



7.0 Capitalization

Introduction

The state of Georgia is required to comply with Governmental Accounting Standards Board (GASB) Statements No. 34 and No. 35, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments and Public Colleges and Universities*.

This section will help you implement the reporting requirements under GASB Statements No. 34 and No. 35. Included are asset category definitions, capitalization thresholds, depreciation methodologies, and examples of expenditures for each class of assets. Additionally, guidelines for leasehold improvements and construction in progress are included.

Topics in this section include:

- ❑ Capital Asset Definitions and Guidelines
- ❑ Account Number Reference for Capital Assets
- ❑ Land and Land Improvements
- ❑ Building and Building Improvements
- ❑ Facilities and Other Improvements
- ❑ Infrastructure
- ❑ Equipment
- ❑ Library Books and Reference Materials
- ❑ Works of Art and Historical Treasures
- ❑ Computer Software
- ❑ Construction in Progress
- ❑ Auxiliary Enterprises Renewal & Replacement (R&R) Reserve
- ❑ Capital Asset Impairment
- ❑ Appendices



7.1 Capital Asset Definitions and Guidelines

Capital assets are real or personal property that have a value equal to or greater than the capitalization threshold for the particular classification of the asset and have an estimated life of greater than one year.

The University System of Georgia (USG) has invested in a broad range of capital assets that are used in system operations, which include:

1. Land and land improvements
2. Building and building improvements
3. Facilities and other improvements
4. Infrastructure
5. Construction in progress
6. Leasehold improvements
7. Personal property
 - Furniture and equipment
 - Vehicles
 - Software developed or obtained for internal use
 - Other assets
 - Works of art and historical treasures
 - Library books and materials
 - Intangible assets

7.1.1 Capital Asset Classification

Assets purchased, constructed or donated that meet or exceed the University System's established capitalization thresholds or minimum reporting requirements must be uniformly classified. *

*** Note:** Institutions using the PeopleSoft Financial software will use the PeopleSoft asset categories and profiles to classify these assets. Included in these asset profiles are codes that can be used to componentize research buildings in conjunction with parent/child relationships. Each asset profile in the PeopleSoft system contains a default value for estimated useful life (expressed in months).

Institutions will follow USG accounting standards for establishing the historical acquisition cost for each asset. Institutions will be allowed to substitute information for residual value and/or estimated life based on individual experience. Any substitutions must be substantiated and auditable. Residual values for equipment will be zero. Equipment is normally disposed of through the state where the value to the system and state is nominal.



7.1.2 Capitalization Thresholds

Standard capitalization thresholds for capitalizing assets have been established for each asset category. All University System of Georgia entities are required to use these thresholds.

Class of Asset	Threshold
Land/land improvements	Capitalize All
Buildings/building improvements	\$100,000
Facilities & other improvements	\$100,000
Infrastructure (Major Systems)	\$1,000,000
Equipment / Leased Equipment	\$5,000
Library books/materials (collections)	Capitalize All
Works of art/historical treasures	Capitalize All
Software developed or obtained for internal use	\$1,000,000
Capital Leases - Buildings	\$100,000

7.1.3 Capital Asset Acquisition Cost

Capital assets should be recorded and reported at their historical costs, which include the vendor's invoice (plus the value of any trade-in), plus sales tax, initial installation cost (excluding in-house labor), modifications, attachments, accessories or apparatus necessary to make the asset usable and render it into service. Historical costs also include ancillary charges such as freight and transportation charges, site preparation costs and professional fees.

Interest is capitalized on assets that are constructed or otherwise produced for an institution's own use, including assets constructed or produced for the institution by others for which deposits or progress payments have been made.

Assets acquired with gifts and grants that are restricted by the donor or grantor to acquisition of those assets *do not* qualify for capitalization of interest.

7.1.4 Capital Asset Donations

GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*, defines a donation as a voluntary non-exchange transaction entered into willingly by two or more parties. Both parties may be governments or one party may be a non-governmental entity, including an individual. **A voluntary contribution of resources between state agencies is not a donation.**

Assets donated by discretely presented component units (other state agencies) or parties outside the financial reporting institution should be reported at their fair market value on the date the donation is made.



7.1.5 Leased Land, Buildings, and/or Equipment

Land, buildings, and/or equipment exceeding capitalization thresholds should be capitalized if the lease agreement meets any one of the following criteria:

1. The lease transfers ownership of property to the lessee by the end of the lease term.
2. The lease contains a bargain purchase price.
3. The lease term is equal to 75 percent or more of the estimated economic life of the leased property.

Note: Leases with annually renewable lease terms, in which the likelihood of non-renewal is remote, should be considered as long-term leases for purposes of evaluating this criterion.

4. The present value of the minimum lease payments at the inception of the lease, excluding executory costs, equals at least 90 percent of the fair value of the leased property.

Leases that do not meet any of the above requirements should be recorded as an operating lease and reported in the notes to the financial statements.

7.1.6 Calculation of Leased Asset and Liability Amounts

The lessee treats the capital lease as if an asset were being purchased over time; that is, it is a financing transaction in which an asset is acquired and a corresponding obligation (liability) is created.

DR	Land/Building/Equipment Under Capital Lease	xxx
	CR Lease Purchase Obligations	xxx

The asset and liability should be recorded at the lower (lesser) of:

- Fair market value of the asset at the inception of the lease, or
- Cost = present value of the minimum lease payments, using the lessee’s incremental borrowing rate as the interest rate.
 - **Note:** The lessor’s implicit rate of interest may be used if lower than the lessee’s incremental rate.

This should include all payments that the lessee is obligated to make, such as required payments, bargain purchase options, and guaranteed residual value. They should exclude executory costs such as insurance, maintenance, and taxes that are paid by the lessor. If the lessee pays these costs directly, there is no adjustment to the periodic lease payments.



Example 1: Recording a Capital Lease with a Third Party – Lessee's Books

The University leases a copier from an office equipment retailer for three years. The lease term begins July 1, 2007 at an annual rental of \$3,000 with a down payment of \$500 due on the first day of the lease. At the end of the lease term, the University may purchase the copier for \$1. The asset has a useful life of 5 years. If the University had purchased this copier outright, the cost would have been \$8,500. The incremental borrowing rate of the University is unknown.

Step 1: Does the lease meet the criteria for capitalization?

- Ownership Transfer: **No**
- Written Bargain: **Yes**
- 75% life: **No** (3 years/5 years = 60%)
- 90% of FMV: **Maybe**, but it is not necessary to calculate because one of the four criteria has already been met.

Step 2: Compute the present value of the minimum lease payments, using the lessee's incremental borrowing rate, unless:

- The lessor's implicit rate is lower, and
- The lessee has knowledge of the lower rate.

Use the lessor's rate if it is lower and the lessee has knowledge of it. In this example, since the lease is with a third party and the cost of the asset is known to be \$8,500, the present value of the minimum lease payments can be presumed to be \$8,500. The amortization of the principal balance should be at the lessor's implicit rate, or the interest rate at which the principal balance amortizes to \$0 at the end of the lease term, which in this case is 6.13%.

Step 3: Record the leased asset at the lesser of the asset's fair market value at the inception (\$8,500) or the present value of the minimum lease payments (determined to be the same as fair market value in this example). Since the present value of the minimum lease payments is determined to be the same as the fair market value, capitalize the asset and lease liability at \$8,500.

Journal Entry: To record the lease on the books at July 1, 2007.

DR	Equipment Under Capital Lease	\$8,500	
	CR	Cash	\$ 500
	CR	Lease Purchase Obligations	\$8,000



Journal Entry: To record the first year's payment due on June 30, 2008.

DR	Lease Purchase Interest (\$8,000 x 6.13%)	\$ 490.40
DR	Lease Purchase Obligations (\$3,000 - \$490.40)	\$2,509.60
CR	Cash	\$3,000

The second entry would be to record depreciation at year-end.

Journal Entry: To depreciate the asset over the five-year life on June 30, 2008; asset has no residual value. Note that the depreciable life follows BPM guidelines and not the lease term.

DR	Depreciation expense (\$8,500/5)	\$1,700
CR	Accumulated depreciation-Capital Lease	\$1,700

Example 2: Recording a Capital Lease with a Related Party when a Ground Lease is in Effect – Lessee's Books

University Foundation leases a building and equipment to the University for an initial term of one year plus twenty-two renewable one-year terms beginning July 1, 2007 at an annual rental of \$800,000 per year. The building asset has a thirty-year useful life according to BPM useful life guidelines. There is a special stipulation in the lease that states that the building and contents will be gifted to the University when all of the lease payments have been made. The University (lessee) does not know the University Foundation's (lessor) implicit borrowing rate. However, its average coupon rate for the associated bond issue is known and is 4.5%. The first payment is due at the end of the first year and each subsequent year. The asset's fair market value (FMV) is estimated to be the Total Uses of Funds from the "Official Statement" of the related bond issue, which is \$12,500,000. There are no executory costs associated with this lease, and the University's incremental borrowing rate is unknown.

The University owns the land upon which the leased improvements were constructed and leases the land to the University Foundation for a lease term that ends on the same date as the building and equipment lease. At the end of the ground lease term, all improvements title to the University. Within the ground lease, there is language giving the University the option to require the University Foundation to remove all improvements at the Foundation's expense.



Because neither the Foundation's implicit rate nor the University's incremental borrowing rates are known, the approved interest rate to use for net present value determination is the average coupon rate of the related bond issue. The Net Present Value of the minimum lease payments using the 4.5% interest rate is \$11,318,220.

Step 1: Does the lease meet the criteria for capitalization?

- Ownership Transfer: **Yes**, but due to the language in the Ground Lease, there may be no capital asset at the end of the lease term if the University exercises its option to have the building removed by the Foundation, making this criterion not applicable.
- Written Bargain: **No**
- 75% life: **Yes** (23 years/30 years = 76.7%)
- 90% of FMV: **Yes** ($\$12,500,000 \times 90\% = \$11,250,000 < \$11,318,220$ PV)

Note that if neither the 75% life nor the 90% of FMV criteria were met, this lease would be treated as an operating lease for accounting and reporting purposes.

Step 2: Record the leased asset at the lesser of the assets' fair market value at the inception (\$12,500,000) or the present value of the minimum lease payments (\$11,318,220). Since the present value of the minimum lease payments is less than the fair market value, capitalize the assets and lease liability at \$11,318,220. The University Foundation should be able to provide assistance in allocating the amount between Building and Equipment.

Journal Entry: To record the lease on the books at July 1, 2007.

DR	Building Under Capital Lease	\$9,000,000
DR	Equipment Under Capital Lease	\$2,318,220
CR	Lease Purchase Obligations	\$11,318,220

Journal Entry: To record the first payment due on June 30, 2008.

DR	Interest Expense – Capital Leases ($\$11,318,220 \times 4.5\%$)	\$509,319.90
DR	Lease Purchase Obligations	\$290,680.10
CR	Cash	\$800,000

The second entry would be to record depreciation at year-end.



Journal Entry: To depreciate the asset over the shorter of the useful life per BPM guidelines or the lease term. The Building has no residual value due to the ground lease stipulation that the University has the option to require removal of the improvements. For this example, the Building should have a depreciable life of 23 years, which is the shorter of the useful life per BPM guidelines (30 years) and the lease term (23 years). The equipment depreciable lives will normally follow the BPM guidelines; however, the lease term should be followed if BPM guidelines are longer.

DR	Depreciation expense-Building (\$9,000,000/23 years)	\$391,304
DR	Depreciation expense-Equipment (\$2,318,220/5 years (for example purposes)	\$463,644
CR	Accumulated depreciation-Capital Lease	\$854,948

Example 3: Recording a Capital Lease with a Related Party when no Ground Lease is in Effect – Lessee’s Books

The circumstances here are the same as in Example 2, except that in this scenario there is no ground lease between the University and the University Foundation.

Step 1: Does the lease meet the criteria for capitalization?

- Ownership Transfer: **Yes**
- Written Bargain: **No**
- 75% life: **Yes** (23 years/30 years = 76.7%)
- 90% of FMV: **Yes** (\$12,500,000 x 90% = \$11,250,000 < \$11,318,220 PV)

Note that if the 75% life and the 90% of FMV criteria were ‘No,’ the lease should still be accounted for as a capital lease because only one criteria is required to be met.

Step 2: Record the leased assets at the lesser of the assets’ fair market value at the inception (\$12,500,000) or the present value of the minimum lease payments (\$11,318,220). Since the present value of the minimum lease payments is less than the fair market value, capitalize the assets and lease liability at \$11,318,220.

Note: The present value amount should be broken out by Land, Building, and Equipment.

Journal Entry: To record the lease on the books at July 1, 2007.

DR	Land Under Capital Lease	\$ 500,000
DR	Building Under Capital Lease	\$8,500,000



DR	Equipment Under Capital Lease	\$2,318,220
CR	Lease Purchase Obligations	\$11,318,220

Journal Entry: To record the first payment due on June 30, 2008.

DR	Lease Purchase Interest (\$11,318,220 x 4.5%)	\$509,319.90
DR	Lease Purchase Obligations	\$290,680.10
CR	Cash	\$800,000

The second entry would be to record depreciation at year-end.

Journal Entry: To depreciate the asset over the useful life per BPM guidelines. The Building should have a 10% residual value, per BPM guidelines. For this example, the Building should have a depreciable life of 30 years. The equipment depreciable lives will also follow the BPM guidelines.

Note: Leased Land should not be depreciated.

DR	Depreciation expense-Building (((\$8,500,000 x 90%)/30 years)	\$255,000
DR	Depreciation expense-Equipment (\$2,318,220/5 years (for example purposes)	\$463,644
CR	Accumulated depreciation-Capital Lease	\$718,644

Lessor accounting treatment follows the same rules as Lessee. The University Foundation from Examples 2 and 3 should also treat the lease as a capital lease and record a Lease Receivable for the minimum lease payment amounts and a Deferred Revenue for the interest payment amounts. Universities should work with their Foundations to ensure consistent lease treatment.

7.1.7 Depreciating Capital Assets

Capital assets should be depreciated over their estimated useful lives unless they are inexhaustible. Please refer to section 7.9, Works of Art and Historical Treasures, on page 7-27, for a definition of an inexhaustible asset.

All University System of Georgia institutions will use the straight-line depreciation method (historical cost less residual value, divided by useful life). Institutions will use the



following-month convention for depreciation for indicating when the asset was rendered into service.

Depreciation data should be calculated and recorded in the entity's capitalization ledger for each eligible asset. Depreciation expense and accumulated depreciation will be calculated monthly and posted to the capital ledger. Depreciation for University System assets other than auxiliary service's assets will be posted to the capital general ledger and will not be funded under the Appropriation Act.

Depreciation for auxiliary services and athletics must be funded and an actual expense will be recognized by the particular auxiliary.

7.1.8 Residual Value

In order to calculate depreciation for an asset, the estimated residual value must be declared and deducted before depreciation can be calculated. The use of historical sales information becomes invaluable for determining the estimated residual value. Since the residual value of machinery and equipment is normally nominal for USG institutions, there will be no residual value considerations.

Residual value will be considered in depreciation for buildings, building improvements, facilities and other structures, and infrastructure. Residual value for buildings, building improvements, facilities and other structures, and infrastructure will be 10% of historical cost, unless the institution can justify another value.

7.1.9 Sale of Capital Assets

When an asset is sold to anyone other than a USG organization, a gain or loss must be recognized in the accounting records when:

- Cash is exchanged and the amount paid does not equal the net book value of the asset.
- Cash is not exchanged and the asset is not fully depreciated or has a residual value.

A gain or loss is not recorded when:

- Cash exchanged equals the net book value of the asset.
- Cash is not exchanged and the asset is fully depreciated.

7.1.10 Computation of Gain and Loss from Sale of Assets

To compute a gain or loss, proceeds received must be subtracted from the asset's net book value.

Example

Asset's Historical Cost:	\$10,000
Less Accumulated Depreciation:	<u>7,000</u>



Net book value:	\$ 3,000
Subtract Proceeds Received:	<u>2,000</u>
Loss from Sale of Asset:	\$ 1,000

7.1.11 Assets Acquired by the Exchange of Other Assets

Similar Assets

When recording an exchange of similar assets, institutions must use a book value basis for the assets surrendered or acquired.

- When assets are exchanged and no monetary consideration is paid or received, the cost of the asset acquired is recorded at the book value of the asset surrendered.
- Where monetary consideration is given, the new asset must be recorded at the sum of the cash paid plus the book value of the asset surrendered.

Dissimilar Assets

When recording an exchange of dissimilar assets, institutions must:

- Record the value of the asset being traded and the resulting transaction for acquiring the new asset, using the fair value of the asset being traded.
- If cash is used to purchase the asset, agencies must record the transaction for the new asset as cash paid plus the fair value of the asset surrendered.

7.1.12 Assets Held in Trust

Capital assets held by an institution on behalf of a non-state entity (such as art collections owned by families, estates and others) and that are under the temporary control of the agency should be accounted for in the institution's accounting records. This includes assets owned by the federal government that have been loaned to an institution. Assets held in trust must be recorded using the appropriate acquisition and disposal method for such assets. Since the institution does not own these assets, the assets should be recorded at a cost of zero.

7.1.13 Controlled Assets

Controlled assets are assets of the state that must be secured and tracked as inventory as set forth by Georgia Code Section 50-16-161.1. This code section states that movable personal property with an acquisition cost of \$3,000 or more must be inventoried and tracked by state agencies. In addition to controlled assets identified by Georgia law, an agency may inventory other assets it considers high risk or for management purposes. Controlled assets with an acquisition cost of less than \$5,000 will not be capitalized or depreciated for general-purpose or external financial reporting purposes.



7.2 Account Number Reference for Capital Assets

ASSET CATEGORIES	Capitalize/ Expense	Account Code Number and Title (New codes in bold)
Land and Land Improvements	CAPITALIZE	161xxx – Land
	EXPENSE	7151xx – Repairs & Maintenance (Subdivide as required)
		8501xx – Land and Land Improvements
Leased Land and Leased Land Improvements	CAPITALIZE	1611xx – Leased Land
	EXPENSE	7151xx – Repairs & Maintenance (Subdivide as required)
		8501xx – Land and Land Improvements
Facilities and Other Improvements	CAPITALIZE	163xxx – Facilities and Other Improvements
		1639xx – Accumulated Depreciation – Facilities and Other Improvements
	EXPENSE	7151xx – Repairs & Maintenance (Subdivide as required)
		8701xx – Facilities and Other Improvements
		8901xx – Depreciation Expense
Buildings and Building Improvements	CAPITALIZE	162xxx – Building and Building Improvements
		1629xx – Accumulated Depreciation – Buildings and Improvements
	EXPENSE	7151xx – Repairs & Maintenance (Subdivide as required)
		8601xx – Buildings & Building Improvements
		8901xx – Depreciation Expense
Capital Leases - Buildings	CAPITALIZE	166xx – Capital Leases
		1669xx – Accumulated Depreciation – Capital Leases
	EXPENSE	8181xx – Lease/Purchase: Principal (also have 8182xx Lease/Purchase Interest)
		8901xx – Depreciation Expense
Infrastructure (Major Systems)	CAPITALIZE	167xxx – Infrastructure
		1679xx – Accumulated Depreciation - Infrastructure
	EXPENSE	8801xx – Infrastructure
		8901xx – Depreciation Expense



ASSET CATEGORIES	Capitalize/ Expense	Account Code Number and Title (New codes in bold)
Machinery And Equipment	CAPITALIZE	165xxx – Equipment
		1659xx – Accumulated Depreciation - Equipment
	EXPENSE	7432xx – Equipment Purchase-Small Value-Inventory
		7442xx – Information Technology Equipment Purchases-Small Value Inventory
		8411xx – Motor Vehicle Equipment Purchases
		8431xx – Equipment Purchase Inventory
		8433xx – Computer Purchases
		84339x – Other Information Technology Purchases
8901xx – Depreciation Expense		
Leased Machinery And Equipment	CAPITALIZE	166xxx – Capital Leases
		1669xx – Accumulated Depreciation – Capital Leases
	EXPENSE	8181xx – Lease/Purchase: Principal (also have 8182xx Lease/Purchase: Interest)
		8901xx – Depreciation Expense
Library Books & Reference Materials	CAPITALIZE	164xxx – Library Collections
		1649xx – Accumulated Depreciation - Library Collections
	EXPENSE	8432xx – Library Collections
		8901xx – Depreciation Expense
Capitalized Collections & Works of Art and Historical Treasures	CAPITALIZE	168xxx – Capitalized Collections
		1681xx – Works of Art and Historical Treasures – Non- Depreciable
		1689xx – Accumulated Depreciation Capitalized Collections
	EXPENSE	8434xx – Capitalized Collections
		8901xx – Depreciation Expense
Computer Software	CAPITALIZE	1682xx – Intangible Assets
		1689xx – Accumulated Depreciation – Capitalized Collections
	EXPENSE	7331xx –Software
		8331xx – Software
		8901xx – Depreciation Expense
Construction in Progress	CAPITALIZE	169xxx – Construction in Progress



7.3 Land and Land Improvements

7.3.1 Land Definition

Land is the surface or crust of the earth, which can be used to support structures, and may be used to grow crops, grass, shrubs, and trees. Land is characterized as having an unlimited life (indefinite).

7.3.2 Land Improvement Definition

Land improvements consist of betterments, site preparation and site improvements (other than buildings) that ready land for its intended use. The costs associated with improvements to land are added to the cost of the land.

7.3.3 Depreciation Methodology

Land and land improvements are inexhaustible assets and do not depreciate over time.

7.3.4 Capitalization Threshold

All acquisitions of land and land improvements will be capitalized. Examples of expenditures to be capitalized as land and land improvements include:

- Original purchase price or fair market value at time of gift
- Commissions
- Professional fees, such as title searches, architectural, legal engineering, appraisal, surveying, environmental assessments, etc.
- Land excavation, filling, grading, drainage, etc.
- Demolition of existing buildings and improvements, less salvage
- Removal, relocation, or reconstruction of property of others, such as railroad tracks, telephone lines, power lines, etc.
- Interest on mortgages accrued at date of purchase
- Accrued and unpaid taxes at date of purchase
- Other costs incurred in acquiring the land
- Water wells, including the initial cost for drilling, the pump and its casing, etc.
- Rights-of-way



7.4 Buildings and Building Improvements

7.4.1 Building Definition

A building is 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 moveable.

7.4.2 Building Improvement Definition

Building improvements are capital events that materially extend the useful life of a building or increase the value of a building, or both. A building improvement should be capitalized as a betterment and recorded as an addition of value to the existing building if the expenditure for the improvement meets or exceeds the capitalization threshold, or the expenditure increases the life or value of the building by 25 percent of the original life period or cost.

Building improvements meeting the capitalization threshold or increasing the building value by at least 25 percent of the original cost should be recorded as an addition of value to the existing asset using a parent/child asset management relationship. The useful life of the improvement (the “child”) should generally not exceed that of the original asset (the “parent”). However, if the improvement is not an integral part of the original asset, it may possess a different useful life than the parent asset.

For example, the useful life of a floor renovation project should not exceed the useful life of the building asset to which it relates because it is an integral part of the building that cannot exist on its own. Alternately, a wing addition to a building could have a useful life that exceeds the life of the building to which it is attached.

Building improvements increasing the building’s useful life by at least 25 percent of the original life period should be capitalized in one of two ways:

1. Capitalize as a betterment and record as an addition of value to the existing building using a parent/child asset management relationship. The parent’s useful life should be modified for the increase in useful life.
2. Recapitalize the unamortized portion of the original building along with the eligible improvements as a new building asset and retire the original building asset. This procedure would be used in cases where major renovations are completed.

7.4.3 Depreciation Methodology

The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used for buildings, building improvements, and their components. For useful lives of buildings, see Sections 7.14.1 and 7.14.2, starting on pages 7-34 and 7-35,



respectively. Subsequent improvements that change the use or function of the building shall be depreciated.

Buildings designated as “historical” by the Georgia Department of Natural Resources will not be depreciated unless used in the operations of the University System of Georgia. However, any improvements or betterments not deemed “historical” by the Georgia Department of Natural Resources will be depreciated the same as any other improvements or betterments made to a building.

7.4.4 Capitalization Threshold

The capitalization threshold for buildings and building improvements is \$100,000. Examples of expenditures to be capitalized as buildings include:

Purchased Buildings

- Original purchase price
- Expenses for remodeling, reconditioning, or altering a purchased building to make it ready to use for the purpose for which it was acquired
- Environmental compliance, such as asbestos abatement, etc.
- Professional fees, such as legal, architectural, inspections, title searches, etc.
- Payment of unpaid or accrued taxes on the building to date of purchase
- Cancellation or buyout of existing leases
- Other costs required to place or render the asset into operation

Constructed Buildings

- Completed project costs
- Interest accrued during construction
- Cost of excavating, grading, or filling of land **for a specific building**
- Expenses incurred for the preparation of plans, specifications, blueprints, etc.
- Cost of building permits
- Professional fees, such as legal, architectural, engineering, management fees for design and supervision, etc.
- Costs of temporary buildings used during construction
- Unanticipated costs such as rock blasting, piling, relocation of the channel of an underground stream, etc.
- Permanently attached fixtures or machinery that cannot be removed without impairing the use of the building
- Additions to buildings, such as expansions, extensions, enlargements, etc.



Examples of expenditures to be capitalized as improvements to buildings include:

Note: For a replacement to be capitalized, it must be a part of a major repair or rehabilitation project, which meets or exceeds the capitalization threshold, or the expenditure increases the value or useful life of the building by 25 percent, such as renovation of a student center. A replacement also may be capitalized if the new item/part is of significantly improved quality and higher value compared to the old item/part. For example, replacement of an old shingle roof with a new fireproof tile roof would be capitalized, while replacement or restoration to original utility level would not. Determinations must be made on a case-by-case basis.

- Conversion of attics, basements, etc., to usable office clinic, research, or classroom space.
- Structures *attached* to the building, such as covered patios, sunrooms, garages, carports, enclosed stairwells, etc.
- Installation or upgrade of heating and cooling systems, including ceiling fans and attic vents
- Original installation or upgrade of wall or ceiling covering, such as carpeting, tile, paneling, parquet, etc.
- Structural changes, such as reinforcement of floors or walls, installation or replacement of beams, rafters, joists, steel grids, or other interior framing
- Installation or upgrade of window or door frames, upgrading of windows or doors, built-in closets and cabinets, etc.
- Interior renovation associated with casings, baseboards, light fixtures, ceiling trim, etc.
- Exterior renovation, such as installation or replacement of siding, roofing, masonry, etc.
- Installation or upgrade of plumbing and electrical wiring
- Installation or upgrade of phone or closed circuit television systems, networks, fiber optic cable, wiring required in the installation of equipment that will remain in the building, etc.
- Other costs associated with the above improvements

7.4.5 Building Maintenance Expense

The following are examples of expenditures *not* to capitalize as improvements to buildings. Instead, these items should be recorded as maintenance expense.

- Adding, removing, and/or moving of walls relating to renovation projects that are not considered major rehabilitation projects and do not increase the value of the building
- Improvement projects of minimal or no added life expectancy and/or value to the building
- Plumbing or electrical repairs
- Cleaning, pest extermination, or other periodic maintenance
- Interior decoration, such as draperies, blinds, curtain rods, wallpaper, etc.



- Exterior decoration, such as detachable awnings, uncovered porches, decorative fences, etc.
- Maintenance-type interior renovation, such as repainting; touch-up plastering; replacement of carpet, tile, or panel sections; sink and fixture refinishing, etc.
- Maintenance-type exterior renovation, such as repainting, replacement of deteriorated siding, roof or masonry sections, etc.
- Replacement of a part or component of a building with a new part of the same type and performance capabilities, such as replacement of an old boiler with a new one of the same type and performance capabilities, replacement of a roof, etc.
- Any other maintenance-related expenditure that does not increase the value or useful life of the building



7.5 Facilities and Other Improvements

7.5.1 Facilities Definition

Facilities are assets (other than general use buildings) that are built, installed or established to enhance the quality or facilitate the use of land for a particular purpose.

7.5.2 Other Improvements Definition

Other improvements are depreciable improvements made to a facility or to land that should be capitalized as betterments if the improvement is at the capitalization threshold, or the expenditure increases the life or value of the asset by 25 percent of the original life period or cost.

The improvement should be recorded as an addition of value to the existing asset using a parent/child asset management relationship. The useful life of the addition (the “child”) should generally not exceed that of the original asset (the “parent”). However, if the improvement is not an integral part of the original asset, it may possess a different useful life than the parent asset. The useful life of the parent may be modified to reflect an increase in useful life.

7.5.3 Depreciation Methodology

The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used for facilities and other improvements.

7.5.4 Capitalization Threshold

The capitalization threshold for facilities and other improvements is \$100,000. Examples of expenditures to be capitalized as facilities and other improvements include:

- Fencing and gates
- Signs at institution entrances
- Landscaping
- Parking lots, driveways, parking barriers, etc.
- Lighting systems, such as for the campus, parking areas, streets, etc.
- Outside sprinkler systems
- Recreation areas and athletic fields, including bleachers
- Golf courses
- Paths and trails
- Septic systems
- Swimming pools, tennis courts, basketball courts, etc.
- Fountains
- Plazas and pavilions
- Retaining walls



7.6 Infrastructure

7.6.1 Infrastructure Definition

Infrastructure assets 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.

7.6.2 Infrastructure Improvements

Infrastructure improvements are capital events that materially extend the useful life or increase the value of the infrastructure, or both. Infrastructure improvements should be capitalized as betterments and recorded as an addition of value to the infrastructure if the improvement or addition of value is \$100,000 or more. Depreciate the amount of improvement over the remaining life of the asset using the parent/child relationship in PeopleSoft. If the improvement increases the life of the asset, the asset takes on a new useful life. If the \$100,000 was expended intermittently during the year, it should probably be considered an expense rather than a capital improvement. The determining factor in deciding between expensing or capitalizing the improvement is the intent.

7.6.3 Jointly Funded Infrastructure

Infrastructure paid for jointly by the state and other governmental entities should be capitalized by the entity responsible for future maintenance.

7.6.4 Maintenance Costs

Maintenance costs allow infrastructure to continue to be used during its originally established useful life. Maintenance costs are expensed in the period incurred.

7.6.5 Preservation Costs

Preservation costs are generally considered to be those outlays that extend the useful life of an asset beyond its original estimated useful life, but do not increase the capacity or efficiency of the asset. Preservation costs should be capitalized if \$100,000 or more. Since the useful life of the asset has been extended, the useful life of the asset should be changed.

7.6.6 Additions and Improvements

Additions and improvements are those capital outlays that increase the capacity or efficiency of the asset. A change in capacity increases the level of service provided by an asset. For example, additional lanes can be added to a highway or the weight capacity of a bridge could be increased. A change in efficiency maintains the same service level, but at a reduced cost. For example, a heating and cooling plant could be reengineered so that it produces the same temperature changes at reduced cost. The cost of additions and improvements should be capitalized if \$100,000 or more. If the \$100,000 was expended



intermittently during the year, it should probably be considered an expense rather than a capital addition or improvement. The determining factor in deciding between expensing or capitalizing the addition or improvement is the intent.

7.6.7 Depreciation Methodology

The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used for infrastructure assets.

7.6.8 Capitalization Threshold

The capitalization threshold for infrastructure is \$1,000,000 for major systems. Examples of major systems to be capitalized as infrastructure include:

Road Systems

Examples of items include, but are not limited to:

- Pavements
- Traffic control devices
- Signage
- Curbs
- Sidewalks

Water Systems

Examples of items include, but are not limited to:

- Main lines
- Distribution lines
- Fire hydrants
- Water meters
- Valves, joints, bends

Drainage Systems

Examples of items include, but are not limited to:

- Catch basins
- Storm drains
- Inlets
- Pipes
- Detention/retention facilities
- Junction boxes

Sewer Systems

Examples of items include, but are not limited to:

- PVC pipe



- Manholes
- Laterals
- Lift stations

Fiber Optic and Telephone Distribution Systems Between Buildings

Examples of items include, but are not limited to:

- Fiber optic cable

Waterway Systems

Examples of items include, but are not limited to:

- Canals
- Wharves
- Docks
- Sea walls
- Bulkheads
- Boardwalks

If there are no major infrastructure systems at the institution, the infrastructure currently on the books should be removed in the current year's operations. You must add a note to the financial statements for the current year explaining why the infrastructure was removed and how the removal changed the financial statements; for example, how the financial statements would have appeared if the infrastructure had not been removed.



7.7 Equipment

7.7.1 Equipment Definition

Equipment is either a fixed or movable tangible asset to be used for operations, the benefits of which extend beyond one year from date of acquisition and rendered into service. Improvements or additions to existing equipment that meet the capitalization threshold and increase the value or life of the asset by 25 percent of the original cost or life should be capitalized as a betterment and recorded as an addition of value to the existing asset using a parent/child asset management relationship. The useful life of the parent may be modified to reflect an increase in useful life.

The useful life of the addition or improvement (the “child”) should generally not exceed that of the original asset (the “parent”). However, if the improvement is not an integral part of the original asset, it may possess a different useful life than the parent asset. For example, new memory in an existing file server could possess a different useful life than its parent because if necessary, this memory could be moved to another file server.

For schedule of useful lives of capitalized assets, see Section 7.14.3, starting on page 7-37.

Note: Costs of extended warranties and/or maintenance agreements that can be separately identified from the cost of the equipment should not be capitalized.

7.7.2 Jointly Funded Equipment

Equipment paid for jointly by the state and other governmental entities should be capitalized by the entity responsible for future maintenance.

7.7.3 Depreciation Methodology

The straight-line depreciation method (historical cost, divided by useful life) will be used for equipment.

7.7.4 Capitalization Threshold

The capitalization threshold for equipment is \$5,000.

Note: Georgia State law still requires that a list of all equipment valued at \$3,000.00 or more be maintained.

Institutions who have a multiple year cost allocation plan or an indirect cost proposal *will not* be required to implement the new threshold until such time that they renegotiate their cost allocation plan or indirect cost proposal with their federal cognizant agency, such as the U.S. Department of Health and Human Services.



Examples of expenditures to be capitalized as equipment include:

- Original contract or invoice price
- Freight charges
- Import duties
- Handling and storage charges
- In-transit insurance charges
- Sales, use, and other taxes imposed on the acquisition
- Installation charges
- Charges for testing and preparation for use
- Costs of reconditioning used items when purchased
- Parts and labor associated with the construction of equipment



7.8 Library Books and Reference Materials

7.8.1 Library Books and Reference Materials Definition

A library book is generally a literary composition bound into a separate volume and identifiable as a separate copyrighted unit. Library reference materials are information sources other than books which include journals, periodicals, microforms, audio/visual media, computer-based information, manuscripts, maps, documents, and similar items that provide information essential to the learning process or which enhance the quality of academic, professional or research libraries. Changes in value for professional, academic or research libraries may be reported on an aggregated net basis.

7.8.2 Library Characteristics

A professional, academic or research library normally has one or more of the following characteristics:

1. Internal controls are in place in lieu of central property management.
2. Information is housed in a separate location.
3. Physical security measures are in place to protect the assets.
4. Checkout procedures and policies exist and are used.
5. Individual item costs and supplemental information is generally contained in a supplemental database.
6. Volumes assigned to libraries are typically available to employees, students, and other individuals for checkout or use.
7. Existence of the library helps the institution fulfill its mission.
8. The value is material to the organization.
9. Equipment assigned to libraries typically remains under central security for on-premises use.

University System libraries will be reported on a composite basis by making net adjustments to total value to reflect increase or decrease in total value. Net adjustments must be made at least once annually by the close of the fiscal year.



7.8.3 Depreciation Methodology

The straight-line depreciation method will be used. The useful life of library assets is 10 years. For depreciation methodology, see Section 7.14.4, starting on page 7-43.

7.8.4 Capitalization Threshold

All purchases of books and materials for a professional, academic or research library should be capitalized, as there is no minimum dollar amount. Library acquisitions are valued at cost or other reasonable basis, while deletions are valued at annually adjusted average cost. The library should maintain records of all books and other library items, which should suffice as detailed inventory records.

Books, periodicals and other materials purchased but not used in a library should be expensed unless they constitute a capital event. Examples of expenditures to be capitalized as library books and reference materials include:

- Invoice price
- Freight charges
- Handling
- In-transit insurance charges
- Binding
- Electronic access charges
- Reproduction and like costs required to place assets in service, with the exception of library salaries



7.9 Works of Art and Historical Treasures

7.9.1 Works of Art and Historical Treasures Definition

Works of art are collections or individual items of significance that are owned by an institution, which are not held for financial gain, but rather for public exhibition, education or research in furtherance of public service. Historical treasures are collections or individual items that are protected and cared for or preserved and subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

Exhaustible collections or items are items whose useful lives are diminished by display or educational or research applications. **Inexhaustible collections or items** are items where the economic benefit or service potential is used up so slowly that the estimated useful lives are extraordinarily long. Because of their cultural, aesthetic, or historical value, the holder of the asset applies efforts to protect and preserve the asset in a manner greater than that for similar assets without such cultural, aesthetic, or historical value.

7.9.2 Depreciation Methodology

The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used for exhaustible collections.

Note: Inexhaustible items should *not* be depreciated.

7.9.3 Capitalization Threshold

All works of art and historical treasures acquired or donated will be capitalized, unless held for financial gain. If a collection is held for financial gain and not capitalized, disclosures must be made in the notes of the financial statements to provide a description of the collection and the reasons these assets are not capitalized. When donated collection items are added to non-capitalized collections, program expense equal to the amount of revenues should be recognized.

Examples of expenditures to be capitalized as works of art and historical treasures include:

- Collection of rare books and manuscripts
- Maps, documents, and recordings
- Works of art such as paintings, sculptures, and designs
- Artifacts, memorabilia, and exhibits
- Unique or significant structures



7.10 Computer Software

Colleges and universities are required by the National Association of College and University Business Officers (NACUBO) to adopt the AICPA Statement of Position 98-1, *Software Developed or Obtained for Internal Use* (SOP 98-1).

7.10.1 Colleges and Universities (AICPA SOP-98-1)

Internal Use Software Definition

For software to be considered for internal use, the institution must meet the following tests:

1. The software must be acquired, internally developed, or internally modified solely to meet the institution's internal needs, *and*
2. During the software's development or modification, the institution must not have a substantial plan to market the software externally to other organizations.

Capitalization of Costs

Software development generally involves three phases. These phases and their characteristics are as follows:

1. Preliminary Project Phase: When conceptual formulation of alternatives, the evaluation of alternatives, determination of existence of needed technologies, and final selection of alternatives is made.
2. Application Development Phase: Design of chosen path, including software configuration and software interfaces, coding, installation of computer hardware, and testing, including parallel processing phase.
3. Post-Implementation/Operation Phase: Training and application maintenance activities.

Costs associated with the Preliminary Project and the Post-Implementation/Operating phases should be expensed as incurred. Internal and external costs associated with the Application Development phase should be capitalized. Costs to develop or obtain software that allows for access or conversion of old data by new information systems should also be capitalized. General and administrative costs and overhead expenditures associated with software development should not be capitalized as costs of internal use software.

Capitalization of costs should begin when the Preliminary Project phase is complete and the institution's management has implicitly or explicitly authorized or commits to funding the software project with the intent it will be completed and used to perform its planned



functions. Capitalization should cease no later than the time at which substantial testing is complete and the software is ready for its intended purpose or rendered in service.

Examples of expenditures during the Application Development phase to be capitalized include:

- External direct costs of materials and services, such as third party fees for services
- Costs to obtain software from third parties
- Travel costs incurred by employees in their duties directly associated with development
- Payroll and payroll-related costs of employees directly associated with or devoting time in coding, installing, or testing
- Interest costs incurred during the application development

7.10.2 Depreciation Methodology

The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used for software developed or obtained for internal use.

7.10.3. Capitalization Threshold

The capitalization threshold for internally developed software is \$1,000,000. Values are to be reported using a property number for each application developed.



7.11 Construction in Progress

7.11.1 Construction in Progress Definition

Construction in progress reflects the economic construction activity status of buildings and other structures, infrastructure (roadways, energy distribution systems, pipelines, etc.), additions, alterations, reconstruction, installation, and maintenance and repairs that are substantially incomplete.

7.11.2 Depreciation Methodology

Depreciation is not applicable while assets are accounted for as construction in progress. Refer to the appropriate capital asset category when the asset is capitalized.

7.11.3 Capitalization Threshold

Construction in progress assets should be capitalized to their appropriate capital asset categories upon the earlier occurrence of execution of substantial completion contract documents, occupancy, or when the asset is placed into service.



7.12 Auxiliary Enterprises Renewal and Replacement (R&R) Reserve

The auxiliary enterprises renewals and replacement (R&R) reserve can be used for renewals and replacement of capitalizable assets. Items that do not meet the capitalizable threshold should be funded from reserve for subsequent years expenditures (operating profits). This R&R reserve can also be used for capitalizable expenditures that extend the useful life of an asset (e.g. add a new roof, major renovation) or improves its usefulness/performance.



7.13 Capital Asset Impairment

Institutions must evaluate Capital Assets annually for impairment. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly.

Events or changes in circumstances that may be indicative of impairment include:

- Evidence of physical damage
- Enactment or approval of laws or regulations or other changes in environmental factors
- Technological changes or evidence of obsolescence
- Changes in the manner or duration of use of a Capital Asset
- Construction stoppage

A capital asset generally should be considered impaired if both:

1. The decline in service utility of the capital asset is large in magnitude; and,
2. The event or change in circumstance is outside the normal life cycle of the capital asset.

Institutions within the University System of Georgia should record an impairment loss (or gain, although unlikely) if the net gain or loss exceeds the following amounts, which are net of any realizable insurance recoveries:

- Equipment: \$100,000
- All other Capital Assets: \$250,000

An Impairment loss should be reported as follows in the institution's Annual Financial Report:

1. If the impairment event was unusual and infrequent, report the loss as an Extraordinary Item, which is separately reported at the bottom of the Statement of Revenues, Expenses and Changes in Net Assets (SRECNA).
2. If the impairment event was unusual or infrequent and within Management's control, report the loss as a Special Item, which is separately reported at the bottom of the SRECNA.
3. If the impairment event was neither unusual nor infrequent, report the loss as an Operating Expense on the SRECNA.

As evidence that Capital Asset impairment has been evaluated, institutions should complete the following Impairment Questionnaire annually:



Capital Asset Impairment Questionnaire

Impaired Asset Determination		
Institution Name	_____	
For the Fiscal Year Ended:	_____	
<div style="border: 1px solid black; padding: 5px; margin: 10px auto; width: 80%;"> <p>The following questions pertain to capital assets with net book values of greater than: \$100k for equipment and \$250k for all other capital assets. If net book values of capital assets considered do not exceed these amounts, answer No (N).</p> </div>		
1.	Were there any natural disasters affecting a capital asset during the fiscal year? (e.g. fire, flood, tornado)	Y N
2.	Were any laws or regulations enacted affecting a capital asset's value? (e.g. a new law enacted requiring asbestos removal)	Y N
3.	Were there any changes in environmental factors affecting a capital asset? (e.g. extensive mold observed in a campus building)	Y N
4.	Have there been any technological developments that might affect a capital asset? (e.g. inadequate power supply for technological improvements or obsolescence due to new technology)	Y N
5.	Has there been any major change in the manner or duration of use of a capital asset? (e.g. classroom building converted to a warehouse)	Y N
6.	Was construction stopped permanently on a building project?	Y N
STOP IF NO	If No (N) is indicated for all of these questions, no potential impairment event is known.	
	If Yes (Y) is indicated for any of these questions, please document the potential impairment event:	

7.	Is the decline in service utility significant for this capital asset(s)?	Y N
STOP IF NO	If No (N) is indicated, event is not impairment. Reevaluate remaining useful life and salvage value.	
8.	Was the event or change in circumstances unexpected?	Y N
STOP IF NO	If No (N) is indicated, event is not impairment. Reevaluate remaining useful life and salvage value.	
9.	Will realizable insurance recoveries for this event make the net impairment gain or loss exceed the \$100k/\$250k materiality threshold established?	Y N
STOP IF NO	If No (N) is indicated, no impairment adjustment is required due to materiality threshold.	
	If Yes (Y) is indicated, Asset is impaired. Follow GASB 42 Flowchart to measure the impairment loss, net of insurance recovery.	



7.14 Appendices

7.14.1 Building Classes of Construction

Class	Frame	Floor	Roof	Walls
A	Structural steel columns and beams, fireproofed with masonry, concrete, plaster, or other incombustible material	Concrete or concrete on steel deck, fireproofed	Formed concrete, precast slabs, concrete or gypsum on steel deck, fireproofed	Nonbearing curtain walls, masonry, concrete, metal and glass panels, stone
B	Reinforced concrete columns and beams; fire-resistant construction	Concrete or concrete on steel deck, fireproofed	Formed concrete, precast slabs, concrete or gypsum on steel deck, fireproofed	Nonbearing curtain walls, masonry, concrete, metal and glass panels, stone
C	Masonry or concrete load-bearing walls with or without pilasters; masonry or concrete walls with steel, wood or concrete frame	Wood or concrete plank on steel floor joists, or concrete slab on grade	Wood or steel joists with wood or steel deck; concrete plank	Brick, concrete block, or tile masonry tilt-up, formed concrete, curtain walls
D	Wood or steel studs in bearing wall, wood frame, primarily combustible construction	Wood or steel floor joists or concrete slab on grade	Wood or steel joists with wood or steel deck	Almost any material except masonry or concrete; generally combustible construction
S	Metal bents, columns, girders, purlins, and girts without fireproofing, incombustible construction	Wood or steel deck on steel floor joists, or concrete slab on grade	Steel or wood deck on steel joists	Metal skin or sandwich panels; generally incombustible



7.14.2 Building Useful Life by Type and Class of Construction

Public Buildings	A	B	C	D	S
Good and Excellent libraries	60	60	55	50	50
Average libraries	55	55	50	45	45
Low-cost libraries	50	50	45	40	40
Good and excellent medical offices	50	50	45	40	40
Average and low-cost medical offices	45	45	40	35	35
Good and excellent governmental buildings	60	60	55	50	...
Average and low-cost governmental buildings	55	55	50	40	40
Good and excellent general hospitals	50	50	45	40	...
Average and low-cost general hospitals	45	45	40	35	35
Good and excellent convalescent hospitals	50	50	45	40	...
Average and low-cost convalescent hospitals	45	45	40	35	35
Average and good dispensaries	...	...	35	30	30
Good and excellent fire stations	50	50	45	40	40
Average and low-cost fire stations	45	45	40	35	35
Average and good veterinary hospitals	45	45	40	35	35
Low-cost veterinary hospitals	...	...	35	30	30
Colleges and Universities	A	B	C	D	S
Good and excellent buildings	60	60	50	45	45
Average buildings	50	50	45	40	40
Low cost buildings	...	...	40	35	35
Theaters, and Auditoriums	A	B	C	D	S
Excellent auditorium	55	55	50	45	...
Good and average auditorium	50	50	45	40	40
Low-cost auditorium	...	...	40	35	35
Good and excellent theater	50	50	45	40	...
Average and fair theater	45	45	40	35	35
Low-cost and cheap theater	...	...	35	30	30
Good bowling alleys	...	...	40	35	35
Low-cost average bowling alleys	...	...	35	30	30
Good skating rink and tennis clubs	...	...	45	40	40
Average skating rink and tennis clubs	...	...	40	35	35
Low-cost skating rink and tennis clubs	...	...	35	30	30
Good handball racquetball clubs	...	...	45	40	40
Average handball racquetball clubs	...	...	40	35	35



Sheds and Farm Buildings	A	B	C	D	S
Good creameries	...	...	45	...	45
Average creameries	45	45	35	...	30
Low-cost creameries	...	...	25	...	20
Grain elevator facilities	...	60	...	55	...
Grain storage buildings	...	...	...	30	30
Good and excellent dairies	...	...	35	30	30
Average dairies and fruit packing buildings	...	...	30	25	25
Low-cost dairies	...	...	20	20	15
Bulk fertilizer storage	...	...	...	30	30
Excellent barns and stables	...	...	40	...	35
Good barns and stables	...	...	35	30	30
Average barns, hog barns, stables and silos	...	...	30	25	25
Low-cost barns and stables	...	...	20	15	15
Excellent poultry houses	...	...	30	25	25
Good poultry houses, equipment, and utility sheds	...	...	25	20	20
Average poultry, equipment, and utility buildings	...	...	20	15	15
Low-cost poultry houses	...	...	15	15	15
Tobacco barns	...	...	20	20	15
Miscellaneous sheds and outbuildings			10 to 15 yrs		
Good greenhouses	...	...	...	30	40
Average lath and greenhouses	...	...	...	20	25
Elementary and Secondary Schools	A	B	C	D	S
Good school plants	50	50	45	40	...
Average school plants	45	45	45	40	...
Low-cost school plants	...	...	40	35	...
Good and excellent classrooms	50	50	45	40	40
Low-cost and average classrooms	45	45	40	35	35
Cheap classrooms	...	...	35	30	30
Good and average gymnasiums	45	45	40	35	35
Good and average multipurpose, manual arts	45	45	40	35	35
Low-cost multipurpose, manual arts	...	...	35	30	30
Average shower building	...	...	30	25	25
Good and excellent day care centers	...	...	45	40	...
Average day care centers	...	...	40	35	35
Low-cost day care centers	...	...	40	35	...
Re-locatable classrooms	...	...	...	10	...
Low-cost lath greenhouses	...	...	...	10	15



7.14.3 Useful Lives of Capitalized Assets

University System of Georgia Capitalization Asset Guide "Appendix B" Useful Lives of Capitalized Assets					
Full Name	Abbreviated Name	Useful Life	Description of Items in This Category		
			Account Number		
			Capitalization Category		
L11 Facilities and Other Improvements 5 Year	Landimp5	5	Parking lot gates	16300x	Facilities and Other Improvements
		5	Burners	Note c)	Facilities and Other Improvements
		5	Paving gravel	16300x	Facilities and Other Improvements
		5	Shrubs and lawns	Note c)	Facilities and Other Improvements
		5	Turf, artificial	16300x	Facilities and Other Improvements
L12 Facilities and Other Improvements 10 Year	Landimp10	10	Wire	16300x	Facilities and Other Improvements
		10	Paving asphalt	Note c)	Facilities and Other Improvements
		10	Wood	16300x	Facilities and Other Improvements
		10	Landscaping	Note c)	Facilities and Other Improvements
		10	Signs, metal or electric	16300x	Facilities and Other Improvements
L13 Facilities and Other Improvements 15 Year	Landimp15	15	Fencing Chain-link	16300x	Facilities and Other Improvements
		15	Guard rails	Note c)	Facilities and Other Improvements
		15	Lawn sprinkler system	16300x	Facilities and Other Improvements
		15	Paving concrete	Note c)	Facilities and Other Improvements
		15	Septic system	16300x	Facilities and Other Improvements
		15	Yard lighting	Note c)	Facilities and Other Improvements
L14 Facilities and Other Improvements 20 Year	Landimp20	20	Culverts	16300x	Facilities and Other Improvements
		20	Flagpoles	Note c)	Facilities and Other Improvements
		20	Flagpoles, open-wall	16300x	Facilities and Other Improvements
		20	Paving brick	Note c)	Facilities and Other Improvements
		20	Retaining wall	16300x	Facilities and Other Improvements
		20	Trees	Note c)	Facilities and Other Improvements
		20	Waste water treatment system	16300x	Facilities and Other Improvements
		20	Athletic Fields - Baseball, Soccer, etc.	Note c)	Facilities and Other Improvements
		20	Tennis Courts	16300x	Facilities and Other Improvements
		20	Tennis Courts	Note c)	Facilities and Other Improvements
L15 Facilities and Other Improvements 25 Year	Landimp25	25	Fencing Brick or Stone	16300x	Facilities and Other Improvements
		25	Underground utilities water lines	Note c)	Facilities and Other Improvements
		25	Water wells	16300x	Facilities and Other Improvements
		25	Bleachers - Athletic Fields	Note c)	Facilities and Other Improvements
		25	Golf Courses	16300x	Facilities and Other Improvements
I1 Infrastructure 15 Year	Infr15	15	Fiber Optic Cable Systems	16700x	Infrastructure
		15	Street Lighting	16700x	Infrastructure
I2 Infrastructure 20 Year	Infr20	20	Traffic Lights	16700x	Infrastructure
		20	Curbs	16700x	Infrastructure
		20	Guard Rails	16700x	Infrastructure
		20	Irrigation Systems	16700x	Infrastructure



7.14.3 Useful Lives of Capitalized Assets, continued

Full Name	Abbreviated Name	Useful Life	Description of Items in This Category	Account Number	Capitalization Category
Infrastructure 25 Year	Infra25	20	Sidewalks	157xxx	Infrastructure
		20	Signals	157xxx	Infrastructure
		20	Street Signage	157xxx	Infrastructure
		25	Bridges - Vehicle & Pedestrian	157xxx	Infrastructure
		25	Culverts	157xxx	Infrastructure
		25	Dams	157xxx	Infrastructure
		25	Electric Distribution Systems	157xxx	Infrastructure
		25	Fire Hydrants	157xxx	Infrastructure
		25	Gas Distribution Systems	157xxx	Infrastructure
		25	Sanitary Sewer Collection Piping	157xxx	Infrastructure
		25	Sea Walls/Bulkheads/Piers	157xxx	Infrastructure
		25	Storm Sewer Collection Piping	157xxx	Infrastructure
		25	Streets/Roads	157xxx	Infrastructure
		25	Tunnels	157xxx	Infrastructure
		25	Water Distribution Piping	157xxx	Infrastructure
B1	Buildings - See Capital Asset Guide "Appendix A"		All Buildings		Buildings & Improvements
B11	Buildings Improvements - See Capital Asset Guide "Appendix A"		All Building Improvements		Buildings & Improvements
ME1	Audio-Visual Equip 5 Year	5	Camera		Machinery & Equip
		5	Camera, tv monitoring, color or b/w		Machinery & Equip
		5	Microphone		Machinery & Equip
		5	Projector, video		Machinery & Equip
		5	Recorder, tape		Machinery & Equip
		5	Stereo equipment		Machinery & Equip
		5	Television monitor		Machinery & Equip
		5	Television receiver		Machinery & Equip
		5	Video cassette recorder/player		Machinery & Equip
ME2	Audio-Visual Equip 10 Year	10	Microfilm unit		Machinery & Equip
		10	Microprojector		Machinery & Equip
		10	Projector, overhead		Machinery & Equip
		10	Projector, slide		Machinery & Equip
		10	Screen, projector		Machinery & Equip
ME3	Communications Equip 5 Year	5	Telephone equipment for deaf		Machinery & Equip
		5	Telephone, cordless		Machinery & Equip
		5	Television receiver		Machinery & Equip
		5	Walkie-talkie		Machinery & Equip
ME4	Communications Equip 10 Year	10	Intercom		Machinery & Equip
		10	Intercom		Machinery & Equip
		10	Telephone monitors		Machinery & Equip
		10	Telephone system		Machinery & Equip
ME5	Computers 3 Year	3	Cathode-ray tube (CRT)		Machinery & Equip
		3	Computer, laptop		Machinery & Equip

7.14.3 Useful Lives of Capitalized Assets, continued

Full Name	Abbreviated Name	Useful Life	Description of Items in This Category	Account Number	Capitalization Category
ME6	Computers 5 Year	5	Computer, mini (personal)		Machinery & Equip
	Comp 05Yr	5	Computer networking equipment, controller		Machinery & Equip
		5	Computer networking equipment, Hub		Machinery & Equip
		5	Computer networking equipment, modem		Machinery & Equip
		5	Computer networking equipment, mux unit		Machinery & Equip
		5	Computer networking equipment, server		Machinery & Equip
		5	Computer networking equipment, token ring		Machinery & Equip
		5	Computer, large		Machinery & Equip
		5	Computer, processing unit		Machinery & Equip
		5	Data base processing unit*		Machinery & Equip
		5	Data storage unit		Machinery & Equip
ME7	Maintenance & Farm Equip	5	Floor buffing and polishing machine		Machinery & Equip
	Maint./Farm	5	Floor waxing machine		Machinery & Equip
		5	Floor-scrubbing machine		Machinery & Equip
		5	Lawn mower, power		Machinery & Equip
		5	Rotary blower		Machinery & Equip
ME8	Office Furniture 10 Year	10	Blender, punch machine		Machinery & Equip
	OffFur10Yr	10	Bulletin board		Machinery & Equip
		10	Chair, folding		Machinery & Equip
		10	Partitions, moveable office		Machinery & Equip
		10	Sofa		Machinery & Equip
		10	Table, folding		Machinery & Equip
ME9	Office Furniture 15 Year	15	Bench, metal or wood		Machinery & Equip
	OffFur15Yr	15	Cabinet/file, metal or wood		Machinery & Equip
		15	Chair, arm		Machinery & Equip
		15	Chair, conference		Machinery & Equip
		15	Chair, executive		Machinery & Equip
		15	Chair, guest		Machinery & Equip
		15	Chair, side		Machinery & Equip
		15	Chairs		Machinery & Equip
		15	Files, electric rotary		Machinery & Equip
		15	Files, legal		Machinery & Equip
		15	Files, regular		Machinery & Equip
		15	Table, metal or wood		Machinery & Equip
ME10	Office Furniture 20 Year	20	Bookcase, metal or wood		Machinery & Equip
	OffFur20Yr	20	Desk, metal or wood		Machinery & Equip
		20	Display cases		Machinery & Equip
		20	Filing system, portable		Machinery & Equip
		20	Library furniture		Machinery & Equip
		20	Shelving, portable, steel		Machinery & Equip
ME11	Office Mach. & Equip 5 Year	5	Facsimile transmitter		Machinery & Equip
	OffMch05Yr	5	Photocopier, small		Machinery & Equip
		5	Computer disk drive		Machinery & Equip
		5	Computer printer		Machinery & Equip
		5	Data printing unit		Machinery & Equip
		5	Dicating equipment		Machinery & Equip
		5	Imprinter, address		Machinery & Equip
		5	Paper shredder		Machinery & Equip

7.14.3 Useful Lives of Capitalized Assets, continued

Full Name	Abbreviated Name	Useful Life	Description of Items in This Category	Account Number	Capitalization Category
ME12 Office Mach. & Equip 10 Year	OMCh10Yr	5	Photocopier, large		Machinery & Equip
		5	Transcribing equipment		Machinery & Equip
			Typewriter, electric		Machinery & Equip
		10	Check signer		Machinery & Equip
		10	Collator, electric		Machinery & Equip
		10	Imprinter, embossed plate		Machinery & Equip
		10	Label maker		Machinery & Equip
		10	Laminator		Machinery & Equip
		10	Mailing machine		Machinery & Equip
		10	Paper burster		Machinery & Equip
		10	Paper cutter		Machinery & Equip
		10	Paper jiggle		Machinery & Equip
		10	Stamp pad		Machinery & Equip
		10	Stamp machine		Machinery & Equip
10	Stapler, electric or air		Machinery & Equip		
10	Time recording equipment		Machinery & Equip		
ME13 Other Equipment 5 Year	OthEq 05Yr	5	Battery charger		Machinery & Equip
		5	Camera, identification		Machinery & Equip
		5	Cash register		Machinery & Equip
		5	Garbage disposal, commercial		Machinery & Equip
		5	Glassware washer		Machinery & Equip
		5	Oven, microwave		Machinery & Equip
		5	Popcorn machine		Machinery & Equip
		5	Vacuum cleaner		Machinery & Equip
		5	Washing machine, domestic		Machinery & Equip
		5	Air conditioning system, small (under 5 tons)	Note a)	Machinery & Equip
ME14 Other Equipment 10 Year	OthEq 10Yr	10	Cage, animal		Machinery & Equip
		10	Compactor		Machinery & Equip
		10	Disposal, waste		Machinery & Equip
		10	Dishwasher		Machinery & Equip
		10	Dishwasher		Machinery & Equip
		10	Dryer, clothes		Machinery & Equip
		10	Food chopper		Machinery & Equip
		10	Freezer, deep-fat		Machinery & Equip
		10	Fryer, deep-fat		Machinery & Equip
		10	Giddle		Machinery & Equip
		10	Grinder, food waste		Machinery & Equip
		10	Ice cream (soft) machine		Machinery & Equip
		10	Ice cream freezer		Machinery & Equip
		10	Key machine		Machinery & Equip
		10	Meat chopper		Machinery & Equip
		10	Mixer, commercial		Machinery & Equip
		10	Organ		Machinery & Equip
		10	Oven, baking		Machinery & Equip
		10	Packing machine		Machinery & Equip
		10	Pipe cutter-threader		Machinery & Equip
		10	Printing press		Machinery & Equip
		10	Range, domestic		Machinery & Equip
10	Refrigerator, commercial		Machinery & Equip		
10	Refrigerator, domestic		Machinery & Equip		
10	Refrigerator, undercounter		Machinery & Equip		

7.14.3 Useful Lives of Capitalized Assets, continued

Full Name	Abbreviated Name	Useful Life	Description of Items in This Category	Account Number	Capitalization Category
ME16	Other Equipment 20 Year	15	Lockers, built in	Note a)	Machinery & Equip
		20	Air-cond equip, fan, air-handing and ventilating	Note a)	Machinery & Equip
		20	Air-cond equipment, cooling tower, concrete	Note a)	Machinery & Equip
		20	Air-conditioning equipment, duct wood	Note a)	Machinery & Equip
		20	Air-conditioning equipment, metal	Note a)	Machinery & Equip
		20	Air-conditioning equipment, piping	Note a)	Machinery & Equip
		20	Boiler	Note a)	Machinery & Equip
		20	Elevator, freight	Note a)	Machinery & Equip
		20	Elevator, passenger, high-speed automatic	Note a)	Machinery & Equip
		20	Elevator, passenger, other	Note a)	Machinery & Equip
		20	Emergency generator	Note a)	Machinery & Equip
		20	Escalator	Note a)	Machinery & Equip
		20	Laboratory plumbing, piping	Note a)	Machinery & Equip
		20	Overage land and air piping	Note a)	Machinery & Equip
		20	Overage composite	Note a)	Machinery & Equip
		20	Plumbing, fixtures	Note a)	Machinery & Equip
		20	Plumbing, fixtures	Note a)	Machinery & Equip
		20	Emergency generator set	Note a)	Machinery & Equip
		20	Sink and drainboard	Note a)	Machinery & Equip
ME17	Vehicle 4 Year	4	Automobile, delivery		Machinery & Equip
		4	Automobile, passenger		Machinery & Equip
		4	Parking lot sweeper		Machinery & Equip
		4	Truck, pickup		Machinery & Equip
		4	Van Delivery		Machinery & Equip
		4	Van Passenger		Machinery & Equip
ME18	Vehicle 10 Year	10	Bus, Passenger		Machinery & Equip
		10	Tractor		Machinery & Equip
		10	Truck (automotive), forklift		Machinery & Equip
		10	Truck (hand) hot-food		Machinery & Equip
		10	Truck (hand) tray		Machinery & Equip
		10	Truck, multi purpose filling		Machinery & Equip
		10	Truck, platform		Machinery & Equip

Note a) - If added as individual new components these items should be capitalized as Machinery & Equipment. If added as a replacement it should be expensed, unless the replacement is part of a major renovation (greater than \$100,000) and increases the life or value of the building by 25%, then it should be capitalized as a Building improvement.

Note b) - All assets capitalized must have a cost greater than \$5,000 and a useful life of three years or greater.

Note c) - If added as new assets these items should be capitalized if cost is \$100,000 or greater, or if part of a project (e.g. a parking lot or athletic field) then it should be capitalized as part of the project. If the project cost is \$100,000 or greater.



7.14.4 Pro-Forma Depreciation – Total Books

Pro-Forma Depreciation-Total Books

Library books depreciated over 10 year life, half year convention
 Volumes are withdrawn almost exclusively due to obsolescence.
 Withdrawn volumes are at least 10 years old, withdrawn at the average cost of holdings 10 years ago.
 Assume depreciation accounting implemented beginning FY01
 Beginning value of Accumulated Depreciation derived as follows:
 Cost of books acquired FY90 and prior (fully depreciated)
 Cost of withdrawn volumes FY90
 Cost of books acquired FY90
 Accumulated Depreciation, beginning balance

	Cost			Volumes held	Avg Cost per Volume held	Volumes Withdrawn	Cost per volume withdrawn	Beginning Balance			Accumulated Depreciation			Ending Balance	Net Book Value
	Beginning Balance	Additions	Deletions					Beginning Balance	Additions	Deletions					
FY90				0											
FY91				0											
FY92				0											
FY93				0											
FY94				0											
FY95				0											
FY96				0											
FY97				0											
FY98				0											
FY99				0											
FY00				0											
FY01				0											
FY02				0											
FY03				0											

Depreciation Calculation based on yearly additions from Annual Financial Statements

	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03
Acq 91													
Acq 92													
Acq 93													
Acq 94													
Acq 95													
Acq 96													
Acq 97													
Acq 98													
Acq 99													
Acq 00													
Acq 01													
Acq 02													
Acq 03													
Cum													