**STATE OF IOWA**
**DEPARTMENT OF REVENUE AND FINANCE**
**GASB 34 IMPLENTATION**

# *Capital Assets Including Infrastructure – Depreciation*

## Policy

Capital assets meeting the criteria for inclusion in the CAFR should be depreciated over their estimated useful lives. Estimated useful lives are based on industry standards or other "standardized" measures when industry standards are not available. The following ranges for useful lives are used in absence of industry guidance:

| | |
|---|---|
| Infrastructure | 10-50 years |
| Buildings & Improvements | 20-50 years |
| Equipment | 2-20 years |
| Vehicles | 3-10 years |

The straight-line depreciation method should be used unless assets are either inexhaustible (land and certain land improvements) or are infrastructure assets reported using the modified approach. Land improvements that produce permanent benefits (fill and grading costs) are not depreciable, while improvements that deteriorate with use or the passage of time (parking lots and fencing) are subject to depreciation.

At a minimum, depreciation should be calculated and allocated from the month in which the asset was acquired. It is acceptable to be more precise and calculate depreciation based upon the day the asset was received.

The modified approach applies exclusively to infrastructure assets that are part of a network or subsystem of a network. This can exclude infrastructure assets from depreciation if two requirements are met:

1) The eligible infrastructure assets use an asset management system that provides:
   a) An up-to-date inventory of eligible assets
   b) A performance of condition assessments (which can be replicated) of eligible infrastructure assets and summarizes the results using a measurement scale
   c) An estimate each year of the annual amount to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the state

And.....

2) The State documents that the eligible infrastructure assets are being preserved approximately at (or above) a condition level established and disclosed by the government. The following should be documented:
   a) Complete condition assessments of eligible infrastructure assets are performed in a consistent manner at least every three years
   b) The results of the three most recent complete condition assessments provide reasonable assurance that the eligible infrastructure assets are being preserved

approximately at (or above) the condition level established and disclosed by the State.

If infrastructure assets meet the above criteria, they are not depreciated. All expenditures for these assets (except additions and improvements) should be expensed in the period incurred. Additions and improvements to eligible infrastructure should be capitalized. Additions or improvements increase the capacity or efficiency of infrastructure assets rather than preserve the useful lives of the assets.

If the conditions for using the modified approach are no longer met, the infrastructure assets must be depreciated in the subsequent year and the change is reported as a change in accounting estimate.