



JUSTICE ADMINISTRATIVE  
COMMISSION



---

# **Understanding Fixed Assets Accounting: Ensuring Accounting Records Agree with Purchases and Sale of Assets**

---

**Nona McCall**, Director of Financial Services

**Wayne Meyer**, Director of Operations

May 10, 2024

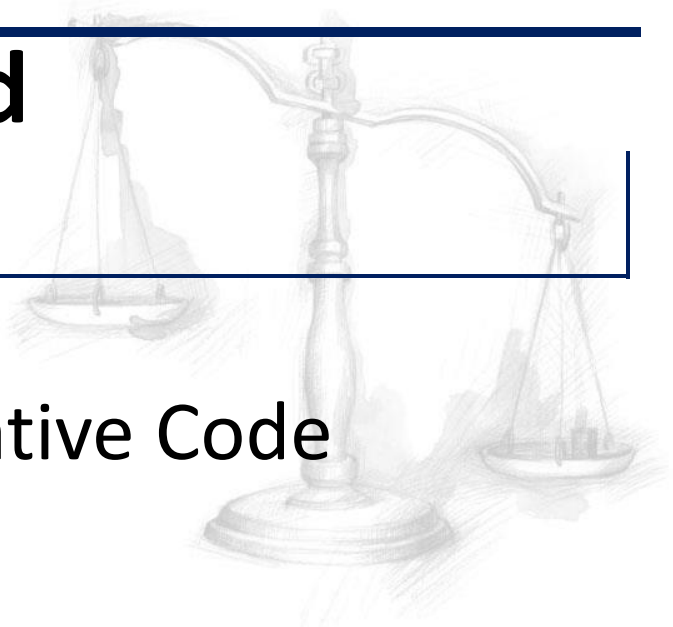
# Objectives

- Policies for fixed assets
- Sale of assets
- How procurement and coding impact your accounting records
- Why is coding important?
- Reconciling asset purchases to additions to inventory
- Understanding year-end requirements
- Planning ahead



# Frequently Referenced Abbreviations

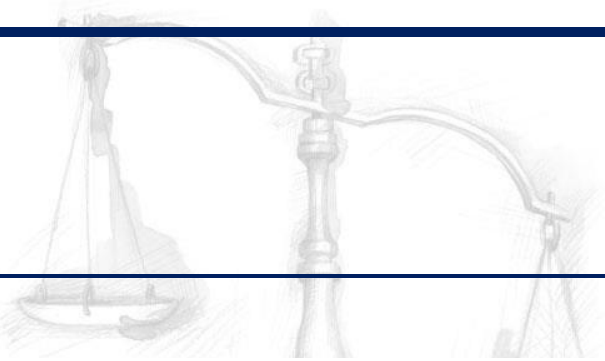
- BE – Budget Entity
- F.A.C. – Florida Administrative Code
- F.S. – Florida Statutes
- GL – General Ledger
- GR – General Revenue
- OCO – Operating Capital Outlay – Asset with a life of more than 1 year, costs more than the appropriate threshold, and will be added inventory
  - Example – Furniture and Equipment is \$5,000



# Policy

- Chief Financial Officer's [Memo No. 13](#)
  - Establishes thresholds for Inventory
  - Asset costs plus ancillary costs is the asset value for inventory
    - Ancillary costs are necessary to place the asset into its intended location and condition for use
      - freight, delivery charges, and installation fees
    - Ancillary costs should use the same object code as the asset

# Policy



## – Thresholds by type of asset

Capital Asset Category	Capitalization Threshold	Definition of Capital Asset Type per CFO Memo No.13
Furniture and Equipment	\$5,000 for all furniture and equipment;	Furniture and equipment includes fixed or movable tangible assets to be used for operations, the benefits of which extend beyond one year from date of receipt and rendered into service. Example of furniture and equipment are machinery, computers, printers, radios, and vehicles, etc.
	\$250 for books and other reference materials	Furniture and equipment includes books and other reference materials that are <b>not circulated to students or the general public.</b>
Other Capital Assets	\$5,000	Other capital assets are those capital assets that are not otherwise classified in another capital asset category.
Leasehold Improvements	\$100,000	A leasehold improvement is an improvement made to a leased building or infrastructure asset by an agency that has the right to use this leasehold improvement over the term of the lease. This improvement will revert to the lessor at the expiration of the lease.
Works of Art and Historical Treasures	Capitalize all unless they meet the definition of a collection. . .	Works of art and historical treasures should be capitalized at their historical cost at acquisition unless they belong to a collection . . .  <b>Art can only be purchased when constructing a building as outlined in S. 255.043, F.S.</b>
Buildings and Building Improvements	\$100,000	Building improvements are capital events that materially extend a building's useful life, increase its value, or both beyond one year. Building improvements should not include maintenance and repairs in the normal business course.  <b>Building Improvements would be used if the JRO owned the building.</b>
Intangible Assets	\$4,000,000	Intangible assets lack physical substance, like software.

# Policy

- Florida Admin Code (ch. [69I-72](#), F.A.C.)
  - Physical inventory is required at least once every fiscal year (Rule [69I-72-006\(1\)](#), F.A.C.)
  - Provides data requirements for final Inventory Reports to be retained for audit
- JRO's fixed asset policy
  - OCO threshold
  - Attractive items (Rule [69I-72.001](#), F.A.C.)
    - Enhanced risk of theft (e.g., guns, laptops, tablets, etc.)
  - Use BOMS functionality to ease the task of tracking and locating inventory

# Policy

- DFS also provides financial statement requirements for fixed assets:
  - The proceeds from the sale of assets (inventoried items) must be recorded in revenue GL code 622XX
    - Use object code 029000 Sale of Surplus Property
    - This excludes transfers for DMS auction proceeds
  - All OCO Expenditures are be recorded in 721XX
  - These entries must have an exact offsetting entry in the Capital Asset Fund (80-9-00XXXX)

# Sale of Surplus Property

- If governmental or non-profit entities are not interested in the surplus items, they can be sold using the online auction services.
  - See [DMS state-term contract](#)
- The proceeds for surplus property sales should be shown in the Disposal Value in BOMS or equivalent in other systems.

Property no	Purchase price	Salvage value	Disposal date	Disposal value
61049	\$16,800.00	\$0.00	09/14/2021	\$1,000.00





# Disposal of Vehicles

- DMS auction proceeds are considered a transfer for financial statements
  - Not a Sale of Surplus Property
  - After the auction, unsold vehicles are donated
- DFS considers the vehicles transferred to DMS when they are sent to auction along with the title
- Ensure your inventory indicates the vehicle has been sent to DMS and remove it from your inventory



# Procurement and Coding

- Transparency and communication are key
  - Authorizations and invoices should clearly identify that an asset is being purchased
  - If it is unclear, **consider adding plain language**

Examples:

Description	Employee Name	Object	Quantity	Units	Unit Costs	Extended Costs
2023 Chevy Impala		517000	1.00	Item	\$24,500.00	\$24,500.00
Description	Employee Name	Object	Quantity	Units	Unit Costs	Extended Costs
149-BBJF - DP4400 12TB Upgrade		516000	1.00	Item	\$20,804.83	\$20,804.83

Description with added plain language: 149-BBJF – DP4400 12TB **PowerEdge 14G Server Platform**

- For asset purchases, use the correct 5XXXXX object code on authorizations and payments



# Procurement and Coding

## Property Related Object Codes for Inventory Tracking, including Attractive Items

Object Code	Long Title	Definition
<b>5****</b>	<b>Property</b>	
<b>51****</b>	<b>Tangible Personal Property</b>	
511000	PROP - BOOKS/LIBRARY RESOURCES	Cost of books and library resources that is over the inventory threshold.
512000	PROP - FURNITURE/EQUIPMENT - GENERAL	Cost of furniture and equipment over the inventory threshold that is not otherwise classified.
512028	PROP - FURNITURE/EQUIPMENT - AUDIO/VIDEO	Cost of audio or video equipment that is over the inventory threshold.
512048	PROP - FURNITURE/EQUIPMENT - COMMUNICATION	Cost of equipment related to communication that is over the inventory threshold.
516000	PROP - INFORMATION TECHNOLOGY - GENERAL	Cost of information technology equipment over the inventory threshold not otherwise classified.
516019	PROP - INFORMATION TECHNOLOGY - NETWORK/COMMUNICATIONS	Cost of information technology equipment over the inventory threshold that is related to communications.
516022	PROP - INFORMATION TECHNOLOGY - SERVERS	Cost of servers that is over the inventory threshold.
516023	PROP - INFORMATION TECHNOLOGY - PERSONAL COMP	Cost personal computers that is over the inventory threshold.
516027	PROP - INFORMATION TECHNOLOGY - MOBILE DEVICES	Cost of mobile devices, including mobile phones and tablets.
516028	PROP - INFORMATION TECHNOLOGY - STORAGE	Cost of information technology storage infrastructure.
517000	PROP - VEHICLE - PASSENGER	Cost of passenger vehicle that is over the inventory threshold.
518000	PROP - VEHICLE - OTHER	Cost of vehicles over the inventory threshold that is not otherwise classified.
519000	PROP - OTHER	Cost of property over the inventory threshold that is not otherwise classified.
519026	PROP - FIREARMS/WEAPONRY	Cost of firearms or weapons that is over the inventory threshold.
519031	PROP - ART WORK	Cost of art work that is over the inventory threshold.
519032	PROP - ATTRACTIVE ITEMS	Cost of property that is under the inventory threshold but is being tracked for accountability.

# Why is Coding Important?

- The 5XXXX object code indicates the asset purchased should be added to the inventory
  - It identifies OCO or attractive items
  - Attractive items (non-OCO) are not depreciated
    - Object code 519032 used
    - GL 71100 Expenditures-Current is tied to purchases
  - OCO items are depreciated
    - All 5XXXX object codes except 519032
    - GL 72100 Expenditures - OCO is tied to purchases

FLAIR detail  
for voucher  
payment

GL	DESC	OBJECT CODE	VOUCHER AMOUNT	BALANCE
13100	Unexpended Release	516000 (Purchase - Info. Tech - General)	(20,804.84)	Credit
72100	Expend - OCO	516000 (Purchase - Info. Tech - General)	20,804.84	Debit

# Why is Coding Important?

- How does this help the JROs?
  - Fiscal staff can easily verify that all assets (attractive items and OCO) were added to the inventory using FLAIR Reports
  - A reconciliation of new assets to purchases is a strong internal control
    - It ensures attractive items are added to inventory
    - It lowers the risk of items not being added to the inventory system, for example:
      - When staff is waiting on the items, or
      - When the item is delivered and installed by the vendor

# Why is Coding Important?

- How can JROs identify inventory purchases?
  - Schedule of Allotment Balance Level 3 (DMAR053) shows expenditures by JRO
    - It's sorted by Fund, Category, Certified Forward, and Object Code
    - The 5XXXXX object codes may be paid from more than one:
      - Fund
      - Category
      - Certified Forward

# Reconciling Asset Purchases to Additions to Inventory

## ■ Schedule of Allotment Balance Example

DMAR053-18 AS OF 04/02/24

2100000000  
 SCHEDULE OF ALLOTMENT BALANCES BY FUND  
 LEVEL 3 SUMMARY  
 APRIL 02, 2024

DATE RUN 04/03/24  
 PAGE 5

21 JUSTICE ADMINISTRATION  
 2130 JUSTICE ADMINISTRATIVE COMMISSION  
 10 1 000069 GENERAL REVENUE  
 21300800 00 EXECUTIVE DIR/SUPPORT SVCS  
 2130 00 JUSTICE ADMINISTRATIVE COMMISSION

OBJECT DESCRIPTION	ALLOTMENTS	EXPENDITURES-MTD	EXPENDITURES-YTD	ENCUMBRANCES	ALLOTMENT BALANCES	RATE
519032 PROP-ATT	0.00	0.00	8,587.66	21,707.81	30,295.47-	0.00
<b>** APPRO 103230 TOTAL</b>	837,306.00	0.00	531,089.98	296,634.63	9,581.39	1.19

CERTIFICATIONS FORWARD

OBJECT DESCRIPTION	ALLOTMENTS	EXPENDITURES-MTD	EXPENDITURES-YTD	ENCUMBRANCES	ALLOTMENT BALANCES	RATE
512028 PROP-A/V	1,200.00	0.00	0.00	0.00	1,200.00	0.00
512048 PROP-FEPHO	6,652.85	0.00	6,652.85	0.00	0.00	1.20
* OBJ 5120XX TOTAL	7,852.85	0.00	6,652.85	0.00	1,200.00	1.02
516000 PROP-ITGEN	20,804.84	0.00	20,804.84	0.00	0.00	1.20
519032 PROP-ATT	2,865.00	0.00	4,065.00	0.00	1,200.00-	1.70
<b>** CF CAT 103230 TOTAL</b>	132,269.78	0.00	124,434.18	0.00	7,835.60	1.13

Object Code	SAB Amount
519032	8,587.66
512048	6,652.85
516000	20,804.84
519032	4,065.00
<b>Total</b>	<b>40,110.35</b>



# Reconciling Asset Purchases to Additions to Inventory

- BOMS provides the ability to run a Property Inventory report for a specified **received date** range (7/1/23-4/2/24)
  - It automatically includes OCO and Non-OCO assets
- Non-BOMS users will need similar information
- Compare the amount paid in FLAIR to the new inventory added report.



# Reconciling Asset Purchases to Additions to Inventory

Property Inventory: list by class, property no

JAC @ 04/03/2024 15:41

Prop No / Old No	Class / Description / Book Title / Book Publisher	Sub-Class	Serial No / Book Volume / Make / Model	Location / Room / Employee / Condition	Source / Group / Received / Found	Price / Custodian
<b>Class: Display Units</b>						
62142	Display Units 38in Curved Monitor		8YV1L53  Alienware AW3821DW	City Centre  Excellent	Executive Direction/Support S Non-OCO 08/21/23	\$899.99  MEYER, RONALD W.
62143	Display Units 38in Curved Monitor		HYV1L53  Alienware AW3821DW	City Centre 2304 MEYER, RONALD W. Excellent	Executive Direction/Support S Non-OCO 08/21/23	\$899.99  MEYER, RONALD W.
62144	Display Units 38in Curved Monitor		1WV1L53  Alienware AW3821DW	City Centre  Excellent	Executive Direction/Support S Non-OCO 08/21/23	\$899.99  MEYER, RONALD W.
<b>Purchase price total for Display Units:</b>						<b>\$2,699.97</b>
<b>Grand purchase price total:</b>						<b>\$22,509.88</b>

# Reconciling Asset Purchases to Additions to Inventory

- If the 2 reports are not in balance, a FLAIR to New Assets Reconciliation form has been created.
  - Start by listing the SAB and new inventory balance amounts

# Reconciling Asset Purchases to Additions to Inventory

## FLAIR

### Schedule of Allotment Balance (SAB) 5XXXXX Expenditures:

Fund	Object Code	SAB Amount
000069	519032	8,587.66
000069 CF	512048	6,652.85
000069 CF	516000	20,804.84
000069 CF	519032	4,065.00

**Total Paid** 40,110.35

### FLAIR Object Code Corrections Needed

Voucher #	Correct Object Code	Amount to Adjust 5XXXXXs A Debit Adds and a Credit Removes	Adjustment Reason
V008384	341021	(4,041.43)	postage meter isn't attractive
V007024	341021	(4,065.00)	Equipment permanently mounted - not attractive

**Pending Corrections Needed** (8,106.43)

### Assets Added Pending Payment to Vendor

Asset ID	Auth #	Amount
62145-62152	EJ24132	4,557.20
62156-62169	EJ24163	13,191.46
62170	EJ24168	214.99
<b>Total Pending Payment</b>		<b>17,963.65</b>

**FLAIR ADJUSTED BALANCE** 49,967.57

## NEW ASSETS

### Assets Received and Added for Fiscal Year

Purchase Price for Assets added (OCO and Non-OCO)	22,509.88
---	-----------

### Assets Pending Entry into Inventory

Voucher #	Amount
V007025	4,832.23
V007025	1,820.62
V000832	20,804.84

**Total Assets Pending Entry into Inventory** 27,457.69

**IN BALANCE**

**ADJUSTED INVENTORY** 49,967.57



# Reconciling Asset Purchases to Additions to Inventory

- Examples of items causing the reports to be out of balance:
  - Assets not yet paid
  - Assets paid but not added to inventory yet
  - Payments with the wrong object code
    - Payments that should or shouldn't have a 5XXXXX object code

# Reconciling Asset Purchases to Additions to Inventory

- After identifying items causing the out-of-balance issues, request corrections as needed, such as:
  - Add inventory (see JRO Inventory Custodian)
  - Pay for the asset (see JRO Fiscal office)
  - Correct payment object code (send to JRO Accounting)

# Reconciling Asset Purchases to Additions to Inventory

- After reconciling the inventory, what else needs to be done?
  - Balance the OCO items on inventory to the Year-to-date amount for FLAIR 72100 GL.
    - The same BOMS Property Inventory report used for reconciliation can be exported to Excel.
      - It will show OCO and non-OCO for each item
      - Calculate the total Purchase Price for all OCO items.
    - Summarize the Trial Balance report (DMAR01) Year-to-date amounts for GL 72100
      - GL 72100 may appear once per Fund, and BE

# Reconciling Asset Purchases to Additions to Inventory

Group	Property no	Description	Serial no	Make	Model	Purchase price	Received date
OCO	62179	PowerEdge Server	CSP46T3	Dell	DP4400	\$20,804.84	7/24/2023
OCO	62165	Advant Executive Furniture	Adv523	Advant	Lightning	\$6,652.85	7/6/2023
						\$27,457.69	TOTAL OCO

DMAR01-12 AS OF 04/02/24

21000000000  
TRIAL BALANCE BY FUND  
APRIL 02, 2024

DATE RUN 04/02/24  
PAGE 8

21 JUSTICE ADMINISTRATION  
2130 JUSTICE ADMINISTRATIVE COMMISSION  
10 1 000069 GENERAL REVENUE  
21300800 00 EXECUTIVE DIR/SUPPORT SVCS

GL CAT	GL ACCOUNT NAME	MONTH-TO-DATE	QUARTER-TO-DATE	YEAR-TO-DATE
72100	EXPEND.-OPERATING CAPITAL OUTLAY			
*CF 103230 C	OPERATING EXPENDITURES	27,457.69	0.00	27,457.69

## Balance FLAIR GL 72100 to OCO purchases

FLAIR		
Trial Balance - 72100 General Ledger Year-to-Date Amounts		
Fund	GL Code	Trial Balance Amount
000069	72100	27,457.69

Property Inventory report
OCO Items only

Total Paid 27,457.69

**IN BALANCE**

OCO Group 27,457.69



# Understanding Year-End Requirements

- At Year-End, JROs send their Inventory (OCO Only) information to JAC. The new asset amount on the report should equal the total recorded in GL 72100. See:
  - Additions column on the BOMS report or
  - Acquisitions row for the non-BOMS worksheet



# Understanding Year-End Requirements

- For financial statements, GL 72100 - OCO Expenditures are not recognized in the year the asset is received.
- OCO Expenditures are recognized over time by recording depreciation each year.
- JAC will record Additions to Fixed Assets

# Understanding Year-End Requirements

## JAC's BOMS Year-End Inventory Report

DEPRECIATION TOTALS BY FLAIR ASSET CLASS

JAC @ 04/02/2024 12:49 PM

JAC

	06/30/2023 balance	2023-2024 Additions	2023-2024 Deletions	06/30/2024 balance	Accumulated depreciation	Adjustments	Current depreciation	Gains or (losses)	Total depreciation
276-FURNITURE AND EQUIPMENT	\$351,178.53	\$27,457.69	\$0.00 ✓	\$378,636.22	\$345,002.56	\$0.00 ✓	\$13,591.16	\$0.00	\$358,593.72 ✓
<<< Agency totals >>>	\$351,178.53	\$27,457.69	\$0.00	\$378,636.22	\$345,002.56	\$0.00	\$13,591.16	\$0.00	\$358,593.72

### Entries keyed in the Capital Asset Fund 80-9-000069

GL	DESC	OBJECT CODE	VOUCHER AMOUNT	BALANCE
72100	Expend - OCO	899106 (Yearend Adjustments)	(27,457.69)	Credit
27600	Furniture & Equipment	899106 (Yearend Adjustments)	27,457.69	Debit



# Understanding Year-End Requirements

DMAR01-12 AS OF 04/02/24

21000000000  
TRIAL BALANCE BY FUND  
APRIL 02, 2024

DATE RUN 04/02/24  
PAGE 8

21 JUSTICE ADMINISTRATION  
2130 JUSTICE ADMINISTRATIVE COMMISSION  
10 1 000069 GENERAL REVENUE  
21300800 00 EXECUTIVE DIR/SUPPORT SVCS

GL CAT	CF YR	GL ACCOUNT NAME CAT DESCRIPTION	MONTH-TO-DATE	QUARTER-TO-DATE	YEAR-TO-DATE
72100		EXPEND.-OPERATING CAPITAL OUTLAY			
*CF 103230 C		OPERATING EXPENDITURES	27,457.69	0.00	27,457.69



DMAR01-12 AS OF 04/03/24

21000000000  
TRIAL BALANCE BY FUND  
APRIL 02, 2024

DATE RUN 04/03/24  
PAGE 41

21 JUSTICE ADMINISTRATION  
2130 JUSTICE ADMINISTRATIVE COMMISSION  
80 9 000069 JUSTICE ADMINISTRATIVE COMMISSION

GL CAT	CF YR	GL ACCOUNT NAME CAT DESCRIPTION	MONTH-TO-DATE	QUARTER-TO-DATE	YEAR-TO-DATE
27600	000000	FURNITURE AND EQUIPMENT CATEGORY NOT ON TITLE FILE	27,457.69	0.00	✓ 378,636.22
27700	000000	ACC DEPR - FURNITURE & EQUIPMENT CATEGORY NOT ON TITLE FILE	13,591.16-	0.00	✓ 358,593.72-
54900	000000	COMMITTED FUND BALANCE CATEGORY NOT ON TITLE FILE	0.00	0.00	6,175.97-
72100	103230	FINANCIAL STATEMENT ADJUSTMENT OPERATING EXPENDITURES	27,457.69-	0.00	27,457.69-
72500	103230	GENERAL FIXED ASSET DEPRECIATION OPERATING EXPENDITURES	13,591.16	0.00	✓ 13,591.16
***	FUND TOTAL		0.00	0.00	0.00



GF-SF-FID	Trial Balance GL 72100 Amount
10-1-000069	27,457.69
80-9-000069	(27,457.69)
Net	-



# Planning Ahead

- Understanding the fixed asset process and ensuring the accounting records agree with your inventory records will reduce the year-end anxiety.
- Reconciliation of inventory to purchases will ensure staff have the assets necessary to perform their jobs assisting Florida citizens.

# Questions



[This Photo](#) by Unknown Author is licensed under [CC BY-NC-ND](#)

## Session CC

### Understanding Fixed Assets Accounting: Ensuring Accounting Records Agree with Purchases and Sale of Assets

#### 69I-72 Florida Administrative Code

69I-72.001(1) Definitions – “Attractive Items” means tangible personal property used in operations that has a cost less than an established capitalization threshold and that requires special attention to ensure legal compliance, protection public safety, and avoid potential liability, or to compensate for a heightened risk of theft.

69I-72.002 Threshold for recording Tangible Personal Property for Inventory Purposes - All tangible personal property with a value or cost of \$5,000 or more and having a projected useful life of one year or more shall be recorded in the state’s financial system as property for inventory purposes.

69I-72.003(3) Recording of Property - Content of Individual Property Records – Each property record shall include the following information unless the information listed below does not exist for the property in the record:

- (a) Identification number.
- (b) Description of item or items.
- (c) Physical location (the city, county, address or building name and room number therein).
- (d) Name of custodian or custodian’s delegate with assigned responsibility for the item.
- (e) Class Code.
- (f) In the case of a property group, the number and description of the component items comprising the group.
- (g) Name, make, or manufacturer.
- (h) Year and model(s).
- (i) Manufacturer’s serial number(s).
- (j) If an automobile, the vehicle identification number (VIN) and title certificate number.
- (k) Date acquired.
- (l) Cost or value at the date of acquisition for the item or the identified component parts thereof. When the historical cost of the purchased property is not practicably determinable, the estimated historical cost of the item shall be determined and recorded. Estimated historical costs shall be so identified in the record and the basis of determination established in the custodian’s public records. The basis of valuation for property items constructed by custodian personnel shall be the costs of material, direct labor, and overhead identifiable to the project. Donated items, including federal surplus tangible personal property, shall be valued at acquisition value at the date of acquisition. Regardless of acquisition method, the cost or value of a property item shall include ancillary charges. Ancillary charges are costs that are directly attributable to placing the asset into its intended location and condition for use, such as freight and transportation charges, site preparation costs, and professional fees.
- (m) Method of acquisition and, for purchased items, the statewide document (voucher) number obtained from the State’s financial system.
- (n) Date the item was last physically inventoried and the condition of the item at that date.
- (o) If certified as surplus, the information prescribed in section 273.05(5), F.S.
- (p) If disposed of, the information prescribed in rule 69I-72.005, F.A.C.

69I-72.005(2) Certification of Surplus Property and Property Disposition - Required Information – The following information shall be recorded on the individual property record for each item lawfully certified as surplus property pursuant to Section 273.05, F.S.

- (a) Date of certification.
- (b) Reason for certification (obsolete, continued use uneconomical or inefficient, or serves no useful function).
- (c) Date of review board recommendation on certification and reference to location of documentation thereof.
- (d) Reference to location of documentation evidencing compliance with those rules and guidelines promulgated by the custodian of surplus property.

69I-72.005(5) Certification of Surplus Property and Property Disposition – Required Information – The following information shall be recorded on the individual property record for each item lawfully disposed of pursuant to Sections 273.04, 273.05, or 273.055, F.S.:

- (a) Date of disposition.
- (b) Authority of disposition (custodian certification as surplus property, agency resolution, etc., as appropriate).
- (c) Manner of disposition (sold, donated, transferred, cannibalized, scrapped, destroyed, traded).
- (d) Identity of the employee(s) witnessing the disposition, if cannibalized, scrapped or destroyed.
- (e) For items disposed of, a notation identifying any related transactions (such as receipt for sale of the item, insurance recovery, trade-in).
- (f) For property certified as surplus, reference to documentation evidencing that such property was disposed of in the manner prescribed by Section 273.055(3), F.S.

273.055(3), F.S., Disposition of state-owned tangible personal property. —

- (3) Custodians may dispose of property certified as surplus by:
  - (a) Selling or transferring the property to any other governmental entity;
  - (b) Selling or donating the property to any private nonprofit agency;
  - (c) Selling the property through a sale open to the public; or
  - (d) Entering into contractual agreements with other entities, including, but not limited to, other governmental agencies or private vendors, which facilitate the final disposition of the property. Such agreements may include, but are not limited to, the leasing of storage space or arrangements for the disposal of scrap property.

69I-72.006(1) Inventory of Property - Physical Inventory Required – Each custodian shall ensure that a complete physical inventory of all property is taken at least once each fiscal year. Each custodian shall ensure that a complete physical inventory of all property under the control of the custodian or custodian's delegate is taken whenever there is a change of custodian or custodian's delegate.

69I-72.006(2) Inventory of Property – Inventory Forms – The form used to record the physical inventory shall be at the discretion of the custodian. However, the form shall display, at a minimum, for each property item the following information:

- (a) Date of the current inventory.
- (b) Name and signature of the person who conducted the current inventory.
- (c) Identification number.
- (d) Existence of item (or indication that the item was not located).
- (e) Description of the item or items.
- (f) Present condition of the item or items.
- (g) Physical location (the city, county, address or building name and room number therein).
- (h) The name of the custodian or the custodian's delegate with assigned responsibility for the item.
- (i) State standard class code.
- (j) In the case of a property group, the number and description of the component items comprising the group.
- (k) Name, make or manufacturer, if applicable.
- (l) Year and/or model(s), if applicable.
- (m) Manufacturer's serial number(s), if any, and if an automobile, vehicle identification number (VIN) and title certificate number, if applicable.
- (n) Date acquired.



Effective July 1, 2021

**CHIEF FINANCIAL OFFICER MEMORANDUM NO. 13**

**SUBJECT: STATEWIDE FINANCIAL STATEMENTS CAPITAL ASSET  
GUIDANCE AND RULES FOR TANGIBLE PERSONAL PROPERTY**

The purpose of this memorandum is to provide guidance related to the proper accounting and reporting of payments made by state agencies for the acquisition of property. When appropriate, items acquired should be recorded in the state's accounting system as capital assets and depreciated or amortized over their useful lives. Items that do not meet the capitalization requirements may generally be expensed.

The state's financial statements report capital assets in accordance with standards established by the Governmental Accounting Standards Board (GASB). Capital assets are real or personal property used in operations with a cost equal to or greater than an established capitalization threshold and an estimated useful life extending beyond one year. This memorandum includes requirements pursuant to GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* and GASB Statement No. 72, *Fair Value Measurement and Application*, and is effective for statewide financial statements for the fiscal year beginning July 1, 2020.

Capital asset reporting thresholds in this memorandum may be higher than thresholds for property control due to different objectives. The primary objectives of financial reporting generally pertain to valuation, allocation, presentation, and disclosures; whereas the primary objectives of property control generally pertain to efficiency, effectiveness and safeguarding of assets. For example, controls designed to prevent or promptly detect a loss of a small value asset, while important operationally, are not necessarily relevant for financial reporting purposes. Because of the objective differences, this memorandum should not be used for property control purposes. Agencies are encouraged to refer to Rule Chapter 69I-72, Florida Administrative Code, titled *State-owned Tangible Personal Property*, for guidance on property control. Agencies may establish thresholds for property control that are lower than the thresholds established in this memorandum.

Please contact the Statewide Financial Reporting Section at [sfrs@myfloridacfo.com](mailto:sfrs@myfloridacfo.com) if you have any questions regarding this memorandum.

Specific guidance related to the accounting and reporting of capital assets is as follows:

The state's capital asset policy for statewide financial statements is as follows:

Capital Asset Category	Financial Statement Capitalization Threshold
Land and Land Improvements	Capitalize all
Intangible Assets	\$4,000,000
Buildings and Building Improvements	\$100,000

Infrastructure and Infrastructure Improvements	\$100,000
Leasehold Improvements	\$100,000
Property Under Capital Lease	Depending on the asset, use the threshold for the appropriate asset category
Construction Work in Progress	Accumulate all costs and capitalize if over \$100,000 when completed (internally generated computer software projects are not included in this capital asset category)
Furniture and Equipment	\$5,000 for all furniture and equipment; \$250 for books and other reference materials not circulated to students or the general public
Works of Art and Historical Treasures	Capitalize all unless they meet the definition of a collection (see the Statewide Financial Statements Guidance referenced below for additional information) or if they have already been capitalized as of June 30, 1999
Library Resources	\$25
Other Capital Assets	\$5,000

Capital assets should be reported at historical cost. The cost of a capital asset should include ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include costs that are directly attributable to asset acquisition – such as freight and transportation charges, site preparation costs, and professional fees. Donated capital assets should be reported at their acquisition value at the time of acquisition plus ancillary charges, if any.

When the historical cost of a capital asset is not practicably determinable, the estimated historical cost of the asset should be determined by appropriate methods and recorded. Estimated historical costs should be so identified in the record and the basis of determination established in the responsible agency’s public records. The basis of valuation for capital assets constructed by agency personnel should be the costs of material, direct labor and overhead costs identifiable to the project.

An agency that owns capital assets is responsible for correctly reporting these assets at the date of acquisition. Any improvements made to a capital asset that extends the useful life of the asset beyond one year should be capitalized.

In compliance with GASB Statement No. 72, *Fair Value Measurement and Application*, capital assets held as investments should not be recorded as capital assets. They should be recorded as investments at fair value, with changes in fair value during the period reported as investment income.

## **A. Depreciating/Amortizing Capital Assets**

Capital assets should be depreciated/amortized over their estimated useful lives unless they are:

- inexhaustible (i.e., land and land improvements, certain works of art and historical treasures) or have an indefinite useful life (i.e., intangible assets that have no legal, contractual, regulatory, technological, or other factors that limit their useful life)
- infrastructure assets reported using the modified approach
- work-in-progress (from construction projects or from development costs for internally generated software)

It is the custodian agency's responsibility to estimate the useful life of each capital asset. Agencies using the FLAIR Property Subsystem will be responsible for assigning to the assets the correct state standard portion (first 4 digits) of the property class codes that match the estimated useful lives of the assets.

For statewide financial statement purposes, the straight-line method will be used by the FLAIR Property Subsystem to calculate depreciation/amortization for each capital asset recorded in the property subsystem starting with the month that the asset is received by the responsible state agency. The estimated useful life for each capital asset will be based on the state standard portion of the property class code for the asset assigned by the responsible agency.

Agencies using the property subsystem are responsible for scheduling the depreciation/amortization calculation at year-end prior to closing. Agencies are also responsible for recording their assets in the correct general ledger codes.

A list of state standard property class codes including a crosswalk between class codes and corresponding general ledger codes is available at <https://www.myfloridacfo.com/Division/AA/StateAgencies/default.htm>.

When an agency elects to depreciate or amortize its capital assets using a method different from the straight-line method or using a different system, the agency is responsible for providing the Department of Financial Services with the calculated depreciation/amortization amounts to be reported in the statewide financial statements.

## **B. Capital Asset Definitions and Categories**

### 1. Land and Land Improvements

Land is the surface or crust of the earth, which can be used to support structures, and may be used to grow crops, grass, shrubs, and trees. Land improvements consist of betterments, site preparation and site improvements that ready land for its intended use. The cost associated with land improvements is added to the cost of land and should be recorded in General Ledger (GL) Code 271XX. Land and land improvements should not be depreciated.

Examples of items to be capitalized as land and land improvements are:

- Purchase price or acquisition value at time of gift
- Commissions
- Professional fees (i.e. title searches, architect, legal, engineering, appraisal, surveying, and environmental assessments, etc.)
- Land excavation, fill, grading, and drainage
- Demolition of existing buildings and improvements (less salvage)
- Removal, relocation or reconstruction of property of others (i.e. railroad, telephone, and power lines, etc.)

Items such as roads, bridges, fencing, landscaping, pools, and paved parking lots, etc. are not considered land improvements. These items are considered infrastructure and should be recorded in GL 274XX (see section on Infrastructure and Infrastructure Improvements of this policy).

## 2. Intangible Assets

Intangible assets lack physical substance, are nonfinancial in nature (i.e., not in a monetary form similar to cash and investment securities and represent neither a claim or right to assets in a monetary form similar to receivables, nor a prepayment for goods or services), and have an initial useful life beyond a single reporting period.

Common types of intangible assets include:

- Computer software
  - Purchased or licensed
  - Internally generated
- Easements
- Land use rights (e.g., water, timber, and mineral rights)
  - Note: land use rights obtained with land acquisitions or associated with land already owned should not be reported separately from the land.
- Patents, copyrights and trademarks

Intangible assets with a cost equal to or greater than the threshold and a useful life extending beyond one year should be capitalized. Assets costing below the threshold should be expensed (Note: Entities with separately issued financial statements may need lower capitalization thresholds.).

The following general ledger codes should be used to account for intangible assets:

- GL 271XX – used to record intangible assets with indefinite useful lives and work-in-progress relating to intangible assets. Work-in-progress for intangible assets (primarily internally-generated computer software development projects) is reclassified as appropriate when development of the intangible asset is complete.
- GL 288XX – used to record intangible assets with finite useful lives. Record computer software using this GL code.

- GL 289XX – used to record accumulated amortization of intangible assets recorded in GL 288XX.
- GL 725XX – used to record amortization expense of intangible assets in governmental funds.
- GL 775XX – used to record amortization expense of intangible assets in proprietary funds.

Use of agency-unique GL codes may be helpful to identify intangible assets accounted for in these GL codes.

### ***Internally Generated Intangible Assets***

Intangible assets are considered internally generated if created or produced by the state or by an entity contracted by the state or if acquired from a third party but require more than minimal effort to place into service.

Computer software is commonly internally generated. The following activities would satisfy the “more than minimal effort to place into service” criterion: changing code, changing fields, adding special reporting capabilities, and testing any changes.

The activities involved in developing and installing internally generated computer software can be grouped into the following stages:

- Preliminary Project Stage. Activities include conceptual formulation and evaluation of alternatives, determination of existence of needed technology, and final selection of alternatives for the development of the software.
- Application Development Stage. Activities include the design of the chosen path, including software configuration and software interfaces, coding, installation of hardware, testing, including the parallel processing phase, and data conversion needed to make the software operational.
- Post-Implementation/Operation Stage. Activities include application training, data conversion that is beyond what is strictly necessary to make the software operational, and software maintenance.

All outlays associated with activities in the preliminary project stage should be expensed as incurred. All outlays related to activities in the application development stage should be capitalized, provided the following conditions are met: 1) the outlays were incurred subsequent to the completion of the preliminary project stage, and 2) management authorizes and commits to funding (either implicitly or explicitly), at least through the current period. For commercially available software that will be modified to the point that it is considered internally generated, these two conditions generally are met at the time a government makes the commitment to purchase or license the computer software. Capitalization of such outlays should cease once the software is substantially complete and operational (i.e., ready for use). All outlays associated with activities in the post-implementation or operation stage should be

expensed as incurred. The activities within the three stages of development may occur in a different sequence. The recognition guidance for outlays associated with internally generated computer software should be applied based on the nature of the activity, not the timing of its occurrence.

When internally generated computer software development projects span more than one year total projected application development costs should be considered when applying the capitalization threshold, not outlays incurred in individual years.

Outlays associated with an internally generated modification of computer software that is already in operation should be capitalized if the modification results in an increase in the functionality of the computer software, an increase in the efficiency of the computer software, or an extension of the estimated useful life of the software. If the modification does not result in any of the above outcomes, the modification should be considered maintenance, and the associated outlays should be expensed as incurred.

### ***Amortization***

An intangible asset should be considered to have an indefinite useful life if there are no legal, contractual, regulatory, technological, or other factors that limit the useful life of the asset (e.g., permanent right-of-way easement). Intangible assets with indefinite useful lives should not be amortized.

Intangible assets with limited useful lives should be amortized over their estimated useful lives. Amortization of computer software should begin when the program is placed into service. Renewal periods should be considered in determining the useful life of intangible assets in situations in which the renewal is expected to be pursued and achieved and serves as an extension of the existing asset. When determining the useful life of the computer software, consideration should also be given to the impact of expected maintenance activities.

### **3. Buildings and Building Improvements**

A building is a structure that is permanently attached to the land, has a roof, is partially or completely enclosed by walls, and is not intended to be transportable or moveable. A building is generally used to house persons, property, and fixtures attached to and forming a permanent part of such a structure.

Building improvements are capital events that materially extend the useful life of a building or increase the value of a building, or both beyond one year. Building improvements should not include maintenance and repairs done in the normal course of business.

The cost of buildings over the statewide financial statement capitalization threshold should be recorded in GL 272XX and depreciated over the estimated useful lives of the buildings. The accumulated depreciation for buildings should be recorded in GL 273XX.

Examples of items to be capitalized as buildings and building improvements are:

- Original purchase price
- Expenses for remodeling, reconditioning or altering a purchased building to make it ready to use for the purpose for which it was acquired
- Environmental compliance (i.e., asbestos abatement)
- Professional fees (i.e., legal, architect, inspections, and title searches, etc.)
- Payment of unpaid or accrued taxes on the building to date of purchase
- Cancellation or buyout of existing leases
- Completed project costs of constructed buildings
- Cost of building permits
- Permanently attached fixtures or machinery that cannot be removed without impairing the use of the building
- Additions to buildings (i.e. expansions, extensions or enlargements)
- Conversion of attics, basements, etc., to usable office, clinic, research or classroom space
- Structures attached to the building such as covered patios, sun rooms, garages, enclosed stairwells, etc.
- Installation or upgrade of heating and cooling systems, including ceiling fans and attic vents
- Original installation or upgrade of wall or ceiling covering such as carpeting, tiles, paneling, or parquet
- Structural changes such as reinforcement of floors or walls, installation or replacement of beams, rafters, joists, steel grids, or other interior framing
- Installation or upgrade of window or doorframe, upgrading of windows or doors, built-in closet, and cabinets
- Interior renovation associated with casings, baseboards, light fixtures, ceiling trim, etc.
- Exterior renovation such as installation or replacement of siding, roofing, or masonry, etc.
- Installation or upgrade of plumbing and electrical wiring
- Installation or upgrade of phone or closed-circuit television systems, networks, fiber optic cable, or wiring required in the installation of equipment (that will remain in the building)

Examples of items to be considered maintenance and repairs and not capitalized as buildings are:

- Adding, removing, and/or moving of walls relating to renovation projects that are not considered major rehabilitation projects and do not increase the value of the building
- Improvement projects of minimal or no added life expectancy and/or value to the building
- Plumbing or electrical repairs
- Cleaning, pest extermination, or other periodic maintenance
- Interior decorations such as draperies, blinds, curtain rods, wallpaper, etc.
- Exterior decoration such as detachable awnings, uncovered porches, decorative fences, etc.

- Maintenance-type interior renovation such as repainting, touch-up plastering, replacement of carpet, tile, or panel sections, sink and fixture refinishing, etc.
- Maintenance-type exterior renovation such as repainting, replacement of sections of deteriorated siding, roof, or masonry, etc.

The lists of examples provided above are not intended to be all-inclusive. Agencies should make determinations on a case-by-case basis.

#### 4. Infrastructure and Infrastructure Improvements

Infrastructure assets are 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 assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and street lighting systems. Infrastructure assets should be capitalized and depreciated unless the modified approach is used. To use the modified approach, the infrastructure assets have to comprise a network or subsystem of a network (eligible infrastructure assets), and the following criteria are met:

- 1) The assets are managed using a qualifying asset management system.
- 2) It is documented that the assets are being preserved at or above a condition level established by the government.

Currently, for the State of Florida, the Department of Transportation (DOT) is the only agency using the modified approach to account for the agency's eligible infrastructure assets.

Improvements made to infrastructure assets that extend the useful lives or increase the value of the assets, or both, beyond one year should also be capitalized.

The cost of depreciable infrastructure assets over the statewide financial statement capitalization threshold should be recorded in GL 274XX and depreciated over the estimated useful lives of the assets. The accumulated depreciation should be recorded in GL 275XX. The cost of infrastructure assets accounted for using the modified approach should be recorded in GL 263XX (used by DOT only).

#### 5. Leasehold Improvements

A leasehold improvement is an improvement made to a leased building or infrastructure asset by an agency that has the right to use this leasehold improvement over the term of the lease. This improvement will revert to the lessor at the expiration of the lease. The lessor may be another state agency or someone outside of the state government. The lessee generally should be responsible for recording the improvement if the lessee pays for the improvement.

Leasehold improvements should not include maintenance and repairs done in the normal course of business. Further, moveable equipment or office furniture that is not attached to the leased property is not considered a leasehold improvement (see section on Buildings and Building Improvements for examples on maintenance and repairs).



The cost of a leasehold improvement should be depreciated over the shorter of 1) the remaining lease term, or 2) the estimated useful life of the improvement. Leasehold improvements do not have a residual value. Improvements made in lieu of rent should be expensed in the period incurred. If the lease contains an option to renew and the likelihood of renewal is uncertain, the leasehold improvement should be depreciated over the life of the initial lease term or estimated useful life of the improvement, whichever is shorter. The cost of leasehold improvements over the statewide financial statement capitalization threshold should be recorded in GL 267XX. The accumulated depreciation should be recorded in GL 268XX.

## 6. Property Under Capital Lease

Assets should be capitalized if the lease agreement meets any one of the following criteria:

- 1) The lease transfers ownership of the property to the lessee by the end of the lease term.
- 2) The lease contains a bargain purchase option.
- 3) The lease term is equal to 75 percent or more of the estimated economic life of the leased property.
- 4) The present value of the minimum lease payments at the inception of the lease, excluding executory costs, equals at least 90 percent of the fair value of the leased asset.

The cost of assets under capital lease over the statewide financial statement capitalization threshold should be recorded in GL 284XX and depreciated over the estimated useful lives of the assets. The accumulated depreciation should be recorded in GL 285XX.

A lease that does not meet any of the above capitalization requirements should be reported separately as an operating lease to the Department of Financial Services for inclusion in the statewide financial statements.

## 7. Construction Work in Progress

Construction work in progress reflects the economic construction activity status of buildings and other structures, infrastructure, additions, alterations, reconstruction, and installation, which are substantially incomplete.

The cost of construction work in progress should be recorded in GL 278XX and should not be depreciated. Construction work in progress assets should be capitalized to their appropriate capital asset categories upon the earlier occurrence of execution of substantial completion contract documents, occupancy, or when the assets are placed into service. It is the agency's responsibility to track all costs related to construction work in progress so that the final value of the constructed asset is correctly captured. The capitalization threshold for a project should not be circumvented due to multiyear appropriations for the project.

## 8. Furniture and Equipment

Furniture and equipment include fixed or movable tangible assets to be used for operations, the benefits of which extend beyond one year from date of receipt and rendered into service. Example of furniture and equipment are machinery, computers, printers, radios, and vehicles, etc.

Also included in furniture and equipment are books and other reference materials that are not circulated to students or the general public (not contained in a publicly supported library). Books and other reference materials that are circulated to students or the general public are considered library resources and should be recorded in GL 282XX (see section on Library Resources of this policy).

The cost of furniture and equipment over the statewide financial statement capitalization threshold should be recorded in GL 276XX and depreciated over the estimated useful lives of the assets. The accumulated depreciation should be recorded in GL 277XX.

## 9. Works of Art and Historical Treasures

Works of art and historical treasures should be capitalized at their historical cost at acquisition or acquisition value at the date of donation (if donated) unless they belong to a collection that meets the following criteria:

- 1) The collection is held for public exhibition, education or research in furtherance of public service, rather than financial gain.
- 2) The collection is protected, kept unencumbered, cared for, and preserved.
- 3) The collection is subject to an organization policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

Collections already capitalized as of June 30, 1999 will remain capitalized, and all additions to those collections will be capitalized, even if they meet the criteria listed above for exemption from capitalization.

For collections not capitalized, a description of the collection and the reasons these assets are not capitalized should be documented and reported to the Department of Financial Services for inclusion in the statewide financial statements.

The cost of capitalized works of art and historical treasures should be depreciated over the estimated useful lives unless the works of art and historical treasures are inexhaustible. An inexhaustible capital asset is one whose economic benefit or service potential is used up so slowly that its estimated useful life is extraordinarily long.

The cost of depreciable works of art and historical treasures should be recorded in GL 264XX, and the accumulated depreciation should be recorded in GL 265XX. The cost of non-depreciable works of art and historical treasures should be recorded in GL 266XX.

## 10. Library Resources

Library resources are information sources that are circulated to students or the general public such as books, journals, periodicals, audio/visual media, computer-based information, manuscripts, maps, documents, and similar items which provide information essential to the learning process or which enhance the quality of academic, professional or research libraries.

The cost of library resources over the statewide financial statement capitalization threshold should be recorded in GL 282XX and depreciated over the estimated useful lives of the library resources. The accumulated depreciation should be recorded in GL 283XX.

## 11. Other Capital Assets

Other capital assets are those capital assets that are not otherwise classified in another capital asset category. The cost of other capital assets over the statewide financial statement capitalization threshold should be recorded in GL 288XX and depreciated over the estimated useful lives of the asset. The accumulated depreciation should be recorded in GL 289XX.

# FLAIR TO NEW ASSETS RECONCILIATION

## FLAIR

### Schedule of Allotment Balance (SAB) 5XXXXX Expenditures:

Fund	Object Code	SAB Amount
000069	519032	8,587.66
000069 CF	512048	6,652.85
000069 CF	516000	20,804.84
000069 CF	519032	4,065.00

**Total Paid** 40,110.35

### FLAIR Object Code Corrections Needed

Voucher #	Correct Object Code	Adjustment Amount to 5XXXXXs Debit to Add or Credit to Remove	Adjustment Reason
V008384	341021	(4,041.43)	postage meter isn't attractive
V007024	341021	(4,065.00)	Equipment permanently mounted - not attractive

**Pending Corrections Needed** (8,106.43)

### Assets Added Pending Payment to Vendor

Asset ID	Auth #	Amount
62145-62152	EJ24132	4,557.20
62156-62169	EJ24163	13,191.46
62170	EJ24168	214.99

**Total Pending Payment** 17,963.65

**FLAIR ADJUSTED BALANCE** 49,967.57

**IN BALANCE**

## NEW ASSETS

### Assets Received & Added for Fiscal Year

Purchase Price for Assets added (OCO and Non-OCO)	22,509.88
---	-----------

### Assets Pending Entry into Inventory

Voucher #	Amount
V007025	4,832.23
V007025	1,820.62
V000832	20,804.84

**Total Assets Pending Entry into Inventory** 27,457.69

**ADJUSTED INVENTORY** 49,967.57