



ACCOUNTING POLICY AND PROCEDURES (APP) MANUAL

TOPIC: Section 8 – Capital Assets 1.01	EFFECTIVE DATE: 03/28/2001
TITLE: Accounting Procedures for Capital Assets	REVISION DATE: 05/08/2018
AUTHORIZED BY: Deputy Director, Bureau of Fiscal Services	

POLICY

This accounting policy explains the requirements for recording capital assets.

PROCEDURES

A. Definition of a Capital Asset

An asset is defined as a capital asset (buildings, equipment, etc.) if it meets the following criteria:

- The asset is tangible or intangible in nature, complete in itself, and is not a component of another item.
- The asset is used in the operation of the state's activities.
- The asset has a useful life of more than one year and provides a benefit throughout that period.
- It is a tangible asset with a unit cost of \$5,000 or an intangible asset with a unit cost of \$1 million or more (except for purchased software installed without modification, which is capitalized if it has a unit cost of \$5,000 or more).
- It is an enhancement of an existing piece of internally developed software that extends the life or service capacity of the software by more than one year.

B. Information on Capital Assets

The following information is needed for inclusion in the STAR-Asset Management System

- | | |
|-------------------------------------|---------------------------------|
| a. Asset Tag Number | m. Floor* |
| b. Asset Description | n. AHA Table (Facilities Only)* |
| c. In-Service Date/Acquisition Date | o. Profile ID |
| d. How Asset was Acquired | p. Serial Number* |
| e. Asset Category | q. Manufacturer* |
| f. Appropriation | r. Model Number* |
| g. General Ledger Account Number | s. Vendor Name/Address* |
| h. Project | t. DOA Project Number* |
| i. Department ID Number | u. Voucher ID Number |
| j. Amount | v. Vendor Invoice Number |
| k. Fund Number | w. Vendor Invoice Date |
| l. Location Code | x. Purchase Order Number |

*If Applicable

See Section 8 – Capital Assets 4.0 (Year-End Capital Asset Reporting) for recording and changing the information in the capital asset database. Forms used to facilitate that process can be accessed through the links below.

C. Entry of Capital Assets into Cherwell Service Management – Configuration Management Database (CMDB)

Capital assets that are categorized as information technology (IT) assets must be entered into Cherwell Service Management – Configuration Management Database (CMDB). See Section 8 – Capital Assets 1.03 for more information concerning accounting procedures for IT capital assets.

D. Capital Account Codes

Refer to Section 8 – Capital Assets 1.1 (Use of Capital Account Codes) concerning the proper use of capital account codes.

E. Useful Lives and Depreciation

Division of Long Term Care (DLTC) Developmentally Disabled (DD) Centers and Division of Mental Health and Substance Abuse Services (DMHSAS) Institutions (Facilities)

DLTC DD centers and DMHSAS institutions should use the Estimated Useful Lives of Depreciable Hospital Assets [American Hospital Association (AHA) Guidelines] as their industry standard for estimating capital asset useful lives for depreciation calculations. Additionally, centers and institutions must categorize their assets in accordance with the AHA Guidelines. The AHA Guidelines are not included in this APP. Centers and institutions should obtain these guidelines from the AHA.

The following table is a guideline for asset type and AHA table:

Type of Capital Assets	AHA Table
Land	0 – Not depreciated
Land Improvements	1
Buildings	2
Building Improvements	3, 4, or 5
Equipment	6, 7, 8, or 9
Furniture	6, 7, or 9
Vehicles	9
Capital Lease - Equipment	6, 7, 8, or 9

Other Organizations

The facts and circumstances of the asset's use should determine useful lives. Organizations may select, where justification exists, useful lives to comply with particular industry standards or federal requirements. The following useful lives of capital assets are presented as a general guide:

Type of Capital Assets	Useful Life
Land	not depreciated
Land Improvements	10-15 years
Buildings & Improvements	6-40 years
Equipment & Software	3-15 years
Vehicles	3-5 years

F. Depreciation

The Bureau of Fiscal Services (BFS) Cost Allocation and Financial Reporting (CAFR) Section is responsible for calculating depreciation. Depreciation expense must be calculated for all Department of Health Services (DHS) capital assets. The depreciation expense figure is included in the Comprehensive Annual Financial Report published by the Department of Administration, and the cost reports filed on behalf of the centers and institutions.

The straight-line depreciation method is used (an equal amount of the capital assets' acquisition cost is expensed each year of its useful life). The salvage value of all assets should be set at zero. The term "Accumulated Depreciation" is used to indicate the total depreciation expense that has accumulated from the time of acquisition to the present time.

A full year's depreciation cannot be claimed for a new asset placed in service during the year or an asset sold during the year. The amount of depreciation claimed in the first year will be based on the acquisition date. The depreciation claimed in the final year will be based on the disposal date. Building components may be depreciated separately with appropriate useful lives.

G. Systems

Capital asset components that have a unit cost under \$5,000 should be capitalized if they are originally acquired as part of a system or added to a system and the system cost equals or exceeds \$5,000. A system is defined as a group of interacting, interrelated, or interdependent components forming a whole. A component is defined as an asset that, standing alone, cannot function or serve its intended purpose by itself. Any components subsequently added to a system should be capitalized as part of the entire system.

See Section 8 – Capital Assets 1.1 (Use of Capital Account Codes) and Section V, Sub-Section 7 of the State of Wisconsin's Uniform GAAP Conversion Policies and Procedures Manual for further guidance.

H. Fully Depreciated Assets

Assets that are still in use but have been fully depreciated will be reflected on capital asset records at historical cost and will have a net book value of zero indicating the asset is still in use beyond its depreciable life. Assets must not be taken off the capital asset listing until disposal.

I. Asset Transfers Between Agencies, Institutions, DD Centers, and Divisions

Assets that are transferred between Agencies, Institutions, DD Centers, and Divisions should be reflected on the capital asset records at the net book value (original acquisition cost (cost to transferring agency) less accumulated depreciation). The depreciable life for the new owner is the remaining depreciable life that the former owner had.

The Asset Transfer form (F-80476) (Link 1) must be completed when they are transferred from one agency, institution, DD center, or division to another. The applicable forms for recording the capital assets per Section 8 – Capital Assets 4.0 (Year-End Capital Asset Reporting) must also be completed. A new asset number should be established for use in the new agency, institution, DD center, or division. Once the transfer form is completed, the transferring agency or entity of a capital IT asset needs to make an entry of the ownership change in the Cherwell Service Management System –CMDB.

J. Federal Funds

If an asset is purchased with federal funds, the safekeeping and disposal of the asset must be handled in accordance with federal requirements. See Section 8 – Capital Assets 5.0 (Disposition of State-Owned Equipment) for guidelines for disposal of assets purchased with federal funds.

K. Identifying Assets

Assets should be tagged with identifying numbers where feasible. Obvious exceptions include assets such as buildings. IT assets must have a bar code and serial number. The bar code is the key to the asset in the Cherwell Service Management –CMDB. Computer

software must be assigned a bar code and the bar code sticker kept with the purchase authorization. If conditions warrant, the tag number should be engraved onto the surface of the asset. The asset number should be the tag number for non-IT assets and the bar code for all IT assets.

L. Capital Leases

Capital Leases or installment purchases of equipment are to be capitalized in the year of acquisition. The amount to be capitalized is the cost of the asset. Interest should not be capitalized. See Section 8 – Capital Assets 3.0 (Capital and Operating Leases) for additional information on leases.

M. Surplus Assets

When an asset is no longer needed by an agency and will not be replaced or used for trade-in credit, it then becomes surplus and is disposed as surplus. The item is removed from the inventory, and the proceeds (if any) should be deposited in accordance with the Wisconsin Statutes. See Section 8 – Capital Assets 5.0 (Disposition of State-Owned Assets) for specifics on disposing of state surplus assets.

N. Trade-Ins

The value of assets traded in is the fair market value of the asset. Assets that are traded in should use the trade in value as the salvage value for calculating a gain/loss.

DHS organizations should complete the proper forms [see Section 8 – Capital Assets 4.0 (Year-End Capital Asset Reporting)] and send them to BFS/CAFR, along with the backup information regarding the trade-in.

O. Fund 490/495 Projects

Assets acquired through fund 490/495 projects should be recorded with appropriation “AGF” and include the five-digit project number in the description line. See Section 8 – Capital Assets 2.1 [Capitalization of Fund 490/495 Capital Projects (Construction Projects)].

P. Risk Management Insurance

For risk management and property control purposes, a permanent record of all items classified as capital expenditures or major materials and supplies is required. These records form the basis for the Annual Property Coverage Report.

Q. Other Items

Conflict of interest and related ethical standards must be followed, refer to Section 1 – Business Standards 2.0 (Standards of Business Conduct).

Controls over cash handling, including separation of duties and timely depositing, must be complied with. Refer to Section 2 – Cash and Check Handling 1.0 (Handling of Cash Receipts).

FORMS

New Capital Asset Record, [F-80962](#)

Capital Asset Changes/Deletion Record, [F-80963](#)

Asset Transfer, [F-80476](#)

Capital Asset Summary, [F-80462](#)

REFERENCES

- [DHS APP Section 1 – Business Standards 2.0](#) (Standards of Business Conduct)
- [DHS APP Section 2 – Cash and Cash Equivalents 1.0](#) (Handling of Cash Receipts)
- [DHS APP Section 8 – Capital Assets 1.03](#) (Accounting Procedures for IT Assets)
- [DHS APP Section 8 – Capital Assets 1.1](#) (Use of Capital Account Codes)
- [DHS APP Section 8 – Capital Assets 2.1](#) [Capitalization of Fund 490/495 Capital Projects
(Construction Projects)]
- [DHS APP Section 8 – Capital Assets 3.0](#) (Capital and Operating Leases)
- [DHS APP Section 8 – Capital Assets 4.0](#) (Year-End Capital Asset Reporting)
- [DHS APP Section 8 – Capital Assets 5.0](#) (Disposition of State-Owned Assets)

CONTACTS

[Capital Asset Accountant](#)