



85.60 Capital Assets

Section	Title	Effective Date	Page Number
85.60.10	About capital assets	July 1, 2009	821
85.60.20	Asset valuation	July 1, 2001	822
85.60.30	Acquisition of capital assets	July 1, 2015	822
85.60.40	Depreciation/amortization of capital assets	June 1, 2013	823
85.60.45	Impairment of capital assets and related insurance recoveries	July 1, 2009	824
85.60.50	Disposal of capital assets	Jan. 1, 2014	824
85.60.60	Reconciliation of capital assets	July 1, 2012	826
85.60.65	Right-to-use lease and subscription assets	July 1, 2022	826
85.60.67	Capital assets in public-private and public-public partnerships and availability payment arrangements	July 1, 2022	828
85.60.70	Lease-to-own capital assets	July 1, 2021	830
85.60.80	Capital assets acquired through Certificates of Participation (COP)	July 1, 2012	831
85.60.90	Accounting for the construction of capital assets	July 1, 2021	832
85.60.95	Accounting for the transfer of vehicles to the State Motor Pool	Jan. 1, 2012	833
85.60.97	Accounting for Interagency/Interfund Capital Asset Transfers	Jan. 1, 2014	834

85.60.10 About capital assets

July 1, 2009

Capital assets are tangible or intangible assets held and used in state operations, which have a service life of more than one year and meet the state's capitalization policy. Refer to [Chapter 30](#) of this manual.

Capital assets are classified for general ledger purposes as land; transportation infrastructure-modified approach; art collections, library reserve collections, and museum and historical collections (both



State Administrative and Accounting Manual

exhaustible and inexhaustible); buildings; improvements other than buildings; infrastructure; furnishings and equipment; intangible assets; library resources; and construction in progress.

[Subsection 75.40.20](#) of this manual describes the various capital asset general ledger codes.

85.60.20 Asset valuation

July 1, 2001

Valuation requirements for capital assets are listed in [Chapter 30](#) of this manual.

85.60.30 Acquisition of capital assets

July 1, 2015

85.60.30.a

Governmental Fund Type Accounts. In governmental fund type accounts, acquisitions of capital assets are recorded by debiting GL Code 6510 “Cash Expenditures/Expenses” using appropriate subobjects such as those within Object J “Capital Outlays.”

For accountability purposes, the asset is also recorded in Account 997 “General Capital Assets Subsidiary Account” by debiting GL Code Series 2XXX “Capital Assets” and crediting GL Code 9850 “Investment in General Capital Assets.” Refer to [Subsection 85.65.52.a](#) for illustrative entries.

When capital assets are donated to a governmental fund type account, no entry is made in the operating account because governmental funds use the current financial resources measurement focus. However, the capital assets are recorded in Account 997 “General Capital Assets Subsidiary Account” at their estimated acquisition value at the date of donation plus all appropriate [ancillary costs](#). Refer to [Subsection 85.65.52.a](#) for an illustrative entry.

85.60.30.b

Proprietary and Trust Fund Type Accounts. In proprietary and trust fund type accounts, acquisitions of capital assets are recorded by debiting GL Code Series 2XXX “Capital Assets.” Budgeted proprietary and trust fund type accounts require an additional entry to record the appropriated disbursement and an offsetting entry to eliminate the appropriated disbursement for financial reporting purposes. This entry debits GL Code 6510 “Cash Expenditures/Expenses” using appropriate subobjects such as those within Object J “Capital Outlays” and credits GL Code 6525 “Expense Adjustments/ Eliminations (GAAP)” with the same subobject code. Refer to [Subsection 85.65.52.b](#) for illustrative entries.

Donations of capital assets to proprietary and trust fund type accounts are recorded in the acquiring account at their estimated acquisition value at the date of donation by debiting GL Code Series 2XXX “Capital Assets” and crediting GL Code 3220 “Noncash Revenues” with Revenue Source Code 0820 “Capital Contributions” or other appropriate revenue source code. Refer to [Subsection 85.65.52.b](#) for an illustrative entry.



85.60.30.c

Assets that do not meet the state's capitalization policy. Purchases of assets that do not meet the state's [capitalization policy](#) (for example, equipment or software with a unit cost under \$5,000) are to be recorded by debiting GL Code 6510 "Cash Expenditures/Expenses" with the appropriate Subobject JA "Noncapitalized Assets" or JB "Noncapitalized Software." Refer to [Subsection 85.65.54](#) for an illustrative entry.

85.60.40 Depreciation/amortization of capital assets

June 1, 2013

Generally, debits to Allowance for Depreciation or Allowance for Amortization accounts should only occur as a result of assets being disposed of or transferred out.

Generally, credits to Allowance for Depreciation or Allowance for Amortization accounts should only occur as a result of recording Depreciation/ Amortization Expense (GL Codes 6511 or 6591) or assets being transferred in.

Immaterial prior period adjustments to Allowance for Depreciation or Allowance for Amortization in proprietary and trust fund-type accounts are offset by Depreciation/Amortization Expense (GL Code 6511).

For immaterial prior period adjustments to Allowance for Depreciation or Allowance for Amortization in Account 997 General Capital Assets Subsidiary Account, refer to [Subsection 90.20.15.f](#) and illustrative entries at [90.30.35.g](#) and [h](#).

85.60.40.a

Governmental Fund Type Accounts. Depreciation/Amortization Expense and Allowance for Depreciation and Allowance for Amortization for depreciable general capital assets are to be recorded in Account 997 "General Capital Assets Subsidiary Account." This entry debits GL Code 6591 "Depreciation/Amortization Expense" with Subobject WA "Depreciation/Amortization Expense," and credits GL Code Series 2XXX "Allowance for Depreciation" or "Allowance for Amortization." Agencies may depreciate assets using the straight-line method or a composite method.

[Section 30.50](#) contains Schedule A that details the Capital Asset Class Codes and Useful Life Schedule.

For further information on depreciation methods, refer to [Subsection 30.20.70.b](#). Refer to [Subsection 85.65.56.a](#) for an illustrative entry.

85.60.40.b

Proprietary and Trust Fund Type Accounts. Depreciation or amortization expense for capital assets is to be recorded in the same account in which the capital asset is recorded by debiting GL Code 6511 "Depreciation/Amortization Expense" with Subobject WA "Depreciation/Amortization Expense," and by



State Administrative and Accounting Manual

crediting GL Code Series 2XXX “Allowance for Depreciation” or “Allowance for Amortization.” Agencies may depreciate assets using the straight-line method or a [composite method](#).

[Section 30.50](#) contains Schedule A that details the Capital Asset Class Codes and Useful Life Schedule.

For further information on depreciation methods, refer to [Subsection 30.20.70.b](#). Refer to [Subsection 85.65.56.b](#) for an illustrative entry.

85.60.45 **Impairment of capital assets and related insurance recoveries**

July 1, 2009

85.60.45.a

Capital assets that become impaired during the year may require an accounting adjustment to reflect the decrease in carrying value. Refer to [Subsection 30.20.90.a](#).

Changes in legal, regulatory, contractual or technological conditions may result in the impairment of a capital asset. Changes to the duration of the useful life of an asset will determine if there is an impairment loss to be recognized and a change to the amortization of the remaining carrying value over the remaining estimated useful life of the asset.

Impairments are considered to be permanent; therefore, a temporary decline in an asset’s service utility does not affect the carrying value of the asset. If in future years the events or circumstances that caused an impairment change, the past impairment losses recognized are not reversed.

Impairment losses are generally reported as direct expenses to the program that uses or used the impaired capital asset. Contact your agency’s OFM [Statewide Accounting Consultant](#) for further guidance on measuring and recording an impairment. Physical damage to the state highway system infrastructure, accounted for using the modified approach, is generally considered temporary and does not result in recording a loss. However, if the highway network or a subsystem remains damaged and idle, the carrying amount is disclosed at year-end.

The carrying amounts of impaired capital assets that are idle at fiscal year-end are to be included in the agency’s disclosures to OFM.

85.60.45.b

Insurance recoveries related to impaired assets are reported net of the related loss when the recovery is realized or realizable in the same fiscal year as the loss. Restoration or replacement costs of an impaired capital asset are reported as a separate transaction from the related insurance recovery.

85.60.50 **Disposal of capital assets**

Jan. 1, 2014

Entries are to be made during the year to record the disposition of capital assets.



State Administrative and Accounting Manual

85.60.50.a

Governmental Fund Type Accounts. Dispositions of capital assets that were originally acquired by governmental fund type accounts, are to be recorded in Account 997 "General Capital Assets Subsidiary Account." Such assets disposed of during the year are recorded by debiting GL Code Series 2XXX "Allowance for Depreciation" for the accumulated depreciation to date, debiting GL Code 6597 "Capital Asset Adjustment (General Capital Asset Subsidiary Account Only)" for the asset's undepreciated ([net book](#)) value, if any, and crediting GL Code Series 2XXX "Capital Assets" for the original cost of the asset. Refer to [Subsection 85.65.58.a](#) for an illustrative entry.

Net proceeds received from the disposition of capital assets are generally recorded in the account that originally acquired the asset. If an estimate of the net proceeds from disposition was included in the budget for replacement of capital asset acquisitions and the expenditure for the acquisition of the new capital assets has already been recorded at gross, then the net proceeds are to be recorded by debiting GL Code Series 71XX "In-Process," or GL Code 1110 "Cash in Bank" and crediting to GL Code 6510 "Cash Expenditures/Expenses" with the same appropriation and Object J coding used to record the acquisition of the replacement asset.

This entry reduces the expenditure to net. Refer to [Subsection 85.65.58.a](#) for an illustrative entry.

If the net proceeds from disposition were not included in the budget for new capital asset acquisitions, the net proceeds received are to be recorded by debiting GL Code Series 71XX "In-Process" or GL Code 1110 "Cash in Bank" and crediting GL Code 3210 "Cash Revenue" with Revenue Source Code 0416 "Sale of Property - Other." Refer to [Subsection 85.65.58.a](#) for an illustrative entry.

If a capital asset originally acquired by a governmental fund type account is used as a trade-in for a new capital asset, the asset traded in is removed from Account 997 "General Capital Assets Subsidiary Account" similar to a sale above. The new capital asset is recorded at its cost net of the trade-in as an expenditure in the operating account. In Account 997 "General Capital Assets Subsidiary Account," the value of the new asset recorded is the sum of the expenditure reported in the operating account and the net book value of the asset traded in. Refer to [Subsection 85.65.60.a](#) for an illustrative entry.

Proprietary and Trust Fund Type Accounts. In proprietary and trust fund type accounts, dispositions of capital assets are accounted for in the account where the asset is recorded. Disposals of capital assets are recorded by debiting GL Code Series 2XXX "Allowance for Depreciation" for the accumulated depreciation to date, debiting GL Code Series 71XX "In-Process," or GL Code 1110 "Cash in Bank" for the net proceeds received (if any), crediting the appropriate GL Code Series 2XXX "Capital Assets" for the original cost of the asset, and a balancing entry to GL Code 3213 "Gain and Loss on Sale of Capital Assets" with Revenue Source Code 0418 "Gain or Loss on Sale of Capital Assets." Refer to [Subsection 85.65.58.b](#) for illustrative entries.

85.60.50.b

Recording proceeds in budgeted accounts. In budgeted proprietary and trust fund type accounts, an additional entry is required to record the net proceeds received upon disposition.



State Administrative and Accounting Manual

If the estimated net proceeds from disposition were included in the budget for replacement capital asset acquisitions and the purchase of the new capital asset has been recorded at gross, then the following entry is to be made. The agency is to debit GL code 6525 "Expense Adjustments/ Eliminations (GAAP)" with an appropriate subobject within Object J "Capital Outlays" and credit GL Code 6510 "Cash Expenditures/ Expenses" with the same appropriation and subobject for the net proceeds received from disposition. This entry reduces the budgeted expense to net. Refer to [Subsection 85.65.58.b](#) for illustrative entries.

If the estimated net proceeds from disposition were budgeted as revenue (and not included in the budget for new capital asset acquisition(s)), then the entry is to debit GL Code 3225 "Revenue Adjustments/ Eliminations (GAAP)" with Revenue Source Code 0416 "Sale of Property - Other" and credit GL Code 3210 "Cash Revenues" with the same revenue source code. Refer to [Subsection 85.65.58.b](#) for illustrative entries.

85.60.50.c

Trade-ins. In proprietary and trust fund type accounts, no gain is recognized on a trade-in. The capital asset traded-in and its associated accumulated depreciation are removed from the accounting records and the balancing entry is added to the cost of the new capital asset. Refer to [Subsection 85.65.60.b](#) for an illustrative entry.

85.60.60 Reconciliation of capital assets

July 1, 2012

The balance in GL Code Series 2XXX "Capital Assets" is to agree with the balance of the detail listing of capital assets in the agency's authorized capital asset management system. Agencies using the state's Capital Asset Management System (CAMS) have available capital asset reports for both cost and depreciation showing beginning balances, additions, deletions, and ending balances. Agencies not using the state's CAMS are to develop similar capital asset reports.

All agencies are to reconcile their authorized capital asset management system with the balances in GL Code Series 2XXX "Capital Assets" to ensure the accuracy of the balances in the general ledger. As a result of this reconciliation, prior period adjustments may be required. Prior period adjustments are discussed further in [Subsection 90.20.15](#) and illustrated in [Subsection 90.30.30](#).

85.60.65 Right-to-use lease and subscription assets

July 1, 2022

85.60.65.a

Right-to-use lease and subscription assets are to be capitalized at the value of the sum of:

- The initial measurement of the lease liability or subscription liability (refer to [Subsection 85.72.25](#)),
- Any ancillary charges or capitalizable initial implementation costs, and



State Administrative and Accounting Manual

- Payments made to the lessor or vendor at or before the commencement of the lease/subscription term, less any incentives received from the lessor or vendor at or before the commencement of the lease/subscription term.

Accounting for right-to-use lease agreements and subscription-based information technology arrangements (SBITAs) consists of:

1. Recording the lease/subscription asset and lease/subscription liability at the commencement of the contract term,
2. Updating ~~the Facilities Portfolio Management Tool (FPMT)~~ [DebtBook](#),
3. Separating periodic payments into principal and interest portions using the contract's amortization schedule,
4. Applying payments to the correct object of expenditure, and
5. Amortizing the lease/subscription asset.

85.60.65.b

Governmental Fund Type Accounts. At commencement of the contract term, the following entries should be recorded:

1. The right-to-use lease/subscription asset is recorded in Account 997 "General Capital Assets Subsidiary Account" by debiting GL Code Series 26XX "Intangible Right-to-Use Lease Capital Assets" and crediting GL Code 9850 "Investment in General Capital Assets."
2. The right-to-use lease/subscription liability is recorded in Account 999 "General Long-Term Obligations Subsidiary Account" (refer to [Subsection 85.72.25](#)).
3. A capital outlay and other financing source is recorded in the Operating Account equal to the lease/subscription liability by debiting GL Code 6514 "Capital Asset Acquisitions by Other Financing Sources" with subobject JS "Intangible Lease and Subscription Asset Capital Outlay" and crediting GL Code 3221 "Other Financing Sources" with Revenue Source Code 0810 "Right-to-Use Lease and Subscription Asset Acquisition."

The right-to-use lease/subscription asset should be amortized using the straight-line method over the shorter of the lease term or the asset's useful life. [Section 30.50](#) contains Schedule A - Capital Asset Class Codes and Useful Life Schedule. Amortization Expense and Allowance for Amortization are to be recorded in Account 997 "General Capital Assets Subsidiary Account." This entry debits GL Code 6591 "Depreciation/ Amortization Expense" with Subobject WA "Depreciation/Amortization," and credits GL Code Series 2XXX "Allowance for Amortization."

Refer to [Subsection 85.85.37.a](#) for illustrative entries.

If assets are subsequently acquired (i.e., through transfer of title at the end of the lease term), they are to be recorded in Account 997 "General Capital Assets Subsidiary Account" at fair value at the time of title transfer. Refer to [Subsection 85.85.37.d\(1\)](#) for illustrative entries.



85.60.65.c

Proprietary and Trust Fund Type Accounts. At commencement of the contract term, the intangible right-to-use lease asset and lease liability or subscription asset and subscription liability should be recorded in the account acquiring the asset by debiting GL Code Series 26XX "Intangible Right-to-Use Lease Capital Assets" and crediting the appropriate lease liability GL code.

The lease/subscription asset should be amortized using the straight-line method over the shorter of the lease term or the asset's useful life. [Section 30.50](#) contains Schedule A - Capital Asset Class Codes and Useful Life Schedule. Amortization expense is to be recorded in the same account in which the lease/subscription asset is recorded by debiting GL Code 6511 "Depreciation/Amortization Expense" with Subobject WA "Depreciation/Amortization," and by crediting GL Code Series 2XXX "Allowance for Amortization."

Refer to [Subsection 85.85.37.b](#) for illustrative entries.

If assets are subsequently acquired (i.e., through transfer of title at the end of the lease period), they are to be valued at fair value at the time of title transfer. The asset is recorded by debiting GL Code Series 2XXX "Capital Assets" and crediting GL Code 3210 "Cash Revenues" with Revenue Source Code 0486 "Recoveries of Prior Expenditure Appropriation Expenditures." Refer to [Subsection 85.85.37.d\(2\)](#) for illustrative entries.

85.60.65.d

Leases and SBITAs that are short-term or that do not meet the state's capitalization threshold (refer to [Subsection 30.20.20](#)) should be recorded as an expenditure/expense as the payments are made. Payments are to be recorded by debiting GL Code 6510 "Cash Expenditures/Expenses" with Subobject ED "Rentals and Leases - Land and Buildings," EH "Rentals and Leases - Furnishings and Equipment," or EY "Software Licenses, Maintenance, and Subscription-Based Computing Services." Refer to [Subsection 85.85.37.c](#) for illustrative entries.

85.60.67 Capital assets in public-private and public-public partnerships and availability payment arrangements

July 1, 2022

Public-private or public-public partnerships (PPPs) that meet the definition of a right-to-use lease (refer to [Subsection 30.20.30](#)), are accounted for as such (refer to [Subsection 30.20.35](#)) if all the following criteria are met:

- a. existing assets of the transferor are the only underlying PPP assets,
- b. improvements to those existing assets are not required to be made by the operator as part of the PPP arrangement, and
- c. the PPP does not meet the definition of a [service concession arrangement](#) (SCA).

Refer to [Subsection 85.60.65](#) and [Subsection 85.72.25](#) for more details on how to account for right-to-use leases.



State Administrative and Accounting Manual

85.60.67.a PPPs that are not service concession arrangements

Existing underlying PPP assets. If the underlying asset in a public-private or public-public partnership (PPP) is an existing asset of the state (the transferor), the **transferor** continues to measure the asset at its carrying value and to apply all other accounting and financial reporting requirements relevant to the underlying PPP asset including depreciation and impairment.

Improvements made by the operator to an existing underlying PPP asset of the transferor that meet the capitalization threshold (refer to [Subsection 30.20.20](#)) should be recognized by the transferor at acquisition value when the improvements are placed into service as follows:

- a. In **governmental fund type accounts**, the improvement is recorded by debiting GL Code Series 2XXX “Capital Assets” and crediting GL Code 5296 “Deferred Inflows on PPPs” in Account 997 “General Capital Assets Subsidiary Account.”
- b. In **proprietary and trust fund type accounts**, the asset or the improvement is recorded by debiting GL Code Series 2XXX “Capital Assets” and crediting GL Code 5296 “Deferred Inflows on PPPs” in the acquiring account.

The transferor should generally apply all other accounting and financial reporting requirements relevant to the improvements to the underlying PPP asset including depreciation and impairment. However, if the PPP arrangement requires the operator to return the underlying PPP asset in its original condition, the transferor should not depreciate the asset during the PPP term.

New underlying PPP assets. If the underlying PPP asset is a new asset purchased or constructed by the operator that will transfer to the transferor (state) at the end of the PPP term, the operator should recognize the underlying PPP asset until ownership of the asset is transferred to the transferor. When the underlying PPP asset is placed into service, the transferor should recognize a receivable for the underlying PPP asset to be received from the operator, as shown below. Measurement of the receivable should be based on the operator’s estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership from the operator.

- a. In **governmental fund type accounts**, a receivable for the PPP asset is recorded by debiting GL Code 1694 “Capital Asset Receivable” and crediting GL Code 52XX “Deferred Inflows on PPPs” in Account 997 “General Capital Assets Subsidiary Account.”
- b. In **proprietary and trust fund type accounts**, a receivable for the PPP asset is recorded by debiting GL Code 1694 “Capital Asset Receivable” and crediting GL Code 5296 “Deferred Inflows on PPPs” in the acquiring account.

The deferred inflow on PPPs (revenue) is recognized on a straight-line basis over the PPP term. The entry is to be recorded by debiting GL Code 5296 “Deferred Inflows on PPPs” and crediting GL Code 3220 “Noncash Revenue” using Revenue Source Code 0438 “Income from PPPs.”

Upon transfer of the title from the operator to the transferor at the end of the PPP term, the transferor records that underlying PPP asset as follows:



State Administrative and Accounting Manual

- a. In **governmental fund type accounts**, in Account 997 "General Capital Assets Subsidiary Account" by debiting GL Code Series 2XXX "Capital Assets" and crediting GL Code 1694 "PPP Capital Asset Receivable."
- b. In **proprietary and trust fund type accounts**, the asset is recorded by debiting GL Code Series 2XXX "Capital Assets" and crediting GL Code 1694 "PPP Capital Asset Receivable" in the acquiring account.

Refer to [Subsection 85.54.43](#) and [Subsection 85.65.63](#) for additional information.

85.60.67.b PPPs that are service concession arrangements

New underlying PPP assets. If the underlying PPP asset is a new asset purchased or constructed by the operator, when the asset is placed into service, the transferor initially should measure the underlying PPP asset at acquisition value by recording:

- a. In **governmental fund type accounts**, in Account 997 "General Capital Assets Subsidiary Account" by debiting GL Code Series 2XXX "Capital Assets" and crediting GL Code 5296 "Deferred Inflows on PPPs."
- b. In **proprietary and trust fund type accounts**, the asset is recorded by debiting GL Code Series 2XXX "Capital Assets" and crediting GL Code 5296 "Deferred Inflows on PPPs" in the acquiring account.

The transferor should generally apply all other accounting and financial reporting requirements relevant to the underlying PPP asset including depreciation and impairment. However, if the PPP arrangement requires the operator to return the underlying PPP asset in its original condition, the transferor should not depreciate the asset during the PPP term.

Refer to [Subsection 85.65.63](#) for additional information.

85.60.70 Lease-to-own capital assets

July 1, 2021

85.60.70.a

Lease-to-own agreements, where the ownership of the underlying asset transfers to the state by the end of the contract (refer to [Subsections 30.20.40](#) and [85.72.30](#)), are to be capitalized at the net present value of the future minimum lease payments at the inception of the lease.

Accounting for a lease-to-own agreement consists of:

1. Recording the capital asset and lease-to-own agreements payable at its inception,
2. Updating the capital asset inventory system,
3. Separating periodic payments into principal and interest portions, and
4. Applying payments to the correct object of expenditure.



85.60.70.b

Governmental Fund Type Accounts. At lease commencement, the capital asset acquisition is recorded by debiting GL Code 6514 "Capital Asset Acquisitions by Other Financing Sources" with an appropriate subobject within Object J "Capital Outlays," and crediting GL Code 3221 "Other Financing Sources" with Revenue Source Code 0809 "Lease-to-Own Acquisition."

Corresponding entries are made in (a) Account 997 "General Capital Assets Subsidiary Account" by debiting GL Code Series 2XXX "Capital Assets" and crediting GL Code 9850 "Investment in General Capital Assets" (refer to [Subsection 85.65.62.a](#) for illustrative entries), and (b) Account 999 "General Long-Term Obligations Subsidiary Account" to record the related lease liability. [Subsection 85.85.40.a](#) shows detailed illustrations for recording lease liabilities and subsequent payments on leases in Account 999.

85.60.70.c

Proprietary and Trust Fund Type Accounts. The entry for a leased asset acquisition is recorded in the acquiring account by debiting GL Code Series 2XXX "Capital Assets" and crediting the appropriate lease liability GL code. Refer to [Subsection 85.65.62.b](#) for illustrative entries. [Subsection 85.85.40.b](#) shows detailed illustrations for recording lease liabilities and subsequent payments on leases.

85.60.80 Capital assets acquired through Certificates of Participation (COP)

July 1, 2012

85.60.80.a

Governmental Fund Type Accounts. Capital assets acquired through the Office of the State Treasurer (OST) Certificate of Participation (COP) program are recorded with:

- An entry in the acquiring operating account for the activity (debiting GL Code 6514 and crediting GL Code 3221).
- An entry in the General Capital Assets Subsidiary Account (Account 997) to record the capital asset.
- An entry in the General Long-Term Obligations Subsidiary Account (Account 999) to record the COP liability.

For further information on COPS, refer to [Subsections 85.72.40](#), [85.85.45](#), and [85.85.50](#).

85.60.80.b

Proprietary and Trust Fund Type Accounts. Capital assets acquired through OST's Certificate of Participation program are recorded with:

- An entry in the acquiring account to record the capital asset and the COP liability.
- An additional entry in the acquiring account to record the budgeted disbursement if the account is budgeted.



State Administrative and Accounting Manual

For further information on COPs, refer to [Subsection 85.72.40](#), [85.85.45](#), and [85.85.50](#).

85.60.90 Accounting for the construction of capital assets

July 1, 2021

85.60.90.a

An agency may choose either to construct its own capital assets or hire an outside contractor to do the construction. All direct construction costs and indirect costs that are related to construction of capital assets are to be recorded in the account incurring the expenditures. Agency project management costs may be capitalized directly, when practicably discernible and directly associated with the project, or through the application of a percentage of total budgeted project costs. The application rate may or may not be designed to recover total agency project management costs. Refer to the OFM Capital Plan instructions for discussion of maximum percentage limitations.

85.60.90.b

Governmental Fund Type Accounts. All costs incurred for the construction of capital assets are recorded in the account incurring the expenditure by debiting GL Code Series 65XX "Expenditure/Expenses" with the appropriate subobject(s). Refer to [Section 30.20](#) for further details on capitalizable costs. For construction projects not completed at the end of the accounting period, a corresponding entry is made to record the construction in progress in Account 997 "General Capital Assets Subsidiary Account." This is accomplished by debiting GL Code 2510 "Construction in Progress" and crediting GL Code 9850 "Investment in General Capital Assets." Refer to [Subsection 85.65.64.a](#) for illustrative entries.

Upon completion of the project, construction costs accumulated in the construction in progress account are reclassified to the appropriate capital asset GL code in Account 997 "General Capital Assets Subsidiary Account." Refer to [Subsection 85.65.64.a](#) for illustrative entries.

Agencies that finance capital asset construction through OST's COP Real Estate Program should refer to [Subsections 85.72.40.d](#) and [85.85.50](#) for more information regarding COP accounting requirements for the Real Estate Program.

85.60.90.c

Proprietary and Trust Fund Type Accounts. In proprietary and trust fund type accounts, all costs incurred for the construction of capital assets are to be recorded in the account incurring the costs by debiting GL Code 2510 "Construction in Progress."

If the account is budgeted, an additional entry is required to record the appropriated disbursement and an offsetting entry to eliminate the appropriated disbursement for financial reporting purposes. This entry debits GL Code Series 65XX "Expenditures/Expenses" with the appropriate subobject(s) and credits GL Code 6525 "Expense Adjustments/ Eliminations (GAAP)" with the same subobject code(s). Refer to [Subsection 85.65.64.b](#) for illustrative entries. Refer to [Section 30.20](#) for further details on capitalizable costs.



State Administrative and Accounting Manual

Upon completion of the project, the balance in GL Code 2510 "Construction in Progress" is reclassified to the appropriate capital asset GL code. This entry debits GL Code Series 2XXX "Capital Assets" and credits GL Code 2510 "Construction in Progress" for the total costs accumulated. Refer to [Subsection 85.65.64.b](#) for illustrative entries.

85.60.95 Accounting for the transfer of vehicles to the State Motor Pool

Jan. 1, 2012

An unusual accounting situation arises when a state agency that has purchasing authority purchases a vehicle but does not have the resources to manage or maintain it or when an agency is required by the Governor's Fleet Optimization Order to transfer vehicles to the Department of Enterprise Services (DES), State Motor Pool.

The purchasing agency has exclusive use of the vehicle and DES treats the vehicle as part of the State Motor Pool, maintaining it and tracking its usage. DES charges the agency normal vehicle rates for use and applies a credit for the vehicle capital costs. Refer to [RCW 43.19.605](#).

85.60.95.a

Accounting for the purchase and transfer of the vehicle to DES depends on the fund type of the account used to purchase the vehicle.

1. **Governmental Fund Type Accounts** - The acquisition of the vehicle is recorded by debiting GL Code 6510 "Cash Expenditures/Expenses" using Subobject JC "Furnishings and Equipment" and crediting either GL Code 71XX "In-Process" or GL Code 1110 "Cash in Bank."
2. **Proprietary and Trust Fund Type Accounts** - The acquisition of the vehicle is recorded by debiting GL Code 1510 "Prepaid Expense" and crediting either GL Code 71XX "In-Process" or GL Code 1110 "Cash in Bank."

Note: Budgeted proprietary accounts require an additional entry to record the appropriated disbursement and an offsetting entry to eliminate the appropriated disbursement for financial reporting purposes. This entry debits GL Code 6510 "Cash Expenditures/Expenses" using Subobject JC "Furnishings and Equipment" and credits GL Code 6525 "Expense Adjustments/ Eliminations (GAAP)" using Subobject JC.

85.60.95.b

DES records the transfer of ownership in Account 422 "Enterprise Services Account" by debiting GL Code 2410 "Furnishings and Equipment" and crediting GL Code 5290 "Unearned Revenues."

85.60.95.c

Accounting for the usage of the vehicle depends on the fund type of the account that initially purchased it.



1. **Governmental Fund Type Accounts** - The net amount billed by DES for the vehicle is recorded by debiting GL Code 6510 "Cash Expenditures/Expenses" using Subobject GN "Motor Pool Services" and crediting either GL 71XX "In-Process" or GL Code 1110 "Cash in Bank."
2. **Proprietary and Trust Fund Type Accounts** - The net amount billed by DES for the vehicle is recorded by debiting GL Code 6510 "Cash Expenditures/Expenses" using Subobject GN "Motor Pool Services" and crediting either GL Code 71XX "In-Process" or GL Code 1110 "Cash in Bank." An additional entry is required to record the amortization of the vehicle cost by debiting GL Code 6525 "Expense Adjustments/Eliminations (GAAP)" using Subobject GN "Motor Pool Services" and crediting GL Code 1510 "Prepaid Expenses."

85.60.95.d

DES records the revenue for the vehicle in two steps: **first**, DES records the payment from the agency using the vehicle by debiting GL Code 71XX "In-Process" and crediting GL Code 3210 "Cash Revenues" using Revenue Source Code 0420 "Charges for Services;" and **second**, DES records the amortization of the vehicle cost by debiting GL Code 5290 "Unearned Revenues" and crediting GL Code 3210 using Revenue Source Code 0420.

85.60.97 Accounting for Interagency/Interfund Capital Asset Transfers

Jan. 1, 2014

85.60.97.a Assets transferred between state agencies

When a capital asset is transferred from (sold by) one agency to another, the receiving agency is to record the asset at the carrying value of the transferring agency. The transferring agency is to provide the receiving agency with the carrying value of the asset transferred. The recording of the transfer (sale) is dependent upon the fund types of the accounts involved. Refer to [Subsection 85.60.97.b](#) and [85.60.97.c](#).

85.60.97.b Assets transferred between fund type accounts

When a capital asset that was used to support a function reported in a governmental fund type account is later transferred to a proprietary or fiduciary fund type account (or vice versa), only the proprietary or fiduciary fund type account reports the activity. The proprietary or fiduciary fund type account reports the book value of the capital asset offset by a capital contribution (transfer in) or a gain or loss on disposition (transfer out). No entry is made in the governmental fund type operating account because governmental funds use the current financial resources measurement focus. However, the capital asset would be recorded in Account 997 "General Capital Assets Subsidiary Account."

Refer to [Subsection 85.65.66](#) for illustrative entries.

85.60.97.c Assets transferred between proprietary fund type accounts



State Administrative and Accounting Manual

When a capital asset is transferred from one proprietary fund type account to another, both the donor account and the recipient account offset the book value of the capital asset with a transfer.