



## ACCOUNTING POLICY AND PROCEDURES (APP) MANUAL

TOPIC: Section 8 – Capital Assets 2.1	EFFECTIVE DATE: 07/30/1993
TITLE: Capitalization of Fund 490/495 Capital Projects (Construction Projects)	REVISION DATE: 03/26/2018
AUTHORIZED BY: Deputy Director, Bureau of Fiscal Services	

### BACKGROUND

This bulletin provides procedures to be used to capitalize Fund 49000/49500 Capital Projects. Department of Health Services (DHS) procedures are needed to conform to Department of Administration (DOA) policies and time lines for capital projects and preparation of financial statements according to generally accepted accounting principles (GAAP).

### POLICY

The DOA State Controller's Office (SCO) Capital Projects Accounting Section, in consultation with Division of Facilities Development (DFD) project managers, and DHS engineers will determine which state capital projects closed during a fiscal year are to be capitalized and which should be expensed. The Bureau of Fiscal Services (BFS) Cost Allocation and Financial Reporting Section will be responsible for recording equipment as outlined in Item 6, below.

### PROCEDURES

1. Annually, DOA/SCO will provide BFS a listing of closed state Capital Projects and designate whether or not the project should be capitalized as an asset or expensed as a repair. The listing will include the value to be capitalized or expensed.
2. BFS anticipates that this listing will not be received from DOA/SCO in time to be recorded on the current year capital asset management system (STAR).
3. BFS will make the necessary adjustments to each Organization's *building* and *land* asset records when the information is received from DOA. The adjusted amount will be reported on the *Comprehensive Annual Financial Report* (CAFR). (Note: Equipment is discussed in Item #5, below).
4. BFS will add all assets to the capital asset management system in (STAR) when the capital project is closed. Statewide projects will be allocated to organizations that are benefited.
5. DHS policy is to capitalize equipment *when placed in service*. Therefore, equipment may be reflected on asset records prior to the building, since construction projects may not be closed out for some time after substantial portions of the project are placed in service.

It is important that equipment be capitalized as separate items at acquisition cost and be properly tagged. It is not appropriate to capitalize both building and moveable equipment as part of the closed construction project's building value. . Organization staff solicits bids, and selects the vendors according to State Purchasing Guidelines; and request DFD Project Manager approval of their encumbrance requests. These purchases can be further identified and recorded on the Capital Projects Accounting Website at <http://cpa.doa.state.wi.us/>.

6. Fund 490/495 assets are to be recorded in the capital asset management system in (STAR) or Non-Capital Asset Database **should use the appropriation “AGF”** and reference the 5-digit project number in the asset description.

## REFERENCES

Capital Projects Accounting Website at <http://cpa.doa.state.wi.us/>  
[DHS APP Section 8 – Capital Assets 1.0](#) – (Capital Asset & Inventory System)

Wisconsin Accounting Manual (WAM) –Capital Expenditures Section 6, sub section 4

## CONTACTS

[Section Chief, Cost Allocation and Financial Reporting Section](#)

[Capital Projects Coordinator, Expenditure Accounting Section](#)