

FINANCE PROCEDURE MANUAL	TITLE: Budgeting – Capitalization of Assets	
	NUMBER: FIN-BUD-005	VERSION: 01
	ISSUED DATE: 9/8/2009	REVISION DATE: N/A

➤ **Purpose:**

At the end of the fiscal year, fixed assets with a value of \$5,000 and greater are capitalized and depreciated according to their GL code. Items of value less than \$5,000 are treated as a current expense.

➤ **Definitions:**

Capitalization: Recording of a cost as a fixed asset (written off as depreciation over several accounting periods) instead of an expense (charged off against earnings in one accounting period; <http://www.businessdictionary.com/definition/capitalization-cap.html>).

Depreciation: Gradual conversion of the cost of a tangible capital asset or fixed asset (excluding land because it has unlimited life) into an operational expense (called depreciation expense) over the asset's estimated useful life (<http://www.businessdictionary.com/definition/depreciation.html>).

DHS: Inventory system tracking fixed assets purchased.

Fiscal Year: July 1 – June 30.

General Ledger Classification (GL Code): Code used to indicate the type of transaction or account. GL Codes are determined by the [Accounting Manual for Florida's Public Community Colleges](#).

➤ **Responsibility:**

Property Records Coordinator: Assigns asset inventory tag in DHS system.

Budget Office: Processes fixed asset purchases and balances fixed asset totals to DHS system.

➤ **Procedure Details:**

1. Property Records Coordinator tags and logs all fixed asset purchases into DHS inventory system.
2. At end of fiscal year fixed assets purchased for less than \$5,000 are expensed. However, when assets are purchased valued between \$1,000 and \$5,000 they are tagged and logged into DHS inventory system. These assets will remain in DHS inventory system for tracking purposes.
3. Fixed assets with a value of \$5,000 and greater will be capitalized and follow the assigned asset depreciation schedule:
 - Land – Not Depreciated
 - Buildings – 40 years
 - Other Structures (cost greater than \$25,000) – 10 years with no residual value
 - Equipment – 3 year class (computers)
 - Equipment – 5 year class (other office machines, vehicles, educational equipment)
 - Furniture – 7 year class (Details at accounting Manual, see below)

➤ **References:**

Accounting Manual for Florida's Public Community Colleges:

http://www.palmbeachstate.edu/documents/Finance/State_of_FL_Acctg_Manual.pdf

(Section 14.11, 14.12, 14.13, 14.14, 14.15)

SBE Rules: 6A-14.0716

<https://www.flrules.org/gateway/RuleNo.asp?ID=6A-14.0716>