

Capitalization Thresholds

- The following dollar amounts are used as a threshold to help determine if an item is governed by these procedures. There may be items that do not meet the threshold amount, but the University Administration has elected to require similar tracking for risk management purposes. The Business Services Office has the responsibility to make the final determination if tracking of any asset is required and bound by these procedures. However, it is recommended that each department keep a record of University owned property that does not meet these thresholds. The record is beneficial in maintaining details of warranty, damage, theft, or other loss.
 - Buildings - \$100,000
 - Building Improvements - \$100,000
 - Capital Equipment - \$5,000
 - Infrastructure - \$100,000
 - Inventorial Property – At the discretion of the Business Services Office
 - Land – All
 - Library Books – All
 - Works of Art - \$2,000 unless it meets the requirements below.
 - Works of art are not capitalized as long as they meet the following requirements:
 - They are held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
 - They are protected, cared for and preserved; AND
 - If sold, the proceeds from the sale are required to be used in the acquisition of other works of art.

Capital vs Repair Determination Criteria

- In general, a capital expenditure either adds an asset or increases the value of an existing one. Expenditures should be capitalized when they:

- Substantially prolong the life of the property.
 - Materially increase the value of the property.
 - Adapt property to a new or different use.
 - “Put” the property into a useful condition.
 - Have a life of longer than 1 year.
 - Are part of a general plan of rehabilitation, modernization or improvement to equipment or other business property, even though by itself it would be a repair or maintenance expense.
 - Ordinary repairs made at the same time as capital improvements when they are directly related to the capital improvements.
 - Significant structural changes to a building that increase its usefulness, efficiency, or asset life also should be accounted for and added to its value.
- In general, a repair or maintenance expenditure is one that does not increase the future service of an asset. Expenditures should be expensed as repairs and maintenance when they are:
 - Routine maintenance - (recurring activities that a manager expects to perform to keep something in ordinarily efficient operating condition.)
 - Incidental repairs – (repairs made at the same time as an improvement, but which do not directly benefit it or which were made strictly because of the improvement)
 - Equipment and materials that “keep” the property in an ordinary, efficient operating condition
- Examples
 - Replacing the wooden roof shingles on a building when they are damaged by a storm would be repairs and maintenance. Replacing the wooden shingles with asphalt shingles that have the same life as the wood shingles would also be repairs and maintenance. However, replacing the shingles with tile shingles for a 50 year maintenance free roof would be a capitalized expenditure as would replacing the

shingles at the end of their useful life.

- Sealing a floor every year to protect it would be considered repairs and maintenance. Applying a seal on a floor that had never been protected would be considered capital expense in the first year of use.
- Replacing asphalt on a road each year would be considered repairs and maintenance. Replacing the asphalt with reinforced concrete that would last for years without repair would be considered capital expense.
- Incidental Repairs - A company owning several trucks might decide to replace the engines and beds with new components. The cost would have to be capitalized because it is for "restoration" purposes. Should the company decide to paint the truck cabs and replace a broken tail light (both would be repair costs if made separately) at the same time the new components are installed, the painting would be a capital expenditure. The cost of repairing the broken tail light would be expensed because it does not directly benefit and is not incurred because of the truck restoration.

Inventorial Property List

- All capital assets
- Any property that has an acquisition value equal or greater than \$3,000.
- Any laptop, tablet, or similar device.
- Any University owned device that could store Personally Identifiable Information or other protected data including desktop and laptop computers and tablets.
- Rental equipment including bicycles, kayaks and other outdoor recreation equipment.