




Capital Assets

Indiana State Board of Accounts
Auditors Spring Conference 2024

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Agenda

- Definition of Capital Assets
- Uniform Compliance Guidelines
- Capital Assets Requirements
- Capital Asset Categories
- How is a Capital Asset Valued?
- Physical Inventories



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Definition of Capital Assets

GASB Statement 34 paragraph 19

“The term capital assets includes land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.”



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Uniform Compliance Guidelines

Chapter 1, Capital Assets:

“Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records.”



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Capital Assets Requirements

- Capitalization Policy with Threshold
 - Threshold should be reasonable
 - Useful lives
- Current inventory of capital assets
 - Detail listing of capitalized items
 - Inventory of small but sensitive items (not capital assets)
- Two-year inventory or other control over accuracy of inventory
 - Additions and deletions



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Land

- Land is often closely associated with another asset
 - Land under a building
 - Land purchased for a road
- Land should always be classified separately and not part of the cost of the other asset
- Records must include a description, amount of acreage (if relevant), acquisition date and purchase price.
- Land is assumed to have an indefinite life and is not depreciated
- Usually, all land is capitalized.



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Infrastructure

- Physical systems of government; Examples include highways and roads, bridges, storm water and drainage, communication networks, water and sewer systems, dams and lighting systems
- Relative longer useful lives
- Non moveable
- Highway Department usually tracking roads and bridges and can provide best estimate of useful lives



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Buildings

- Permanent Structures
- A capital asset account for buildings must reflect the location of each building and the purchase price or construction cost of improvements, if applicable. If a building is acquired by gift, the account must reflect its appraised value at the time of acquisition.
- Courthouses, jails, highway garages and park community centers.
- Often 50 years for useful life –estimate based on use, maintenance, quality



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Improvements Other Than Buildings

- Improvements to land other than buildings that add value to the land but do not have an indefinite life.
- Examples include fences, retaining walls, sidewalks, parking lots and most landscaping
- Useful life will depend on the improvement:
 - Parking lots are often shown at 15 years
 - Sidewalks 40 to 80 years depending on construction material.
 - Fences last around 15 20 years
 - Landscaping around 15 years



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Equipment

- Machinery, trucks, cars, highway equipment, computer servers, safes, furnishings, desks, cabinets and other office equipment.
- Small but sensitive items. Track but don't capitalize.
- GASB recommended practice is that the capitalization threshold should be at least \$5,000.
- Threshold is applied to individual assets. Exception –collections such as a library's book collection. (An individual book is not material, the collection itself is material)
- Separately account for equipment purchased with federal dollars and be aware of Federal requirement.
- Useful life by category of equipment. Often 5 to 10 years



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Books and Other

- Libraries and book collections
 - Collections valued as a whole, will be exhausted through general use
- Other Collections with Indefinite Life
 - Museums and historical collections
 - Art Collections
 - If the purpose of the collection is display or research, the collection is being adequately maintained and the proceeds from the sale of collection items must be applied to acquiring new items –no depreciation. Not required to report these assets.



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Construction Work in Progress

- This category allows for the collection of costs in the construction of a capital asset such as new building or road. When the project is completed, it is moved from Construction Work In Progress to the applicable capital asset category such as building or infrastructure.
- Category is not depreciated once placed in service depreciation will start.



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How is a Capital Asset Valued?

- Historical Cost
 - Claim for purchase
 - Contract for construction costs
 - Board minutes or other historical documents
- Estimating Historical Cost
 - Current cost of asset
 - Consumer Price Index calculation – December 2023 County Bulletin Volume Number 439, Page 9 & 10
 - Basis for estimate and documentation of basis



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Physical Inventories

- If, the capital asset records are not complete, a physical inventory of assets above the threshold may be needed-specifically for equipment and vehicles.
- Once every two years have the departments do a physical inventory of equipment in their department-especially important for disposals that may not have been reported.
- Inventory small items that may be at higher risk of misappropriation such as laptops, cell phones, tablets, tools for example. Keep those inventories up to date.



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Questions?

State Board of Accounts

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