

# Accounting for Capital Assets

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## Introduction

- Represent a municipality's most significant investment of government resources.
- Long-term investments made to help provide essential services (directly or indirectly) to your taxpayers.

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## What are Capital Assets?

### Major Assets

- Benefit more than one fiscal period.
- Not appreciably affected by use and consumption.
- Significant cost.

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## Capital Assets

Include:

- Infrastructure
- Land
- Easements
- Buildings
- Improvements
- Vehicles
- Machinery
- Equipment
- Art

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## Infrastructure

- Infrastructure assets – stationary in nature and can be preserved for a significant number of years.
  - For example: bridges, roads, water & sewer systems, lighting systems.

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## Valuation of Capital Assets

- Historical Cost
- Actual or Estimated
- Fair Market Value for Donated Assets

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## Valuation of Capital Assets

- Cost of capital asset includes:
  - Additional expenses such as freight.
  - Installation and site prep charges.
  - Any subsequent additions or improvements.

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## Valuation of Capital Assets

- Cost of capital asset should not include:
  - Maintenance, repairs or parts that keep an asset functioning at its current expected level.

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## Valuation of Capital Assets

### Costing Methods

- Direct – invoices, etc.
- Historical sources
- Price index to deflate current price to historical price.

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## Capitalization Thresholds

- At what dollar value do you record capital assets?
  - It's up to you.
  - Check audited financial statements.

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## Recordkeeping

- GASB 34 changed fixed assets to capital assets.
- Capital assets of proprietary and fiduciary funds should be recorded in the applicable funds.
- All other capital assets (for governmental funds) should be recorded in Schedule of Non-Current Governmental Assets.

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## Recordkeeping

- Depreciation should be recorded as follows:
  - For proprietary funds – in fund itself.
  - For fiduciary funds – in fund itself.
  - For governmental funds – depreciation is still optional – if chosen, should be recorded in Schedule of Non-Current Governmental Assets.

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## Recordkeeping

Account Code	Account Description	Normal Balances	
		Debit	Credit
101	Land	XXX	
102	Buildings	XXX	
103	Improvements other than Buildings	XXX	
104	Equipment	XXX	
105	Construction Work in Progress	XXX	
106	Infrastructure	XXX	
107	Other Capital Assets	XXX	
112	Accumulated Depreciation, Buildings		XXX
113	Accumulated Depreciation, Improvements		XXX
114	Accumulated Depreciation, Equipment		XXX
116	Accumulated Depreciation, Infrastructure		XXX
117	Accumulated Depreciation, Other Capital Assets		XXX
159	Total Non-Current Governmental Assets		XXX

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## Depreciation of Capital Assets

- Estimated useful life.
- Unless inexhaustible such as land and certain improvements.
- Infrastructure can be treated as inexhaustible.

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## Depreciation of Capital Assets

### Depreciation Methods

- Estimated useful life – class of assets, network or individual assets
- Composite rate
- Many others

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## Appreciation

- Some assets increase in value rather than decrease.
- No reporting or recording requirements.
- May want to record in property records for insurance purposes.

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## Accounting Entries

Account and Explanation	Subsidiary	Debit	Credit
A522 Expenditures		\$23,750	
A7140.2 Playground and Rec Centers	\$23,750		
A200 Cash			\$23,750
<b>To record the acquisition of a new recreation department truck by the General Fund.</b>			

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## Sample Accounting Entries

Account and Explanation	Subsidiary	Debit	Credit
K104 Equipment (New)		\$33,750	
K159 Total Non-Current Govt Assets (Old)		\$25,000	
K159 Total Non-Current Govt Assets (New)			\$33,750
K104 Equipment (Old)			\$25,000
<b>Collateral entry to record the new truck and remove old truck (if used in general fund).</b>			

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## Sample Accounting Entries

Account and Explanation	Subsidiary	Debit	Credit
E104 Equipment (New)		\$33,750	
E114 Accumulated Depreciation – Equipment		\$18,750	
E104 Equipment (Old)			\$25,000
E200 Cash			\$23,750
E980 Revenues			\$3,750
E2675 Gain on Disposition of Assets	\$3,750		

**To record the acquisition of a new department truck in an enterprise fund with a trade-in (75% depreciated).**

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## Sample Accounting Entries

Account and Explanation	Subsidiary	Debit	Credit
K101 Land – Park		\$75,000	
K102 Building – Park		\$15,000	
K159 Total Non-Current Govt Assets			\$90,000

**To record the acquisition of land and building donated for use as a park.**

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## Sample Accounting Entries

Account and Explanation	Subsidiary	Debit	Credit
A200 Cash		\$15,000	
A980 Revenues			\$15,000
A2665 Sales of Equipment	\$15,000		

**To record the sale of a surplus recreation vehicle used by the General Fund.**

Account and Explanation	Subsidiary	Debit	Credit
K159 Total Non-Current Govt Assets		\$32,000	
K104 Equipment			\$32,000

**To remove the cost of the old (surplus) vehicle at historical cost.**

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## Sample Accounting Entries

Account and Explanation	Subsidiary	Debit	Credit
K159 Total Non-Current Govt Assets		\$4,450	
K114 Accumulated Depreciation – Equipment			\$4,450

To record depreciation of garbage truck(s) used by the General fund, where management decided to record depreciation of Non-Current Governmental Assets in the property records.

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## Inventory Records

- Establishes record.
- Fixes responsibility.
- Identifies source of financing.
- Provides board with crucial information (replacement cost, insurance coverage, etc.).

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## Initial Inventory Procedures

- Assign someone to be in charge.
- Determine significant value.
- Take physical inventory.
- Get historical cost on records.
- Assign ID numbers.
- Property records should be detailed.

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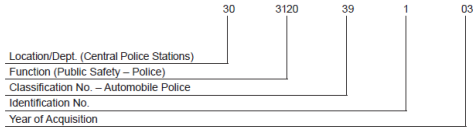
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## Identification Numbers

- Each piece of equipment and machinery should be assigned a number to identify it.
- Consider location, ID#, year acquired, etc.




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## Property Records

REAL PROPERTY RECORD			
Description: _____		Identification No.: _____	
_____		Date Prepared: ____/____/____	
Location: _____			
Remarks: _____			
Tax Map #: _____			
<b>Original Cost:</b>		<b>Source of Funds:</b>	
Acquisition (Construction) \$ _____		Current Appropriations \$ _____	
Legal _____		Bonds _____	
Engineering _____		Notes (Specify Type) _____	
Other (Specify): _____		State Aid _____	
_____		Federal Aid _____	
_____		Gift _____	
_____		Other (specify) _____	
Total \$ _____		Total \$ _____	

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## Property Records

<b>Current Value:</b>		<b>Disposition:</b>	
Original Cost (Total) \$ _____		Sold To _____	
Additions: (Specify) _____		Transferred To _____	
_____		Other _____	
Sub-Total \$ _____			
Deductions: (Specify) _____			
Total \$ _____			
Insured Value \$ _____		Policy # _____	

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# Property Records

Form No. \_\_\_\_\_ Identification No. \_\_\_\_\_  
 Date Prepared: \_\_\_\_\_

**PROPERTY CARD**  
**MACHINERY, TOOLS AND EQUIPMENT**  
 (Furnishings)

Description: \_\_\_\_\_  
 Make: \_\_\_\_\_ Model: \_\_\_\_\_  
 Dept: \_\_\_\_\_ Year: \_\_\_\_\_ Serial No.: \_\_\_\_\_  
 Location: \_\_\_\_\_ Date: \_\_\_\_/\_\_\_\_/\_\_\_\_  
 Purchased From: \_\_\_\_\_

Maintenance Contract With: \_\_\_\_\_ Contract No.: \_\_\_\_\_  
 Purchase Order No.: \_\_\_\_\_ Cost: \$ \_\_\_\_\_ Voucher No.: \_\_\_\_\_  
 Estimated Life: \_\_\_\_\_ Freight: \_\_\_\_\_ Voucher No.: \_\_\_\_\_  
 Condition: \_\_\_\_\_ Other: \_\_\_\_\_ Voucher No.: \_\_\_\_\_  
 Total: \_\_\_\_\_

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# Property Records

Source of Funds: \_\_\_\_\_  
 Current Revenues \$ \_\_\_\_\_ Bonds \$ \_\_\_\_\_ Notes \$ \_\_\_\_\_ GR \$ \_\_\_\_\_  
 State Aid \$ \_\_\_\_\_ Federal Aid \$ \_\_\_\_\_ Other (Specify) \_\_\_\_\_ (Amount) \$ \_\_\_\_\_

**CURRENT VALUE**                      **DISPOSITION**

Original Cost: \$ \_\_\_\_\_ Sold \_\_\_\_\_ Traded \_\_\_\_\_ Junked \_\_\_\_\_  
 \*Appreciation: \$ \_\_\_\_\_ Transferred To: \_\_\_\_\_  
 Sub-Total: \$ \_\_\_\_\_ Amount \$ \_\_\_\_\_ Date: \_\_\_\_/\_\_\_\_/\_\_\_\_  
 \*Depreciation: \$ \_\_\_\_\_ Trade-in Purchase Order No.: \_\_\_\_\_  
 Depreciated Value: \$ \_\_\_\_\_ Approved By: \_\_\_\_\_  
 Insured Value: \$ \_\_\_\_\_ Date: \_\_\_\_/\_\_\_\_/\_\_\_\_  
 Policy No.: \_\_\_\_\_

BACK

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[www.osc.ny.gov/files/local-government/publications/pdf/capital-assets.pdf](http://www.osc.ny.gov/files/local-government/publications/pdf/capital-assets.pdf)

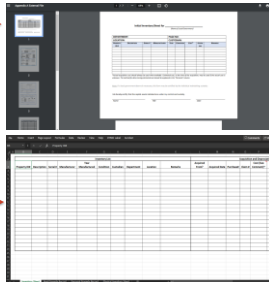
## Appendix A: Property Record Forms

Sample manual form (pdf) is available for the following:

- Initial Inventory Sheet
- Real Property Record
- Personal Property Record
- Register of Identification Numbers
- Property Acquisition Record
- Property Disposition Record
- Physical Inventory Worksheet

Sample electronic form (xlsx) is available for the following:

- Inventory Sheet
- Real Property Record
- Personal Property Record
- Physical Inventory Worksheet




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## Duties and Responsibilities

- Governing Board designates someone.
- That person oversees the asset records.

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## Controls

### Make sure:

- Additions/deletions are kept up-to-date.
- Take periodic or annual inventory.
- Compare actual inventory to records.
- Investigate differences.

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## Questions?

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