In for the Long Haul: Accounting for Capital Assets

Tuesday, May 24 | 3:35-4:50 | 1.5 CPE

**Moderator:** Frances Lee, Deputy Chief Financial Officer, San Francisco Public Utilities Commission

**Speaker:** Brian W. Caputo, Ph.D., C.P.A, Chief Financial Officer / City Treasurer, City of Aurora, Illinois

**Speaker:** Michael M. Nielsen, Director, Government Fixed Asset Services, Inc., Long Beach, Indiana
2016 GFOA ANNUAL CONFERENCE
In for the Long Haul:
Accounting for Capital Assets

Brian W. Caputo, Ph.D., C.P.A.
Chief Financial Officer/City Treasurer
City of Aurora, Illinois
CAPITAL ASSETS DEFINED

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.

GASB Statement No. 34, para. 19.
FINANCIAL REPORTING OF CAPITAL ASSETS

- Must be reported by major class either on the face of the financial statements or in the notes.
- Major classes are not defined by GAAP.
- Assets being depreciated/amortized and those not being depreciated/amortized must be reported separately.
- Intangibles should be broken down into separate classes if significant.
FINANCIAL REPORTING
OF CAPITAL ASSETS
(continued)

- Depreciation is generally reported by function in the government-wide statement of activities.
- Allocate depreciation between functions if asset provides services through multiple functions.
- Depreciation on infrastructure may be reported as functional expense of department associated with related capital outlays or maintenance.
FINANCIAL REPORTING OF CAPITAL ASSETS (continued)

- Depreciation related to governmental activities not allocated to functions:
  - Report as general government expense or
  - Report as unallocated depreciation expense.
● Summary of significant accounting principles:
  o Capitalization threshold.
  o Methodology for estimating historical cost.
  o Extent of infrastructure reporting for items exempt from mandatory reporting.
  o Methodology used for calculating depreciation or amortization expense.
  o Estimated useful lives for depreciating or amortizing capital assets.
Example-
Summary of Significant Accounting Principles

J. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost in excess of the following and an estimated useful life in excess of one year.

<table>
<thead>
<tr>
<th>Capitalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Class</td>
</tr>
<tr>
<td>---------------------------------------</td>
</tr>
<tr>
<td>Land</td>
</tr>
<tr>
<td>Buildings, Building and Land Improvements, Infrastructure, Intangible Assets</td>
</tr>
<tr>
<td>Vehicles, Machinery, Furniture and Equipment</td>
</tr>
<tr>
<td>Works of Art, Historical Artifacts</td>
</tr>
</tbody>
</table>
Example-
Summary of Significant Accounting Principles

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs, including street overlays that do not add to the value of the asset or materially extend asset lives are not capitalized.
Example-
Summary of Significant Accounting Principles

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings, Land Improvements and Infrastructure</td>
<td>20-65</td>
</tr>
<tr>
<td>Vehicles</td>
<td>8</td>
</tr>
<tr>
<td>Machinery, Furniture and Equipment, Software</td>
<td>5-15</td>
</tr>
</tbody>
</table>
FINANCIAL REPORTING
OF CAPITAL ASSETS
(continued)

- Detailed note disclosures:
  - Separate reporting for governmental and business-type activities.
  - Separate reporting for depreciable and non-depreciable assets.
  - Recorded value by major class.
  - Changes in recorded value by major class.
  - Accumulated depreciation by major class.
  - Changes in accumulated depreciation by major class.
  - Depreciation expense for governmental activities by function.
  - Asset impairments.
  - Assets leased to others under operating leases.
### GOVERNMENTAL ACTIVITIES
#### CAPITAL ASSETS, NET

<table>
<thead>
<tr>
<th></th>
<th>Beginning Balance</th>
<th>Reclassified</th>
<th>Increases</th>
<th>Decreases</th>
<th>Ending Balances</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GOVERNMENTAL ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Assets not Being Depreciated</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$ 39,953,773</td>
<td>$ 1,006,288</td>
<td></td>
<td>$ 13,532,901</td>
<td>$ 27,427,160</td>
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<tr>
<td>Land Right of Way</td>
<td>103,180,520</td>
<td>-</td>
<td></td>
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<td>103,180,520</td>
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<tr>
<td>Works of Art</td>
<td>977,267</td>
<td>-</td>
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<td>-</td>
<td>977,267</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>40,528,939</td>
<td>4,285,418</td>
<td></td>
<td>17,896,665</td>
<td>26,917,692</td>
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<tr>
<td>Total Capital Assets not Being Depreciated</td>
<td>$184,640,499</td>
<td>5,291,706</td>
<td></td>
<td>31,429,566</td>
<td>$158,502,639</td>
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<tr>
<td>Capital Assets Being Depreciated</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings and Land Improvements</td>
<td>171,269,426</td>
<td>17,509,352</td>
<td></td>
<td>46,130,053</td>
<td>142,648,725</td>
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<tr>
<td>Machinery and Equipment</td>
<td>22,919,299</td>
<td>294,446</td>
<td></td>
<td>141,084</td>
<td>23,072,661</td>
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<tr>
<td>Vehicles</td>
<td>13,979,322</td>
<td>1,532,738</td>
<td></td>
<td>1,166,440</td>
<td>14,345,621</td>
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<tr>
<td>Infrastructure</td>
<td>369,364,875</td>
<td>1,767,976</td>
<td></td>
<td>18,690</td>
<td>371,114,161</td>
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<tr>
<td>Total Capital Assets Being Depreciated</td>
<td>$577,532,922</td>
<td>21,104,512</td>
<td></td>
<td>47,456,267</td>
<td>$551,181,167</td>
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<tr>
<td>Less Accumulated Depreciation for</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings and Land Improvements</td>
<td>42,999,051</td>
<td>3,025,388</td>
<td></td>
<td>20,069,321</td>
<td>25,955,118</td>
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<tr>
<td>Machinery and Equipment</td>
<td>9,211,414</td>
<td>1,677,539</td>
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<td>49,379</td>
<td>10,839,574</td>
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<tr>
<td>Vehicles</td>
<td>9,576,518</td>
<td>822,978</td>
<td></td>
<td>1,127,991</td>
<td>9,271,505</td>
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<tr>
<td>Infrastructure</td>
<td>125,811,269</td>
<td>6,987,089</td>
<td></td>
<td>18,690</td>
<td>132,779,668</td>
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<tr>
<td>Total Accumulated Depreciation</td>
<td>$187,598,252</td>
<td>12,512,994</td>
<td></td>
<td>21,265,381</td>
<td>$178,845,865</td>
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<tr>
<td>Total Capital Assets Being Depreciated, Net</td>
<td>$389,934,670</td>
<td>8,591,518</td>
<td></td>
<td>26,190,886</td>
<td>372,335,302</td>
</tr>
<tr>
<td><strong>GOVERNMENTAL ACTIVITIES</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td><strong>CAPITAL ASSETS, NET</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 574,575,169</td>
<td>$ 13,883,224</td>
<td></td>
<td>$ 57,620,452</td>
<td>$ 530,837,941</td>
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<td>Beginning</td>
<td>Reclassified</td>
<td>Increases</td>
<td>Decreases</td>
<td>Ending</td>
<td>Balances</td>
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<tr>
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</tr>
</tbody>
</table>

**BUSINESS-TYPE ACTIVITIES**

**Capital Assets not Being Depreciated**

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Beginning Balance</th>
<th>Reclassified</th>
<th>Ending Balance</th>
<th>Decreases</th>
<th>Ending Balances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$12,389,135</td>
<td>$13,532,901</td>
<td>$25,922,036</td>
<td>-</td>
<td>$25,922,036</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>3,808,509</td>
<td>4,632,473</td>
<td>7,928,715</td>
<td>-</td>
<td>7,928,715</td>
</tr>
<tr>
<td>Total Capital Assets</td>
<td>6,197,644</td>
<td>18,165,374</td>
<td>33,850,751</td>
<td>-</td>
<td>33,850,751</td>
</tr>
</tbody>
</table>

**Capital Assets Being Depreciated**

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Beginning Balance</th>
<th>Reclassified</th>
<th>Ending Balance</th>
<th>Decreases</th>
<th>Ending Balances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Improvements</td>
<td>$8,783,601</td>
<td>33,484,765</td>
<td>42,268,366</td>
<td>-</td>
<td>42,268,366</td>
</tr>
<tr>
<td>Building</td>
<td>90,349,956</td>
<td>12,643,288</td>
<td>102,993,244</td>
<td>-</td>
<td>102,993,244</td>
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<tr>
<td>Infrastructure</td>
<td>165,157,801</td>
<td>2,943,963</td>
<td>168,096,308</td>
<td>-</td>
<td>168,096,308</td>
</tr>
<tr>
<td>Machinery and Equipment</td>
<td>5,064,361</td>
<td>620,701</td>
<td>5,588,017</td>
<td>-</td>
<td>5,588,017</td>
</tr>
<tr>
<td>Vehicles</td>
<td>2,554,300</td>
<td>644,265</td>
<td>3,198,565</td>
<td>-</td>
<td>3,198,565</td>
</tr>
<tr>
<td>Total Capital Assets</td>
<td>271,910,019</td>
<td>50,336,982</td>
<td>322,144,500</td>
<td>-</td>
<td>322,144,500</td>
</tr>
</tbody>
</table>

**Less Accumulated Depreciation**

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Beginning Balance</th>
<th>Reclassified</th>
<th>Ending Balance</th>
<th>Decreases</th>
<th>Ending Balances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Improvements</td>
<td>5,197,196</td>
<td>18,333,838</td>
<td>23,531,034</td>
<td>-</td>
<td>23,531,034</td>
</tr>
<tr>
<td>Building</td>
<td>30,942,028</td>
<td>5,366,753</td>
<td>36,308,781</td>
<td>-</td>
<td>36,308,781</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>50,546,217</td>
<td>5,456</td>
<td>53,104,212</td>
<td>-</td>
<td>53,104,212</td>
</tr>
<tr>
<td>Machinery and Equipment</td>
<td>3,703,148</td>
<td>97,045</td>
<td>3,938,889</td>
<td>-</td>
<td>3,938,889</td>
</tr>
<tr>
<td>Vehicles</td>
<td>1,744,859</td>
<td>27,389,601</td>
<td>102,501</td>
<td>119,420,548</td>
<td>119,420,548</td>
</tr>
<tr>
<td>Total Accumulated Depreciation</td>
<td>92,133,448</td>
<td>27,389,601</td>
<td>102,501</td>
<td>119,420,548</td>
<td>119,420,548</td>
</tr>
</tbody>
</table>

**Total Capital Assets Being Depreciated, Net**

179,776,571 $22,947,381 

**BUSINESS-TYPE ACTIVITIES**

**CAPITAL ASSETS, NET**

<table>
<thead>
<tr>
<th>Beginning</th>
<th>Reclassified</th>
<th>Increases</th>
<th>Decreases</th>
<th>Ending</th>
<th>Balances</th>
</tr>
</thead>
<tbody>
<tr>
<td>$195,974,215</td>
<td>$41,112,755</td>
<td>$512,267</td>
<td>$236,574,703</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Depreciation expense was charged to functions of the primary government as follows:

**GOVERNMENTAL ACTIVITIES**
- General Government: $654,508
- Public Safety: 3,845,870
- Streets and Transportation: 6,960,411
- Culture and Recreation: 937,730
- Economic Development: 114,475

Total Depreciation Expense - Governmental Activities: $12,512,994

**BUSINESS-TYPE ACTIVITIES**
- Water and Sewer: $4,295,416
- Downtown Parking: 410,625
- Commuter Parking: 186,198
- Golf Operations: 233,768
- Airport: 1,539,078

Total Depreciation Expense - Business-Type Activities: $6,665,085
TYPICAL CLASSES OF CAPITAL ASSETS

- Land (not depreciated).
- Buildings.
- Improvements other than buildings.
- Furnishings, machinery, and equipment.
- Infrastructure.
- Works of art and historical treasures (generally not amortized).
- Construction in progress (not depreciated).
- Other capital assets.
CAPITALIZATION

- Capitalize the asset and “ancillary charges necessary to place the asset into its intended location and condition of use.”
- Capitalization threshold: minimum dollar threshold at which outlays are recorded as assets (and, in many cases, depreciated) rather than recorded as an expense of the period.
- GFOA recommends establishing a threshold of not less than $5,000.
- Departmental control and accountability of items not capitalized.
AURORA, ILLINOIS

- Location: 35 miles west of Chicago.
- Population: 200,000.
- Annual budget: $400 million.
- One discretely-presented component unit: municipal library.
- Government-wide capital assets: $770 million.
- 1,300 items in the capital asset records.
- Prepare a capital improvement plan.
- Implemented capital assets accounting software just prior to 2014 FY.
- In general, movable capital assets are inventoried annually.
AURORA’S POLICIES ON CAPITALIZATION AND DEPRECIATION OF ASSETS

- General capitalization policy:
  - All land.
  - $100,000 for buildings, land improvements, and infrastructure.
  - $50,000 for everything else.
  - Useful life longer than one year.
- Assets donated by developers capitalized as above.
- Additions to previously capitalized infrastructure capitalized regardless of cost (unless immaterial).
AURORA’S POLICIES ON CAPITALIZATION AND DEPRECIATION OF ASSETS
(continued)

- Construction in progress capitalized if expected to surpass threshold.
- Retainage included in the cost of an asset (CIP).
- Depreciation using straight-line method.
- Half-year convention employed for depreciation.
CAPITAL IMPROVEMENTS PLAN

- Multi-year forecast of capital outlays.
- First year of plan is oftentimes the capital budget.
- Other planning processes may be inputs.
ELEMENTS OF AURORA’S CAPITAL IMPROVEMENTS PLAN

- Based upon capitalization threshold.
- But no vehicles.
- Project number.
- Project name.
- Project manager.
- Strategic plan link.
- Project description.
ELEMENTS OF AURORA’S CAPITAL IMPROVEMENTS PLAN
(continued)

- Justification.
- Impact on operating budget.
- Prior-year costs.
- Costs for forecasted years.
- Sources of funds for forecasted years.
- Revenue and expenditure accounts for first year of plan.
THE NEW SOFTWARE

- More efficiently manage and account for capital assets.
- Automatically records journal entries.
- Generate reports for capital asset notes in financial statements.
- Coding:
  - Group: fund (general governmental, individual proprietary funds, or library).
  - Category: general asset class (streets, water lines, etc.).
  - Asset Class: subcategory (e.g., useful life of asset).
  - Subaccount: general ledger account number.
SUBACCOUNT DESIGNATIONS IN THE NEW SOFTWARE

- Identify specific asset:
  - Asset, accumulated depreciation, and depreciation expense accounts.
  - Model and serial numbers.
  - Acquisition cost and year.
  - Useful life.
  - Elect half-year depreciation convention.
- Manage additions, transfers, and retirements.
CHANGES MADE/LESSONS LEARNED IN IMPLEMENTING NEW SOFTWARE

- Data conversion may be challenging.
- Less detail is easier to manage. Consolidate!
- Water and sewer lines tracked by year of installation.
- Street segments used to identify streets.
- Addresses used to identify buildings, not common names.
- Because of capitalization threshold, no street lights or traffic lights capitalized.
HELPFUL CAPITAL ASSETS
BUDGETING/ACCOUNTING PRACTICES

- Project numbers:
  - Tied to the CIP.
  - Integrated in the budget.
- Distinct account numbers for capital outlay in general ledger.
- Separate accounts for capital and non-capital vehicles.
- Accounts established to distinguish classes of capital assets.
- Contra-expenditure accounts to reverse capitalized costs for conversion to the government-wide level.
HELPFUL CAPITAL ASSETS
BUDGETING/ACCOUNTING PRACTICES
(continued)

- Purchasing staff looks for identification of project numbers.
- Capital assets recorded quarterly.
- Periodically obtain a list of ongoing projects from engineers.
- Review resolutions approved by City Council for capital projects to identify capital assets.
- Review subsequent FY capital outlay to identify costs recorded in the wrong period.
HELPFUL CAPITAL ASSETS
BUDGETING/ACCOUNTING PRACTICES
(continued)

- Look for retainage that should be capitalized with the asset.
In for the Long Haul:
Accounting for Capital Assets

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(773) 298 0289
nielsen@fixedassetservices.com
Significance of the title - “... in for the long haul: accounting for capital assets”

- Issue will never go away
- Internal Control - and impact of accounting and control of capital and non-capital assets
- Large investment that represents a tremendous resource
Significance of the title - “... in for the long haul: accounting for capital assets”

- Goal is to be efficient, economical, and effective
- As Finance Directors these are your capital assets and accounting and reporting is the result of your management decisions and prerogatives
Today’s Presentation

- How to streamline the process of accounting for and reporting on capital assets
- How to account for ‘centennial’ assets
- How to improve controls and reporting of capital and non-capital assets
How to streamline the process

- Streamlining more important than ever
- We are all too busy
- Micromanagement is not an option
How to streamline the process - questions to ask ...

- Integrity of existing capital asset information?
- What is not a capital asset?
- What is a capital asset?
- Is the process and result of gathering annual additions and retirements of capital assets working?
- Do we adhere to a timeline for annual updating of capital asset information?
Integrity of existing capital asset information

- Does current property record have integrity?
  - Land parcels
  - Land improvements
  - Buildings and building improvements
  - Furnishings and equipment
  - Vehicles
  - General infrastructure (roads, bridges, lighting systems, drainage systems, rights-of-way, etc.)
  - Minor but sensitive items
Integrity of existing capital asset information

- Does current property record have integrity?
  - Last asset inventory (and not necessarily a ’physical’ inventory)
  - Last verification of existing data
  - Unrecorded assets
  - Unreported retirements

- Enhancements
  - Increase of capitalization threshold
  - Multiple capitalization thresholds
  - Edit, streamline, adjust data
Deciding what is not a capital asset

- No Increased capacity
- No Increased efficiency
- No extension of asset’s estimated useful life beyond the original expectation
- An extended estimated useful life usually involves a significant alteration or structural change
- Repairs and maintenance
- Specific written example of each can help in procedures documentation
- Minor assets below unit capitalization threshold
Deciding what is a capital asset

- New asset that meets all criteria for capitalization
- Increased capacity - adding square footage to an existing building
- Increased capacity - adding new lanes to an existing road
- Increased efficiency - same size etc., but service provided at less cost
- An extended estimated useful life usually involves a significant alteration or structural change and an extension beyond original useful life expectation
Deciding what is a capital asset

- Specific written examples of each can help (in policy document and procedures documentation)
- Repairs and maintenance usually restore an asset to original service potential and does not necessarily comprise an improvement
- Potential checklist
- Example from GFOA Capital Asset Seminar
- An improvement generally extends an asset’s estimated useful life beyond the original expectation and involves a significant alteration or structural change
Annual additions

- Can be a challenge
- Only assets at or above capitalization threshold (a separate and increased amount for building and general infrastructure improvements)
- Assets must meet criteria of an improvement
- Department must understand capital additions v. repairs and maintenance
- No capitalization of groups of minor assets
Annual retirements

- Data may be difficult to establish centrally so departments are key to gathering the information
- Data may be incomplete and include only trade-ins but not items scrapped or disposed of at departmental level
- Communication problems
- Departments unable or unwilling to determine retirements
Annual retirements

- Often ... simply report ‘no retirements’ and over time this can lead to overstated balances
- Lack of understanding of importance of accounting for capital assets
- Lack of understanding of process
Timeline for annual update of capital asset information

- No schedule can create problems
- Assume 12-31-16 fiscal year end
  - 10-1-16 - gather information on additions
  - 10-15-16 - separate capital and expense
  - 11-1-16 - update report by department
  - 11-15-16 - send updated information to departments for retirements
  - 12-1-16 update list
  - 12-31-16 prepare financial report
Accounting for centennial assets

- How to account for ‘centennial’ assets
Accounting for centennial assets

- What is a centennial asset?
  - Long-lived assets - perhaps 80 to 100 years and possibly indefinite

- In general
  - General infrastructure
  - Buildings
  - Land and rights-of-way
    - Non-depreciable
Accounting for centennial assets

- What is a centennial asset?
  - Works of art, historical treasures and similar assets and collections
    - ... per GASB 34 - if held for public exhibition, education, or research in furtherance of public service
    - ... per GASB 34 - if protected, kept unencumbered, cared for, and preserved
    - ... per GASB 34 - these assets may have an indefinite useful life and may be non-depreciable; however, if exhaustible they should be depreciated over their estimated useful life
Accounting for centennial assets

- Examples
  - Courthouse
  - City Hall
  - Golden Gate Bridge
  - Ellis Island
  - Mt. Rushmore
  - Lions on steps to Art Institute Chicago
Accounting for centennial assets

Examples
- U-505 Submarine at M.S.I. Chicago
- St. Louis Arch
- Yankee Stadium (original)
- Statue of Liberty
- Declaration of Independence
- ... know one when you see it
Accounting for centennial assets

- Fully depreciated assets per GASB 34 stay in property record until disposed of or otherwise removed, scrapped, traded-in, or sold
- Depreciation example of Illinois county rural roads and extension of estimated useful life based on facts and circumstances at point of implementation of GASB 34
Accounting for centennial assets

- Depreciation example and componentization of city streets to include two separate assets
  - including street surface at 20 years
  - including street base and sub-base of curb and gutter construction at 80 years
How to improve controls and reporting of capital and non-capital assets

- Basic decisions before beginning the implementation of process
- Focus on ‘capital’ of capital assets
- Involving staff at the departmental level
How to improve controls and reporting

- Establishing a concise and clear Capital Asset Policy
- Establishing and adhering to Capital Asset Procedures
- Construction-in-Progress
- Property Control of minor but sensitive assets
How to improve controls and reporting - Capital Asset Policy

- Establishing a Capital Asset Policy
  - Importance of increased capitalization threshold
  - Importance of multiple capitalization thresholds
  - Document should be brief and to the point
  - Importance of examples
    1. Asset - improvement, capital
    2. Not an asset - repair, expense
    3. Additions - new asset, increased capacity, increased efficiency, extended useful life
    4. Retirements - scrap, sell, traded-in, etc.
How to improve controls and reporting - Procedures

- Establish, communicate, and follow capital asset updating procedures
  - Responsibility
  - Information requirements
  - Information source
  - Timing
How to improve controls and reporting - Procedures

- Specifics of capital asset procedures
  - Who - assignment of responsible person
  - What - information to be gathered and maintained
  - Where - information source
  - When - timing of information reporting
  - How - procedures as to reporting of additions and retirements
  - Why - financial reporting and property control and separation of both issues
How to improve controls and reporting - Construction-in-Progress

- Report construction-in-progress
  - Can be significant
  - Good discipline for retirement of assets
  - Good discipline for future capitalization of assets
  - Applies to buildings and general infrastructure
How to improve controls and reporting - control of minor assets

- Per GFOA Recommended Practice Establishing Appropriate Capitalization Thresholds 1997 and 2001

- Governments should exercise control over their non-capitalized tangible capital-type items by establishing and maintaining adequate control procedures at the departmental level
How to improve controls and reporting - control of minor assets

- Per GFOA Recommended Practice
  Ensuring Control over Non-capitalized Items
  2005
  - Control normally should occur at the departmental level
  - Control responsibility should be assigned within the department
  - Individual responsible should prepare a complete list each year
  - Departments should certify each year that updated lists are available
  - Accounting should periodically verify departmental data
In for the Long Haul: Accounting for Capital Assets

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