

# Capital Assets



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## Capital Assets:

The State of Delaware has a significant investment in capital assets.

These assets have initial useful lives that extend beyond a single reporting period.

Capital Assets must be tangible, have an estimated life of more than one year and be of significant value.

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## Why do we have to deal with Capital Assets?

### **Financial Reporting requirements:**



GASB (Governmental Accounting Standards Board)  
GAAP (Generally Accepted Accounting Principles )

### **Management Decisions:**

Identify replacement and renovation needs  
Budgetary and Long Term Planning needs

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**Objectives:**

- Organizational Responsibilities
- Reporting Policy
- Recording Assets
- Records and Procedures
- Acquiring Assets
- Retirement Assets
- Impairments

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**Organizational Responsibilities**

Division of Accounting (Central Accounting)

- Develop uniform asset management policies and procedures, guidelines and standards (refer to Chapter 2 in BAM for internal controls).
- Provide training and advice to State Organizations
- Consolidates data into State financial reports

Division of Accounting (FSF)

- CAM (Capital Asset Management) team maintains data in FSF.

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**Organizational Responsibilities**

State Organizations' Responsibilities

- Establish internal written procedures
- Assign responsibilities
- Ensure timely, accurate recording of transactions
- Ensure maintenance of source documents
- Safeguard and physically account for assets
- Inventory all capital assets **by end of May every year**

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## Organizational Responsibilities

### State Organization's Responsibilities (cont.)

- Managing assets that do not meet the State's financial reporting capitalization threshold:
  - " Items of Public Appeal"
  - Federal Grant reporting requirements
  - Medicare (\$5,000 threshold)

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## Reporting Policy

- Capitalization Thresholds:
  - Report all
    - Buildings
    - Land, including easements
  - Report if > or equal to \$25,000
    - Vehicles
    - Furniture
    - Equipment

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## Reporting Policy

- Capitalization Threshold (Continued)
  - Report if equal to or greater than \$100,000
    - Building Improvements
    - Land Improvements
    - Leasehold improvements
    - Construction Work in Progress
  - Report if equal to or greater than \$1 Million
    - Infrastructure-DelDOT
    - Computer Software
  - Leased Assets

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## Recording Assets

Capital Assets are acquired by:

- direct purchase (regardless of funding source)
- installments
- capital lease
- donation
- confiscation

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## Recording Assets

Fixed Asset Classes	
Buildings	Leasehold Improvements
Building Improvements	Software
Land	Vehicles/Equip/Furniture
Land Improvements	Works of Art/Treasures
Easements	CWIP/CSIP
Infrastructure	Leased Assets

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## Recording Assets

- **Buildings**
  - Cost includes the construction or purchase cost as well as the costs of all fixtures and systems made part of the building. (Elevators, lighting, plumbing etc.)
  - **Do Not include**
    - Land costs (booked when acquired)
    - Furniture costs

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## Recording Assets

- **Building Improvements**
  - A building improvement is a betterment to an existing building
  - Must meet \$100,000 threshold
  - Does not include regular maintenance or repairs

(Examples: addition to a building, security systems, structures attached to building)

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## Recording Assets

- **Infrastructure**
  - Mainly Del-Dot
    - Roads
    - Bridges
    - Dams
    - Lighting Systems



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## Recording Assets

- **Land**
  - Initial costs
  - Demolition costs
- **Land Improvements**
  - Physical changes to increase utility of Land
    - parking lots, fencing




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## Recording Assets

- Leasehold Improvements
  - \$100,000 or greater
    - Improvements made to existing leased structures, (state buildings)
- Leased Assets
  - Added to System at end of lease

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## Recording Assets

- Easements
  - Interest in land owned by someone else
    - Dover High School (the school utilizes land owned by a private citizen)
  - Places permanent restriction on future uses (example: conservation or agricultural preservation.)



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## Recording Assets

- Construction Work in Process:  
(reported in the annual GAAP package)
  - Construction: total cost of a project is \$100,000 or more, is not complete by 06/30 and meets the criteria to be capitalized at completion.
    - New school
    - Addition to building
    - Conversions of attics or basements into usable office space
    - Covered patio's, garages, elevators, etc.
- Note: Do not report renovations that do not change the footprint of the building, like roofs or HVAC unless it is a total energy conversion (case by case basis).



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## Recording Assets



- Computer Software in Process
  - Software: total costs associated with the application development phase is estimated to be \$1,000,000 or greater.
  - Capitalize:
    - Costs that are associated with application development stage
  - Do not Capitalize:
    - Costs associated with :
      - Preliminary Project Stage
      - Post-Implementation Operation (Production) Stage

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## Recording Assets



- Vehicles/Furniture/Equipment
  - Individual items with a value equal to or greater than \$25,000.
  - Attachments purchased at the same time as the assets are considered part of the asset (example: Purchasing a copier and installing a collator at the same time).
  - Group purchases of assets are not recorded in the aggregate. For example, if you purchase 50 computers for a \$1,000 dollars each, they are considered individual purchases and do not meet the threshold.

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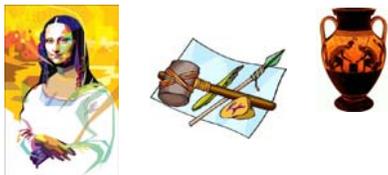
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## Recording Assets

- Works of Arts/Historical Treasures
  - State of Delaware has elected not to capitalize these (GASB 34 has allowed for this based on criteria)



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## Records and Procedures

- Do capital asset inventory every year
- Must submit certification to Division of Accounting
  - Due by end of May.



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## Recording Assets

- Depreciation-  
distributing the cost of the capital asset over its estimated useful life.
  - Buildings 40 years
  - Building Improvements 40 years
  - Land Improvements 20 years
  - Furniture/Equipment 10 years
  - Vehicles 7 years
  - Software 5 years

Note: Leasehold Improvements – useful life is the estimated service life of the leasehold improvement, or the remaining term of lease, whichever is shorter.

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## Acquiring Assets

- Donated or confiscated capital assets should be reported at their estimated fair value at the time of acquisition plus any ancillary charges.



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## Retirement Capital Assets

- All capital assets are assets of the State, not the State Organization.
- When a capital asset is no longer needed:
  - Must be reported to the Office of Management and Budget/GSS for reallocation or disposal
- Disposal worksheet is completed in FSF to be approved by DoA.

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## Impairment

- Indicators of Potential Impairment
  - Write-down only required if a specific, easily recognized indicator is present:
    - Evidence of physical damage
    - Changes in legal or environmental factors
    - Technological changes or obsolescence
    - Changes in manner or duration of use
    - Construction stoppage



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## Questions/ Conclusion

- Questions?



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