

**The Ohio State University**  
**Office of the Controller**  
**Guidance on Capitalization of Expenditures**  
**Charged to FOD Projects (FD801/FD810-PJOSU-xxxxxx)**  
**Updated January 25, 2024**

GASB Concepts Statement No. 4 defines assets as resources with present service capacity that the government presently controls. The present service capacity of a resource that is an asset is its existing capability to enable the government to provide services, which in turn enables the government to fulfill its mission.

Per GASB 34, capital assets should be reported at historical cost. The cost of a capital asset should include 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—such as freight and transportation charges, site preparation costs and professional fees.

The GASB 34 guidance on asset capitalization is relatively straightforward to apply to the construction of a new building. However, when a project involves an existing building, judgment is required to determine whether the project adds to the present service capacity of the building. The following sections of this document provide additional guidance on distinguishing between capitalizable and noncapitalizable building improvement projects.

### **Capitalizable Building Improvements**

To qualify for capitalization, project expenditures must exceed **\$100,000** (excluding moveable equipment, which is capitalized separately) **and** represent significant alterations, renovations or structural changes that increase the usefulness of the building, enhance its efficiency or extend its original useful life. Capitalizable building improvements include:

**Alterations** – this category includes changes to the internal structural arrangement or other physical characteristics of a building so that it may be effectively used for a newly designated purpose. Examples include:

- Adding a lunch area, rest rooms, offices or a new wing to an existing building
- Changing office space to laboratory space
- Converting multiple offices into a common work area

**Renovations, Renewals and Replacements** – this category includes projects to upgrade a building to higher standards of quality or efficiency and projects to overhaul or replace major building components that have deteriorated because of time and usage. Examples include:

- Transitioning an old research laboratory into a state-of-the-art facility, with new fixed equipment, lighting or other subsystems
- Replacing or upgrading windows, doors, built-in closets or cabinetry
- Replacing or upgrading electrical, plumbing, heating or air conditioning systems

- Resurfacing an entire roof (even if it is replaced with the same type of material that previously existed)

### **Noncapitalizable Repairs and Maintenance**

Some projects, while necessary, are not considered to increase the usefulness of the building, enhance its efficiency or extend its useful life. These projects should be expensed as incurred (**not** capitalized).

Examples include:

- Plumbing or electrical repairs
- Interior “patch and paint” and “refresh” work (carpet replacement, repainting, touch-up plastering, sink and fixture refinishing, replacement of tile or panel sections, draperies, blinds, curtain rods, wallpaper, etc.)
- Exterior decoration (detachable awnings, uncovered porches, decorative fences, etc.)
- Maintenance-type exterior renovation (repainting, replacement of deteriorated siding, masonry sections, etc.)

Costs for studies, including but not limited to engineering and feasibility studies, that are not specifically related to a capitalizable building improvement project should be expensed. Architect and design fees should be expensed if a decision is made to not proceed with the construction or renovation of the building.