



April 24, 2024

Methods to Determine Historical Costs or Estimated Historical Costs

Dear Reader:

The following document was created from the CTAS website (ctas.tennessee.edu). This website is maintained by CTAS staff and seeks to represent the most current information regarding issues relative to Tennessee county government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with county government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other CTAS website material.

Sincerely,

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Reference Number: CTAS-1980

Capital assets and infrastructure are to be reported at historical (acquired) cost. A county may use any established tool to accomplish GASB Statement 34 historical cost requirements; however, the mechanism for calculating historical costs for previously acquired assets should be (1) accurate, (2) able to be replicated, and (3) documented. An asset's total historical cost includes all costs of construction and/or installation and setup of the assets (i.e. shipping, engineering and architect fees, and capitalized interest during construction of a building). An asset's historical cost can be identified through deeds, bills of sale, county commission minutes, and/or invoices. If the actual historical cost of an asset cannot be identified, an estimated historical cost can be used. A county can estimate the historical cost of assets or infrastructure by identifying an accurate estimate of an asset's current replacement cost and then using a deflation calculator to arrive at an estimated historical cost. While there are a number of inflation/deflation calculators available, an excellent calculator that utilizes the consumer price index (CPI) is available on the [Federal Reserve Bank of Minneapolis Web site](#).

Example:

A county identifies a 10-acre tract of land that it owns through the register of deeds office. Even though the county has the deed to the land, there is no price amount on the deed. Based on historical research, management ascertains that the land was donated to the county board of education in 1948. The county property assessor values the land (based on what a similar piece of land in the county would cost today) at \$80,000. Using a deflation calculator, management calculates that the replacement cost of the land in 1948 would be \$9,568. The county would record the asset with an estimated historical cost of \$9,568 and print off the calculation, a copy of the deed, and documentation from the property assessor stating his/her estimate for backup documentation for the asset's cost.

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