

TOPIC	CAPITAL ASSET REPORTING	SUB-SECTION 23.10.10
SECTION	INTRODUCTION	ISSUANCE DATE April 20, 2010
SUB-SECTION	DEFINITIONS	REVISED - 2019

### DEFINITIONS

Capital assets are assets that are used in operations and that have initial useful lives extending beyond a single reporting period. All costs necessary to place the asset in its intended location and condition for use are capitalized (i.e. cost of negotiations, finder's fees, freight and shipment charges if considered material to the cost of the asset, installation, etc.).

Definitions of the classes of capital assets recognized by the State in its financial reporting are listed below:

#### **Buildings**

Buildings are permanent structures to house persons or state property, together with fixtures attached to and forming a permanent part of the building. The cost of the building includes all labor, material and professional services to construct the building, together with insurance, and other indirect costs incurred during the period of construction to put the building into its intended use.

Capitalizable improvements to buildings are added as betterments to the value of the building and, unlike land improvements, are not carried in a separate asset account. The building and its improvements become an inseparable unit. A betterment is generally considered to extend the useful life of a building.

Furniture and equipment whose expected life is less than that of the building are not usually included in the cost of the building, but are placed in the category of Furniture and Equipment.

Capitalization threshold for GAAP is  $\geq$  \$50,000.

#### **Construction in Progress**

Construction in Progress (CIP) represents a temporary capitalization of labor, materials, equipment and overhead costs of a construction project. These construction costs are usually reflected in a capital projects fund. Most CIP projects are handled by the Bureau of Building, Grounds, and Real Property Management (BOB) within DFA. When a building or other construction project is completed and ready for use, the agency receives notification from BOB. The CIP balance is removed from BOB and is appropriately recorded as one or more of the other major asset classes on the agency's property report.

Costs related to projects under construction that are not managed by BOB are reported as CIP by the agency.

Capitalization threshold for GAAP is determined by the capitalization threshold for the type of project (i.e. buildings  $\geq$  \$50,000, etc.).

#### **Furniture and Equipment**

Furniture and Equipment is visible, tangible property that is non-consumable in nature and has a useful life of at least one year. Vehicles are considered furniture and equipment.

Capitalization threshold for GAAP is  $\geq$  \$5,000.

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### **Infrastructure**

Infrastructure consists of long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of Infrastructure include boardwalks/docks, bridges, culverts, curbs, dams, drainage ditches/systems, electric distribution systems, fiber optic cabling systems, fire hydrants, gas distribution systems, guard rails, irrigation systems, piers, rail systems, roads, sanitary sewer piping, sea walls/bulkheads, storm sewer piping, street signage, streets, traffic lights/signals, trestles, tunnels and water distribution piping including water tanks.

Ancillary assets incurred as a result of increasing the level of service in an existing capital asset land, such as roads in a park, should be reported as land improvements, not infrastructure.

Capitalization threshold for GAAP is  $\geq$  \$100,000.

### **Land**

The total asset value of land includes two basic elements - acquisition cost and costs to prepare land for its intended use. The acquisition cost of land includes the purchase price; closing costs, such as title search costs, legal fees and recording fees; costs of surveys. Costs incurred to prepare the land for its particular use include draining, clearing, grading, filling or demolition and removal of existing structures when such improvements have an indefinite life; tax liabilities assumed and expenses for settling other liens against the property.

Land acquired by exercise of the right of eminent domain is recorded at the amount paid to the landholder. Land received as a gift or donation is recorded at fair market value, which is usually determined by appraisal.

All land should be reported for GAAP.

### **Land Improvements**

Land improvements are permanent (i.e. non-movable) improvements, other than buildings, that add value to land, but do not have an indefinite useful life. Land improvements include athletic fields, fencing, fountains, gates, gazebos, golf courses, landscaping, parking barriers, parking lots, paths, pavilions, retaining walls, septic systems, sidewalks, swimming pools, tennis courts, wells and yard lighting. Land improvements also include ancillary assets incurred as a result of increasing the level of service of an existing capital asset land (i.e. roads in a park).

Capitalization threshold for GAAP is  $\geq$  \$25,000.