**THE UNIVERSITY OF TOLEDO**

**PROPERTY MANUAL**

FINANCIAL REPORTING

AND ACCOUNTING

GUIDELINES

FOR CAPITAL ASSETS

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# **Overview**

## Introduction

The University of Toledo (University) has a significant investment in capital assets such as land, buildings, land improvements, machinery and equipment (including furniture and fixtures, computer software, and works of art and historical treasures), vehicles, infrastructure, and construction-in-progress. To improve financial reporting, accountability, and operational efficiencies in managing these assets, the University has established guidelines for the accounting and reporting of capital assets.

Complete and accurate capital asset records assist managers in identifying under-utilized assets or surplus assets that can be reassigned for more productive use. Accurate records of capital assets and their associated accumulated depreciation also helps to identify potentially needed replacement and renovation of existing assets. This information is useful in making budgetary decisions for specific requests and long-term capital planning. Furthermore, detailed capital asset records for equipment and vehicles assist in the development of a preventive maintenance program.

# **Identifying Capital Assets**

## Fundamentals for Identifying Capital Assets

## Definition

When cited in governmental accounting and financial reporting standards, the term, *capital assets,* includes land, improvements to land, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible and intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

*Infrastructure assets* are 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 of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems and dams. Buildings, except those that are an ancillary part of a network of infrastructure assets, should not be considered infrastructure assets.

*Intangible assets* are assets that possesses all of the following characteristics (1) Lack of physical substance, (2) Nonfinancial in nature, (3) a useful life extending beyond a single reporting period. Example of intangible assets includes computer software, easements, patents, copyrights, and trademarks.

## Cost Valuation

The University’s capital assets should be reported at *historical cost.* Historical cost is the cash or cash equivalent price paid at the time of purchase or acquisition. The cost of a capital asset should include ancillary charges necessary to place the asset into its intended location and condition for use such as freight and transportation charges, site preparation costs, and professional fees. If historical cost is not available, the asset should be reported at estimated historical cost. Donated capital assets should be reported at their estimated fair value at the time of donation plus ancillary charges, if any.

## Significant Value and Useful Life Concepts

The identifying characteristics of a capital asset are significant value and useful life. In setting its capitalization policy, the University has established benchmarks to identify what the minimum cost of an asset should be (i.e. its significant value) to justify the time and expense of maintaining the information required for reporting it in the University’s financial statements.

The University has established different significant value for Academic and Hospital capital assets. Hospital is defined as those departments or buildings that are related to medical or patient care along with the departments that support them. Academic is defined as the departments or buildings that are related to education or research along with the departments that support them.

For Academic buildings, infrastructure, land improvements, leasehold improvements, and construction-in-progress the University considers costs to be of a significant value when they are $50,000 or more.

For Hospital buildings, infrastructure, land improvements, leasehold improvements, and construction-in-progress the University considers costs to be of a significant value when they are $5,000 or more.

For equipment and computer software, the University considers costs to be of a significant value when they are $5,000 or more for both Academic and Hospital departments.

For intangible assets such as patents and trademarks, the University considers costs to be of a significant value when they are $100,000 or more for both Academic and Hospital departments.

For Collections of Works of Art, Historical Treasures, and Similar Assets, the University considers costs to be of a significant value when they are $100,000 or more for both Academic and Hospital departments.

The University considers all costs associated with the acquisition of land to be of significant value.

Finally, if an asset meets the test of significant value, and has an estimated useful life of at least two years following the date of acquisition, the University reports it as a capital asset.

## Depreciation of Capital Assets

Capital assets should be depreciated over their estimated useful lives unless they are inexhaustible. Inexhaustible assets such as land and specific land improvements should not be depreciated. Depreciation expense should be reported in the University’s statements of revenues, expenses, and changes in fund net assets. The accumulated depreciation should be reported on the statement of changes in net assets.

# **Capital Asset Types and Cost Determination**

The University recognizes two separate divisions of capital assets, Hospital and Academic. Hospital is defined as those departments or buildings that are related to medical or patient care along with the departments that support them. Academic is defined as the departments or buildings that are related to education or research along with the departments that support them.

## Description of the Major Types of Capital Assets

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### Land

Land is real property. Land costs include the land's initial cost, surveying fees, appraisal and negotiation fees, legal and title fees, damage payments, and assumption of any liens, mortgages, or encumbrances on the property. The demolition of unwanted structures at the time of acquisition of the land, with the intention of using cleared land, is considered a part of land costs. Each parcel of land the University owns should be recorded as a separate asset. Land should be reported as an acquisition when the University receives title to the land.

Land upon which infrastructure or land improvement is constructed is also part of the Landcapital asset account, as are any easements or right-of-way costs associated with infrastructure assets. The constructed infrastructure or land improvement should be recorded as the appropriate asset type. For example: a parking lot should be reported as an asset separately from the land upon which it is built.

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### Buildings

Buildings are permanent structures designed with a foundation, roof, and are enclosed, at least partially, with walls. Buildings may not necessarily be fully enclosed. The cost of a building includes its construction or purchase costs and the costs of all fixtures permanently attached and made a part of the building. Permanently attachedmeans removal of the fixtures alters the intended use of the building. Buildings should be reported as acquisitions when they are ready for occupancy. Prefabricated structures that can be easily emplaced and displaced (e.g., with a crane) and that do not require a foundation can be reported as a building.

The cost of a constructed building includes contractor payments, in-house labor costs, professional fees for architects, appraisers, and financial advisors, demolition costs of buildings that previously occupied the site, site-preparation costs that are directly related to the building site (e.g., clearing, filling, leveling, and excavating), and damage claims and insurance. Other costs incurred during the period of construction, including any other expenditures required to prepare the asset for its use, should also be included in a building's cost.

Normally, works of art are considered part of a building when they are permanently affixed to a building. Therefore, fixed works of art are included in the inventory of buildings. The term, fixed works of art, includes, but is not limited to, items such as murals, bronze plaque, historical monuments, statues attached thereto, orate finishes, millwork, marble and stonework, plaster work, bronze grilles, and gates and doors.

When the University builds or purchases multiple buildings and no breakdown of costs by individual building is available, it may allocate the total costs among buildings based on a pro-ration of the square footage of each building constructed or acquired.

### Infrastructure

Infrastructure assetsare 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 of infrastructure assets include roads, sidewalks, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems. Freestanding historical monuments, plaques, and markers should be classified as infrastructure assets.

### Land Improvements

The costs of improvements, which are not attached to, mounted on, or in a building, should be classified as land improvements. Assets falling under this classification include retaining walls, bleachers, athletic fields, yard lighting, fencing, and parking lots. Site preparation costs (clearing, filling, leveling, and excavating), which are related to the site of the land improvement, should be included in the costs of the land improvement.

Non-depreciable land improvements (grading, filling, grubbing) should be recorded as Land**.**

### Leasehold Improvements

Leasehold improvements are alterations made by the University to a leased building or structure. These alterations make the space more usable. For example: lighting, flooring, reception area and office renovations. Leasehold improvements are assets and they are depreciated over the life of the lease.

### Machinery and Moveable Equipment

Machinery and Moveable equipment are tangible assets, which

· are not attached permanently to land, buildings, infrastructure, or land improvements,

· have unique serial numbers,

· are capable of being moved (although some disassembly may be required)

For example, machinery bolted to a floor should be classified as equipment. However, fixtures, which are attached to land, buildings, infrastructure, or land improvements in such a way that removal alters the intended use of the facility or site, should not be reported as machinery and equipment. Rather, these should report such assets as an ancillary part of the land, building, or land improvement to which they are attached.

Costs of machinery and moveable equipment include the total purchase price, net of purchase discounts, plus any trade-in allowances, transportation charges, installation costs, taxes, and any other costs required to prepare the asset for its intended use. Machinery and moveable equipment assets should be reported as acquisitions when the University physically receives the asset and it is in use.

Examples of machinery and moveable equipment include, but are not limited to:

· Computers, telecommunications, and electronics, including any integrated software,

· Printing presses and reproduction equipment,

· Medical equipment,

· Research equipment

Each piece of machinery and moveable equipment acquired that is determined to be a capital asset should be recorded as a separate asset. Furniture and individual works of art and historical treasures should also be included in the asset type of machinery and moveable equipment.

### Vehicles

Vehicles and trailers that can be licensed for over-the-road use should be reported under the *vehicle* asset classification which is a sub-type of equipment. Vehicle costs include the total purchase price after any purchase discounts, plus any trade-in allowances, transportation charges, and other costs required to prepare the vehicle for its intended use.

### Computer Software

Computer software is an intangible asset that is subject to capitalization. Computer software can be an integral part of a system, it can be purchased or licensed from external vendors, or it can be developed and created in-house.

To capitalize computer software, it must meet the following criteria:

1. It has a life of 2 years or more. Annual licenses are to be expensed, no matter the cost.
2. Its cost exceeds $5,000 a license when purchased
3. It is integral to the functionality of a related system and the vendor does not separately itemize the cost of the software when purchased. The software is included as part of the equipment cost.
4. Its development costs exceed $5,000 when internally produced. Internally produced software is defined as developed in-house or by a third-part contractor on behalf of the University. When software is developed and created in-house, guidelines established by GASB 51*, Intangible Assets* and GAAP SOP #98-1, *Accounting for the Costs of Computer Software*, are to be followed when determining which expenses involved in the development of the computer software are to be capitalized. GASB 51 groups the developing and installing of software into three stages, Preliminary Project, Application Development, and Post-Implementation/Operation. Some costs incurred during these stages are expensed and others are capitalized.

A group license costing $5,000 or more (i.e. installed on a local area network server or a wide area network server) should be reported as one capital asset.

### Other Intangible Assets

This includes patents, trademarks, and copyrights that have a cost of $100,000 or more each. GASB 51 defines an intangible asset as an asset that possesses all of the following characteristics (1) Lack of physical substance, (2) Nonfinancial in nature, (3) Useful life extending beyond a single reporting period.

### Library Books and Materials

This includes books, journals, magazines, video and audio materials that cost $100,000 or more each.

### Collections of Works of Art and Historical Treasures

The University owns various collections of works of art and historical treasures. Collections can be found at the William Canady Center.

The University does not capitalize the foregoing collections of works of art or historical treasures because, in each case, the collections meet the following three criteria under GAAP, which qualify the collections for exclusion from financial reporting:

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

· The collection is protected, kept unencumbered, cared for, and preserved.

· The collection is subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections, **or** the sales of collection items is prohibited by law.

### Construction-in-Progress (CIP)

Labor, material, equipment, and overhead costs of a project under construction (e.g., buildings and building improvements, land improvements, and infrastructure) should be temporarily reported as Construction-in-Progress*.* When a project is completed, the costs should be transferred and allocated to one or more of the other major asset types. A project is generally considered complete when it is ready for its intended use. Construction for a project is complete when the building is substantially finished and occupied. The majority of expenditures within a CIP project should be capitalized; however some expenditures should be expensed. Refer to Appendix 1 – Construction in Progress**.**

Construction-in-Progress can also be used for computer software systems. This typically includes systems that will take several months to install, test, and put into production. Usually, several vendors and Purchase Orders are involved.

Construction-in-Progress can also be used for equipment construction. This typically involves several months to build, test, and put into production. Usually, several vendors and Purchase Orders are involved and funding is provided by a Grant. A CIP Index should be established to track expenditures related to the construction. The Grant Accounting System (GAS) will link the CIP Index and the Grant Index for reporting purposes.

## Cost Determination

### Capital Asset Costs

Purchased capital assets should be capitalized based on historical cost or estimated historical cost, if the historical cost is unknown.

Capitalized costs *include,* but are not limited to, the following:

· The purchase price of the capital asset, net of purchase discounts, plus any trade-in allowances.

· Freight and handling, including shipping insurance.

· Installation and inspection costs.

· External architectural, engineering, consulting, and design costs directly related to the asset.

· External professional services for construction, electrical, plumbing, and HVAC costs.

· Relocation and rearrangement of existing machinery and equipment, and any other movable fixtures while pending completion of an improvement, renovation, or new construction.

· Demolition, removal, and disposition of existing equipment or structures in preparation for a new project. The cost to remove or demolish a building or other structure existing at the time of acquisition of land, with the intention of using the cleared land, is considered a part of the land's cost.

· Site-preparation costs related to buildings and land improvements, such as clearing, filling, leveling, and excavating.

· Various fees incurred in the acquisition of land, such as title, legal commission, and survey fees.

· Internal labor directly chargeable to a capital project that would not have been incurred during the period in the absence of activity associated with the project.

· Allocation of fringe benefit and overhead expenses, calculated as a percentage of direct labor based on actual approved fringe benefit and indirect cost rates.

Costs *excluded* from capitalization include, but are not limited to, the following:

· A permanent relocation and rearrangement of existing machinery and equipment.

· Start-up time, including the cost of "debugging" problems associated with the completion of a project.

· Licensing and registration fees for vehicles and operational equipment.

. Annual software maintenance contracts or license renewals.

· Costs incurred for assets *not acquired*, such as surveying, title searches, legal fees, and other expert services incurred for a prospective land purchase that did not transpire.

· Extraordinary costs incidental to the construction of capital assets such as those due to strike, flood, fire, or other casualties.

· Asbestos removal, soil remediation, and other environmental clean-ups, unless the result increases the useful economic life of the asset.

· Costs related to the conceptual process involved in the selection of software, as well as training and data-conversion costs.

· Costs related to the training of personnel in the use of fixed assets.

· Maintenance and repair costs should be expensed. Refer to Appendix 2 – Comparison for Renovations/Improvements and Maintenance.

### Group Purchases and Unit Cost

Capital assets purchased in quantities of two or more should be capitalized only after determining the unit cost of each individual asset. The University should report only individual capital assets (quantities of one) under the Machinery and Moveable equipment classification; *group purchases of assets should not be reported in the aggregate.*

### Capital Assets Composed of Multiple Units

A key consideration in defining a capital asset is the definition of an asset when property is composed of a group of distinguishable sub-units as in the following cases:

· Asset systems (should be reported as individual assets)

· Assets with associated components (should be reported as a single asset)

The University defines *asset systems* as a group of interdependent assets acquired to be used together for normal operations. Asset systems consist of assets that can be used separately when not integrated into a system. Each asset within such a system is subject to the $5,000 capitalization threshold. For example, two computer terminals tied into a mainframe constitute three separate assets, each subject to the $5,000 capitalization threshold. Each of these three assets can function independently.

An *asset with associated components* is considered all one asset when the utility of the components is mainly dependent on that of the asset. The intent is that the main asset and the components will function as one unit. The cost of the asset and its components are together subject to the $5,000 capitalization threshold. Assets with associated components should be reported as one asset.

For example, a microscope with a cost of $4,000 and its’ lens with a cost of $1,500 would qualify for capitalization since their combined cost exceeds the $5,000 capitalization threshold.

Components acquired after the purchase of the main asset should not be associated with the main asset and should be capitalized as separate assets if they meet the $5,000 capitalization threshold. Otherwise, the costs should be expensed.

For example, if an additional lens was purchased for a cost of $2,000 for the microscope in the above example at a later time, the cost would be expensed.

### Capitalization of Interest Incurred during Construction

Capitalized interest is the interest added to the cost of a constructed, long term asset. It involves the interest on debt used to finance the assets’ construction. Financial Accounting Standards Board Statement No. 34 (FASB 34), *Capitalization of Interest Cost,* establishes standards for capitalizing interest cost as part of the original cost of acquiring certain capital assets. FASB 34 also requires disclosure of the total interest incurred and the portion capitalized.

The University may fund the construction and/or purchase of particular assets with bonds. The interest expense incurred on the bond is added to the cost of the capitalized asset.

# **Acquisition Methods and Valuation**

## Direct Purchase

Acquisition costs and costs to place the asset in use should be capitalized.

## Construction

The amount capitalized for a constructed asset should include all costs incurred in constructing the asset and placing it in service. Refer to the "Capital Asset Costs" section on page 9.

## Trade-in of Equipment

The University may trade-in equipment as part of a purchase for a new equipment item. The book value of the equipment being traded-in will be added to the cost of the new equipment purchase. The old item will be removed from the Asset Management systems as a ‘trade-in’.

## Exchanges

When no consideration is involved in the exchange of *similar*assets, the asset received should be reported at the net book value of the asset traded or exchanged. When the exchange is for *dissimilar*assets, however, the fair value of the newly acquired asset should be used for reporting the cost of the asset.

When consideration is either given or received in the exchange of *similar*assets, then the asset received should be recorded at its fair value. Fair value in this case is defined as the sum of the cash paid plus the lesserof either the trade-in value given for the relinquished asset or the net book value of the relinquished asset at the time of the trade. When the exchange is for *dissimilar*assets, however, fair value is defined as the sum of the cash paid plus the trade-in value of the relinquished asset at the time of the trade.

## Gifts and Donations

Capital assets may be acquired by gift from individuals or organizations that are external to the University. In such cases, donated assets should be valued at their estimated fair value at the time of acquisition plus ancillary charges. They are recorded as a capital asset if they meet the University’s criteria. Gifts may also include grant equipment brought from other institutions with newly hired researchers. Related revenues should be reported as capital gift revenue in the statement of revenues, expenditures, and changes in net assets.

## Capital Assets Acquired through Grants or Contributions

Capital assets acquired through grants or contributions should be reported at historical cost or fair value and depreciated, as appropriate. Related revenues should be reported as capital gift revenue in the statement of revenues, expenditures, and changes in net assets. Capital contributions should be reported after nonoperating revenues and expenses in the statement of revenues, expenses, and changes in fund net assets. **Refer to Section VI for Government-owned property.**

## Leased Capital Assets

The University classifies a lease as capitalif it meets at least one of the four criteria below prescribed under Financial Accounting Standards Board Statement No. 13, *Accounting for Leases.* When a lease does not meet any of the criteria, the University classifies it as an operating lease.

1. The lease transfers ownership of the property to the lessee (the University of Toledo) during or at the end of the lease term.
2. The lease contains a bargain-purchase option. A bargain-purchase option is a provision allowing the lessee to buy the property at a very favorable price.
3. The lease term is equal to or greater than 75 percent of the estimated economic life of the lease property.
4. The present value of the minimum lease payments equals or exceeds 90 percent of the fair value of the leased property. Minimum lease payments generally equal the property rental payments excluding costs such as maintenance and insurance.

Capital assets should be capitalized at a lease's inception. If the asset meets criteria 1 and 2, the asset should be depreciated over its’ useful life. If the asset meets criteria 3 and 4, the asset should be depreciated over the term of the lease.

# **Funding of Capital Assets**

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# The University funds the purchase and construction of capital assets through various sources. Such as internal funds, capital leases, bond issuance, state appropriations, and grant and designated funds. Regardless of the source of funds the established capitalization criteria should be followed. All capital assets are reported on the statement of net assets.

## Internally Funded

The University internally funds the purchase and construction of equipment, software, construction and renovations of buildings and structures. When the purchase or construction is approved by Capital Budget, an Index is established to track the expenditures. The funding should be transferred into the Index at this time. The equipment and software is added to Asset Management and is depreciated when the asset is purchased. When the construction or renovation project is complete and in use, the asset is added to Asset Management and is depreciated according to the University guidelines.

## Capital Leasing

The University may purchase equipment or software through a capital lease. A liability is established at beginning of the lease agreement. The periodic principal and interest payments are posted against an operating Index. Annually, the principal payments are reclassed to the liability Index. Capital assets should be capitalized at a lease's inception. The asset is added to Asset Management and is depreciated.

## Bond Issuance

The University may fund the construction and/or purchase of particular assets with bonds. The University draws funds from the bond monthly based on the expenditures incurred during the prior month. The interest expense incurred on the bond is added to the cost of the capitalized asset. The assets are added to Asset Management and are depreciated according to the University guidelines.

## State Appropriations

The State of Ohio may fund the construction or renovation of specific buildings or structures. Payments to the vendors are processed by the state. Monthly, Facilities obtains the payment information from OAKS (Ohio Administrative Knowledge System). Facilities summarizes the detailed information (project name, vendor, amount paid, invoice copy, etc.) and sends it to General Accounting. GA records the expenditure and the revenue. When the project is complete and in use, the asset is added to Asset Management and is depreciated according to the University guidelines.

As required by GASB 33, Accounting and Financial Reporting for Nonexchange Transactions, the CIPs funded by state appropriations are recorded on an accrual basis. The Ohio Office of Budget and Management (OBM) informs the University of Vouchers processed during the months of July and August for services incurred in the prior fiscal year. In the subsequent fiscal year, the University reverses the adjustments identified as the prior years’ costs of additions.

## Grants and Contributions

Grant funds may purchase capital equipment and software directly. The assets are added to Asset Management and are depreciated according to the University guidelines. Occasionally, grant funds are used for the construction or renovation of a building or equipment. A CIP Index should be established to track expenditures related to the construction or renovation. The Grant Accounting System (GAS) will link the CIP Index and the Grant Index for reporting purposes. **Refer to Section VI for Government- owned property.**

# **System for Control of Government Property**

The responsibility for oversight of Government property at the University has been assigned to the Controller’s office. This section is intended to provide guidance for administering Government-owned property in accordance with the requirements of Federal Acquisition Regulations (FAR). The applicable requirements of FAR part 52 are fulfilled and the definitions as reflected therein are applied unless otherwise stated by this manual. The successful implementation of these guidelines requires coordination and communication between various University departments including Research and Sponsored Programs, Grants Accounting, Purchasing and General Accounting.

The University shall establish and maintain procedures necessary to assess its property management system’s effectiveness and shall perform periodic internal reviews, self-assessments or audits. Significant findings or results of such reviews and audits pertaining to Government property shall be made available to the Property Administrator. The University’s responsibility extends from the initial acquisition and receipt of property, through custody, safeguarding and use until formally relieved of responsibility by authorized means.

# **Acquisition of Government Property**

All requests for purchases of equipment from Government funds are initiated by the Principal Investigator (PI) or their authorized representative and forwarded to the Purchasing Department for necessary action. Prior to completing a purchase request, the PI, in coordination with the Department Budget Manager, Lab Technician, and the Senior Plant Financial Analyst (SPFA), should review the current equipment inventory for like items to determine if the proposed purchase can be fulfilled by utilizing existing resources. If proceeding with the purchase, the PI should ensure the acquisition is authorized by the applicable Government agency and there are funds available in the approved budget. Requests for acquisition of Government Furnished Property and surplus Government Property are directed to the Controller’s office for review.

# **Receipt of Government Property**

# Property destined for projects on Campus is first delivered to the Receiving Department and processed in accordance with standard procedures as detailed in the Purchasing Manual. The Receiving Department will notify the SPFA that Government property has been received and will indicate its intended destination. The SPFA will make arrangements to tag the asset as soon as feasible in accordance with the guidelines for Asset Records below.

# **Asset Records**

# Asset records for the University are maintained in the Banner Fixed Asset Module which is capable of recording all information needed to comply with government regulations. Pre-numbered tags in the 3xxxx series are used to identify Government-owned assets. The SPFA will assign the next consecutive number and enter the necessary information in the asset module. The “Title To” field will be populated with “Federal Government” by making the appropriate selection from the drop-down box. This will enable various reports to be run for purposes of inventory identification as described in the section below. A decal containing the assigned number in the bottom block and the words “Property of the U.S. Government / Do Not Remove” in the top block will be affixed to the equipment as soon as feasible. In the event an item is untaggable (i.e. radioactive, size, etc.), some other means of identification may be employed. The PI should notify the SPFA of any change in location of Government owned property so the new location may be properly logged in the asset module.

**Inventory**

All Government equipment in the possession of the University will be physically inventoried on an annual basis. The SPFA will generate a report of Government-owned property by location and make arrangements to verify the counts. Results will be reported to the PI and Property Administrator at the conclusion of the inventory. For equipment located at facilities off campus, an inventory is prepared and forwarded to the PI for verification and signature. The necessity for retention of the equipment and its property utilization is also reviewed at this time.

**Subcontractor Control**

Grants Accounting is responsible for reviewing and evaluating the property management system of the subcontractor for any sub awards involving Government property. Upon completion of the subcontract a final inventory is required from the Subcontractor and normal disposal action is taken if needed.

**Reporting**

The SPFA shall create and provide periodic reports of discrepancies, loss of Government property, physical inventory results, inventory audits and/or self-assessments and other property-related reports as required by the Contracting Officer. These reports will be designed and executed in the University’s standard reporting environment (currently Web Report Library) using data elements from the Banner Fixed Asset Module.

**Safeguarding of Assets**

Government Property shall not be transferred to another location or moved to storage without proper authorization. When an item is expended or damaged during the research or when it cannot be located due to loss or theft, the PI shall immediately notify the SPFA and complete the Government Property Management Form. The SPFA will work with Grants Accounting and the PI to investigate the loss and coordinate the request for relief of accountability. The investigation and associated report will contain the information required by FAR 52.245 – 1(f)(1)(vii). When it is determined that an individual item of Government-owned equipment is not required for future research, a surplus declaration is submitted to the Government Property Administrator requesting disposition instructions (see Award Close Out).

**Utilization of Assets**

The University of Toledo shall utilize, consume, move and store Government property only as authorized under the contract and shall not commingle Government material with material not owned by the Government. Property in excess of that needed for contract performance will be promptly reported to the Government Property Administrator.

**Maintenance of Assets**

Proper care of Government-owned equipment, whether government furnished or contractor purchased, is the responsibility of the University. The University delegates the responsibility of maintaining equipment in proper working condition to the PI of the research project for which the property was acquired. Any applicable technical publications should be consulted as necessary and preventative maintenance scheduled accordingly.

**Award Close Out**

Upon completion of each contract, the PI will notify Grants Accounting and the SPFA and a final inventory will be taken. All plant equipment acquired and accountable under the contract and any significant quantities of material and supplies as may be readily associated with the specific contract in question is inventoried and declared to the Government Property Administrator. Retention of materials and supplies will be requested when a justifiable need exists. If no other Federal research remains in the area being inventoried, all material and supplies determined to be Government property will be declared excess and disposal instructions requested.

# **Establishing a Capital Index**

This section provides general guidelines the University follows in establishing Indexes for capital projects and capital equipment. Refer to [Capital Assets Procedures 2011.xlsx](file:///\\utad.utoledo.edu\DFS$\Shares\finance\Accounting\Fixed%20Assets\Capital%20Assets%20Procedures%20and%20Policy\Capital%20Assets%20Procedures%202011.xlsx) for the specifics on the procedure.

## CIP Projects

The University establishes unique indexes for each specific CIP project. The Index is assigned based on the building, structure, computer system, or equipment involved. There are separate ranges for different classifications: Main Campus Academic, Health Science Campus Academic, and Health Science Campus Clinical. All expenditures related to the project are recorded against the assigned Index using the appropriate account code. Transfer of budget dollars and funding dollars are also posted to the assigned Index. Upon completion of the project, the asset will be capitalized to the appropriate asset. Any remaining fund dollars will be transferred back to the original source. The CIP index should be closed when the project is complete.

## Equipment

The University establishes unique indexes for a grouping of similar departments. There are separate ranges for Academic and Clinical equipment.  All expenditures related to the equipment are recorded against the assigned Index using the appropriate account code. Transfer of budget dollars and funding dollars are also posted to the assigned Index. When payment has been posted, the equipment will be capitalized to the appropriate asset.  The Index remains open after the equipment is capitalized. It should be used for future capital expenditures for the specified department.

Examples:

* Index 908005, Hospital Pathology – Capital Equipment, includes equipment for Blood Bank, Tissue Typing, Hematology, and Immunology departments**.**
* Index 906008, Facilities Management– Capital Equipment, includes equipment for Facilities Management, Plant Operations, and Grounds departments.

# **Renovations and Improvements**

## Buildings, Infrastructures, Land Improvements

Renovations and Improvementsmade to buildings, infrastructures, and land improvements should be recorded as capital assets if they meet established capitalization criteria. They either enhance or upgrade an existing structure to a condition beyond that which results from normal maintenance or repair, and/or increases the useful life. It may also be an addition to the structure. The cost minimum for hospital assets is $5,000 and for academic assets is $50,000. Example: a roof replacement, upgraded HVAC or electrical system, building addition. **Refer to Appendix 2 - Comparison for Renovations/Improvements and Maintenance**

## Leasehold Improvements

Renovations and improvements made to assets under operating leases, commonly referred to as leasehold improvements, should be reported when they meet the capitalization criteria established for renovations and improvements. The estimated useful life of a leasehold improvement cannot exceed the remaining period that the lease covers. Leasehold improvements should only be recorded as capital assets when the University pays for the cost of the improvement. If the lessor pays the cost of the improvement under the terms of the lease agreement, then the lessor, not the University, should report the leasehold improvement as a capital asset, even though the cost of the improvement may be passed onto the University through lease payments.

## Machinery and Equipment, Vehicles

Occasionally, improvements can be made to an existing machinery or equipment. If the improvement extends the useful life, it can be added to the cost of the asset if it meets the established capitalization criteria. Example: the inner workings (i.e. motor, engine) of an asset are upgraded to the latest version; the body of the original asset is retained.

## Computer Software

Most computer software improvements are replacing currently used software. It would be recorded as a new asset if it meets established capitalization criteria. The software it is replacing should be retired.

# **Maintenance and Repair Costs**

Maintenance and repair costs should be reported as operating expenses in the period incurred. These ordinary costs are either required throughout the life of an asset to keep it in efficient operating condition or for necessary repair. Maintenance activities (e.g., painting, minor repairs, housekeeping, etc.) keep an asset in good working condition throughout its estimated useful life. Whereas, renovations and improvements extend the useful life of the asset. For example, service contracts for elevators are maintenance and should be expensed.  **Refer to Appendix 2 - Comparison for Renovations/Improvements and Maintenance.**

## Maintenance and Repair Examples

· Rearranging and moving costs normally should be reported as operating expenses in the period incurred, unless they are in conjunction with expansion or betterment of the asset, in which case they should be capitalized. For example, a building, which currently houses individuals and equipment, undergoes a major renovation. In this case, all costs of rearranging, moving, and providing temporary housing should be included as part of the renovation cost.

· The cost of relocating personnel and/or individual assets from one location to another is an operating expense if no major building renovation occurred.

· Salaries and fringe benefits should not be capitalized even though a portion of such salary cost may be related to capital asset acquisition.

· Routine maintenance, service, repairs, and inspections should be expensed in the period incurred. For example: elevator inspection, vehicle oil change and tire rotation, light bulb replacements, replace broken window pane.

· Costs incurred for assets not acquired should not be capitalized. For example, surveying costs, title searches, legal fees, and the costs of other expert services incurred for a prospective land purchase that did not close should not be capitalized.

· Extraordinary costs incidental to the construction of capital assets such as those due to strike, flood, fire, or other casualties should not be capitalized.

· Costs of abandoned construction should not be capitalized.

· Asbestos removal costs, soil remediation, and other environmental clean-up costs should not be capitalized, except in the case when the outcome extends the useful life of the asset.

# **Depreciation**

## General Policy

In conformity with governing standards, the University must report depreciation expense for depreciable capital assets. Capital assets should be depreciated over their estimated useful lives unless they are inexhaustible, such as land and specific land improvements. Depreciation expense should be reported in the statement of revenues, expenses, and changes in net assets; and the statement of changes in net assets.

The University should depreciate capital assets reported in the following types**:**

· Buildings

· Infrastructure

· Land Improvements (exhaustible assets)

· Leasehold Improvements

· Machinery and Moveable equipment

· Vehicles

· Computer Software

· Intangible assets

The University should not depreciate capital assets reported in the following types:

* Land
* Land Improvements (inexhaustible assets)
* Construction-in-Progress

Question 27 of the GASB's *Guide to Implementation of GASB Statement 34 on Basic Financial Statements and Management's Discussion and Analysis -for State and Local Governments* defines an *inexhaustible* capital asset as one whose economic benefit or service potential is used up so slowly that its estimated useful life is extraordinary long. The guide further states that land and *certain* land improvements are inexhaustible capital assets. Therefore, not all land improvements may necessarily meet the definition of an inexhaustible asset and can be subject to depreciation.

## Depreciation Cross-Charge

Some specific assets are used by both Academic and Hospital departments. The depreciation expense for those assets should be cross-charged to the other division. Some asset types are cross-charged at a flat 50-50%. Some buildings are cross-charged based on the usable square footage used by specific departments.

Examples:

* Roads servicing both the Health Science Campus and the Hospital. The depreciation expense is evenly charged between Academic and Hospital.
* Glendale Medical Center is an Academic building. However 79% of the usable square footage is assigned to Hospital departments. Therefore, 79% of the annual depreciation expense is cross-charged to the Hospital.

Refer to [Capital Assets Procedures 2011.xlsx](file:///\\utad.utoledo.edu\DFS$\Shares\finance\Accounting\Fixed%20Assets\Capital%20Assets%20Procedures%20and%20Policy\Capital%20Assets%20Procedures%202011.xlsx) for the specific assets that should be cross-charged.

## Depreciation Method

The University uses the Half Year (HY) Convention and the Straight-Line Method in calculating annual depreciation expense and accumulated depreciation.

## Useful Life Guidelines

The guidelines used to assign the useful life include *The Estimated Useful Lives of Depreciable Hospital Assets by the American Hospital Association* and the *Useful Life Table* established by The University.

Refer to Appendix 3 – Depreciation Expense and Useful Life.

# **Disposals, Retirements and Transfers**

## Disposals and Retirements

### Reasons for Disposal and Retirement

A capital asset should be reported as disposed or retiredwhen it is:

· Sold or traded in

· Lost or stolen

· Scrapped, recycled, or discarded

· Damaged and unusable or destroyed

· Demolished

An asset should be disposed or retired when it no longer serves its intended purpose. This can result from technological advances, normal wear-and-tear, destruction through natural causes, theft, or sold. Capital assets that are no longer needed for operations should be expeditiously identified and retired.

At no time can a University department or office discard a University asset without the proper authorization; nor can a University asset be given or donated to any individual, private corporation or non-profit organization. Only a Principal Administrative Officer can authorize the disposal of an asset.  Principal Administrative Officer includes dean, director, department chair, associate vice president, vice president, president, and business manager.

### Accounting Treatment

A capital asset disposal should be recorded by crediting the appropriate capital asset account for the historical cost of the asset and by debiting the related accumulated depreciation account. Any net book value remaining is posted to a gain or loss revenue account. The proceeds received are posted against sales or services revenue account.

### Disposal of Machinery and Moveable Equipment including Vehicles

No matter what condition the equipment is in, the SPFA must be notified by filling out the *Redistribution Westwood/Disposa*l form before any equipment can be disposed**.**

The Department Administrative Officer verifies that the equipment is no longer used or needed. The disposal of certain equipment types will also be approved by the following departments:

* + For grant funded equipment, the Director of Grants Accounting verifies that the disposal is allowed per the grant regulations.
  + For computer related equipment, Information Technology verifies that the hard drive is removed and destroyed.
  + For medical related equipment, Technology Support verifies the item is no longer needed or serviceable and that they have cannibalized what they can. If applicable, they will cancel any maintenance/service agreement.

The completed Redistribution Westwood/Disposal form is sent to the SPFA. The SPFA records the disposal in Asset Management and maintains documentation of the disposal approval for auditing purposes. The records should include disposition method and date of disposition.

The records should be maintained to comply with record retention. If litigation involving capital assets has been initiated, the related records should be retained until the litigation is resolved.

### Disposal of Buildings, Infrastructures, and Land

Buildings/infrastructure disposals usually occur because of one of two events:

* Demolition: Older buildings may be demolished due to lack of use, outdated, or as part of a larger renovation/improvement to the campus. When the demolition has occurred, Facilities is to inform General Accounting. GA will dispose of the asset in Asset Management.
* Sale: When the real estate transaction has occurred, Facilities is to inform General Accounting of the transaction. GA will dispose of the asset in Asset Management.

The annual inventory of buildings and structures may also identify disposals. Annually, General Accounting will prepare a list of current buildings and structures. Facilities will review the report and make note of any disposals or demolitions or sale of assets and return the list to GA. GA disposes of the building, structure, or land in Asset Management. Buildings, structures, or land may also be removed from Asset Management if General Accounting is informed of the transaction when it occurs.

### Retirement of Computer Software

Annually, General Accounting will review the software systems that are fully depreciated and contact the responsible departments on the status of the software system. If the system is no longer in use, it should be removed from Asset Management. Software may also be removed from Asset Management if the responsible department informs General Accounting that the system is no longer in use, even though it has a book value.

## Equipment Transfers

### Transferring Equipment

When a department no longer has use for a functioning capital asset, it can be transferred to another department if there is a need for the asset. If no other department has a need for the asset, it should be transferred to Surplus Property (Westwood Building). *Redistribution Westwood/Disposal* form must be completed and signed by the appropriate Administrative Officer. The completed *Redistribution Westwood/Disposa*l form is sent to the SPFA. The SPFA will record the transfer in Asset Management.

# **Internal Controls for Capital Assets**

## Control Objectives

The University should meet the following internal control objectives for capital assets.

· Property acquisitions should be recorded timely and accurately in source documents and accounting records.

· Detailed subsidiary records should be maintained for individual capital assets and should be periodically reconciled with control accounts.

· Periodic physical verification should be made of the existence and condition of property.

· Physical security measures should be commensurate with the size, type, and value of property.

· Issues, transfers, retirements, and losses should be reported and accounted for timely.

· Capital asset records should be accurately maintained.

· Adequate segregation of duties should exist among functions affecting the control and reporting of capital assets.

Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes 1.) the cost of a control should not exceed the benefits likely to be derived, and 2.) The valuation of costs and benefits requires estimates and judgments by management.

## Control Procedures (Refer to Section VI for Government-owned property)

### Acquisitions and Dispositions

The University should establish policies and procedures that are clearly defined to govern the acquisition and disposals of capital assets. Capital asset acquisitions and dispositions should be recorded in the University's asset management system. Employees responsible for maintaining property control records should be promptly notified when capital asset acquisitions, dispositions, transfers, or other activities have occurred.

### Identification Numbers and Tagging Procedures

Each capital asset the University acquires should be assigned a number to uniquely identify it among all other assets. Identification numbers allow the University to access all information related to specific assets.

All capital machinery, equipment, and vehicles should have an identification tag visibly affixed.

The University should issue sequential asset identification tags and account for the sequence of tags issued. Assets should be physically tagged when they are received or placed into service with the tag number cross-referenced on supporting documentation. Asset tags that are damaged or lost should be replaced with a newly assigned identification number. Asset Management and the supporting documentation should be updated with this new number. The capital asset types that do not require identification tags include: land, buildings, infrastructures, land improvements, leasehold improvements, computer software, and construction-in-progress.

### Safeguarding of Assets

The following practices are used to physically safeguard capital assets:

· Controlled access to all buildings

· Controlled access for secured areas (IT, Research Labs, Lab Animal Med)

· Procedures to protect all assets, including files and records, from potential fire and water damage

· Checkout procedures for capital assets most susceptible to theft

· Conduct an annual physical inventory of all capital assets

· Proper segregation of duties to ensure employees responsible for

- property control do not engage in the purchasing, receiving, or expenditure processing functions

- departmental custodian of capital assets do not have access to the asset management system

### Inventory of Machinery and Equipment and Vehicles

University policy requires an annual physical inventory of all capital assets. Physical inventory-taking procedures should be thorough and well documented. Each department should compare and reconcile the results of the physical inventory with the property records to permit a timely investigation and resolution of significant differences and to further enhance control and accountability. Discrepancies noted during the physical inventory should be reported to the SPFA.

The inventory report is sent to each responsible department annually. The report includes the asset number, tag number, description, building and room number, cost, purchase date, serial number, and source of funds (asset group) of each asset. The inventory taker or reviewer signs and dates the Inventory Worksheet and notes all exceptions identified, such as changes in locations, transfers to another department and disposals. The worksheet is returned to SPFA upon completion. The SPFA takes necessary actions for the exceptions noted which includes updating Asset Management. If approval is needed for transfers or disposals, the SPFA works with the department to obtain the proper authorization.

In addition to the regularly scheduled physical inventory, a special physical inventory may be taken when:

· A department or laboratory moves from one location to another.

· A special request is made for a physical inventory (example: researcher leaves UT and remaining lab equipment is re-assigned to another researcher).

A department may maintain an inventory listing for non-capital assets. It can be used as a reference for maintenance contracts or to trace misplaced or stolen non-capital items.

### 

### Inventory of Buildings and Structures

Annually, General Accounting will prepare a list of current buildings and structures. Facilities will review the report and make note of any disposals or demolitions or sale of assets and return the list to GA. GA disposes of the building, structure, or land in Asset Management.

### Inventory of Computer Software

Annually, General Accounting will review the software systems that are fully depreciated and contact the responsible departments on the status of the software system. If the system is no longer in use, it should be removed from Asset Management.

### Missing Assets

Assets may be missing for several reasons, including theft, unrecorded transfers, and loans of equipment. The University should pursue explanations for missing equipment when possible, and they should undertake efforts to locate missing assets. If theft is suspected, the department should notify the University of Toledo Police department. Campus Police notifies the SPFA of any theft. The SPFA records the necessary disposal in Asset Management.

### Data Elements for Capital Asset Records

The following data should be maintained for each capital asset record, as may be applicable.

· Major asset type

· Assigned asset number

· Tag number

· Description of asset, includes Manufacturer name and Model number

· Funding source

· Department

· Location – building and room

* Vendor name

· Purchase order or voucher number

· Purchase order date

· Serial number

· Historical cost

· In service date

* Estimated useful life

· Net Book Value

· Date of disposition

· Method of disposition

# **Appendix 1 – Construction in Progress**

This appendix details the expenditures for CIP projects related to building and structure construction, renovations, or improvements and for CIP projects related to equipment.

## Buildings and Structures

CIP expenditures that should be *capitalized* include*,* but are not limited to, the following:

· External architectural, engineering, consulting, and design costs directly related to the asset.

· External professional services for construction, electrical, plumbing, and HVAC costs.

* Installation and inspection costs.

· Relocation and rearrangement of existing machinery and equipment, and any other movable fixtures while pending completion of an improvement, renovation, or new construction.

· Demolition, removal, and disposition of existing equipment or structures in preparation for a new project.

· Site-preparation costs related to buildings and land improvements, such as clearing, filling, leveling, and excavating.

· Internal labor directly chargeable to a capital project that would not have been incurred during the period in the absence of activity associated with the project.

· Allocation of fringe benefit and overhead expenses, calculated as a percentage of direct labor based on actual approved fringe benefit and indirect cost rates.

* Furnishings and equipment less than $5,000 each should be capitalized. They should be grouped together as one asset with a shorter life year than the construction asset. For example: workstations, cubicle, desks, chairs, bookcases will be one asset with a 10 year life. Computers, printers, copiers, televisions will be one asset with a 5 year life. The new building will be one asset with a 40 year life.
* The hospital and academic projects are treated the same except for the cost minimum (Hospital $5,000; Academic $50,000). Hospital projects: the construction portion should be at least $5,000 to be capitalized and the furnishing and equipment portion should be at least $5,000 to be capitalized. If either portion is less than $5,000, it should be expensed. Academic projects: the construction portion should be at least $50,000 to be capitalized and the furnishing and equipment portion should be at least $50,000 to be capitalized. If either portion is less than $50,000, it should be expensed.
* Interest incurred on debt used to finance the assets’ construction.

CIP expenditures that should be *expensed* include, but are not limited to, the following:

· Start-up time, including the cost of "debugging" problems associated with the completion of a project

· Licensing and registration fees for vehicles and operational equipment.

· Costs incurred for assets not acquired, such as surveys title searches, legal fees, and other expert services incurred for a prospective construction or renovation that did not transpire.

· Extraordinary costs incidental to the construction of capital assets such as those due to strike, flood, fire, or other casualties.

· Asbestos removal, soil remediation, and other environmental clean-ups, unless the result increases the useful economic life of the asset.

· Costs related to the conceptual process involved in the selection of software, as well as training and data-conversion costs.

· Costs related to the training of personnel in the use of fixed assets.

* Miscellaneous supplies such as: trash cans, office supplies, coat racks, bulletin boards, medical supplies, linens.
* Maintenance and repair cost should be expensed. Refer to Appendix 2 – Comparison for Renovations/Improvements and Maintenance.

## Equipment Construction

This section pertains to equipment that is constructed by the University. Grant funds may be used to construct a capital equipment asset over a period of time. A CIP Index should be established to track expenditures related to the construction. The Grant Accounting System (GAS) will link this Index to the Grant Index for reporting purposes.

The CIP Index should only include those expenditures that are capitalized. Any operating expenses should be on the Grant Index.

Refer to the section above for a list of capital and operating expenditures.

# **Appendix 2 - Comparison for Renovations/Improvements and Maintenance**

## Renovations or Improvements

Renovations and Improvements either enhance or upgrade an existing structure to a condition beyond that which results for normal maintenance or repair and/or increases the useful life. It may also be an addition to the structure. The cost minimum for hospital asset is $5,000 and for academic assets is $50,000.

Examples:

* Replace a roof on a building by removing the old roof and installing a new one.
* Remove old insulation and add new insulation to the walls of a building to enhance heating capabilities and efficiency.
* Resurface a parking lot due to deterioration.
* Replace flooring with new carpet, vinyl, tile, etc.
* Replace regular windows in a building with passive solar windows for greater energy efficiency.
* Add a color synthesizer to a printing press to enhance its capabilities.
* Addition to a building.

## Maintenance

Maintenance keeps an asset in good working condition throughout its estimated useful life. It does not extend the useful life.

Examples:

* Annually tar a roof to prevent leakage and premature deterioration.
* Replace small parts or perform general servicing to make equipment work properly.
* Weather stripping around windows before winter to stop heat leakage.
* Patch holes in the surface to maintain a flat surface.
* Shampoo/clean flooring to maintain appearance.
* Replace a broken window with a new one.
* Routine maintenance, service, repairs and inspections. Such as elevator inspection, vehicle oil change, light bulb replacements.
* Rearranging and moving costs. The exception being if it’s part of a major renovation.

# **Appendix 3 - Depreciation Expense and Useful Life**

## Calculation

The Asset Management System uses the Half Year (HY) Convention and the Straight-Line Method in calculating depreciation expense.

Half Year Convention calculates ½ of the annual straight-line depreciation over the open months of the initial fiscal year the asset is added to Asset Management. The years in between the first and last year of the life of the asset, the depreciation is calculated by using the annual straight-line depreciation. The last year depreciation is calculated and spread over the first six months of the fiscal year.

## Useful Life Assignment

The guidelines used to assign the useful life include *The Estimated Useful Lives of Depreciable Hospital Assets by the American Hospital Association (AHA Guidelines)* and the *Useful Life Table* established by The University. **The *AHA Guidelines* can be found at** **[AHA Useful Life Guidelines All Asset Types.PDF](\\\\utad.utoledo.edu\\DFS$\\Shares\\finance\\Accounting\\Fixed Assets\\Capital Assets Procedures and Policy\\AHA Useful Life Guidelines All Asset Types.PDF) and** [**AHA Useful Life Guidelines Bldgs. & Structures.PDF**](file:///\\utad.utoledo.edu\DFS$\Shares\finance\Accounting\Fixed%20Assets\Capital%20Assets%20Procedures%20and%20Policy\AHA%20Useful%20Life%20Guidelines%20Bldgs%20&%20Structures.PDF)**.**

## Useful Life Table

Buildings:

Below list the most common capital assets and the life year to assign.

|  |  |  |
| --- | --- | --- |
| New Construction or Additions | | 40 yrs |
| Renovation/Replacement/Improvements: | |  |
|  | General | 15 yrs |
|  | Electrical/ Plumbing/ HVAC | 20 yrs |
|  | Fire Protection / Fire Alarm | 15 yrs |
|  | Roofing | 15 yrs |
|  | Clock System/ Security System/ Paging System/ Energy Management System | 10 yrs |
|  | Doors/ Windows/ Floors | 10 yrs |
|  | Elevators | 20 yrs |
|  | Medical Oxygen, Gas and Air Piping | 15 yrs |
|  | Solar Heating | 10 yrs |

Infrastructure:

Below list the most common capital assets and the life year to assign.

|  |  |  |
| --- | --- | --- |
| Roads, Streets - asphalt | 10 yrs | |
| Roads, Streets - concrete | 15 yrs | |
| Sidewalks - concrete | 15 yrs | |
| Street Lighting | 15 yrs |
| Sewer/ Water/ Drainage System | 25 yrs |
| Electrical/ Fiber Optic/ Cabling Systems | 20 yrs |

Land Improvements, Depreciable:

Below list the most common capital assets and the life year to assign.

|  |  |
| --- | --- |
| Parking Lots - asphalt | 10 yrs |
| Septic System | 25 yrs |
| Landscaping | 10 yrs |
| Lawn Sprinkler System | 15 yrs |
| Signage | 10 yrs |
| Athletic Fields | 10 yrs |
| Athletic Turf | 5 yrs |

Leasehold Improvements:

Life year should not extend past the lease commitment.

Equipment:

Life year should be assigned based on AHA Guidelines and the *Useful Life Table* established by The University. For equipment not listed in the guidelines, a life year of similar asset is used. If a similar one is not found, 5 year life is assigned for computer or laser type equipment. For other equipment, a 10 year life is assigned.

Computer Software:

For smaller dollar systems, a life year of 3 years is assigned. For large dollar systems ($100,000 plus), a life year of 5 years is assigned with the project managers’ recommendation.

Patents, Trademarks:

Life year should not extend past the contract life.

Non- Depreciable Assets:

Capital assets that are considered inexhaustible and are not depreciated.

|  |
| --- |
| Land |
| Land Improvements, non-depreciable |
| Collections: Works of Art and Historical Treasures |
| CIP: Construction-in-Progress |