

University of Rhode Island

Capitalization

Effective Date: July 1, 2001

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I. General Background

From fiscal 1970 to fiscal 1976, the University of Rhode Island followed the financial accounting and reporting principles outlined in both the *College and University Business Administrators (CUBA)* 1968 and 1974, and the AICPA industry guide, "*Audit of Colleges and Universities*" issued in 1973. Such principles require the use of fund accounting in order to satisfy the requirements for the proper accounting of receipts and uses of resources. As defined by CUBA, a fund is an accounting entity with self-balancing set of accounts consisting of assets, liabilities and a fund balance. And up to now, the University maintains separate accounts for each fund to insure compliance with restrictions placed on the use of resources. The fund groups found in the University's financial reports for the reporting periods indicated above included current funds, loan funds, plant funds, and agency funds.

The University's capital assets were accounted for in the plant funds, which consisted of four self-balancing subgroups, namely:

1. **Unexpended Plant Funds:** This was used to account for the unexpended resources derived from various sources to finance the acquisitions of long-lived fixed (capital) assets and the associated liabilities.
2. **Renewals and Replacements:** This was used to account for funds set aside for the renewals and replacements of institutional assets as distinguished from additions and improvements to plant.
3. **Retirement of Indebtedness:** This was used to account for the accumulation of resources for interest and principal payments and other debt service charges, including contributions for sinking funds, relating to plant indebtedness.
4. **Investment in Plant:** This was used to account for all long-lived assets in the service of the institution and all construction in progress, unless reported in the unexpended plant funds and renewals and replacements funds, until completion of the constructions. Other sources of assets of this subgroup include donations (at fair market value on date of gift) and the cost of long lived assets financed by expenditures of current funds. The long-lived assets consisted of land, buildings, improvements, and equipment.

The University did not calculate and report the depreciation related to its long-lived assets in the statement of current fund revenues, expenditures and other changes.

The primary reason for this treatment is that one of the primary reporting objectives of college and university accounting is to disclose the sources and uses of funds received rather than net income realized. However, CUBA allowed depreciation allowances to be reported in the balance sheet and the provision for depreciation reported in the statement of changes in fund balances in the Investment in Plant subgroup.

Beginning with fiscal 1977 (and up to fiscal 2001) the University prepared its financial statements in accordance with the accounting practices prescribed by the State of Rhode Island. Such practices were consistent with the governmental accounting and financial reporting principles set forth in NCGA Statement 1 or the 1980 Governmental Accounting, Auditing, and Financial Reporting (GAAFR)

The University organized and operated its accounting system on a fund basis. Statement 1 defines fund as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The University's general purpose financial statements contain three major fund types and two account groups, namely:

Fund Types:

1. Governmental Funds:

- General funds – used to account for all financial resources except those to be accounted for in other funds.
- Special revenue funds – used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.
- Capital project funds – used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).
- Debt service funds – used for the accumulation of resources for, and the payment of general long-term debt principal and interest.

2. Proprietary Fund:

- Enterprise Funds – used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

3. Fiduciary Fund:

- Trust and agency funds – used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

Account Groups:

- 1. General Fixed Assets Account Group:** used to account for the fixed assets of a governmental unit. In essence, this group is an accountability listing of a government's general fixed assets - those not employed in commercial type activities or held in trust.
- 2. General Long-Term Debt Account Group:** used to account for the outstanding general long-term liabilities of a governmental unit.

During fiscal years 1977 up to 2001, the University's fixed assets, consisting of land, building, improvements, and equipment, were recorded at cost or, if the cost was not practicably determinable, at estimated cost. Donated assets were recorded at their estimated fair value at the time received. Because of the distinctive nature of governmental financial operations and fund accounting requirements, some fixed assets of the University are accounted up to now in fund accounts while others were accounted through account group.

The fixed assets of the University's enterprise funds were capitalized in such funds' accounts because their assets are utilized in the production of goods or services provided and sold. Depreciation of these assets is also recorded in the enterprise funds' accounts to determine total expenses, net income, and changes in fund equity or net assets.

Fixed assets, other than those accounted for in the enterprise funds, were general fixed assets of the University, and they were accounted for in the General Fixed Assets Account Group (GFAAG) rather than in the governmental funds. GFAAG was an account group and not a fund, and was used for management control and accountability purposes. General fixed assets do not represent financial resources available for expenditures, but are items for which financial resources have been used and for which accountability has to be maintained.

As in fiscal years 1970 through 1976, with the adoption of CUBA 1968 and 1974, the University did not record depreciation of its general fixed assets although the accumulated depreciation may be recorded in the General Fixed Assets Account Group under Statement 1. Depreciation expense was neither a source nor use of governmental fund financial resources, and therefore it was not recorded in governmental fund accounts.

Starting on July 1, 2001, the University, as a Phase 1 governmental institution, is required to comply with the reporting requirements of GASB 34 and 35. As a policy, the University, in conjunction with the State of Rhode Island Office of Higher Education, has decided to utilize the Business-Type Activities (BTA) model in order to enhance comparability with its counterparts. Under the BTA model, the University's basic financial statements consist of the following:

1. Management Discussion and Analysis (MD&A)
2. Financial Statements:
 - a. Statement of Net Assets or Balance Sheet
 - b. Statement of Revenues, Expenses, and Changes in Net Assets
 - c. Statement of Cash Flows, Direct Method
3. Notes to Financial Statements
4. Required Supplementary Information other than MD&A

The statement of net assets and the statement of revenues, expenses, and changes in net assets are prepared using the economic resources measurement focus and the accrual basis of accounting. The net assets include funds invested in capital assets, net of related debt. This component of net assets will consist of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by related debts such as bonds, mortgages, notes and other borrowings that are attributable to the acquisitions, construction, addition, or improvement to existing capital assets.

GASB 34 and 35 require the prospective reporting of all major infrastructure assets in the statement of net asset or balance sheet. And as a Phase 1 governmental institution, the University is required to retroactively report all major infrastructure assets for fiscal years beginning after June 15, 2005. Prospective reporting of general infrastructure assets in the statement of net assets is required beginning with fiscal year 2002. With the exception of land, books and constructions in progress, all capital assets of the University are depreciated in accordance with the existing depreciation policy, and the depreciation expense is reported in the statement of revenues, expenses and changes in net assets.

Up to fiscal year 2001, the University did not maintain adequate records of governmental funds' fixed assets, and consequently, the University's independent auditors issued a qualified opinion on the general fixed assets.

II. Capitalization Policy Objectives:

1. To ensure uniform understanding of the University's capitalization policy for fixed assets;
2. To standardize the accounting for capital expenditures;
3. To provide resource providers and others with qualitative and quantitative financial information on the deployment and use of the University's resources, specifically in fixed assets.
4. To ensure compliance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Analysis-for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for*

Public Colleges and Universities, with respect to the reporting of capital assets.

5. To assist in safeguarding capital assets by assigning accountability for them.

III. Definition of Terms:

- A. **ADDITIONS:** The increase or extension of existing assets. Additions include entirely **new** units and extension, expansion and enlargements of **old** units.
- B. **ALTERATION:** A change in the internal arrangement or other physical characteristics of an existing asset so that it may be effectively used for its newly designated purposes. Example: Changing classroom space into offices.
- C. **ASSETS:** Something of value owned by an entity or, more formally, probable future economic benefits obtained or controlled by a particular entity as a result of past transactions.
- D. **BOAT:** A small vessel propelled by oars, paddles, and sail or by power.
- E. **BUILDING:** A roofed and walled structure acquired or constructed for permanent use.
- F. **CAPITALIZE:** To record an expenditure or contribution that may benefit a future period as an asset rather than to treat the expenditure as an expense for the period in which it occurs.
- G. **CAPITAL ASSETS:** These include land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, work of arts and historical treasures, infrastructures and other tangible and intangible assets that are used in operations and that have initial lives of more than one year or extending beyond a single reporting period (GASB Statement No. 34).
- H. **CAPITAL EXPENDITURE:** An expenditure that results in additions or improvements of a permanent nature, material in amount, adds value and increases the life of the capital asset, and increases and enhances the quantity and quality of goods and services produced from the asset.
- I. **COMPONENT:** A definable subdivision of a building that is sometimes separately identified for record-keeping purposes. Examples: Plumbing, electrical system, shell, roofing, interior furnishings, and HVAC (heating, ventilating, and air conditioning).
- J. **CONSTRUCTION IN PROGRESS:** Cost of construction work undertaken but not yet completed as the close of the accounting period.
- K. **DEPRECIATION:** This is a system which aims to distribute the cost of tangible capital assets, over the estimated useful life of the unit (which may be a group of assets) in a systemic and rational manner.
- L. **DONATED ASSETS:** Assets received in a voluntary non-reciprocal transfer by another entity.

M. EQUIPMENT: An article of an expendable and tangible personal property. This item would include:

- Computer hardware: Consists of devices which can perform one or more of the following functions: data preparation; input to the computer; computation, control and primary storage; secondary storage; and output to the computer.
- Construction equipment: Tangible property and implement used to assemble/improve land, buildings and/or infrastructure assets.
- Education and recreational equipment: Furniture, implement and tangible property used for educating/teaching in a classroom; and/or implement used for rest and relaxation or social activities.
- Farm equipment: Tangible property and implement used for agricultural purposes.
- Household furnishing and equipment: Furniture, property and accessories used in and around living quarters.
- Medical, surgical and lab equipment: Tangible property and implement used for medical treatment and/or experimental testing and analysis.
- Motor vehicles and automotive service equipment: 1) Motor vehicles-mechanized equipment used to transport people and other items. 2) Automotive Service Equipment-implement and tangible property used to test, diagnose and repair motor vehicles.
- Office furnishing and equipment: Furniture, implement and tangible property used in rooms within a building(s) for the conduct of trade, business, profession or government service

N. EXPENDITURE: It is a payment or an incurring of an obligation to make a future payment for a benefit received.

O. EXPENSE: An amount which reflects the depletion of an asset in connection with the production of revenue or the execution of other activities that are part of the entity's operation (NACUBO). Example: Depreciation

P. INFRASTRUCTURE ASSETS: 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. These include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems, telecommunications system, gutters, curbs, streets, sidewalks, gas and electric utilities, solid waste disposal, waste water treatment, and similar assets that are immovable. Buildings, except those that are an ancillary part of a network of infrastructure assets, should not be considered infrastructure assets (GASB Statement No. 34).

Q. LAND: A portion of the earth's surface distinguishable by boundaries or ownership.

- R. LEASE: A lease is a contractual agreement between a lessor and a lessee that conveys to the lessee the right to use specific property (real or personal), owned by the lessor, for a specific period of time in return for stipulated, and generally periodic, cash payments (rents).
- S. LEASEHOLD IMPROVEMENTS: Any improvements made to the property leased by the University.
- T. MASS PURCHASES: Purchases made of multiple of the same items of equipment or supplies at the same time as a whole.
- U. PRESERVATION/RESTORATION COSTS: Expenditures associated with maintaining special assets in or returning them to, a level of quality as close to the original as possible. Example: Restoring a painting or antique to its former beauty or acting to prevent any further deterioration.
- V. RENOVATION (sometimes known as improvement and betterment): The total or partial upgrading of a facility to higher standards of quality or efficiency than originally existed. It also includes the substitution of an improved asset for an existing one. Examples: The transition of an old research laboratory into one with state-of-the art equipment, lighting, or other subsystems; a wooden floor is replaced with a concrete floor.
- W. REPAIRS: Expenditures that maintain assets in condition for operation. There are two classes of repair.
 - 1. *Ordinary Repairs* involve expenditures made to maintain plant asset in operating conditions.
 - 2. *Extraordinary Repairs* extend the life of the assets originally estimated life, and it benefits more than one year.
- X. COMPUTER SOFTWARE: Consists of programs and routines provided to facilitate the use of the computer. It includes application programs or routines written for a specific installation, but it is more commonly used to refer only to the general programming and operating aids, which are usually furnished by the manufacturer.

IV. Capitalization Policy

- A. LAND: All expenditures incurred to acquire land and to place it ready for use should be capitalized. The acquisition costs of land should include: (1) the purchase price; (2) closing costs; (3) cost incurred in preparing the land in condition ready for its intended use; (4) assumption of any liens or mortgages on the property; and (5) improvements made to the land that have indefinite lives and are permanent in nature. Since land is acquired on a parcel basis, it should be recorded in the System on that basis. However, land parcels representing components of a site are aggregated and ultimately recorded in the System as one parcel.
- B. LAND IMPROVEMENTS: Improvements to land with limited lives, such as fences, driveways, parking lots, and walks should be recorded as land

improvements, so that they can be depreciated over their estimated useful lives. The capitalized costs of land improvements should be \$50,000 or more, which includes the net invoice price and any additional costs incurred to bring the asset to a condition ready for its intended use. Land improvement should be recorded in the system as a separate asset from land. Example: Parking Lot.

C. BUILDING: If a building is acquired by purchase, the capitalized cost should include the purchase price and other incidental expenses incurred at the time of acquisition. If a building is constructed instead of purchased, the capitalized cost should include material, labor, supervision, and overhead, or the contract price, including certain added costs such as:

1. Building permit and licenses;
2. Architectural, engineering and attorneys fees;
3. Insurance premium, applicable to the construction period, including premium on insurance on claims for damages and accidents;
4. Title examination costs; and
5. Costs of temporary building used for construction office or as tool and material shed;

Interest incurred during the construction period on bonds or other obligations assumed or issued to obtain funds for the construction should be capitalized as additional cost of a building (SFAS No. 34).

Each building should be recorded in the System as a separate asset and depreciated accordingly.

D. INFRASTRUCTURE: The cost of infrastructure assets should include capitalized interest and ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include costs that are directly attributable to asset acquisition or construction—such as contract price, freight and transportation charges, site preparation, professional fees, etc. (GASB Statement No. 34) each infrastructure asset should be recorded as a separate asset in the System and depreciated accordingly.

E. COSTS INCURRED AFTER ACQUISITION OR CONSTRUCTION OF BUILDING: The following capitalization policy should apply with respect to expenditures incurred subsequent to acquisition or construction of buildings.

1. Addition: All expenditures incurred for an addition consisting of an entirely new unit should be capitalized and charged to a specific building account. The new unit should be depreciated over its estimated life.

If an addition represents an **extension, expansion, or enlargement** of an **old** unit, all expenditures incurred in such addition to place the enlarged building in condition for its intended use, should be capitalized and charged to a specific **building improvement** account. The policy is to regard all costs, including the costs of deletion, less salvage from

demolished or reconstructed portions of the old structure, as costs of the building improvement. Additions made to buildings should be recorded in the System if the total cost is \$50,000 or more and have useful life of more than one year.

2. Alteration and Renovation: The costs of alteration and renovation should be capitalized if the following criteria are met:

1. The expenditures increase the service potential of the building;
2. The total improvement costs, including the contract price, engineering, architectural, and attorney's fee, etc. is \$50,000 or more.
3. The improvement has a useful life of more than one year.

Costs of alteration and renovation should be recorded in the System and charged to the **building improvement** account and should not be added to the capitalized value of the existing structure being impacted. Such additions would include the following:

1. Ramps, truck doors, fire escapes and other appurtenances.
2. Improvements requiring modifications of the structure to comply with current fire, health and safety codes.
3. Improvements undertaken to convert unusable floor space into usable floor space; or upgrade the use of floor space, (i.e., converting storage areas to office/classroom space).
4. Modernization of the structure as a whole, and not merely a rearrangement of selective office/classroom areas.
5. When the renovation project involves a significant razing of the existing structure, the cost, including the accumulated depreciation of the portion that was razed shall be removed from the system. If the original cost is not available, a reasonable estimate of the original cost should be used.

3. Repairs: Extraordinary repair incurred on equipment costing \$5,000 or more and which extends the life of the equipment should be added to the cost of the equipment being impacted. Expenditures on ordinary repairs should be expensed in the period in which they are incurred on the basis that it is the only period benefited.

F. EQUIPMENT: Expenditures for equipment and furnishing costing \$5,000 or more on a unit basis and have estimated life of more than one year should be capitalized.

Items in this category should be capitalized at net invoice price (or market value, if acquired by gift) plus freight and installation charges.

G. FABRICATED EQUIPMENT: Self-constructed equipment should be capitalized if the total unit cost incurred to fabricate the equipment is \$5,000 or more, and the asset has estimated useful life of more than one year. Self-

constructed equipment should be recorded at cost, which includes materials, direct labor, and applicable overhead incurred to fabricate the equipment.

- H. **DONATED ASSETS:** The University sometimes receives gifts of fixed assets. Property acquired by gift should be capitalized at its fair market value at the time of gift. A conditional gift of fixed assets should be recorded as "Contingent Asset" until the stipulated conditions are met.
- I. **WORK OF ART AND HISTORICAL TREASURES:** These assets are defined as one or more items 1) on public display, 2) used in furtherance of historical education or 3) involved in advancement of artistic or historical research (FACT). These items will be capitalized at their historical cost or fair market value at date of donation and will be included in the University's capital assets as individual items or in a collection if the following conditions are met:
 - 1. Held for public exhibition, education or research in furtherance of public service, rather than financial gain.
 - 2. Protected, kept unencumbered, cared for and preserved.
- J. **LIBRARY BOOKS:** These items are expensed when incurred.
- K. **LEASED HOLD IMPROVEMENT:** Leasehold improvements made to buildings leased by the University should be capitalized if they meet established criteria: a cost of \$50,000 or more and a useful life of more than one year. The capitalized costs should be charge to the Leasehold Improvements account.
- L. **MASS PURCHASES:** If several fixed assets are acquired in one purchase at a lump price, the acquisition costs should be apportioned and capitalized to the various assets if they meet the basic capitalization criteria. If an integrated system is purchased as a single asset, it should also be capitalized if it meets the basic capitalization criteria. The apportionment should be made on the basis of their appraisal values at the time of purchase (i.e., utilizing the ratio of the appraised values of each class of assets to the total appraised value). The allocated acquisition cost should be expressed in a unit cost basis, specifically for equipment and furnishing.
- M. **CAPITAL LEASED PROPERTIES:** Leased tangible property should be capitalized if the non-cancelable lease agreement covering the property meets one or more of the following four criteria at the inception date of the lease agreement (FASB Statement No. 13):
 - 1. The lease transfers ownership of the property to the lessee at the end of the lease term.
 - 2. The lease contains a bargain purchase option. A bargain purchase option is defined as a provision allowing the lessee to purchase the property for a price that is substantially lower than the expected fair value of the property at the date the option becomes exercisable.
 - 3. The lease term is 75% or more of the estimated economic life of the lease property.

4. The percent value of the minimum lease payment at the beginning of the lease term, excluding executory costs, equals or exceeds 90% of the fair value of the leased property.

The capitalization thresholds for leased equipment and buildings with more than one-year useful life are \$10,000 and \$50,000, respectively.

If the lease agreement does not meet any of the above criteria, it is considered an operating lease for accounting purposes. The period payments, under the terms of the agreement, shall be recorded as rental expenses in the University's accounting systems.

N. **COMPUTER SOFTWARE FOR INTERNAL USE:** This software has the following characteristics that distinguish it from software developed to be sold:

- The software is acquired, internally developed, or modified solely to meet the University's internal needs.
- During the software's development or modification, no plan exists to market the software externally.

Research and development (R&D) costs associated with the development of computer software for internal use should be expensed (AcSEC/SOP). R&D costs include:

- Purchased or leased computer software used in R&D activities where the software does not have an alternative future use.
- All internally developed internal use computer software if 1) the software is a pilot project or 2) the software is used in a particular R&D project, regardless of whether the software has alternative future use.
- Conceptual formulation, design, and testing of possible computer software project alternative.

The costs of computer software for internal use should include (AcSEC/SPO) the following:

- Acquisition costs including materials and services consumed in developing or obtaining internal use computer software.
- Payroll and payroll-related costs for employees who are directly associated with and who devote time to the internal use software project, including its implementation.
- Interest costs recognized on borrowing and other obligations (SFAS No. 34).

Once the software has been placed into service, any upgrade or enhancement costs should be capitalized if such upgrade or enhancement extend the life or increase the utility or functionality of the software.

V. Depreciation Policy

INTRODUCTION:

The University has elected to report depreciation expenses in its financial statements, as opposed to using the “modified approach”, which does not require infrastructure assets that are part of a network or subsystem of a network to be depreciated if certain requirements are met. Depreciation expenses will be measured by allocating the net cost of depreciable assets over their estimated useful lives in a systematic and rational manner. GASB Statement Nos. 34 and 35 provide an opportunity to public colleges and universities to conform to each other and profit-making entities, on the accounting treatment of depreciation. For major research institutions like the University of Rhode Island, these statements also provide the opportunity for better documentation of depreciation charges, which could lead to increases in negotiated recovery rates on sponsored grants and contracts.

DEPRECIATION CONVENTION:

Depreciation will be calculated in the University’s capital asset accounts, utilizing the “half-year” convention. Under this convention, one half year’s depreciation will be calculated in the fiscal year an asset is acquired, placed in service or disposed of. This convention shall be used regardless of when, during the fiscal year, an asset is acquired, placed in service or disposed of.

DEPRECIATION METHOD:

The “straight line’ method of depreciation will be utilized to depreciate capital assets, except land, construction in progress, and work of arts, over the estimated useful lives. Under this method, depreciation is computed by establishing the basis of an asset and then dividing by the number of years of useful life to arrive at an annual depreciation charge. Leasehold improvements, however, shall be depreciated over the remaining life of the lease, or the useful life of the improvement, whichever is shorter. The following criteria are used to determine the annual depreciation amount:

1. Cost or basis
2. Useful life
3. Depreciation method

ASSET LIVES:

The estimated lives of non-research and research buildings, including building additions and improvements were determined by an outside consultant in conjunction with the componentization study it conducted for the University. The purpose of this study is to ensure that the University is in compliance with OMB Circular A 21, which sets the guidelines and regulates the methodology for indirect cost recovery from federal grants and contracts.

The following schedule shall be used as a guide in determining the useful life of the various categories of capital assets.

ASSET CATEGORY	LIFE (Years)
Buildings - nonresearch:	
Building	40
Building addition	40
Building improvements	25
Buildings - research (componentized):	
•Building shell:	
--- Infrastructure network (building cable)	10
--- Building, original	40
--- Building renovation or improvements	25
--- Foundation (foundation walls, interior foundation slab on ground, structured floor, steel framing)	50
--- Roof covering materials and roof drainage	18
--- Exterior walls	30
--- Interior construction	20
--- Site preparation (Clearing, grading and installation of public utilities)	50
--- Floor cover (carpeting, floor finish, tiles, etc.)	10
Building services:	
--- Elevators	23
--- Heating, ventilation and air conditioning (furnace boiler, rooftop packaged units, central cooling system)	23
--- Electrical (wiring and lighting)	23
--- Plumbing (general plumbing, sinks, lavatories, drinking fountains, bathtubs, showers, urinals, etc.)	23
--- Fire protection (sprinkler system, fire alarm and fire detection systems)	23
Fixed equipment:	
--- Cabinet, wood	20
--- Controlled condition area	15
--- Fumehood	15
--- Laboratory bench	20
--- Projection screen	15
--- Vent hood	20
--- Clean air filtration system	15
--- Autoclave	15
--- Emergency shower	15
--- Washer cage	15
--- Lab table, laminated	15
--- Lab table, Devon	20
Land improvements:	25
--- Infrastructures - Roads, drainage systems, water and sewer systems, lighting systems, gutters, streets, sidewalks, gas and electric utilities,	25

solid waste disposal, parking lots, fences, walls, driveways athletic fields, landscape, etc.	
--- Communication systems – Station, branch exchange, cable, manholes, cable, conduit, microwaves, etc.	15
Equipment	5-15
Computer Software	5

VI. Disposition of Depreciable Capital Assets

When fixed assets which are subject to depreciation are sold or otherwise disposed of, the property account should be relieved of the cost of the asset. The depreciation account should also be relieved of the accumulated depreciation at the time of disposal. Department must notify URI Property Office prior to the sale or disposal of assets.

The gains or losses from sale on disposal should be recorded as other income or operating loss of the specific fund (general, special, and proprietary). However, in those cases in which the gains and losses are so large that their inclusion as other income or operating loss would impair the significance of the statement of revenues, expenses, and changes in net assets, such gains and losses should be reported as extraordinary items under nonoperating revenues (expenses).