



State of Arizona Accounting Manual

Topic 25 Long-lived Resources
Section 50 **Collections, Groups of Fixed Assets,
Assemblies of Components, Etc.**

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INTRODUCTION

This section of SAAM provides guidance in the handling of collections, groups of fixed assets and assemblies of components, all of which present special challenges in determining how they and their constituent parts should be treated for purposes of capitalization and depreciation. The section of SAAM dealing specifically with IT fixed assets should also be consulted for additional information when applicable.

POLICY & PROCEDURES

1. Groups of assets or resources.
 - 1.1. Groups of assets or resources that may be purchased together or that are identical in nature, such as groups of desks, groups of chairs, etc., should be treated as individual resources or assets.
 - 1.2. A software acquisition consisting of a number of licenses for or units of potentially independent or stand-alone applications—such as word processors or electronic spreadsheets—is to be considered a group of resources. Each unit or each user license is to be treated as an individual intangible resource and capitalized or expensed accordingly. However, an integrated or centralized system to which multiple users have access—such as AFIS, ProcureAZ or HRIS—is considered a single item rather than a group of resources or assets and is to be capitalized or expensed.
 - 1.3. Items that are part of a group and individually cost five thousand dollars (\$5,000) or more should be capitalized.
 - 1.4. Groups of library books may, at the discretion of agency management, be treated in the aggregate and capitalized as such.
 - 1.5. Groups of resources or assets do not include:
 - 1.5.1. Collections of works of art or collections of historical treasures, which are treated separately in this publication.
 - 1.5.2. A unit assembled from component parts (e.g., a computer). Such units are to be treated as individual resources when evaluated for capitalization and stewardship purposes.

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1.5.3. Modular furniture systems or their components, which are treated separately in this publication.

1.6. Even when individual items within a group of assets need not be capitalized, they may individually or collectively represent a significant investment of State resources. Agencies are to employ measures to safeguard items within a group of assets commensurate with the value of the assets and the risk of loss.

2. Modular furniture systems.

2.1. Modular furniture systems (i.e., cubicles and their components)—including desktops, shelves, partitions, storage drawer pedestals, stanchions, etc.—are considered independently functioning tangible resources and, therefore, are not collectively evaluated for capitalization.

2.2. If an individual component of a modular furniture system costs five thousand dollars (\$5,000) or more, it should be treated as an individual capital asset.

3. Works of art and historical treasures.

3.1. Unless a written exception is granted by the GAO, works of art and historical treasures in the possession of State agencies are to be treated as components of qualifying collections. A qualifying collection is subject to all the following provisions:

3.1.1. The collection is to be held for public exhibition, education, or research in furtherance of public service, rather than for financial gain.

3.1.2. The collection is to be protected, cared for and preserved.

3.1.3. The net proceeds from the sales of collection items are to be used to acquire other items for collections.

3.1.3.1. The term “net proceeds” is defined as the gross selling price less all direct expenses of the sale.

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

3.2. Works of art and historical treasures that are not part of a qualifying collection are to be capitalized. Capitalization requires that the value of a work of art or historical treasure be determined; this may be accomplished by ascertaining its historical cost or by establishing its fair market value.

4. An individual item that is exhaustible and meets the relevant threshold should be capitalized and depreciated over its estimated useful life.

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5. An individual item that meets the relevant threshold but is inexhaustible should be capitalized but not depreciated.