

CAPITAL ASSETS – Section 8

- 1.0 Capital and Non-Capital Asset and Inventory Systems
 - 1.01 Accounting Procedures for Capital Assets (Cost \$5,000 and over)
 - 1.02 Accounting Procedures for Non-Capital Assets (Cost \$1,000 to \$4,999.99)
 - 1.03 Accounting Procedures for IT (Information Technology) Assets
 - 1.04 Annual Physical Inventory
- 1.1 Use of Capital Account Codes
- 1.2 Guidelines for Capital Asset Valuation
- 2.0 State Capital Projects (Construction Projects) Transaction and Monitoring Process
 - 2.01 Fund 490/495 LTE Labor on Capital Projects
 - 2.1 Capitalization of Fund 490/495 Capital Projects (Construction Projects)
- 3.0 Capital and Operating Leases
- 4.0 Year-End Capital Asset Reporting
- 5.0 Disposition of State-Owned Assets

SUMMARY OF CAPITAL ASSETS

Capital asset accounting is an important fiscal activity due to:

- the large amount of property and equipment owned by the Department of Health and Family Services,
- federal and state requirements for property management,
- depreciation for federal cost reports and grant reporting, and
- Fiscal information needed for the State Comprehensive Annual Financial Report (CAFR).

CAPITAL ASSETS 1.0, 1.01, 1.02, 1.03 and 1.04 establish policies for the maintenance and reporting requirements for capital and non-capital assets; including inventory systems, accounting for IT assets, and physical inventories.

CAPITAL ASSETS 1.1 details the use of capital account codes and establishes the conditions under which the definition of a capital asset must include configurations. Freight, installation or other ancillary costs incurred to acquire and install a capital asset should be recognized in a capital account.

CAPITAL ASSETS 1.2 provides guidelines for capital asset valuation to be used to distinguish repair expenditures from capital assets, to capitalize leasehold improvements and other capital assets, excluding state capital projects.

CAPITAL ASSETS 2.0, 2.01 and 2.1 describe how state capital projects should be capitalized on the capital asset records and Fund 490/495 LTE Labor on Capital Projects. These procedures principally apply to institutions. Certain repair projects may need to be capitalized as well.

Preparation of the CAFR requires specific information on capital and operating leases. **CAPITAL ASSETS 3.0** requires quarterly notification by the divisions and institutions to the Bureau of Fiscal Services (BFS) of certain lease information. Reporting requirements depend upon the type of lease and are described in **CAPITAL ASSETS 3.0** and the attachments.

The year-end requirements for capital assets are described in **CAPITAL ASSETS 4.0**; capital asset records must be submitted to BFS no later than July 31 of each year for inclusion in the CAFR. The major elements of the capital asset reports are:

- Physical inventory certification
- New assets
- Asset changes
- Asset deletions

CAPITAL ASSETS 5.0 describe the process of the disposal of state-owned assets