

SAN LUIS OBISPO COUNTY OFFICE OF EDUCATION
P.O. Box 8105, San Luis Obispo, CA 93403-8105

(P) # 3265 ASSET CAPITALIZATION POLICY

Government Accounting Standards Board (GASB) Statement 34 requires the San Luis Obispo County Office of Education (SLOCOE) 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. If capital assets are not included on the statement, the total net assets amount, i.e., the bottom line, will be understated. It also requires, once GASB 34 is implemented, SLOCOE to begin calculating annual depreciation of these assets.

Asset Capitalization

An asset capitalization policy is necessary which will establish a reasonable capitalization threshold for all types of assets. This policy should also facilitate depreciating those assets over their estimated useful lives.

A capitalization threshold is the monetary part of the criteria by which an organization determines whether an asset should be reported on the balance sheet. The criteria also include the item's estimated useful life. Often cost/benefit considerations lead governments to conclude that a higher capitalization threshold may be appropriate. Typically the larger the organization, the higher its capitalization threshold.

- The Office of Management and Budget (OMB) Circular A-87, *Cost Principles for 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. Nothing costing under \$5,000 is capitalized; anything costing over \$5,000 is.

In accordance with GASB 34 and the above publications, SLOCOE will capitalize all assets with a purchase price greater than \$5,000 and a normal useful life of more than one year.

Depreciation

Depreciation represents the recognition of the cost of an asset over time, by calculating its estimated loss in value during each accounting period. The higher the District's threshold for capitalization of capital assets, the fewer the items of property for which the District must calculate depreciation.

- GASB 34 allows districts to use any established depreciation method.

- California Department of Education recommends districts use the straight-line method.

The District will utilize the straight-line method over the estimated useful lives for classes of assets as specified by the Internal Revenue Service, Section 168 as follows:

Land	Indefinite life, no depreciation
Buildings	40 years
Land improvements	20 years
Office furniture and equipment	10 years
Computer equipment	5 years
Vehicles	5 years
Buses	9 years
Miscellaneous property not listed above	10 years

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