

BUSINESS AND NON-INSTRUCTIONAL OPERATIONS

BP 3600 Asset Capitalization Policy

Government Account Standards Board (GASB) Statement 34 requires the El Dorado County Office of Education (EDCOE) to include the original cost of fixed assets in the statement of net assets as part of the government-wide financial statements starting in the 2002-2003 fiscal year. It also requires, once GASB 34 is implemented, EDCOE to begin calculating annual depreciation of these assets.

Asset Capitalization

In accordance with GASB 34 and federal and state guidelines (below), EDCOE will capitalize all assets with a purchase price of \$5,000 or greater and a normal useful life of more than one year.

- The Office of Management and Budget (OMB) Circular A-87, *Cost Principles of State Local and Indian Tribal Government, Attachment B*, sections 19(a)(2) and 19(h), sets the federal capitalization threshold at \$5,000, allowing property costing up to \$5,000 to be charged to federal grants as supplies, rather than capital outlay without specific awarding agency approval.
- The *State Accounting Manual*, used by California state agencies, requires capitalization of property which has a normal life of at least one year and a unit acquisition cost of at least \$5,000.

Depreciation

Depreciation represents the recognition of the cost of an asset over time, by calculating its estimated loss in value during each accounting period.

- GASB 34 allows districts to use any established depreciation method.
- California Department of Education recommends districts use the straight-line method.

The County Office will utilize the straight-line method over the estimated useful lives for classes of assets as specified by the State of California Accounting Manual as follows:

ASSET CLASS	EXAMPLES	YEARS
Land		N/A
Site Improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
School Buildings		50
Portable Classrooms		25
HVAC Systems	Heating, ventilation, and air conditioning systems	20
Roofing		20
Interior Construction		25
Carpet Replacement		7
Electrical / Plumbing		30
Sprinkler / Fire System	Fire suppression systems	25
Outdoor Equipment	Playground, radio towers, fuel tanks, pumps	20
Machinery & Tools	Shop & maintenance equipment, tools	15
Kitchen Equipment	Appliances	15
Custodial Equipment	Floor scrubbers, vacuums, other	15
Science & Engineering	Lab equipment, scientific apparatus	10
Furniture & Accessories	Classroom and office furniture	20
Business Machines	Fax, duplicating & printing equipment	10
Copiers		5
Communications Equip	Mobile, portable radios, non-computerized	10
Computer Hardware	PC's, printers, network hardware	5
Computer Software	Instructional, other short-term	5
Computer Software	Administrative or long-term	10
Audio Visual Equip	Projectors, cameras (still & digital)	10
Athletic Equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical Instruments	Pianos, string, brass, percussion	10
Library Books	Collections	5
Licensed Vehicles	Buses, other on-road vehicles	8
Contractors Equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10
Grounds Equipment	Mowers, tractors, attachments	15

Legal Reference: GASB Statement No. 34, Basic Financial Statements and Management=s Discussion and Analysis for State and Local Governments
Office Management and Budget (OMB) Circular A 87
State of California Accounting Manual (CSAM)

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