

Depreciation Instructions for Central Service Agencies

June 2025

The following instructions pertain to the development of the statewide 2026-27 Cost Allocation Plan in compliance with federal guidance 2 CFR 200.436:

2024-25 Actuals and 2026-27 Estimates

- Depreciation applies to new assets purchased in 2024-25 and pre-existing assets included in the 2024-25 Annual Comprehensive Financial Report (ACFR) issued by the State Controller's Office. Assets (tangible and intangible) must cost at least \$10,000.
- Depreciation will be consistent with the methodology used by the state's ACFR:
 - Assets are depreciated using the straight-line method (see example below).
 - Useful life of assets:
 1. 10 years - Land Use Rights, Other Intangible Assets, Computer Software
 2. 20 years - Patents, trademarks, copyrights
 3. 5 years - Equipment
 4. 40 years - Structures (buildings and improvements, improvements other than buildings, capital leases, and other assets)
- For pre-existing assets, the depreciation is calculated as if depreciation had been charged from the time of the purchase of the asset (in other words, as if the asset had been depreciated over its entire life) per 2 CFR 200.436 (d)(5).

Example: Pre-existing computer software assets purchased in April 2021 for \$12,000, with no salvage value.

Depreciation calculation: \$12,000 divided by ten years of useful life = \$1,200 yearly depreciation. The \$1,200 should be included as an allowable CSA expenditure on the 2024-25 Actuals and 2026-27 Estimates worksheets.

Resources to Federal Regulation:

- <https://www.govinfo.gov/content/pkg/FR-2024-04-22/pdf/2024-07496.pdf>
- <https://www.federalregister.gov/documents/2024/04/22/2024-07496/guidance-for-federal-financial-assistance>
- <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200>