (operating) based on the project to account for the money paid on the College's behalf. Accounts payable at the end of the fiscal year for LB309 projects are recorded as a revenue/expense the same as if they payment had been made, as they are picked up as an A/P by the LB309 Task Force. To be consistent with other construction projects, the retainage will be included from the applicable payment source when recording the revenue/expenditure for that fiscal year and the final payment or future A/P will be reduced by that amount. NSCS also does not have a cash inflow/outflow for LB 309 expenses, the LB 309 activity is similar to state appropriations where the NSCS is receiving a subsidy and would be considered a cash flow from noncapital financing activities unless received for a capital project and recorded as such on the Statement of Cash Flows.

6. Master Lease Program (Through DAS)

(Approved 6/15/2022)

The State of Nebraska, through the Department of Administrative Services (DAS) – Accounting Division, has a Master Lease Purchasing Agreement to be used by various agencies to purchase equipment.

6.A. Example of an entry:

Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position activity:

Capital Assets – Equipment	10,000
Supplies, Material, & Other (Non – Capital)	90,000
Cash (debt paid during year)	(5,000)
Current Portion of Long-Term Debt	(15,000)
Long Term Debt	(80,000)

Resulting in the following entry on the Statement of Cash Flows:

Operating Activities – Payments to Suppliers (1)	90,000
Non-Capital Financing – Other Receipts (Payments) (2)	(5,000)
Capital Financing – Other Receipts (Payments) (3)	10,000

6.A.1. The item noted with a (1) are increasing the cash used on the Operating Activities – Payments to Suppliers line but don't have an actual cash outflow associated with the entry so this entry is reducing the cash used on the cash flows for these expense entries to $0.

6.A.2. Cash outflow noted with a (2) is the repayment of the master lease and would be shown as cash used on the Non-Capital Other Receipts (Payments) line. If the master lease had been used primarily to finance capitalized equipment this be to Cash Flows from Capital and Related Financing rather than Cash Flows from Non-Capital Financing.

6.A.3. The cash outflow for the purchase of equipment (3) is already being picked up as cash used on the Capital & Related Financing – Purchases of Capital Assets line. This entry is reducing the cash used on the cash flows for the capital asset entries to $0.

A note would also be made to the Cash Flows statement noting the following:

6.A.4. Non-Cash Transactions for purchases made through the Master Lease Obligation for $90,000 (this amount may vary from what is paid to suppliers, as it would be the amount paid directly by DAS for equipment purchases)