CENTENARY COLLEGE OF LOUISIANA
FIXED ASSET PROCEDURES

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CENTENARY COLLEGE OF LOUISIANA

FIXED ASSET PROCEDURES

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CENTENARY COLLEGE OF LOUISIANA

FIXED ASSET PROCEDURES

I. PROCEDURE STATEMENT

The following procedure provides for the consistent accounting of capital assets at Centenary College of Louisiana (“College”, “Centenary”) and serves as a reference for answering questions relating to capital assets.

II. PROCEDURE RATIONALE

A. CRITERIA

Criteria used in developing accounting procedures for capital assets include:

NACUBO Financial Accounting and Reporting Manual (FARM)

OMB Circular A-21 Cost Principles for Educational Institutions

OMB Circular A-110 Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations

B. APPLICATION OF FIXED ASSET ACCOUNTING PROCEDURES

Although the accounting theory of capitalizing and depreciating fixed assets is conceptually straightforward, applying the theory in practice gives rise to several complications that must be addressed:

Overwhelming Number of Fixed Assets

Capitalizing and depreciating every one of Centenary's thousands of fixed assets is impractical. To make the accounting theory practical, Centenary has "capitalization thresholds," relating to specific dollar values, above which a fixed asset is capitalized and depreciated over multiple years, and below which a fixed asset is fully expensed in the year of purchase. The use of the capitalization threshold divides fixed assets into "non-expendable" (capitalized and depreciated over multiple years) and "expendable" (expensed in the year of purchase).

Use of Estimates

The accounting and depreciation of capital assets involves estimates and is knowingly inexact. To illustrate, each capital asset's service life, salvage value, and trade-in value can only be estimated. However, in accordance with generally accepted accounting principles, our capital asset accounting procedures involve estimates. The accounting procedures must correspond to generally accepted accounting principles, College financial reporting policies and OMB Circular A-21, if applicable. Once established, the accounting procedures must be consistently applied.

Multiple Special Case Issues

The acquisition, depreciation, and disposal of capital assets creates many special cases, which have the tendency to make the accounting for each capital asset seem somewhat unique. To illustrate:

> Capital assets are acquired by many means - such as purchase, trade-in, donation, construction, installment purchase, rental, operating lease, and capital lease.
>
> Capital assets can have differing depreciation start dates, service lives, and components that are separately depreciated. Theoretically, depreciation methods and salvage values can also differ. However, for practicality and consistency purposes, Centenary uses straight-line and zero salvage value for most capital assets.
>
> Capital assets are disposed of in varying methods - such as sold, scrapped, traded-in, and returned at the end of a capital lease.

Additional complications arise depending on purchases of single or groups of capital assets, ancillary costs, if the capital asset is somehow related to another capital asset, if the capital asset purchased comprises multiple capital asset types, if a capital asset is acquired through multiple funding sources, and if additional expenditures are incurred related to an existing capital asset.

Software Design

The Sage Fixed Assets software is very flexible but should not be expected to take into consideration every special case that is unique to a particular capital asset. As a result, the accounting procedures must fit within the general design of our accounting software.

Varying Information Needs

The accounting for capital assets must provide sufficient information for managing Centenary's investment in capital assets. Capital assets' information becomes especially critical for (1) safeguarding of capital assets, (2) financial and managerial reporting, (3) insurance coverage, (4) facilities and administration rate proposals, and (5) distribution of insurance assessments.

C. OBJECTIVES OF SAGE FIXED ASSETS ACCOUNTING SYSTEM

The College's capital assets are recorded in the SAGE Fixed Assets System (FAS). FAS is a standalone PC-based system, the outputs of which are periodically summarized via journal voucher in the College’s Banner General Ledger (Finance) system, which contains Centenary's official accounting records. FAS includes records of all capitalized personal and real property. This system provides information for:

Safeguarding Capital Assets (recording location and disposition)

Financial and Managerial Reporting (recording capitalized cost and depreciation)

The following information about capital assets is not tracked by FAS and is the responsibility of each department to track and maintain. Departments maintaining supplemental databases of capital assets are responsible for reconciling those databases to FAS.

1. Detail of grouped assets. For example, FAS records the total cost of library books as a "group-unit" so a separate database of the detail must be kept by the library.
2. Maintenance records.
3. Information regarding the condition of real property. Centenary's Facilities Division maintains real property records pertaining to deferred maintenance.

III. APPROVAL AND EFFECTIVE DATE OF PROCEDURE

This procedure was approved by the Controller and Vice President for Finance & Administration of the College as of the effective date herein.

IV. KNOWLEDGE OF THIS PROCEDURE

All institutional personnel with fixed asset-related responsibilities should be knowledgeable of this procedure.

V. DEFINITIONS

Real property is defined as any interest in land, together with structures, fixtures and improvements of any type located thereon. The term "real" should be associated with realty, land or something attached thereto. Real property falls into the following classes: land and land improvements, buildings and building improvements, facilities and other improvements, infrastructure and construction in progress. Each major class of real property has a standard capitalization threshold. More detail will follow for each type of real property.

Personal property is defined as fixed or movable tangible assets to be used for operations, the benefits of which extend beyond one year from date of acquisition and rendered into service. The College also defines personal property as any possession owned by or entrusted to the College having sufficient value to warrant inclusion in fixed asset financial reports or, due to the nature of the asset, is required to have management controls placed on it. Personal property does not include consumable items, nor does it include real property. It can be a capital asset, a controlled asset, or an inventoried asset. Capital items must be inventoried. Capitalization is mandatory for all equipment having a unit value of $3,000 or more and an estimated useful life of more than one year.

Fixed assets are tangible assets that last more than one year. Examples include land, buildings, equipment, vehicles, vessels, etc. An entity the size of Centenary has thousands of fixed assets. The fixed assets fall into the following types:

- Real Property
    - Land
        - Land
        - Land Improvements
    - Buildings
        - Buildings

- Personal Property
    - Equipment
        - Equipment
        - Furniture & Fixtures
        - Vehicles
        - Collections
        - Library Books

Capital assets refer to fixed assets that are recorded as assets in FAS. Capital assets are not expensed in year of purchase, but are capitalized and depreciated over multiple years. For example, the purchase price of a vehicle with a five-year service life should be recorded as a capital asset and then spread as periodic depreciation expense over a five-year period.

For additional definitions applicable to accounting for fixed assets refer to Appendix D. of this procedure.

VI. RESPONSIBILITIES

Finance & Administration Division responsibilities for capital assets include the following:

- Recording capital asset transactions in FAS and Banner, including
- Acquisition, depreciation, and disposal of capital assets, as well as, corrections of capital asset records.
- Completion of year-end accounting procedures related to capital assets.
- Reconciling FAS to Banner Finance.
- Maintaining supporting documentation for all transactions in FAS and Banner.
- Reconciling departmental supplemental databases to FAS.
- Providing property control over capital assets, which involves conducting periodic capital asset physical inventory counts and making adjustments to FAS as appropriate.
- Providing certifications, if requested, that capital asset accounting functions have been completed.
- Developing accounting procedures pertaining to capital assets.

- Maintaining and updating FAS validation tables.
- Preparing capital asset sections of annual financial statements.

The Division Executive is ultimately responsible for the custody and care of all property in his area's possession. For purposes of property management, Division Executive refers to the President, Provost and Chief Academic Officer, Vice President for Finance & Administration, Vice President for Development, Dean of Student Life, or Director of Athletics, as applicable.

The Division Executive is responsible for ensuring the accuracy of all statements of financial condition relating to the applicable property and evaluating the adequacy of inventory controls placed on property. If the Division Executive would like to have the assistance of the Controller's Office in developing internal control procedures, s/he should notify the Controller directly.

Each Division Executive is responsible for the distribution of procedures regarding the accountability for and safekeeping of property owned or managed by the Division Executive. All division procedures must comply with the rules of property management and reporting as defined by this procedure. However, a Division Executive may adopt a stricter procedure that does not contradict this procedure.

The Division Executive or designee is authorized to sell in an orderly manner all surplus and salvage personal property. However, if the property was acquired through a gift or sponsored agreement, the terms of the gift or agreement should be reviewed prior to sale. No personal property with an inventory value greater than $3,000 will be sold without the advance approval of the Vice President for Finance & Administration. All requests for authorization for sale will include the asset number, description, date of acquisition, condition and inventory value for each item of personal property.

If a Division Executive has reason to believe that personal property belonging to his/her area is missing, destroyed or damaged through the negligence or fault of an employee, the Division Executive must report the occurrence to the Controller. All personal property belonging to the area that is stolen, regardless of negligence or fault, must be reported to the Controller and the Director of Public Safety.

The Business Office will initiate and oversee the physical inventory of applicable personal property (assets) each year. When completed, the Division Executive and applicable department(s) must forward a signed Certification of Physical Inventory to the Controller's Office. The form must be submitted no later than thirty (30) days after the last day of the fiscal year.

During each annual physical inventory, the legibility of the inventory number should be verified. Missing or illegible labels and personal property numbers should be replaced or numbered before concluding the inventory process. The condition of each property item must also be evaluated during annual physical inventory.

The Property Manager will control transfers of inventoried property. Transfer of personal property includes any asset transferred from or to a department. The Accountable Property Officers or Alternates will be responsible for transfers of equipment to or from their departments and will submit documentation for all transfers to the Property Manager. Accountability will be maintained throughout the transfer process.

The Property Manager must immediately report to the Department of Public Safety and the Business Office when personal property is reported or is discovered to be missing/stolen. When property is found after being reported as missing or stolen, a report must be submitted to the Property Manager certifying the recovery of the property. The report should include the following information: asset number, asset description, location of asset, and signature of the Accountable Property Officer or Alternate.

VII. CAPITALIZATION PROCEDURE

A fixed asset is capitalized only if it meets all of the following conditions:

Owned or considered owned (1) by the College.

Held for operations (not resale).

Has a useful life that exceeds one year.

Meets the capitalization threshold.

---

(1) "Considered owned" refers to capital leases.

The tables in Appendix A.1. provides additional information of the capitalization thresholds and also the account codes used for purchasing and capitalizing fixed assets. In addition, Appendix A.2 provides additional clarifications about capitalization procedures. The information included in these appendices is integral to this procedure.

Construction or renovation of facilities or improvements with a fair market value greater than or equal to $3,000 that are rendered into service on or after July 1, 2008 must be componentized. Centenary College has adopted the Texas Higher Education System Generic Building Componentization Guidelines to establish a uniform standard by which Centenary College will report capital assets as buildings and building components or systems. These guidelines are shown in Appendix E. It should be noted that specific circumstances may result in slight variations from these guidelines if management determines the changes are significant and necessary.

VIII. ACCOUNT CODES

A. FIXED ASSETS/ACCUMULATED DEPRECIATION

These account codes are used for capitalizing the expenditures for fixed assets and for recording the accumulated depreciation on those assets.
See Account Code section A.1.

B. CAPITAL OUTLAY

These account codes are used for recording the expenditures for fixed assets.

See Account Code section A.1.

C. DEPRECIATION EXPENSE

These account codes are used by FAS to calculate and record the periodic depreciation expense on depreciable capitalized fixed assets.

See Account Code section C.1.

IX. ACQUISITION OF CAPITAL ASSETS

A. PURCHASE

Purchases of capital assets are processed through the Banner accounts payable system.

B. TRADE-IN

The trade-in of an old asset towards the purchase of a new asset often results in a gain or loss because the old asset's trade-in value differs from its book value (cost less accumulated depreciation). Centenary recognizes gains and losses on exchanges for both similar (e.g., a vehicle for a vehicle) and dissimilar (e.g., a vehicle for machinery) assets.

Calculation of Gain or Loss

The gain/loss on the **trade-in** is calculated by **the purchase price of the new asset** less the sum of the cash paid and the **net book value** of the old asset. The gain or loss needs to be recorded in the accounting records, based on the calculation and accounting below.

> The net book value of the old asset is the amount recorded in FAS. It comprises the old asset's **capitalized value** less its **accumulated depreciation**.
>
> The purchase price of the new asset is the amount one would pay in cash if no trade-in was involved. The **purchase price** maybe different from the **list price**, because often the actual purchase price for a new asset is less than the manufacturer's list price.

Accounting for Gain or Loss

Gains and losses should be recognized in the period the asset is traded-in.

C.DONATION

The College frequently receives furniture, equipment, museum collections/historical treasures and works of art, etc. as gifts. These items, usually referred to as noncash gifts, become property of the College upon formal acceptance. Development Office policies should be followed when accepting and reporting such gifts. Any gifts that have a restriction must be reviewed by the Development Office prior to preliminary acceptance.

[The Property Manager should be notified in writing of the acceptance of a gift that needs to be inventoried.] The College receives donations of capital assets. Donations of capital assets should be recorded in the accounting records as revenue at the fair value at date of receipt, and capitalized in the accounting records. The methodology used for determining fair value should be documented. The College's valuation might differ from the donor's valuation. Fair market value may be determined by:

> A written appraisal,
>
> A qualified expert on the faculty or staff if he or she is considered to hold special knowledge or expertise related to the property being donated,
>
> Documentation obtained from a qualified outside source such as "blue book" or a knowledgeable dealer, or
>
> Identifying what it would cost the university if it were to purchase the gift outright from a vendor or an original bill of sale for new equipment.

The Division Executive must notify the appropriate business office if any donated item is sold during the first 2 years of ownership. There is an Internal Revenue Service reporting requirement when this event occurs.

D. CONSTRUCTION

Construction typically pertains to real property (e.g., land improvements, buildings, infrastructure) and involves the payment of many invoices over a long period of time. Expenditures for construction projects are paid from unexpended plant funds. When completed, the total cost of a construction project should be capitalized and then allocated over multiple years through depreciation expense.

Fabrications of moveable property allow organizations to capitalize expenditures incurred in the construction or renovation of property. The cost of individual components may be less than the capitalization limit; however, the finished, tangible asset may have a total cumulative cost that does meet the capitalization limit, in which case the fabricated asset should be capitalized. Each component must work together to perform one function. Individual components having an acquisition value of $3,000 or more will be capitalized on their own merit if they are, or can be, stand-alone equipment (i.e., a computer, a power supply unit, etc.). The property created from the fabrication should keep its configuration for at least one year.

The following accounting issues arise:

Construction in Progress

At fiscal year-end when preparing annual financial statements, expenditures are divided into "expenses" and "amounts to be capitalized."

Capitalizable

Expenditures of incomplete construction projects must be capitalized but not depreciated until the project is complete. These expenditures become "Construction in Progress (CIP)." CIP is an asset account that reports the total capitalized expenditures of construction projects that are incomplete at fiscal year-end.

Determination of When to Remove Projects From Construction in Progress (CIP) and Begin Depreciation

The project should be removed from CIP and depreciation should begin when the project is substantially complete. "Substantially complete" means the majority (i.e. 98%) of the expenditures related to the project have been paid/incurred and the project is in-service.

A project is complete when all invoices have been paid and the unexpended plant funds related to that project are closed. Ideally, projects would not be capitalized as a completed asset to be depreciated until the project is complete. The difficulty, however, is that a project maybe substantially complete and in operation, but miscellaneous expenditures continue to occur for several years until all invoices are finally paid and the funds are closed. In the meantime, the project has not been capitalized as a completed asset, and is not being depreciated. For this reason, the project should be removed from CIP and depreciation should begin when the project is substantially complete.

Frequency of Identifying and Capitalizing Projects

Expenditures of construction projects should be identified and capitalized periodically throughout the fiscal year but at least once at the end of each fiscal year. Expenditures of projects removed from CIP to completed assets should be capitalized in the month of completion and immediately begin to depreciate.

Recording Additional Expenditures After Capitalization

Once a project has been capitalized and depreciation has started (i.e., no longer construction in progress), any additional capitalizable expenditure should be added to the asset's capitalized value in FAS.

Once a project is capitalized and depreciation has started, no additional expenditures related to that project will ever be "construction in progress." As part of year-end closing procedures, all additional expenditures will be added to the capitalized value of the existing asset.

Reconciliation of Capitalized Expenditures

The College Business Office will provide a reconciliation at the end of each fiscal year to show that the capitalizable expenditures and capital asset donations, less capital asset disposals, agree to the change in the FAS account code balances.

E. INSTALLMENT PURCHASE

Some fixed assets are acquired and owned by the College but not immediately paid for. The payments occur over multiple years. Centenary's accounting procedure for installment purchases (that exceed the capitalization threshold) is to capitalize the fixed asset and to create a liability in the accounting records for the principal portion of the installment purchase. The College must maintain a loan amortization schedule for each installment purchase. Each month as payments are made, entries are made to record the interest expense and the decrease to the liability.

F. CAPITAL LEASE

A capital lease is somewhat similar to an installment purchase. Although the College does not own the fixed asset being leased, the terms of the lease are such that the College in essence "purchases" the asset. If the leased fixed asset meets the capitalization threshold, and if the lease meets one or more of the following criteria, it is capitalized and becomes known as a "capital lease:"

The lease transfers ownership of the property to the lessee by the end of the lease term.

The lease contains an option to purchase the leased property at a bargain price.

The lease term is equal to or greater than 75 percent of the estimated economic life of the leased property (e.g., lease term six years, estimated life eight years).

The present value of rental and other minimum lease payments equals or exceeds 90 percent of the fair value of the leased property less any investment tax credit retained by the lesser (e.g., future minimum lease payments $9,000, fair value $10,000).

Capital leases should be recorded in FAS. The amount to be recorded upon signing the lease is the present value at the beginning of the lease term of the minimum lease payments during the lease term, or the fair value of the leased property, whichever is less. Executory costs (e.g., insurance and maintenance) are not included for purposes of calculating minimum lease payments.

The College must maintain an amortization schedule for each capital lease. The periodic lease payments are divided between the lease obligation and interest as determined by the amortization schedule.

G. RENTAL

Some fixed assets are not purchased, but rented on a month-to-month basis. Since rented fixed assets are only used but not owned by Centenary, the College’s accounting procedure is to expense the rental payment and not to capitalize the fixed asset.

Although rentals are not capitalized, they may be included in FAS for insurance coverage purposes.

H. OPERATING LEASE

Operating leases are similar to rentals except that the rental agreement has a specific time period. Centenary’s accounting procedures for operating leases are the same as for rentals, except that at the end of each year for financial reporting purposes, the College will prepare a listing of all operating leases and the expected future payments of those operating leases for purposes of footnote disclosure in the financial statements.

Although operating leases are not capitalized, they may be included in FAS for insurance coverage purposes.

X. DEPRECIATION OF CAPITAL ASSETS

Depreciation is defined as, "The accounting process of allocating the cost of tangible assets to expense in a systematic and rational manner to those periods expected to benefit from the use of the asset. Depreciation is not a matter of valuation but a means of cost allocation. Assets are not depreciated on the basis of a decline in their fair market value, but on the basis of systematic charges to expense."

Centenary uses straight-line depreciation, generally with zero salvage value, and useful lives that vary depending on the type of asset.
“Group-unit” assets, e.g., 10 chairs @$500 each meeting the capitalization threshold in total, have a useful life that crosses multiple years. Therefore, group amortization procedures will apply. The group-unit will be amortized as a whole over the estimated useful life, and then will be fully retired from the records in the year in which 150% of the estimated useful life is reached.

The table in Appendix C.1. provides additional detail of depreciation procedures by account code. This information included in this appendix is integral to this procedure.

XI. DISPOSAL OF CAPITAL ASSETS

When capital assets wear out or become obsolete, they are sold, scrapped, traded in, or may be returned at the end of a capital lease.

Disposing of a capital asset requires removing the asset's net book value from the accounting records. This involves removing the original cost and the accumulated depreciation of the asset. Any difference between the proceeds received and the net book value represents a gain or loss on the disposal of capital assets.

Capital assets disposals are entered into the accounting records when they take place.

Sales of real property contiguous to the main campus must be approved by the Board of Directors. Accordingly, all activities involving the disposition of land with surplus buildings or other improvements must be coordinated with the Vice President for Finance & Administration.

XII. INVENTORY CONTROL – PERSONAL PROPERTY

Capitalizable College personal property subject to inventory verification shall be permanently marked as “Property of Centenary College”. Markings shall be considered permanently affixed when the marking can be removed only through considerable or intentional means. Professional judgment should be used to determine whether or not a noninventory item should be tagged. For example, it is not necessary to tag every stapler that the College owns.

Each item tracked on a unit basis must be assigned a unique individual property inventory number. Such numbers will be issued only by the Business Office.

Physical inventory verification will be conducted no more than every five (5) years by Business Officer personnel in coordination with the department(s) with custodial responsibility for the asset(s).

Each Division Executive is responsible for ensuring that property is secured in the manner that is most likely to prevent the theft, loss, damage, or misuse of assets. The Division Executive should ensure that individuals in charge of security notify the Property Manager of violations or changes to security that could subject property to misuse or theft.

Personal property that is checked out to employees must be used for College purposes only, and the responsibilities of stewardship and care of the property must be maintained at the Division Executive level.

The Controller's Office will, at the request of a Division Executive, provide advice about procedures for the securing of assets. All procedures should be based on good business practices. The Department of Public Safety may also be consulted as appropriate.

The primary concern when storing property is providing security from theft or pilferage and protection against the elements, while maintaining the property in a serviceable condition and accessible location. The placement of property in storage does not normally relieve a [Property Manager or an Accountable Property Officer] of the responsibility for proper care, maintenance, and utilization of the property. The only exception will be when an item is placed in a central warehouse type of storage which is under the jurisdiction of another Property Manager. In this case, the Accountable Property Officer will retain accountability for the property while the person in charge of the central warehouse facility, having receipted the property, assumes responsibility for the care and safeguarding of the property. Unless there are agreements to the contrary, the person in charge of the central warehouse facility assumes responsibility for whatever maintenance is required for the property while in storage.

Utilization of Assets

Federal equipment issued to or provided to a Division Executive is to be utilized in the manner for which it was originally furnished and authorized unless specific written exception is received from the grantor.

Procedure Last Updated: 07/20/08

Effective Date of Initial Adoption of Procedure: July 22, 2008

APPENDIX

A. CAPITALIZATION THRESHOLDS

A.1. CAPITALIZATION THRESHOLDS AND ACCOUNT CODES

Asset Type	Capitalization Threshold	Purchase Account No.	Capitalization Account No.
Scientific Equipment	Unit cost ≥ $3,000	77107	17040
Office Equipment	Unit cost ≥ $3,000	77108	17040
Instructional Equipment	Unit cost ≥ $3,000	77109	17040
Plant Maintenance Equipment	Unit cost ≥ $3,000	77110	17040
Other Equipment	Unit cost ≥ $3,000	77111	17040
Major Collections – Meadows Museum	Total cost ≥ $0	77112	17060
Major Collections – Other	Total cost ≥ $3,000	77113	17060
Computer & Technology	Unit cost ≥ $3,000	77114	17070
Vehicles	Unit cost ≥ $3,000	77104	17040
Furniture & Fixtures	Unit cost ≥ $3,000	77106	17050
Periodicals	Total cost ≥ $0	77103	17030
Library Books & Media	Total cost ≥ $0	77102	17030
Land – On Campus	Unit cost ≥ $0	77101	17010
Land – Off Campus	Unit cost ≥ $0	77101	17011
Land Improvements	Unit cost ≥ $3,000	77101	17010/17011
Buildings – On Campus	Unit cost ≥ $3,000	77105	17020
Buildings – Off Campus	Unit cost ≥ $3,000	77105	17021
Capital Replacements & Improvements	Total cost ≥ $3,000	77115	Depends on Item
Capital Leases	Unit cost ≥ $0	72301-72307	17041
Construction in Progress	Unit cost ≥ $3,000	77120	17090

Acquisitions of fixed assets not meeting the above capitalization thresholds should be recorded as an expense in the accounting records.

A.2. CAPITALIZATION THRESHOLDS - ADDITIONAL CLARIFICATIONS

Ancillary Charges

The capitalized cost of the fixed asset should include all ancillary charges necessary to place the asset into service. Examples of ancillary charges include freight and transportation costs, site preparation costs, and professional fees.

The additional cost of maintenance agreements and extended warranties are not capitalized because they can be separately identified and are not required to place the asset into service.

B. ACCOUNTING FOR PERSONAL PROPERTY AND REAL PROPERTY OBTAINED BY GIFT -- ADDITIONAL CLARIFICATIONS

Gifts of personal property and real property are accounted for as revenue in the year of receipt and either as an expense (if consumed in current year) or capitalized as an asset and depreciated in current and subsequent years.

Capitalizable gifts of personal property and real property should be accounted for as follows:

1. Submit a report showing gifts of capitalizable personal property and real property to the Controller for inclusion in the FAS and Banner Finance Ledgers.
2. For real property, the report should include the name of the donor, legal description, the use to which the property is dedicated, and the estimated value segregated between buildings, land, improvements other than buildings, infrastructure, and land improvements.
3. Create records for each asset in the FAS.
4. Recognize the gift revenue via Journal Voucher.

Endowment or quasi-endowment gifts of real property are considered investments and therefore should be recorded, but NOT as capital assets in FAS.

B.1 CAPITALIZATION OF REAL PROPERTY - ADDITIONAL CLARIFICATIONS

Real property involves acquisition, new construction, and improvements to existing real property.

Capitalizable Expenditures

Expenditures for real property are by their inherent nature "capitalizable:"

Owned or considered owned (refers to capital leases) by the College

Held for operations (not resale)

Has a useful life that exceeds one year

Expenditures for improvements to existing real property are capitalizable if they (1) meet the above three conditions and (2) add to the functionality and/or extend the useful life of the underlying real property asset.

For additional guidelines, an expenditure is considered capitalizable if it:

1. Improves a condition or defect that either existed prior to the acquisition of the unit of property or arose during the production of the asset, whether or not the institution was aware of the condition or defect at the time of acquisition or production;
2. Is for work performed prior to the date the asset was actually placed in service by the institution;
3. Adapts the unit of property to a new or different use (including a permanent structural alteration of the asset);
4. Results in a betterment (including a material increase in quality or strength) or a material addition (including an enlargement, expansion, or extension) of the asset; or
5. Results in a material increase in capacity (including additional cubic or square space), productivity, efficiency, or quality of output of the asset.

Due to a capitalization threshold, not all capitalizable real property expenditures are capitalized in the College's accounting records. Use of a capitalization threshold avoids having a separate fixed asset record for every one of the numerous low-cost capitalizable items, and having to calculate, record, and report immaterial depreciation amounts on those items.

When a demolition has taken place, the Controller must decide whether the costs should be included as part of a new building. This must be determined on a case-by-case basis. If you demolish an existing building and there are no plans to build again in the future, then the costs should be expensed. If there is a project planned in the near future, then identify the demolition costs to the future project and capitalize them. Once a building has been demolished, it is the Controller's responsibility to ensure that the applicable building cost is removed from the fixed asset records in a timely manner.

Infrastructure

Infrastructure is defined as assets that are long-lived capital assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Infrastructure assets are often linear and continuous in nature. The capitalization threshold for infrastructure is $3,000.

Detailed records of individual assets are not necessarily required. The level at which infrastructure assets are reported determines the minimum amount of detail. Infrastructure may be reported by major class, network, subsystem, or individual asset. Other factors, such as maintenance, insurance, and stewardship responsibilities also influence the level of record keeping. There may be times when an existing component needs to be replaced. If the replacement meets the capitalization threshold and the asset's normal useful life is extended,

the asset value should be adjusted by removing the cost and accumulated depreciation of the component that is being replaced and adding the cost of the new component. The estimated useful life of the asset should also be re-evaluated at this time to determine if it needs to be adjusted.

Exception to Real Property Capitalization Threshold

Use of the capitalization thresholds is presumed except under very unusual circumstances.

Capitalizable expenditures less than the capitalization threshold may be capitalized under the following circumstance:

- The cost of the improvement is significant to the underlying asset. If the underlying asset has limited value, expenditures less than the capitalization threshold amount could be a major improvement to that asset. For example, a $4,000 building improvement to a building with a $10,000 market value would be far more significant than $4,000 spent on a building with a $200,000 market value.

Capitalizable expenditures that meet the capitalization threshold are always capitalized.

The College retains the prerogative to capitalize expenditures less than the capitalization threshold, but since this is an unusual occurrence, the reasons for doing so and how those reasons fit within the Centenary capitalization procedure must be well-documented within the accounting records.

Expenditures to be Capitalized

The amounts capitalized include all capitalizable expenditures attributable to that project from all unexpended plant fund sources for the project across all fiscal years. The amount capitalized is based on all invoices taken together, not each invoice separately.

Amounts capitalized do not typically include expenditures not directly associated with the asset, but determinations will be made on a case by case basis.

Amounts capitalized do not include the following other costs:

a. Interest expense - GAAP would suggest capitalizing interest expense incurred during the construction of the project. Capitalization of interest is not required by procedure but may be done at the College's option depending upon materiality.
b. Abandoned construction - Expenditures from abandoned construction is expensed in year construction is determined to be abandoned

<u>Personal Property (Equipment)</u>

Personal property is defined as fixed or movable tangible assets to be used for operations, the benefits of which extend beyond one year from date of acquisition and rendered into service. Costs of extended warranties and/or maintenance agreements which can be separately identified from the cost of the equipment should not be capitalized.

When a piece of equipment is traded in or exchanged for a similar asset, a trade-in worksheet should be completed and kept as documentation for how to record the transaction on your books. 'Similar asset' is defined as an asset that falls within the same fixed asset category.

The College will capitalize the purchase of computer software whose unit value cost is $3,000 or greater and has an estimated useful life of more than one year. Capitalization of computer software also includes software license fees if the total dollar amount of the fee divided by the number of units served (terminals) meets the criteria to capitalize the purchase.

Another category of personal property is vehicles, boats, and airplanes. These items are still considered types of personal property.The vehicle identification number (VIN) and license plate number should be recorded in the fixed assets system. The VIN number can be considered a serial number.

<u>Other Capital Assets</u>

<u>Library Acquisitions</u>

The threshold for catalogued library acquisitions is $0 – all acquisitions are to be capitalized. Library acquisitions include library books, films, recordings, serials, and software. The recommended procedure for recording library acquisitions is to accumulate purchases for each fiscal year into a single asset in fixed asset accounting.

When acquisitions are removed from libraries, an entry to reduce the book value needs to be made. The adjustment to book value for disposal of assets is recorded prior to fiscal year end. If the value of the items removed and disposed is known, an entry will need to be made to reduce the asset value by the specific amount. When the value for individual volumes is unknown, the recommended procedure is to:

Calculate the current year acquisition cost per volume (total dollar amount of current year acquisitions/number of volumes purchased = cost per volume).

Using the calculated cost per volume x the number of volumes disposed = reduction in asset value.

As the assets are removed, if the year of purchase is known the adjustment should be made to the correct year. If the year of purchase is unknown, the adjustment should be made to oldest library asset.

Museum Collections/Historical Treasures

Museums collections and/or historical treasures should be recorded in the fixed assets records. If the assets are for display or viewing only, the assets are non-depreciable. Museum collections and/or historical treasures that are used in operations may need to be depreciated.

For example, if there is a building that is a historical treasure and is used as office space, the structure itself would continue as a historical structure and would not be depreciated. Any modifications made to the structure to convert it to office facilities could be depreciated as part of the cost of operations if it meets the capitalization threshold for a given fiscal year.

Donated museum items are to be recorded at the estimated fair market value at the gift date. In many cases, the donor may have had an independent appraisal done for income tax purposes.

Patents and Copyrights

Patents and copyrights are considered intangible assets.

Maintenance & Repair vs. Replacements vs. Additions/Betterments/Improvements

Once an asset is placed in service, the College may incur costs that may be categorized as (a) repairs and maintenance of existing components, (b) replacement of existing components, or (c) acquisition of additional components. The nature of the expense will determine whether or not it should be capitalized.

Maintenance is the act of keeping assets in a usable condition, including preventative maintenance, normal repairs, replacement of parts and structural components and other activities needed to preserve the asset so that it continues to provide acceptable services and achieves its expected life. Maintenance excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, those originally intended. The costs of normal, recurring, or periodic repairs and maintenance activities that are incurred after an asset is placed in service should be charged to expense.

Planned major maintenance activities, also referred to as overhauls or refurbishments, are other than routine activities that an entity considers necessary to perform on a recurring basis to maintain the asset in operating condition. Costs incurred often include labor costs for repair and maintenance activities such as cleaning, servicing, replacement, or repair, as well as costs of replacement components, minor parts, and interactive agents (such as certain fluids or elements). The individual costs incurred in such planned major maintenance activities should be evaluated to determine if they represent (a) the acquisition of additional

components or (b) the replacement of existing components. All other costs incurred in a planned major maintenance activity should be charged to expense as incurred.

When a replacement of an existing component occurs which meets the capitalization threshold and the asset's normal useful life is extended as a result of the replacement, the asset value should be adjusted by removing the cost and accumulated depreciation of the component that is being replaced and adding the cost of the new component. The estimated useful life of the asset should also be re-evaluated at this time to determine if it needs to be adjusted. When removing part of the replaced asset an appropriate amount should be determined in order to offset some of the costs of the replacement. For example, if you are removing an old roof in order to add a new roof, part of the cost of the old roof should be taken into consideration.

Additions and improvements are those capital outlays that increase the capacity or efficiency of an asset. A change in capacity increases the level of service provided by an asset. A change in efficiency maintains the same service level, but at a reduced cost. The acquisition of additional components should be evaluated to determine if the costs of the additional components meet the capitalization threshold. If they do, then they will be added as capitalized components of the asset.

C. DEPRECIATION GUIDELINES

C.1. DEPRECIATION GUIDELINES BY ACCOUNT CODE

Asset Type	Capital Acct No.	Depreciate? Yes/No	Depr. Frequency	Depr. Acct No.	Acc. Depr. Acct No.	1st Yr. Depr. Treatment	Additons & Improvements Treatment
Scientific Equipment	17040	Yes	Monthly	73002	17900	1	2
Office Equipment	17040	Yes	Monthly	73002	17900	1	2
Instructional Equipment	17040	Yes	Monthly	73002	17900	1	2
Plant Maintenance Equipment	17040	Yes	Monthly	73002	17900	1	2
Other Equipment	17040	Yes	Monthly	73002	17900	1	2
Major Collections – Meadows Museum	17060	No					
Major Collections – Other	17060	No					
Computer & Technology	17070	Yes	Monthly	73002	17900	1	2
Vehicles	17040	Yes	Monthly	73002	17900	1	2
Furniture & Fixtures	17050	Yes	Monthly	73002	17900	1	2
Periodicals	17030	Yes	Monthly	73002	17900	1	2
Library Books & Media	17030	Yes	Monthly	73002	17900	1	2
Land – On Campus	17010	No					
Land – Off Campus	17011	No					
Land Improvements	17010/ 17011	No					
Buildings – On Campus	17020	Yes	Monthly	73002	17900	1	2
Buildings – Off Campus	17021	Yes	Monthly	73002	17900	1	2
Capital Replacements & Improvements	Depends on Item	Yes	Monthly	73002	17900	1	2
Capital Leases	17041	Yes	Monthly	73002	17901	1	2
Construction in Progress	17090	No	Monthly	73002	17900	1	2

Notes:

1 - Proportional - Depreciation is calculated using a half-year convention in the first fiscal year the asset is acquired and ready for use.

2 - An addition or major improvement results in a new capital asset record that would have its own depreciation schedule. The new capital asset record would be a "component" of the original asset.

D. FIXED ASSET DEFINITIONS

Term	**Definition**
Ancillary Costs	Costs necessary to put a capital asset into use, such as freight and handling, insurance in transit, and assembly or installation costs. These costs are capitalized as part of the asset.
Asset Type	A code that signifies an asset's service life, depreciation method, and salvage value.
Attachments	A piece of personal or real property that is a part of an existing asset.
Banner Financial Information System (Banner)	The software used to store Centenary official accounting records.
Book Value	The historical cost less the accumulated depreciation of an asset.
Buildings	Permanent structures normally used to house people or property. Fixtures attached to and forming a permanent part of a building should be included in the cost. When constructing a new building on land owned by Centenary, the cost of demolishing existing buildings is included in the cost of the new building, except for asset retirement obligations accrued under FIN 47. The value of land associated with buildings should be reported separately as land.
Buildings - Additions	Permanent additions to structures normally used to house people or property.
Buildings - Major Improvements	Permanent improvements to structures normally used to house people or property. A major improvement, unlike a repair, significantly enhances a building's functionality (effectiveness or efficiency).
Buildings - Repair and Maintenance	Expenditures for repairs and maintenance that do not enhance a building's functionality (effectiveness or efficiency), or extend its expected useful life.
Capital Asset	A fixed asset that is recorded (i.e. "capitalized") as an asset in the accounting records. To be capitalized, the fixed asset is owned by Centenary, used for operations (not held for resale), has a useful life over one year and a cost that exceeds the capitalization threshold.
Capital Construction	Expenditures for the construction of buildings and improvements, improvements other than buildings, and infrastructure. Also included are additions and major improvements. Construction costs include advertising, architect fees, land acquisition, land clearing, legal services, materials, project management (including inspections, permits, planning fees), subcontractors and agency labor, and other fees and services. Capital construction expenditures are generally recorded in the unexpended plant funds.
Capital Lease	A lease of personal or real property, which meets the criteria for capitalizing an asset and recording a liability in the accounting records.
Capitalization Threshold	Amount above which personal or real property is capitalized and below which personal or real property is expensed in the year of purchase.
Components	A piece of personal or real property that is related to but not part of another asset. Personal property that is part of another asset is referred to as an attachment.
Construction in Progress	Total expenditures of a construction project undertaken but not yet completed. When the project is complete (i.e., asset is ready for its intended use), capitalized costs are reclassified from Construction in Progress to the appropriate capital asset account (e.g., Buildings, Improvements Other than Buildings, Infrastructure, Land Improvements).
Depreciation Start Date	Date the asset is <u>acquired</u> and <u>ready for use</u>. - "Acquired" refers to the acquisition date - the date one takes possession of the asset. An asset can be "ready for use" but may or may not be "in-use" or "in-service". In circumstances when the asset acquired is not ready for use, the asset should be initially coded as construction in progress. The depreciation start date would then be the date the asset is ready for use (e.g., "substantially complete"), and removed from CIP.

Term	Definition
Depreciation	The accounting process of allocating the cost of tangible assets to expense in a systematic and rational manner to those periods expected to benefit from the use of the asset. Depreciation is not a matter of valuation but a means of cost allocation. Assets are not depreciated on the basis of a decline in their fair market value, but on the basis of systematic charges to expense.
Donation	Capital assets donated to Centenary. Donated capital assets should be reported at their estimated fair value at the time of donation plus ancillary charges, if any. Estimated fair value may be based on the applicable market value or, when the market value is not readily determinable, an appraisal value.
Facilities and Administration Rate Proposals	A proposal submitted to the federal government to negotiate an indirect cost rate to apply to federal grants and contracts.
Financing Agreement	A lease-purchase agreement, an installment sale agreement, a loan agreement, or any other agreement to finance real or personal property, which is or will be owned and operated by Centenary, or to refinance previously executed financing agreements.
Fixed Asset	Tangible assets owned by Centenary and used in its operations (not for resale) that have initial estimated useful lives beyond a single year. A fixed asset with an initial cost (inclusive of ancillary charges) of at least $3,000 is capitalized and becomes known as a capital asset.
Gains and Losses	On disposal of an asset, the difference between its fair value and book value (historical cost less accumulated depreciation).
Generally Accepted Accounting Principles (GAAP)	Accounting principles sanctioned by recognized authoritative bodies such as the Financial Accounting Standards Board (FASB).
Historical Cost	The amount paid, or liability incurred, by an accounting entity to acquire an asset and make it ready to render the services for which it was acquired. If historical cost information is unavailable, the asset's estimated historical cost may be used. Any established method of estimating historical cost may be used, provided the College documents their methodology and assumptions used.
Improvements Other Than Buildings (IOTBs)	Capitalized improvements that are not part of land or buildings. Examples include fountains, bleachers, dugouts, goal posts, and scoreboards.
Infrastructure	Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples include roads, bridges, tunnels, drainage systems, water and sewer systems, sidewalks, alleyways, street lighting systems, traffic lights/signs, fire hydrant, gas/electric/fiber optic distribution systems, dams, wells and septic systems. Infrastructure could be confused with land improvements. Distinction is generally the magnitude of the project. Infrastructure tends to pertain to large parts of campus rather than to a specific building or specific piece of land.
Investment in Capital Assets	Net investment in capital assets. Includes historical cost, less accumulated depreciation and any related debt outstanding at year-end. For example an entity with capital assets that cost $10 million with accumulated depreciation of $2 million and outstanding debt related to those assets of $7 million would have a $1 million net investment in capital assets.
Land Improvements - Depreciable	Permanent improvements, other than buildings, that ready land for its intended use and that deteriorate with use or the passage of time. Examples include parking lots, yard lighting, fencing and gates, paths, telephone and power lines, retaining walls, railroads, tennis courts, athletic fields, golf course, and septic system.
Land	Reflects the carrying value of land owned by the College. If land is purchased, this account includes the purchase price and costs incurred to get the land in condition for its intended use such as legal fees, title fees, surveying costs, appraisal and negotiation charges, site preparation and excavation costs (clearing, filling, and leveling), betterments, and similar costs. If land is purchased as a building site, demolition costs to remove existing buildings are added to the cost of the land. Land purchased for resale is accounted for as inventory. Land acquired by donation is valued at fair market value at the time of donation. Land is characterized as having an unlimited life and therefore is not depreciated.

Term	Definition
Lease	A contract by which one party gives to another the use and possession of land, buildings, or personal property for a specified time in exchange for periodic payments.
Leasehold Improvements	Permanent additions or improvements made to a leased asset that reverts to the owner of the property upon termination of the lease.
Library General Collections	Library holdings of an institutional library (not departmental reference library) that are exhaustible by nature and have a useful life greater than one year. Includes general books, periodicals, reference materials, microfilm, maps, manuscripts, etc.
Library Special Collections	Library holdings of an institutional library (not departmental reference library) normally considered inexhaustible and accounted for like works of art and historical treasures. They are not easily replaced and meet the following conditions: Held for public exhibition, education or research in furtherance of public service, rather than financial gain. Protected, kept unencumbered, cared for, and preserved. Subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.
Maintenance and Repair	Costs that do not significantly improve the economy or efficiency of a capital asset's expected useful life. For example, periodically resurfacing a road would be treated as a repair (the cost would not be capitalized), while adding a new lane constitutes an addition (a cost that would be capitalized). For example, replacing a roof with the same type of roof would be considered a repair because it would not necessarily improve the economy or efficiency of the building. Other examples of maintenance and repair include building and structure repair, interior and exterior decorating, minor additions and/or repairs.
Non-Capital Asset	Tangible or intangible property used in the College’s operations having a useful life beyond a single year and an initial cost (inclusive of ancillary charges) of less than $3,000. Non-capital assets should not be capitalized; they should be expensed in the period they are purchased.
OMB Circular A-110	Issued by the Federal Office of Management and Budget titled "Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education and Other Non-Profit Organizations."
OMB Circular A-133	Issued by the Federal Office of Management and Budget titled "Audits of States, Local Governments, and Non-Profit Organizations."
OMB Circular A-21	Issued by the Federal Office of Management and Budget titled "Cost Principles for Educational Institutions."
Operating Lease	A lease of real or personal property not meeting any of the criteria for a capital lease. This type of lease is treated similarly to normal rental payments.
Perpetual Inventory	A system of maintaining property records that reflect the balance of property on hand. Such records may also show the value of such property. A record is kept for each item or group of items inventoried. The current balance is maintained by adding goods received and deducting goods used or issued. A perpetual inventory system is required for organized storerooms and recommended for departmental storerooms.
Personal Property	Assets such as equipment, vehicles, vessels, and library collections.
Physical Inventory Count	Physical verification of all items listed on the inventory records. Normally, the College will conduct physical inventories on selected capital assets once every 5 years. Discrepancies between the physical count and the property records should be investigated. Documented support that a physical inventory has been taken should be retained by the College.
Real Property	Capital assets, such as land, buildings, land improvements, improvements other than buildings, and infrastructure.

Term	Definition
Rental	A contract by which one party gives to another the use and possession of land, buildings, or personal property in exchange for periodic payments.
Salvage Value	Estimated value of an asset at the end of its estimated service life. For depreciation purposes, Centenary generally uses $0 as a salvage value for all assets.
Service Lives	Length of time an asset is expected to last. Service life is used to calculate annual depreciation expense. Service life is dictated by the asset type.
Straight-line Depreciation	Depreciation method that divides the asset's capitalized value by the number of years of service life. Straight-line depreciation results in the same depreciation amount each month.
Surplus Property	All personal and real property, vehicles, and titled equipment excess to the College's needs and available for sale.
Transfer of Assets	When capital assets are moved from one fund to another, the recipient fund should continue to report those assets at the net book value previously reported (that is, historical cost less accumulated depreciation).
Unallowable Costs	Costs that are not allowed to be charged to federal programs under OMB Circular A-21. These include, but are not limited to, interest costs for non-building purposes, mass transit taxes, expensed capital purchases, future capital needs, contingency reserves, or any profit above operational expenses.
Unexpended Plant Fund	Funds used to account for financial resources segregated for the construction or acquisition of major capital facilities and land, and major repairs and maintenance that involve Centenary's Facilities Services. All expenditures necessary to bring the facility to a state of readiness for its intended purpose are reported as capital project fund costs.
Works of Art and Historical Treasures	Works of art and historical treasures that are inexhaustible, that is, their economic benefit or service potential is used up so slowly that their estimated useful lives are extraordinarily long. Works of art and historical treasures are not depreciated.

E. FIXED ASSET COMPONENTIZATION DEFINITIONS

The purpose of these guidelines is to establish a uniform standard by which Centenary College will report capital assets as buildings and building components or systems.

Definitions

1. **Building:** a structure that is permanently attached to the land, has a roof, is partially or completely enclosed by walls and is not intended to be transportable or movable.
2. **Componentization:** separating a building into its major elements of construction. The components as defined are:
    a. **Building shell**: the exterior walls, excavation within the building footprint, foundation, floors, roof structural system and decking of a building. The walls consist of the wall layers starting with the exterior building skin and ending at the inner thermal layer. The suggested useful life of a building shell is 30 years.
    b. **Elevator system**: comprised of the elevator and escalator conveyance systems including controls. The recommended useful life of this system is 20 years.
    c. **Fire protection system**: comprised of the piping, sprinkler heads and controls (Circuitry for fire detection, alarms, and warning devices are included in 'Electrical'.). The recommended useful life of this system is 20 years.
    d. **Fixed equipment assets**: is any equipment other than equipment comprised of the HVAC system, electrical system, fire protection system, plumbing system or elevator system that is installed and permanently attached to some part of the

building's structure. Examples include built-in lab equipment and fume hoods. Ducting for built-in lab equipment and fume hoods will normally be included in 'HVAC'. The recommended useful life is 20 years.

e. **Plumbing system**: all piping, drains, fixtures, and associated equipment within the perimeter of the building used for moving domestic water, other fluid gases, compressed air or sewage. The recommended useful life of this system is 20 years.

f. **Electrical and lighting system**: all telecommunication and alarm wiring, lighting fixtures, electrical conduit, wire, cables, circuits, switches, and controls within the perimeter of the building that provide power for all electrical apparatuses and lighting instruments. The recommended useful life of this system is 20 years.

g. **Floor Coverings**: includes carpet, ceramic tile, stone, terrazzo, vinyl tile, wood, laminate and linoleum floor coverings, and other types of floor coverings and all padding and barrier sheeting installed above the concrete slab or wooden deck. The recommended useful life of ceramic tile, stone and terrazzo is 30 years. All other floor types should have a useful life of 15 years.

h. **Heating, ventilation and cooling system (HVAC):** includes the chillers, condensers, exhaust fans and coil units, heating strips, chilled/heating water supply and return piping, air ducts, registers, climate control panels and all circuitry connected to the power supply panel. The recommended useful life of this system is 15 years.

i. **Interior finish: all walls, partitions, ceilings and millwork that are inside the building shell walls.** This will include, but not limited to, all framework, interior doors, interior windows, sheet rock, paneling, paint and any other wall and ceiling coverings. The recommended useful life is 15 years.

j. **Miscellaneous construction features:** any building component that does not fit into one of the other ten categories. The recommended useful life is 15 years. The useful life of this feature may be modified based on the cost elements included. For example, indoor swimming pools, spas, wave pool/tank will be reported here. The example table for a Generic Building in the following "Guidelines" section uses a 20-year life cycle rather than the recommended useful life of 15 years.

k. **Roof Covering:** include the covering material used to establish the water barrier on the building's roof deck. The roof covering starts with the first membrane above the roof decking material including the urethane layer, coating, shingles, films, metal panels, clay tiles and all material installed above the roof deck. The recommended useful life of clay tile is 30 years. The recommended useful life of a metal panel roof is 20 years and a urethane roof or shingle roof is 15 years. The recommended useful life of all other roof types is 10 years.

3. **Depreciation**: allocation of the cost of the asset over its estimated useful life.

Guidelines

Generic Building Table

A Building Component	B % of Total Construction	C Life-Cycle Years	D Weighted Life-Cycle Years
Building Shell	38%	75	28.5
Electrical & Lighting	11%	20	2.2
Plumbing	6%	20	1.2
Fire Protection	2%	20	0.4
Elevator Systems	1%	20	0.2
Fixed Equipment	2%	20	0.4
HVAC	17%	15	2.6
Floor Coverings	2%	15	0.3
Interior Finish	12%	15	1.8
Misc. Construction	6%	20	1.2
Roofs	3%	20	0.6
Total	100%		39.4