

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 B to Issues Resolution Memo No. 8

(Re-issued January 23, 2003)

Approach to Infrastructure Assets and General Improvements

This addendum further refines the definition of Infrastructure Assets. In addition, the addendum includes an approach for the treatment of General Improvement expenditures that incorporates some of the responses provided by the campuses in October.

Approach to Infrastructure Assets

The useful life for infrastructure assets is 25 years. Infrastructure assets are defined as the following:

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

Covered structures should not be classified as Infrastructure Assets. Covered structures should be considered as Buildings & Structures and included in account group number 120210 (campus) or 120220 (medical center).

Approach to General Improvements

Based on campus input received in September and October, OP has developed the approach outlined below. This approach will be applicable on a prospective basis and will not apply to items classified as General Improvements and capitalized as General Improvements prior to July 1, 2000.

- The useful life for all general improvements is 15 years.
- The general improvements category is defined as improvements that cannot be assigned to a building or structure and is made up of the following:
 - Utilities Systems—This includes gas, electric, HVAC, steam, oxygen, chilled water, compressed air, microwave, fuel oil, and fire protection systems that cannot be directly assigned to a building or structure.
 - Telephone and Data Communication Systems—This includes the overall system architecture and cabling. Equipment items (e.g., routers, switches, etc.) will be identified as inventorial equipment and depreciated based on the appropriate useful lives provided in the University Useful Life Table. Items with unit costs less than \$1,500 should be expensed.
 - Landscaping and Athletic Fields
 - Irrigation
 - Other Miscellaneous—This includes other general improvements such as 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 inventorial equipment) will be assigned the composite life of 15 years, but may be prospectively classified as equipment subsequent to July 1, 2000.
- The financing terms for general improvement assets cannot exceed the useful life established by the University.

Next Steps—Required Actions

- Campuses should review assets currently assigned to General Improvements and reassign to the appropriate account (e.g., Infrastructure Assets, General Improvements, Buildings and Structures, Fixed Equipment, or Equipment) by December 31, 2000.
- Campuses should write-off expenditures less than \$35,000 that are currently included in the General Improvements file by December 31, 2000.