**PURPOSE**

This policy provides Creighton University guidelines to ensure that items are capitalized and depreciated in a consistent and compliant manner.

Certain items purchased by the University have a significant cost and a useful life of more than one year. Therefore, these items are recorded as assets (capitalized) in Plant Funds and depreciated over their estimated useful lives, in accordance with University guidelines. This policy explains which items will be capitalized and what the useful lives will be in the fixed asset system.

Internal-use software development activities are not covered in the policy. Please see FAPL 06 Internal-Use Software Development IT Projects.

Creighton University must comply with the Office of Management & Budget (OMB) Code of Federal Regulations [*Part 200 – Uniform Administrative Requirement, Cost Principles and Audit Requirements for Federal Awards*](http://www.ecfr.gov/cgi-bin/text-idx?SID=6214841a79953f26c5c230d72d6b70a1&tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl) (“Uniform Guidance”), sponsor policies, and award terms and conditions for all assets paid for with sponsored funds.

**SCOPE**

* **Department Personnel:**
  + Ensure all fixed assets for the department are maintained and kept in good working order.
* **Accounting Services Personnel:**
  + Maintain the fixed asset system (FAS) and reconcile with Banner.
* **Internal Audit Personnel, Associate Vice Provost for Research and Scholarship, Provost/Vice Presidents/Vice Provosts, Deans, Department Charis, Directors or any other personnel who are involved with or have oversight of activities or spending of resources for sponsored projects:**
  + Apply these policies in their duties over sponsored projects

**POLICY**

All assets purchased and paid for with University funds are the property of Creighton University. Each department is responsible for all its assigned departmental assets and should use assets only for University business. It is the department’s responsibility to ensure that the assets are maintained and kept in good working condition.

Subject to the obligations and conditions noted below of the “Uniform Guidance”, title to equipment acquired under a Federal award will vest upon acquisition with Creighton University.

* CU must use the equipment for the authorized purposes of the project until funding for the project ceases, or until the equipment is no longer needed for the purposes of the project.
* CU may not encumber the property without approval of the Federal awarding agency or pass-through entity
* CU must dispose of the property in accordance with the rules noted in the disposal section of this policy

During the time federally funded equipment is being used on a project, Creighton University must make it available for use on other projects/programs currently or previously supported by the Federal government, provided the work will not interfere with the work of the original project. When a federally sponsored asset is no longer needed for the original purpose, it may be used for other activities in the following priority:

1. Activities under a Federal award from the Federal awarding agency that funded the original program or project
2. Activities under other Federal awards from other Federal awarding agencies

Use of federally funded equipment for non-federally funded programs/projects is permissible. However, equipment acquired with Federal award dollars may not be used to provide services for a fee that is less than private companies charge for equivalent services, unless specifically authorized by Federal statue, for as long as the Federal government retains an interest in the equipment.

When acquiring replacement equipment, Creighton may use the federally funded equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property.

**Property, Plant and Equipment (PPE)**

Expenditures for land, buildings, and improvements other than buildings of $25,000 or more and furnishings and equipment purchased for a unit cost of $5,000 or more should be capitalized. Equipment or furniture purchased in conjunction with a capital project such as a building renovation, or a new program, but not having a unit cost of $5,000 or more, should be capitalized as a group purchase. All library books charged to accounts beginning with 79XX should be capitalized regardless of their unit cost.

Fixed Asset System

Creighton University maintains the records for all capitalized assets in the Fixed Asset System (FAS).

The following data will be captured in the FAS:

* Description of the property
* Serial number or other identification number
* Fund number to which the asset was charged. This will correspond to the same fund number in Banner, which includes the name of the agency that paid for the asset and percentage of federal participation in the project.
* FAIN
* Acquisition date
* Cost of the property
* Location of the property
* Use and condition of the property
* Disposition data, including sale price of the property
* If we hold the asset, but did not pay for it, it will still be entered into our fixed asset system as well as the title owner. If no title owner is listed, CU owns the asset.

REPAIRS AND MAINTENANCE

Maintenance and repair costs should be expensed as incurred.  Maintenance and repairs are the normal cost of keeping PPE in operating condition, restoring fixed assets to good operating condition upon their breakdown, or restoring and replacing broken parts costing less than $5,000. Examples of repairs and maintenance activities include, but are not limited to, the following:

* Regular replacement of parts or equipment with individual value less than $5,000
* Scheduled or non-scheduled inspection of equipment
* Scheduled or non-scheduled cleaning of equipment

MAINTENANCE AGREEMENTS INCLUDED WITH ASSET PURCHASE

If the cost of an asset includes a shorter-term maintenance agreement or service contract, and the cost of that maintenance agreement is not separately stated on the invoice, then no allocation of implied expense should be made. If the cost is separately stated on the invoice, it will be expensed.

ITEMS NOT TO BE CAPITALIZED

Items that should not be capitalized include:

* Normal, recurring, or periodic repairs and maintenance activities,
* Training costs incurred related to using software or equipment (Training on how to ***install*** the asset may be capitalized)
* Costs associated with the cleaning and inspection of existing fixed assets

***Depreciation Guidelines***

All depreciation and amortization calculations should use the "straight line" method. For financial statement purposes, a full year of depreciation expense for an asset will be recorded in the year of acquisition or project completion; no depreciation expense will be recorded in the year of the asset’s disposal. For indirect cost proposal purposes, a half year of depreciation expense for an asset will be recorded in the year of acquisition or project completion and a half-year of depreciation expense will be recorded in the year of disposal. Land is not depreciated.

***Useful Lives***

The table below details the expected useful life of each category of asset.

**Financial Statement**

|  |  |  |
| --- | --- | --- |
| **AE** | **Athletic Equipment** | **10 years** |
| **AV** | **Audio Visual Equipment** | **4 years** |
| **AW** | **Artwork** | **10 years** |
|  | Collections, historical treasure, and unique structures | 60 years |
| **BD** | **Building** | **40 years** |
| **BI** | **Building Improvement \*\*\*\*** |  |
|  | Fire Protection and Light Safety - Sprinklers/Alarm system | 30 years |
|  | Electrical - Wire and Lighting | 25 years |
|  | Plumbing and Fixtures | 25 years |
|  | HVAC | 25 years |
|  | Elevators | 25 years |
|  | Recreation Court and Athletic Field | 20 years |
|  | Interior Construction | 14 years |
|  | Roof and Drainage | 13 years |
|  | Misc Building Improvements Not Specifically Defined | 13 years |
| **CE** | **Computer Equipment** | **4 years** |
| **CS** | **Computer Software** | **3 or 4 years** |
| **FF** | **Furniture & Fixtures** | **10 years** |
| **LB** | **Library Books** | **25 years** |
| **LD** | **Land** | **N/A** |
| **LH** | **Leasehold Improvements** | **10 years / Life of lease** |
| **LI** | **Land Improvements** | **20 years** |
| **ML** | **Medical & Lab Equipment** | **10 years** |
| **MT** | **Maintenance Equipment** | **10 years** |
| **NE** | **Network Equipment** | **4 years** |
| **OE** | **Office Equipment** | **10 years** |
| **OT** | **Other Furnishing and Equipment Not Specifically Defined** | **10 years** |
| **TE** | **Telephone Equipment** | **10 years** |
| **VH** | **Vehicles** | **3 years** |
|  |  |  |
|  | **\*\*\*\*Building improvement useful life should be based on the main purpose of the project. For example, if we're renovating the interior design of multiple labs, it should be 14 years for interior construction, even if there is a portion of the project dedicated to HVAC changes** |  |

**Indirect Cost Proposal**

|  |  |  |
| --- | --- | --- |
| Buildings |  | 50 Years |
|  | General Construction, including: |  |
|  | Foundation walls |  |
|  | Interior foundations |  |
|  | Slab on ground |  |
|  | Framing and external walls |  |
|  | Structured floor |  |
|  | Architect fees |  |
|  | Legal expenses |  |
|  |  |  |
|  | Site Preparation, including: | 50 Years |
|  | Clearing, grading, and installing public utilities |  |
|  |  |  |
|  | Roof and Drainage, including: | 13 Years |
|  | Roof covering materials and roof drainage |  |
|  |  |  |
|  | Interior Construction, including: | 14 Years |
|  | Floor finish |  |
|  | Carpeting |  |
|  | Ceiling finish |  |
|  | Wall partition material and finishes |  |
|  |  |  |
|  | Plumbing, including: | 25 Years |
|  | General plumbing |  |
|  | Sinks, lavatories, drinking fountains, bathtubs,  showers, urinals, etc. |  |
|  |  |  |
|  | Heating, Ventilation, and Air Conditioning, including: | 25 Years |
|  | Furnace |  |
|  | Boiler |  |
|  | Rooftop packaged units |  |
|  | Central cooling systems |  |
|  |  |  |
|  | Electric, including: | 25 Years |
|  | Wiring and lighting |  |
|  |  |  |
|  | Fire Protection, Light Safety, including: | 30 Years |
|  | Sprinkler system |  |
|  | Fire alarm and fire detection systems |  |
|  |  |  |
|  | Elevators | 25 Years |
|  |  |  |
|  | Miscellaneous, including: | 13 Years |
|  | Emergency generators |  |
|  | Intrusion alarm systems |  |
|  | Electric doors |  |
|  | Fire escapes |  |
|  | Public address systems |  |
|  | Communications cabling |  |
|  |  |  |
| Improvements Other Than Buildings |  | 20 Years |
|  | Roads and Landscaping | 20 Years |
|  | Utility Tunnels and Conduits | 30 Years |
|  | Pipeline Energy Systems | 30 Years |
|  | Recreation Courts and Athletic Fields | 20 Years |
|  |  |  |
| Furnishings and Equipment |  |  |
|  | Trucks, Buses, and Cargo Vehicles; Major Equipment, Audiovisual Equipment, Copiers, Microfiche Readers, Med/Research Electronics for Teaching and Laboratory | 7 Years |
|  | Autos, Vans, and Passenger Vehicles | 3 Years |
|  | Computer Software, Hardware, and Related Accessories | 3-8 Years |
|  |  |  |
| Library Books |  | 25 Years |
|  |  |  |
| All Furnishings and Equipment not Specifically Defined in Other Classifications |  | 10 Years |
|  |  |  |
| Collections, Historical Treasures, and Unique Structures |  | 60 Years |

**DEFINITIONS**

Definitions of each asset category are presented below to assist in classifying where an item most properly fits.

***Land***

Capitalized at acquisition cost, including assessment, legal, and recording fees; draining, filling, other site preparation costs; judgments levied from damage suits; and demolition (razing) costs of structures on land acquired as building sites. Land acquired by gift will be capitalized at market or appraised value at the time of acquisition. The acquisition cost of property that includes structures not to be razed (torn down) will be allocated between land and buildings based upon appraised values.

***Buildings***

**Acquisition by purchase:** Buildings acquired by purchase will be capitalized at acquisition cost with the purchase price and associated closing costs allocated between land and buildings on the basis of current appraised values. Additional costs incurred for the purpose of renovating or modifying the building’s structure to place it in service will also be capitalized.

**Acquisition by construction:** Initial capitalization includes construction costs of the building structure, including all internal piping, wiring, and permanent fixtures associated with the distribution of utilities within the building. Costs should also include architectural and engineering fees, inspection fees and permits, bid advertising expenses, construction financing/interest expense, and insurance costs incurred during the construction period.

**Major renovations and leasehold improvements:** Renovations and improvements will be added to the capitalized value of the existing structure being impacted. Such additions would include the following:

* Ramps, truck doors, fire escapes, and other appurtenances
* Improvements requiring modifications of the structure to comply with current fire, health, and safety codes
* Improvements undertaken to convert unusable floor space into usable floor space, or upgrade the use of floor space (e.g., converting storage areas to office/classroom space)
* Modernization of the structure as a whole, and not merely a rearrangement of selective office/classroom areas

When the renovation project involves a significant razing of the existing structure, the cost of the portion that was razed should be removed from the asset. If the original cost figures are unavailable, a reasonable estimate of the original cost should be used.

If the modification to the structure is determined by Facilities Management personnel to be a complete renewal of the facility, the improvement may be depreciated over 40 years. Most other renovations will fall into the 10-year category. All useful life determinations are subject to review by Accounting Services.

***Improvements Other Than Buildings***

This category includes costs of improvements to land owned or used by the University (excluding buildings). The nature of many improvements is such that it is impractical to inventory these items for the purpose of ensuring that the value of the improvements, or portions thereof, are removed from the accounts upon abandonment, replacement, ormodification. Accordingly, various classes of improvements will be capitalized and depreciated for a specific period of years. It shall also bethe University's policy to capitalize all costs in this category that are incurred in conjunction with a major building project, even if the amount of the improvement is less than the stated Cost Guideline discussed above.

**Roads and landscaping:** Includes construction costs of sidewalks, drives, parking lots, outdoor lighting, shrubs and trees, lawns, and ground watering systems for lawns. 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. Additions to existing sidewalks, drives, and parking lots should be capitalized in the year completed., Partial replacement and resurfacing over $25,000 should be capitalized. Maintenance projects are to be charged as an expense during the period in which the work is completed.

**Utility tunnels and conduits:** Includes the cost of converting the utility tunnels as well as any piping installed in the tunnels for the purpose of carrying equipment related to the distribution of utilities. Costs include sanitary and storm sewers and related construction and materials, as well as installation costs and legal and other fees, licenses, surveying, equipment rental, and any other such costs incurred in the construction of the facilities.

**Pipeline energy systems:** Includes the cost of providing utility generation systems within power plant structures, as well as facilities and equipment for the transmission of utilities from one location to another. Utility generation systems within a building, such as internal piping and wiring, are capitalized as part of the building cost. This category includes the installed cost of equipment used in the generation of heat, power, steam, electricity, and cooling, along with the cost of any equipment, switch gear, and wiring. Additions or extensions to existing utility generators and distribution capacity will be capitalized in the year in which such addition is completed.

**Recreation courts and athletic fields:** Includes the initial construction costs of recreation courts and athletic fields. 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.

***Furnishings and Equipment***

Items in this category shall be capitalized at net invoice price or market value, if acquired by gift, plus freight and installation charges.

***Autos, Vans, Trucks, Buses, and Cargo Vehicles; Major Equipment, Audio Visual Equipment, Copiers, Microfiche Readers, Medical/Research Electronics for Teaching and Laboratory Use***

Vehicle cost includes net invoice price plus any dealer preparation and local delivery costs. Major equipment cost includes any site preparation costs and shipping, as well as all costs associated with the installation of the equipment.

***Computer Software, Hardware, and Related Accessories***

Costs incurred to develop or modify software are accounted for using FAPL 06, *Internal-Use Software Development.* Out-of-the-box computer software includes net invoice cost and any related consulting costs associated with the initial software implementation. Training costs incurred on how to implement the software are capitalized. Training costs incurred by users is expensed.

Computer hardware and related accessories include net invoice cost plus freight and installation charges.

***All Furnishings and Equipment Not Specifically Defined in Other Classifications***

This typically includes furniture, apparatus, machinery, implements, and tools used in laboratories, offices, shops, store rooms, and auxiliary enterprises, provided such equipment has an economic useful life of at least two years and meets the required minimum Cost Guideline for this category.

***Collections, Historical Treasures, and Unique Structures***

St. John’s Church and the Administration Building are the primary examples of "unique structures" at this time.

**PROCEDURE**

When an item is capitalized, it shall be added to the FAS and depreciated over the expected useful life per the table in this policy. Department personnel must maintain the equipment and keep it in good working order. If federally funded equipment is not properly maintained, department funds will be used to reimburse the sponsored project accounts for the cost of the equipment if the lack of proper maintenance directly results in a loss of equipment functionality or a disallowance of the cost of the equipment.

**ADMINISTRATION**

Questions about this policy should be directed to Accounting Services.

**AMENDMENTS OR TERMINATION OF POLICY**

The University reserves the right to modify, amend, or terminate this policy at any time.