

**UNIVERSITY OF CALIFORNIA SANTA CRUZ**  
**RECHARGE RATES**  
**DEFINITION OF EQUIPMENT FOR DEPRECIATION**

- Recharge units must maintain a depreciation schedule (Template 6) that supports any annual depreciation expense used in the calculation of recharge rates. The equipment must be identifiable to the recharge activity/rate. If the equipment is used for an exclusive purpose, a special recharge rate should be considered.
- Effective July 1, 2004, the University changed the dollar threshold on inventorial (depreciable) equipment, defined as articles of non-expendable tangible personal property having a useful life of more than one year, from an acquisition cost of \$1,500 or more per unit to an acquisition cost of \$5,000 or more per unit.
- As of July 1, 2004 recharge units shall not add equipment with an acquisition cost less than \$5,000 to the depreciation schedule (Template 6). All equipment acquired after July 1, 2004 with an acquisition cost of less than \$5,000 must be recorded as a non-capital expenditure.
- All equipment acquired prior to July 1, 2004 with an acquisition cost between \$1,500 and \$4,999 shall continue to be depreciated over the useful life of the asset without regard to the new \$5,000 threshold. These pre-7/1/2004 acquisitions must remain on the depreciation schedule (Template 6) until fully depreciated.
- Depreciation should be calculated on a straight-line basis with no salvage value using the useful life of the equipment as determined by the Office of the President's Useful Life Indices for Equipment Depreciation (<http://eulid.ucop.edu/>). An equipment item's useful life begins as of the purchase date, or if materially different, the date that the equipment was placed into service. Alternatives to this depreciation methodology may be approved where the recharge activity can clearly demonstrate the alternative method more accurately represents the actual usage, consumption, material salvage value, or life of the equipment. If an alternative depreciation method is used (other than straight-line over the useful life of the equipment identified in the UC Useful Life Index), indicate on the depreciation schedule the method you are using and the rationale for using the alternative method.
- Equipment that has surpassed its useful life as determined in the UCOP Useful Life Indices, or approved alternative usage, will not be included on the depreciation schedule. Depreciation of such equipment will not be part of the recharge rate expenditure calculations. This includes equipment that has not been included in depreciation schedules in the past.
- Depreciation expense is recorded at least annually as a fund balance transfer from the recharge operating fund to an associated depreciation renewal and replacement reserve fund. The balance of the depreciation renewal and replacement reserve fund should only be used to purchase replacement equipment for the recharge activity. Recharge units that have acquired equipment replacement reserves from the depreciation of equipment with an acquisition cost between \$1,500 and \$4,999 (previously considered inventorial prior to 7/1/2004) may utilize these reserves to replace this now non-inventorial equipment.
- Equipment purchased with 199xx funds may not be included in depreciation schedules used for Federal recharge rates as it is already included in the campus overhead rate charged to contracts and grants.
- Equipment purchased with Federal funds may not be included in depreciation schedules used for Federal recharge rates.
- Equipment purchased with Working Capital Reserves may be depreciated over its useful life.