

MANAGEMENT MEMO

SUBJECT: ASSET CAPITALIZATION CRITERIA	NUMBER: 95-22
	DATE ISSUED: 11-14-95
	EXPIRES: 11-14-96
REFERENCES: STATE ADMINISTRATIVE MANUAL (SAM) SECTIONS 8602, 8615, 8650, AND 8651 AND OFFICE OF MANAGEMENT AND BUDGET (OMB) CIRCULAR A-87.	ISSUING AGENCY: DEPARTMENT OF FINANCE

The purpose of this Management Memo is to advise departments of revised asset capitalization criteria. Existing capitalization criteria require that tangible property be capitalized if they have a normal useful life of four years and a unit acquisition cost of at least \$500. The existing criteria also require that intangible assets be capitalized if they have a useful life of four years and a unit acquisition cost of at least \$5,000.

Effective immediately, tangible and intangible assets, intended for use to conduct state business, must meet the following requirements in order to be capitalized:

- a normal useful life of at least one year (12 months) and
- a unit acquisition cost of at least \$5,000.

Property will not be recorded in the asset accounts when any of the above requirements is not met. Instead, property that does not meet both requirements will be expensed in the accounting period during which it is acquired.

Tangible and intangible property that are already capitalized but do not meet the new asset capitalization criteria will be removed from the General Ledger. The amount removed will, if it is material (i.e., it exceeds three percent of the total dollar amount recorded as expenditures in the statement of operations for the period), be disclosed in a footnote as an extraordinary item in the year-end financial statements. If any such property were purchased with federal funds, OMB Circular A-87 (May 1995) requires the state agency to give prior notice to the appropriate cognizant federal agency of its intent to expense the property.

