

	DEPARTMENT OF ADMINISTRATIVE SERVICES  <b>POLICY MANUAL</b>  ISSUING DIVISION: FACILITIES DIVISION	NUMBER 125-6-305
	APPROVAL:  C. David White, Administrator	EFFECTIVE DATE July 1, 2001
SUBJECT: Depreciation and Capital Recovery		Page 1 of 3

**PURPOSE:** To explain which real property assets will be depreciated and which will be charged with capital recovery, as authorized under ORS 276.005 and ORS 276.285.

## DEFINITIONS:

Capital Asset	Tangible or intangible assets used in agency operations that have initial estimated useful lives beyond a single year and an initial cost (inclusive of ancillary charges) of at least \$5,000. The Oregon Accounting Manual (OAM) 15.60.10.103 states: <i>The state's capitalization threshold is \$5,000. Thus, capital assets with a cost of \$5,000 or more and a useful life of at least one year should be capitalized and reported in the agency's accounting records. Property with a cost of less than \$5,000 should not be capitalized; it should be expensed in accordance with OAM 15.55.00 Non-Capital Assets.</i>
Capital Projects Fund	A fund used to account for financial resources segregated for the purchase, construction, improvement, repair, equipping, and furnishing of office buildings or the purchase, construction, improvement, and repair of utility and service facilities
Capital Recovery	Revenue transfers from the Division's operating fund to the Capital Projects Fund (CPF). The purpose of these transfers is to replenish the cash used in capital construction and improvement projects.
Dedicated Fund	A fund in the State Treasury that by law is dedicated, appropriated, or set aside for a limited object or purpose, but does not include a revolving fund or a trust fund.
Depreciation	The expiration of the service life of capital assets attributable to wear and tear, deterioration, action of the physical elements, inadequacy, and obsolescence. It is the portion of the cost of the capital asset that is charged as an expense during a particular period.
General Fund	A fund used to account for all transactions of a governmental unit that are not accounted for in another fund.
Real Property	Land, structures, and other appurtenances (additions or improvements).
Revenue Transfer	Records the transfer of revenue from one fund or agency to another. All interfund transactions except loans or advances, inter-fund services provided and used, or reimbursements are transfers.

**POLICY:**

**I. DEPRECIATION**

All capital outlay costs related to the acquisition, construction, or improvements to real property shall be depreciated.

**II. CAPITAL RECOVERY**

There are two revenue sources that are used for capital recovery, Uniform Rent and Self Support Rent. These programs are different enough that costs identified for capital recovery are different between the two programs. The methodology for calculating the amount to be transferred to the CPF is the same. The monthly depreciation of real property assets is calculated. Then a revenue transfer to the CPF, equal to the amount of depreciation, is processed.

**A. UNIFORM RENT**

Capital recovery is calculated for all real property assets in this program. This includes those that were funded from loans, dedicated funds, or general funds.

**B. SELF SUPPORT RENT**

Capital recovery is calculated for only those real property assets in this program that were funded from the CPF. Real property assets funded with dedicated funds, general funds, or loans are excluded from capital recovery.

**III. DEPRICIATION SCHEDULE**

The acquisition, construction or major renovation costs of Real Property Assets shall be depreciated as a single item. All other construction and improvement costs shall be depreciated by major components.

**A. SINGLE ITEM SCHEDULE**

<u>Asset</u>	<u>Life</u>
Office Buildings	40
Warehouse	60
Parking Structures	50

**B. COMPONENT SCHEDULE**

<u>Asset</u>	<u>Life</u>
Site and Structural Components	40
Steel: structural, reinforcing	
Concrete: slabs, sidewalks, curbs	
Structural metal decking	
Site Improvements: excavation, fill, grading, drainage systems, utilities, grubbing, cleaning	

<u>Asset</u>	<u>Life</u>
Glass and glazing	
Masonry and Mortar	
Rough carpentry	
Mechanical	22
HVAC systems, all components	
Plumbing	
Fire Sprinklers	
Temperature Control Systems	
Electrical	25
Electrical: power wiring, circuit breakers, transformers, voltage regulators	
Fire Alarm systems	
Security Systems	
Intercoms	
Power poles	
Exterior Envelope	15
Roofing	
Insulation	
Flashing and Sheet metal	
Sealants and caulking	
Asphalt	
Moisture Protection	
Street Furniture	
Siding	
Landscaping: irrigation systems, trees, shrubs	
Interior Components	10
Ceiling tile	
Telecommunications and computer cable	
Floor-to-ceiling partitions, relites	
Floor coverings, bases	
Doors	
Windows coverings: drapes, blinds	
Hardware	
Sound attenuation	
Specialties	25
Architectural Woodwork	
Hollow metal doors	
Chalkboards and tack-boards (affixed)	
Toilet partitions, accessories	
Access flooring	
Chain link fence	
Finish carpentry	
Ceiling Grids	
Fire suppression systems	
Conveyor systems: elevators, escalators, lifts	
Other	As needed