


COMPTROLLER POLICY MANUAL

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	Section: 100 General
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Capitalization and Depreciation	Effective date: 07/01/2001
	Revision date: 01/26/2016

PURPOSE

To establish policies and procedures for recording and depreciating fixed assets.

SOURCE

University Policy, GAAP, GASB 34, 35 and 51, ABOR, State of Arizona Accounting Manual (SAAM)

CMP 130: Capitalization and Depreciation

CAPITALIZATION

Land - Capitalized at original cost or value at donation. Land and structures purchased or donated together will be capitalized separately when possible. Cost of readying the land for use will be capitalized along with the cost of the land.

Buildings - Capitalized at cost and depreciated over 40 years.

Mobile Homes or Modular Buildings - Capitalized at cost and depreciated over 25 years

Improvements - Capitalized if cost is \$5,000 or greater, depreciated over 20 years.

Infrastructure - Capitalized at original cost and depreciated over 20-40 years.

Equipment - Capitalized if cost is \$5,000 or greater and depreciated over periods of 5-15 years.


Library Books - Capitalized if the item becomes part of the library volume count. All acquisitions of books, periodicals, and other media for the Cline Library will be capitalized at direct cost including shipping. The total value expended during a fiscal year will be assigned a tag number and capitalized as one item. Annual removals will be determined by a memo from the Library's Bibliographic Services Department which will include the number of volumes/items at a set rate. Library books will be depreciated over a period of ten years.

Major renovations to buildings or systems. Capitalized at cost and depreciated over 25 years.

Intangible Assets - [See CMP 140 - Intangible Assets](#)

Collections – The University does not capitalize and therefore does not depreciate qualifying collections.

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There are two categories of collections:

Qualified Collections are those collections that meet the three provision listed below.

Non-qualifying Collections are those collections that do not meet the three provisions.

A **qualifying collection** is subject to all of the following provisions:

1. The collection is to be held for public exhibition, education, or research in furtherance of public service, rather than for financial gain: and
2. The collection is to be protected, cared for and preserved: and
3. The net proceeds from the sales of collection items are to be used to acquire other items for collections.

“Net proceeds” is defined as the gross selling price less all direct expenses of the sale.

The collections to which the sold items and the acquired items belong need not be the same.


Departments are responsible for maintaining an inventory of each collection. By June 30th of each fiscal year, departments should furnish the Comptroller's Office and Property Administration a summary listing of qualifying collections in their possession; collection name and general type of items in the collection.

Disposal of Collection Items

In the unlikely event that an item is sold, all proceeds from the sale or disposal are to be used to acquire other items or to enhance the universities other special collections.

Non-qualifying collections are to be capitalized at cost or fair market value at time of donation (established by appraisal). Departments with or acquiring non-qualifying collections must notify the Comptroller's Office.

Departments should consult [NAU Risk Management Services](#) to determine the insurability of their collections.

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SALVAGE VALUE

The university will capitalize and depreciate assets using a zero salvage value.

DEPRECIATION

The University will use the Straight Line method over the estimated useful life of the asset. Useful lives will be 40 years for buildings, 25 years for renovations (improvements), 20 – 35 years for infrastructure, 5-15 years for equipment (see excel sheet above) and 10 years for library books. All Buildings, Improvements, Infrastructure and Library books will use a July 1st acquisition date in the year of completion or acquisition for the start of the calculation of depreciation expense and a July 1 disposition date in the year of disposal for the termination of the calculation of depreciation expense. Equipment will use the receipt (PeopleSoft Financials receiver document) date for the acquisition date and the start of the calculation of depreciation expense. Equipment will use the disposition date for the termination of the calculation of depreciation expense. The disposition date is determined by either the date of the receipt for assets sold, or the PCA, (Property Control Authorization), document date for assets lost or stolen.

The University’s depreciation program calculates depreciation expense based on the number of days the asset is in service during the calculation period.

DEPRECIATION - NON-TITLED ASSETS

Purchases with non-NAU funds (Office of Sponsored Projects) where title to the asset remains with the sponsor. No depreciation is recognized on these assets. Assets are tracked in the Property Control system as a separate asset type. These assets result in a zero effect on the University Financial Statements (asset and offsetting contra-asset). Office of Sponsored Projects should notify Property Administration when grants, which will be purchasing assets, are received and the sponsor retains title to the asset.


DEPRECIATION - FEDERAL FUNDED ASSETS

These are treated the same as all other capital assets and depreciated, unless the sponsor retains title, see depreciation – non-titled assets.

CONSTRUCTION IN PROGRESS

Buildings under construction will be capitalized upon completion. Construction of a building will be deemed complete when it is ready for occupation. Interest during construction of buildings will be capitalized according to generally accepted accounting principles. CIP is not depreciated.

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VALUATION

All assets will be valued at historical cost, which is the consideration given or received, including purchase price and ancillary charges necessary to place the item in its intended location and condition for use.

LAND

The Comptroller's Office will establish and maintain records of land owned by the University and the value assigned.

LEASED EQUIPMENT

Leased equipment will be recorded and valuation will be determined using current generally accepted accounting principles.

EQUIPMENT TAGGING

All equipment will be tagged and inventoried according to [NAU Property Administration Policy](#).

DEFINITIONS (ABOR and NAU)


Infrastructure – Non-building improvements that directly support operating a facility that is listed in the annual building systems such as, but not limited to, utility delivery systems, roadway systems, external lighting systems, irrigation systems, sidewalks and parking lots. Additional campus infrastructure includes: campus grounds, other circulation systems (bike paths, pedestrian routes, etc.) and parking structures.

Land Acquisitions - The procurement of real property by gift, grant, purchase, lease purchase, condemnation or by other lawful means.

Equipment:


Fixed Equipment - Consists of permanently affixed/installed furniture, fixtures and equipment. Examples include but are not limited to: elevators, bulletin boards, kitchen cabinets, walk in boxes, building directories, library shelving, drinking fountains, signage, plumbing fixtures, building mechanical systems, chalkboards, backbone telecom/data/systems and electrical systems, fixed electronic equipment, and fixed theater or classroom seating, as well as other fixtures and equipment installed with the intent of permanent use in that location.

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<p>Furniture/Fixtures and Equipment (FF&E) - Moveable furniture, fixtures, or equipment that requires no permanent connection to utilities or to the structure. They may require utility outlets, but are plug-in types. Examples include but are not limited to: moveable or non-fixed theater or classroom seating, electronic equipment, desks, chairs, bookcases, files, waste receptacles, easels, partitions, refrigerators, tables, credenzas, stools, typing stands, computer stands and other furniture, including interior wall/furniture systems. FF&E also includes scientific or technical equipment such as centrifuges, lasers, spectrometers, shop equipment/tools, kilns, and microscopes.</p> <p>Building - Structures owed by Northern Arizona University for housing humans, marine, plant or animal life, materials, supplies, equipment, and mechanical apparatus. The cost of buildings includes all expenditures related directly to the acquisition or construction. These costs include materials, labor, overhead, professional fees, and building permits. All costs incurred, from excavation to completion, are considered part of the building costs.</p> <p>Renovation - The reworking of an existing building or portion of an existing building, including the upgrading of major systems, which extends the useful life. Renovation includes the major replacement, or upgrading of building systems, components, or fixed equipment that is necessitated by facility obsolescence, change in use, code requirements, physical plant wear-out, and/or related interior space modifications and aesthetic improvements. Examples include but are not limited to: demolition of the interior of a building or portion thereof including the removal and subsequent replacement of electrical, plumbing, heating and air conditioning systems, fixed equipment, floor coverings and interior walls and partitions (whether fixed or moveable). The renovation of historical buildings that meet the evaluation criteria listed in the National Register of Historical Places shall be performed in accordance with the Secretary of the Interior's Standards for Rehabilitation and Guidelines for Historic Buildings.</p> <p>Building Renewal - Major activities that involve the repair or reworking of a building and the supporting infrastructure that will result in maintaining a building's expected useful life. Building renewal does not include new building additions, new infrastructure additions, landscaping and area beautification, routine maintenance, or demolition and removal of a building.</p>

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CROSS-REFERENCES

[Arizona Board of Regents - Policy Manual](#)

[CMP 430-25 Inventory of Capital Equipment](#)

[CMP 140 Intangible Assets](#)

[State of Arizona Accounting Manual \(SAAM\) – Long-Lived Resources: Capital Assets, Etc](#)