CAPITALIZING REPAIRS, RENOVATIONS AND REMODELING EXPENSES
POLICY

Date: January 1, 2010
Replaces: Policy dated 1/1/93
Approved: Laura Ragin, Assistant Vice Chancellor and Controller

1. Policy Statement
State of Colorado Higher Education Accounting Standard #5, Capital Asset Reporting, sets
guidelines on capitalizing construction expenses such as Land, Improvements to Land,
Building, Leasehold Improvements, and Equipment. In addition to building new structures,
construction expenditures can also include repairs, renovations and remodeling. This policy
and procedure is intended to clarify when to capitalize repair, renovation or remodeling
expenditures as an asset in the Investment In Plant Fund.

2. Procedure
In all of the following discussion, if any part of the old asset is replaced or removed, the value
of that portion replaced or removed should be deleted from the capitalized value.

Note: Higher Education Accounting Standard #5 uses a $50,000 threshold above which
expenses are capitalized. However, the University of Colorado uses a $75,000 threshold by
authorization of the State Controller.

1. Repairs
Repairs are the restoration of a capital asset to its full productive capacity without an
increase in its previously estimated service life or productive capacity.

Capitalization Guidelines: Repairs costing $75,000 or less should not be capitalized. Repairs in excess of $75,000 should not be capitalized unless it can be shown that it extends the useful life of the asset or significantly changes the functionality of the asset in which the quantity or quality of the asset's output is enhanced.

2. Renovation, Remodeling, Additions and Improvements
These categories may be considered as betterments which are expenditures having the effect of extending the useful life of an existing fixed asset.
Capitalization Guidelines: Expenditures in this category costing $75,000 or less should not be capitalized. Expenditures in excess of $75,000 should be capitalized unless it can be shown it does not extend the useful life of the asset.

3. References and Resources

Fiscal Procedures Manual Chapter 9 Accounting for Capital Assets, Infrastructure, and Related Debt issued by the Office of State Controller

Higher Education Accounting Standard #5 Capital Asset Reporting issued by the Office of State Controller (Note: $50,000 threshold does not apply to the University.)

Capitalization Threshold Chart in the CCO Departmental Financial Management Guide Chapter 9 Balance Sheet/SNA Accounts