



**West Virginia University
Policy Division of
Administration and Finance**

Responsible Unit: IARA
Originally Issued: July 1, 2001
Revised: February 6, 2016, July 2, 2021
Updated: July 1, 2022

DEPRECIATION AND AMORTIZATION POLICY

General Information

Reason For This Procedure:

To establish guidelines to define depreciable and amortizable assets, determine useful lives, and the method of allocating depreciation and amortization costs in accordance with governmental accounting standards as established by the Governmental Accounting Standards Board (GASB).

To Whom Does This Procedure Apply:

This Procedure applies to all West Virginia University departments, including those on the regional campuses - Potomac State College of WVU, WVU Institute of Technology, Charleston division of the Robert C. Byrd Health Sciences Center, Jackson's Mill State 4-H Conference Center and Camp, and the WVU Farms – and the West Virginia University Research Corporation.

Website Address For This Procedure:

<http://iara.wvu.edu/policies>

Definitions

Depreciation

Allocation of the total acquisition cost of a capital asset over its estimated useful life.

Amortization

Allocation of the total acquisition cost of an intangible asset over its estimated useful life. Allocation of the total cost of a leased or subscription asset over the shorter of the lease or subscription term or the estimated useful life.

Procedure

Land, construction-in-progress, and inexhaustible works of art, collectibles and similar assets are not depreciated. Intangible assets with indefinite useful lives are not amortized.



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Annual depreciation expense is calculated using the straight-line method by dividing total asset cost by estimated useful life in years. The estimated useful life of an asset is the period over which services are expected to be rendered by the asset. A full-month convention is used, that is, property placed in service at any time during a given month is considered to be placed in service on the first day of that month. This allows depreciation to be allocated for the entire month in which the asset is placed in service while no depreciation is allowed for the month of disposition. Salvage value of depreciable assets is assumed to be zero, except for vehicles which have a salvage value of 20%. Amortization of intangible assets follows this same methodology.

Intangible right-to-use assets (leased and subscription assets) are amortized using the straight-line method over the shorter of the lease or subscription term or the estimated useful life of the underlying asset. The amortization expense for each month is calculated based on the number of days in the month.

As many factors may affect the useful life of an asset, a periodic review of estimated useful lives will be performed.

Responsibilities

Procedure Development

The responsibility for procedure development of this policy rests with Institutional Accounting, Reporting and Analysis and the Property Administration Department of the Financial Projects and Compliance Unit.

Implementation

The responsibility for implementation of this policy rests with Institutional Accounting, Reporting and Analysis and the Property Administration Department of the Financial Projects and Compliance Unit.

Interpretation

The responsibility for interpretation of this policy rests with Institutional Accounting, Reporting and Analysis and the Property Administration Department of the Financial Projects and Compliance Unit.



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Contacts

Additional information or questions regarding this procedure can be obtained by contacting the Institutional Accounting, Reporting and Analysis Unit of the Division of Administration and Finance or by contacting the Property Administration Department of Financial Projects and Compliance at 304-293-4008.

Related Documents

West Virginia University's Capitalization Policy provides definitions of capital, intangible right-to-use assets (leased and subscription assets), and other intangible assets and the total cost of an asset. The Higher Education Depreciation Setups document provides the estimated useful lives of depreciable assets.

Barbara Weiss

Barbara Weiss

Sr. Associate Vice President - Finance

6/6/23

Date