ADMINISTRATIVE COMMUNICATIONS SYSTEM

UNITED STATES DEPARTMENT OF EDUCATION

Office of Management, Executive Office

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Document Changing: OCFO:3-105, *Capital Assets Accounting Policy*, dated 09/14/2004

Summary: The purpose of this directive is to ensure that Department Property, Plant, and Equipment (PP&E) capitalization and depreciation/amortization transactions are properly recorded.

Page	*Section*	*Changed*	*To*
All	Date	09/14/2004	09/20/2005
1	Superseding Information	Information described above	Information described above
15	VII. B. 2. Chart	Year 4, Three Year Annual Charge 16.6**6**%	Year 4, Three Year Annual Charge 16.6**7**%

ADMINISTRATIVE COMMUNICATIONS SYSTEM
U.S. DEPARTMENT OF EDUCATION

DEPARTMENTAL DIRECTIVE

Distribution:
All Department of Education Employees

Approved by: ________/s/____01/13/2004_____
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Office of Management

Capital Assets Accounting Policy

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For technical questions regarding this ACS document, please contact Ronald Coats via e-mail or on 202-401-2090.

Supersedes OCFO:3-105, “Capital Assets Accounting Policy” dated 09/14/2004.

I. Purpose

The purpose of this directive is to ensure that U.S. Department of Education (Department) Property, Plant, and Equipment (PP&E) capitalization and depreciation/amortization transactions are properly recorded. Capitalization and depreciation/amortization are required to ensure that PP&E of material cost, that is acquired to benefit multiple periods, is charged against those periods rather than expensed in the period of acquisition.

II. Policy

It is the policy of the Department to capitalize single/individual items with an acquisition cost/value of $50,000 or more, and bulk items with an acquisition cost/value of $500,000 or more. Items that meet the cost/value criteria and have an estimated useful life of two years or more must be depreciated/amortized over a useful life of three years for Internal Use Software (IUS) and Information Technology (IT) equipment; and five years for furniture, fixtures and other non-IT items. Capital leases and leasehold improvements (addressed in Section VIII.A.2 of this directive) may require a different useful life/depreciation schedule.

Leasehold improvements, made via a Reimbursable Work Authorization (RWA), costing $50,000 or more and expected to be used for a period of at least two years are to be capitalized and amortized over the remaining life of the lease, or useful life of the improvement, whichever is shorter. If the lease contains an option to renew and the likelihood of renewal is uncertain, the leasehold improvement should be written off over the life of the initial lease term or the useful life of the improvement, whichever is shorter. Improvements made that are incorporated/included in the rent should be expensed in the period incurred.

This directive does not apply to non-capitalized PP&E. Capitalized PP&E not covered/addressed in this directive is to be depreciated/amortized in accordance with Internal Revenue Service (IRS) guidelines.

III. Authorization

Federal Accounting Standards Advisory Board (FASAB), Statement of Federal Financial Accounting Standards (SFFAS); Accounting and Auditing Policy Committee (AAPC); and other authorizing legislation/guidance are shown below.

Number	Title
	Chief Financial Officers Act of 1990
SFFAS Number 5	Accounting for Liabilities of the Federal Government
SFFAS Number 6	Accounting for PP&E
SFFAS Number 10	Accounting for IUS
SFFAS Number 11	Amendments to Accounting for PP&E: Definitions (amends SFFAS 5)
SFFAS Number 12	Recognition of Contingent Liabilities from Litigation (amends SFFAS 5)
SFFAS Number 16	Amendments to Accounting for PP&E (amends SFFAS 6 and 8)
AAPC Technical Release 5	Implementation Guidance on SFFAS 10: Accounting for IUS
Joint Financial Management Improvement Program (JFMIP)-SR-00-4	Property Management Systems Requirements
JFMIP-SR-03-02	Inventory, Supplies, and Materials System Requirements
Office of Management and Budget (OMB) Circular A-11	Part 7, Planning Budgeting, Acquisition, and Management of Capital Assets
OMB Circular A-123	Management Accountability and Control

IV. Applicability

This policy applies to all Department Headquarters and Regional Offices, as well as applicable Department Boards and Commissions that acquire/purchase and/or dispose of capital assets.

V. Definitions

Amortization The gradual extinguishment of any amount over a period of time through a systematic allocation of the amount over a number of consecutive accounting periods.

Assets Tangible or intangible items acquired/owned by the Department or such items which have probable economic benefits that can be obtained or controlled by the Department.

Asset Identifier An asset/accounting system information requirement (string of alpha/numeric characters) used to identify assets or multiple assets, as in the case of inventory or pooled (like kind) PP&E items, for which cost are incurred. Since more than one contract or acquisition activity may be utilized to acquire and place PP&E in the form and location suitable for its intended use, this code facilitates the accounting for total acquisition/contracting costs.

Bulk Purchases Acquisitions/purchases of like items that individually cost less than the fixed asset threshold but, when combined, the total cost is equal to or greater than the aggregate bulk purchase threshold ($500,000). These purchases must be related to a specific project and occur within the same fiscal year.

Capital Assets PP&E is defined by the FASAB as tangible assets, including land, that: (1) have an estimated useful life of two or more years; (2) are not intended for sale in the ordinary course of business; and (3) are intended to be used or available for use by the entity.

PP&E includes, but is not limited to: motor vehicles; office furniture; IT and telecommunications equipment; weapons and firearms; books for libraries; assets acquired through capital leases, including leasehold improvements; and property owned by the Department in the hands of others (e.g., colleges and universities or Federal contractors, unless otherwise provided for by statute). Generally, capital assets also include IUS, whether: (a) acquired as a Commercial Off The Shelf (COTS) product; (b) acquired as Contractor Developed Software (CDS); or (c) developed as Internally Developed Software (IDS).

In some instances, the Federal Government provides grants to State and local governments for the acquisition of PP&E. If the State or local government eventually decides that it no longer needs to use the PP&E for the purpose specified in the original grant, there is often a provision that the PP&E must revert to Federal ownership. In these cases, the Federal Government maintains a reversionary interest in PP&E. In essence, these are contingent assets and should not be recognized on the balance sheet. FASAB elected to specifically exclude these items from PP&E.

Capitalize To record and carry forward into one or more future periods all or any part of expenditures from which the benefits or proceeds will then be realized.

COTS item Any item, other than real property, that is of a type customarily used by the general public for non-governmental purposes and that: (1) has been sold, leased, or licensed to the general public; (2) is sold, leased, or licensed in substantial quantities in the commercial market place; and (3) is offered to the Department, without modification, in the same form in which it is sold, leased, or licensed in the commercial marketplace.

CDS	Contractor-Developed Software - software that the Department is employing a contractor to design, program, install, and implement (including new software and existing or purchased software that has been modified) without substantive employee involvement beyond contract monitoring.
Depreciation	The allocation of the cost of an asset over a period of time for accounting and tax purposes.
IUS	Internal Use Software - software that is purchased off the shelf, internally developed, or contractor-developed solely to meet the agency's internal needs.
IDS	Internally Developed Software - software which employees of the Department develop, including existing or purchased software that is modified with or without the assistance of contractors.
Software	The application and operating programs, procedures, and rules, and any associated documentation pertaining to the operation of a computer system.
Useful Life	The normal operating life in terms of utility to the Department.

VI. Abbreviations

AAPC	Accounting and Auditing Policy Committee
CAM	Office of the Chief Financial Officer, Contracts and Acquisitions Management
CDS	Contractor Developed Software
COTS	Commercial Off The Shelf
Department	United States Department of Education
EO	Executive Officer
FASAB	Federal Accounting Standards Advisory Board
FMO	Office of the Chief Financial Officer, Financial Management Operations
GSA	General Services Administration
IDS	Internally Developed Software

IRS	Internal Revenue Service
IT	Information Technology
IUS	Internal Use Software
JFMIP	Joint Financial Management Improvement Program
NRV	Net Realizable Value
OC	Object Class
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OM	Office of Management
OMB	Office of Management and Budget
PO	Principal Office
PP&E	Property, Plant, and Equipment
RWA	Reimbursable Work Authorization
SFFAS	Statement of Federal Financial Accounting Standards

VII. Responsibilities

A. Office of the Deputy Secretary, Budget Service is responsible for establishing the appropriate/applicable Department Object Class (OC) codes for capital assets.

B. Principal Office (PO), Executive Officers (EO) (including applicable Boards and Commissions that operate independently of a PO) are responsible for timely reporting the acquisition (cost/value), the date of receipt, and date of disposal for the capital assets it administers. The EO, and applicable Boards and Commissions, are responsible for the OC codes entered on acquisition/obligation documents, including applicable purchase orders, contracts, and procurement action requests. These office/officers are also responsible for the OCs entered on applicable payment documents, including invoices, vouchers, and purchase card transactions, for contract/purchase amounts generally under $25,000. Document coding involves the selection of capital asset OC codes (3XXX series) as described in this directive and in OMB Circular A-11, Part 2, Section III. Capitalizable PP&E must be promptly and accurately recorded in the asset/accounting system so that it can be effectively reported in the Department's financial operations/statements. All PP&E items meeting the fiscal year capitalization and useful life threshold/criteria, through August 31, must be entered into the asset/accounting system by the third working day of September. PP&E items for the remaining month, September, must be entered into the asset/accounting system by October 1st. of the following fiscal year.

C. Office of Management (OM) is responsible for the inventory, control, and disposal of capitalized, and accountable non-capitalized property/equipment. OM ensures that applicable capitalized property/equipment acquisitions and disposals are properly tracked and promptly recorded/reported in the Department's asset/accounting systems.

D. Office of the Chief Information Officer (OCIO) is responsible for departmental property records for the acquisition (cost/value), receipt, bar coding, and installation of IT equipment. OCIO ensures that applicable capitalized IT equipment acquisitions are properly tracked and promptly recorded/reported in the Department's asset/accounting systems.

E. Office of the Chief Financial Officer (OCFO) is responsible for developing and maintaining the Department's accounting/financial management systems, and directs/manages, and provides policy guidance and oversight of agency financial management personnel, activities, and operations.

1. OCFO's Contracts and Acquisitions Management (CAM) is responsible for the OCs entered on applicable contracts and procurement action request, as well as payment documents, including invoices, for amounts generally over $25,000. Document coding involves the selection of capital asset OC codes (3XXX series) as described in this directive and OMB Circular A-11, Part 2, Section III. Capitalizable PP&E must be promptly and accurately recorded in the asset/accounting system so that it can be effectively reported in the Department's financial operations/statements. All PP&E items meeting the fiscal year capitalization and useful life threshold/criteria, through August 31, must be entered into the asset/accounting system by the third working day of September. PP&E items for the remaining month, September, must be entered into the asset/accounting system by October 1st of the following fiscal year.

2. OCFO's Financial Management Operations (FMO) is responsible for calculating and recording/reporting capital asset depreciation/amortization in the financial statements, the reconciliation of asset accounts, and the preparation/maintenance of OCFO capital asset policies and procedures.

VIII. Procedures and Requirements

A. Identification of Capital Assets

1. Software

Capitalized Cost Basis (Unadjusted Book Value) for IUS

For IDS, capitalized costs should include (a) the full cost (direct and indirect costs) incurred during the *Software Development Phase*, (b) costs of additions and (c) allocated costs associated with bundled products and services. Such costs should be capitalized only when they meet ALL the following criteria: (a) management authorizes and commits to a computer software project and believes that it is more likely than not that the project will be completed and the software will be used to perform the intended function with an estimated service life of two years or more, (b) conceptual formulation, design, and testing of possible software project alternatives (*the Preliminary Design Phase*) are completed, and (c) the materiality threshold discussed in the Education Policy section is exceeded. Capital costs are accumulated until the *Post-Implementation/Operational Phase* is entered. One or more of the following can characterize this phase: (a) the software has successfully passed acceptance testing, (b) conversion of data from the old system to the new system is in phase, or (c) a post-implementation review of use is underway.

The indirect costs to be capitalized include (but may not be limited to): (a) salaries of programmers, systems analysts, project managers, and other Department personnel, (b) employee benefits for these Department employees, (c) consultant’s fees, (d) rent (allocable and direct, if appropriate), (e) supplies, and (f) software documentation. Material costs of enhancements if more likely than not to add significant additional capabilities are capitalized. Data conversion costs (including but not limited to access/conversion software, data purge and cleansing, data reconciliations, and creation of new and additional data) and post-acceptance testing costs are not capitalized.

Trigger Point and Cutoff for Amortization of IUS

For each module or component of a qualifying software project, amortization of the capitalized costs shall begin when that module or component has been successfully tested. If the use of an initial module is dependent on the completion of another module(s), the amortization of the initial module shall begin when both the initial module and the other module(s) have successfully completed testing. Generally, this point in time is before the Department starts to realize the benefits of the new computer software system.

Multi-use software will be treated as IUS. Amortization treatment terminates when (a) the software system is replaced by new software, (b) impairment has been identified and validated, or (c) when the asset is retired or disposed of, at which point any remaining unamortized costs are written off. Capital costs at each site of a multisite installation project are captured until completion of testing at that particular site.

<u>Abandoned Developmental Software</u>

If a determination is made, that it is no longer more likely than not, that development software will be completed and placed into service, the book value cost/basis is adjusted (reduced) to reflect the estimated net realizable value (NRV) of the software, if any. A loss shall be recognized during the period in which the determination is made. A determination may be based on the following indications: (1) expenditures are no longer budgeted nor incurred for completion of the project, (2) programming difficulties cannot be resolved on a timely basis, (3) major cost overruns are incurred, (4) further development costs are projected by management to exceed the cost of COTS or CDS and management intends to obtain the product from one or more of those sources instead of completing the developmental project in question, (5) technologies which supersede the developing software project are introduced and/or become available, and/or (6) the functional area for which the project was developed is being discontinued.

<u>Additions and Changes in Useful Life</u>

During the post-implementation/operational phase of asset use, any additions to the book value or changes in useful life should be given current and prospective treatment only. No adjustment(s) should be made to previously recorded amortization. The basis of the asset is increased for the cost of the addition, and the calculation of amortization expense recognized during current and future periods is increased or decreased in accordance with the new estimated useful life.

<u>Modules and Components</u>

Each module or component of a software project should be treated separately in determining when amortization should begin. Amortization begins when successful/acceptance testing of the separate module or component has been completed. If a module or component is dependent upon completion of another module or component for its capability or functionality, amortization does not begin until both have been successfully acceptance tested. Costs incurred after final acceptance testing has been successfully completed should be expensed.

In Service Software Replaced by New IUS

When IUS is replaced with new, comparable capability software, the balance of the unamortized book value of the old software should be expensed in the period during which the new software successfully completed testing.

Bundled Products and Services Costs

If COTS or CDS is acquired as part of a package of products and services, the book value (capitalized cost) of assets should be determined via an allocation formula. The balance of costs, if non-capitalizable, should generally be expensed. The allocation formula should be based on a reasonable estimate of the relative fair market values of the respective components of the purchase price. Costs not susceptible to classification, as maintenance or minor enhancements should be expensed.

Integrated Software

Software that is (a) integrated into general PP&E asset(s), (b) necessary to operate the PP&E asset(s), and (c) not applications software that possesses a standalone functional capability should be considered a part of the cost basis of the asset. The total cost of the asset (including the software cost) should be depreciated or amortized on the basis of the PP&E classification. The materiality threshold should be based on the aggregate (total) cost of the asset.

Stewardship Software

If the software is an integral part of stewardship PP&E, it is not considered IUS for the purposes of this policy and should not be capitalized under this policy.

Multiuse Software

Software that is developed or acquired to perform both internal and stewardship purposes should be capitalized and treated as IUS under the provisions of this policy.

Software Capability vs. Functionality

Certain costs extend the ability of a computer software system to perform tasks or make the application easier to use.

The meaning of the term “capability” as used in SFFAS 10 is very similar to the meaning of “functionality”. “Capability” as used in SFFAS 10 means an ability to perform an indicated use. "Functionality" means an ability to perform a specific function (an action for which a person or piece of equipment is specially fitted or used). SFFAS 10 states that an "enhancement" occurs when, for example, a new "capability or function [is added] to existing software." In applying the provisions of SFFAS 10, "capability" is synonymous with "functionality."

<u>Useful Life of Software Based on Hardware</u>

In situations where software and the hardware on which it runs have independent service lives, the determination of the useful life of the software should be viewed independently of the useful life of the hardware. This determination should be made on a case-by-case basis at the discretion of Department management. The rationale for this determination should be documented. For integrated software, SFFAS 10, Paragraph 22, states the following:

"Computer software that is integrated into and necessary to operate general PP&E, rather than perform an application, should be considered part of the PP&E of which it is an integral part and capitalized and depreciated accordingly. The aggregate cost of the hardware and software should be used to determine whether to capitalize or expense the costs."

<u>Capitalizing Software License Fees</u>

Full ownership of commercial software is rarely, if ever, transferred from the owner of the software to a Federal agency that desires to implement the functionality provided by that software. Rather, agencies acquire the right to use the software through the purchase of a license.

Although SFFAS 10 did not address licensing within the body of the standard, the FASAB did state in the Basis for Conclusions that it would be appropriate for Federal entities to apply lease accounting concepts to licenses. The AAPC therefore believes that when Federal agencies are making the determination as to whether software license fees should be capitalized, it would be appropriate for the agency to follow the lease accounting concepts as provided in SFFAS 5 and SFFAS 6, as well as appropriate policies for capitalization thresholds.

<u>Capitalizable Costs vs. Executory Costs</u>

The Department can capitalize a license agreement that includes executory costs (i.e., maintenance and technical support), as well as software upgrades. This includes upgrades that may either extend the useful life of the software or provide additional functionality.

The AAPC provides that agency judgment should apply in determining what portions of license fees are attributable to software capitalizable costs versus executory costs. Assuming lease capitalization criteria and thresholds are met, software license capitalization amounts may be derived from the payment schedule contained in the license agreement. As stated in SFFAS 5, if the portion of the minimum lease payments representing executory cost is not determinable from the lease provisions, the amount should be estimated. Agencies may also want to consider having each license agreement specifically identify the various costs throughout the license lifecycle, e.g., initial license, maintenance, enhancement, etc.

2. Other PP&E

PP&E is capitalized when receipt and acceptance of the following items occurs:

a. Items purchased (single/individual items with an acquisition cost of $50,000 or more, and/or bulk items with an acquisition cost of $500,000 or more) and have an estimated useful life of two years or more. The full cost of assets acquired will include the amounts paid to acquire them, including transportation, installation, and other costs incurred to place the item in use.

b. Items donated or forfeited by a non-federal entity where the estimated useful life is two years or more and the estimated fair market value plus any costs (i.e., title search, recording, shipping, installation, rearrangement, and major repair) incurred to place the item in use is $50,000 or more.

c. Items transferred from another federal entity without reimbursement, where the estimated useful life is two years or more and the net book value recorded in the transferor's books is $50,000 or more.

d. Improvements (additions, alterations, betterments, rehabilitations, or replacements) that extend the useful life of a capital asset or its service capacity. Costs of assets installed or added to another asset must be capitalized either individually or as part of the other asset. Costs of assets or components removed, superseded, or destroyed in the improvement process must be expensed, net of accumulated depreciation, if any.

e. IT equipment, including hardware/software with an acquisition cost/value of $50,000 or more for single/individual items and/or $500,000 or more for bulk items, and have an estimated useful life of 3 years or more. IDS valued at $50,000 or more have an estimated useful life of two years or more. For CDS and IDS, capitalized cost should include indirect costs such as amounts paid to contractors as well as material cost such as labor incurred by the Department.

f. Leasehold improvements include the repairing, remodeling, improving, extending, or making other permanent changes to buildings, structures, and facilities occupied by the Department through leases or General Services Administration (GSA) space assignments. The Department leasehold improvements, made via a RWA, costing $50,000 or more and expected to be used for a period of at least two years are to be capitalized and amortized over the remaining life of the lease, or useful life of the improvement, whichever is shorter. Improvements made that are incorporated/included in the rent should be expensed in the period incurred. If the lease contains an option to renew and the likelihood of renewal is uncertain, the leasehold improvement should be written off over the life of the initial lease term or the useful life of the improvement, whichever is shorter.

Since the Department is granted the right to use property owned by the lessor/owner for a specified period of time, for a specific period cost, leasehold improvements revert to the lessor/owner at the expiration of the lease. Substantially all land, buildings, and leasehold improvements used by the Department are not capitalized but are leased from the GSA under short-term cancelable agreements. The rental payments made to GSA are generally based on commercial rates for comparable space. Movable equipment and/or office furniture not attached to the leased property are not considered leasehold improvements.

g. Items acquired under capital leases with a fair market value of $50,000 or more and have an estimated useful life of two years or more. A capital lease is an agreement that is essentially equivalent to an installment purchase. FASAB, SFFAS No. 5 requires that a lease be classified as a capital lease if any of the following criteria is met:

(i) The lease transfers ownership of the property to the lessee by the end of the lease term;

(ii) The lease contains an option to purchase the leased property at a bargain price;

(iii) The non-cancelable lease term is equal to or greater than 75 percent of the estimated economic life of the leased property; or

(iv) The present value of rental and other minimum lease payments, excluding that portion of the payments that represents executory costs, such as insurance, maintenance, and taxes to be paid by the lessor, equals or exceeds 90 percent of the fair market value of the leased property.

The lessee will compute the present value of minimum lease payments using the Treasury's Average Interest Rate for Marketable Interest-Bearing Debt unless: (1) it is practicable for the lessee to learn the interest rate implicit in the lease computed by the lessor; and (2) the implicit rate computed by the lessor is less than the Treasury Average Interest Rate for Marketable Interest-Bearing Debt. The last two criteria do not apply if the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased property. The asset must be capitalized at its fair market value, with an offsetting liability.

Note: Rental of space from the GSA does not meet the above criteria for a capital lease.

B. Recording and Depreciating/Amortizing Capital Assets

Capitalized PP&E, also known as capital assets, must be recorded in one of the standard capital OC codes as listed in the guidelines of OMB Circular A-11, Part 2, Section III.

Provided below are applicable Department OC codes that must be used when recording the acquisition/disposal, and the depreciation/amortization of PP&E. To enhance/maintain data integrity and internal controls, capital asset information/data should be entered into an integrated accounting/financial management system only once, and there should be effective segregation of duties.

Note: The Non-Capitalized PP&E OC code/categories listed below are not to be capitalized, depreciated or amortized. However, these OC codes, as well as the 26XXX series codes, and the applicable general ledger expense account/activity, should be reviewed to ensure that all items are appropriately classified/capitalized.

1. Acquisition/Disposal of PP&E

IT Equipment		
3101A	IT Equipment	Capitalized
3101B	IT Software	Capitalized
3101C	IT Equipment	Non-Capitalized
3101D	IT Software	Non-Capitalized

Non-IT Equipment		
3103A	Furniture and Fixtures	Capitalized
3103B	Telephone and Equipment	Capitalized
3103C	Radio and Communications	Capitalized
3103D	Office Machines	Capitalized
3103E	Reproduction Machinery and Equipment	Capitalized
3103F	High Risk Property of Sensitive Nature	Non-Capitalized
3103G	Radio and Communications	Non-Capitalized
3103H	Office Machines	Non-Capitalized
3103J	Reproduction Machinery and Equipment	Non-Capitalized
3103K	Books and Publications for Departmental Libraries	Non-Capitalized
3103L	Furniture and Fixtures (up to $49,999)	Non-Capitalized
3103M	All Other Non-Capitalized Equipment	
Building Alterations		
3201A	Non-GSA Building Alterations	
3201B	GSA Building Alterations	
Investments		
3301A	Purchase of Stock	

2. Depreciation/Amortization of PP&E

Capitalized PP&E is subject to depreciation/amortization, calculated annually, using the straight-line method, with a half-year convention, and net salvage value is assumed to be zero. In the half-year convention method acquisitions are treated as occurring halfway through the first year. Annual charges as a percent of cost can be determined from the table below:

Year	Three Year Annual Charge	Five Year Annual Charge
1	16.67%	10.00%
2	33.33%	20.00%
3	33.33%	20.00%
4	16.67%	20.00%
5		20.00%
6		10.00%
	100.00%	**100.00%**

C. Disposal of Capital Assets

Disposal of property and equipment is determined by each PO’s EO and coordinated with OM through written notification (Form SF 120). OM has the authority and responsibility for the disposal of all property and equipment. Efforts may be made to reissue the property within the Department based on requests from other POs. If property cannot be reissued internally, availability is reported to the GSA, who may transfer it to other Federal departments, donate it to State agencies as surplus property, or auction at public sales.

If capital assets are disposed of before the end of their estimated useful life (early retirement), the disposal must be identified and reported to FMO, so that it can be written-off the Department's books. Gains and losses should be appropriately recognized for PP&E disposed of outside of the Federal Government. The difference between the proceeds and the net book value (difference between the amount at which the asset is recorded and its related accumulated depreciation or amortization) must be accounted for as a gain or loss.

The book value of early retirement assets must be removed from the appropriate asset account and from the Cumulative Results of Operations account. Changes in Cumulative Results of Operations occur when capital assets permanently transferred in (donated), or acquired (purchased) is used/depreciated; or early retirement assets are sold, exchanged, or transferred out (donated) with or without reimbursement of cost/value. Also, the property records must be updated to reflect the removal/disposal.

D. Reconciliation of Capital Assets

Capital asset accounts must be reconciled, at least annually, by OCFO with coordination/support and asset inventory information/data from OM.

E. Disclosure of Capital Assets

The information/data to be disclosed in financial statement footnote, if material, include but are not limited to:

- The cost/value of acquisition;
- The depreciation/amortization expense for the period;
- The accumulated depreciation/amortization and book value by major class;
- Estimated useful lives for each major class;
- Method(s) of depreciation for each major class;
- Capitalization threshold(s) including any changes in threshold(s) during the period; and
- Restrictions on use or convertibility.