

This document reflects the result of analyses, discussions and review by UCOP staff and PricewaterhouseCoopers (PwC) to date. The document is subject to change pending additional discussions with PwC however, it represents the best information available to date.

University of California GASB 35 Depreciation Reporting

Addendum A to Issues Resolution Memo No. 8

Approach to Infrastructure Assets and General Improvements

This addendum refines the definition of Infrastructure Assets and provides a revised approach for the treatment of General Improvement expenditures.

Approach to Infrastructure Assets

The definition of infrastructure assets will be modified to include parking lots as indicated by the underlined section below:

- Roads and Pathways
- Parking Lots (does not include parking structures)
- Bridges and Tunnels
- Drainage Systems
- Water and Sewer Systems
- Lighting Systems (campus road and pathway lighting systems)

The useful life for infrastructure assets will remain 25 years.

Approach to General Improvements

Background

Discussions at the July North/South campus meetings indicated that the composite 15 year useful life for General Improvements was too long for network-type assets such as routers and switches. Typically, these assets are managed by campus recharge/service centers and the costs are included in the recharge rates. When the University has finalized the useful lives for all depreciable asset categories, recharge centers will be required to develop rates using those useful lives.

In order to address these issues, a revised approach has been developed for campuses consideration.

Recommended Approach

The approach outlined below will be applicable on a prospective basis and will not apply to items classified as general improvements and capitalized prior to July 1, 2000.

- Data network routers and switches will be considered inventoried equipment rather than general improvements. They would be classified as H0765 on the equipment file with a useful life of three years.
- General improvements would be defined as improvements that cannot be assigned to a building or structure and will be made up of the following discrete categories and corresponding useful lives:

<i>General Improvement Category</i>	<i>Useful Life</i>
▪ Telephone Systems	7 years
▪ Other General Improvements, including:	15 years
□ Utilities Systems (gas, electric, HVAC, steam, oxygen, chilled water, compressed air, microwave, fuel oil, fire protection)	
□ Landscaping	
□ Irrigation	
□ Other Miscellaneous (signage, fences, decks, fountains, etc.)	

- All items classified as general improvements and capitalized prior to July 1, 2000 (including data network switches, routers, and other network-type assets) will be assigned the composite life of 15 years.
- The financing terms for general improvement assets cannot exceed the useful life established by the University.

Advantages

- The \$1,500 threshold for equipment would apply to routers and switches.
- A significant number of routers and switches are currently included on the equipment inventory.

Disadvantages

- There are not discrete categories (other than telephone systems) for more precise reporting of depreciation costs and development of recharge/service center rates.

Next Steps—Required Actions

- UCOP will seek campus concurrence with the recommended approach at the September North/South meeting at UC Irvine.