FY25 Capital Assets Training
June 5, 2025

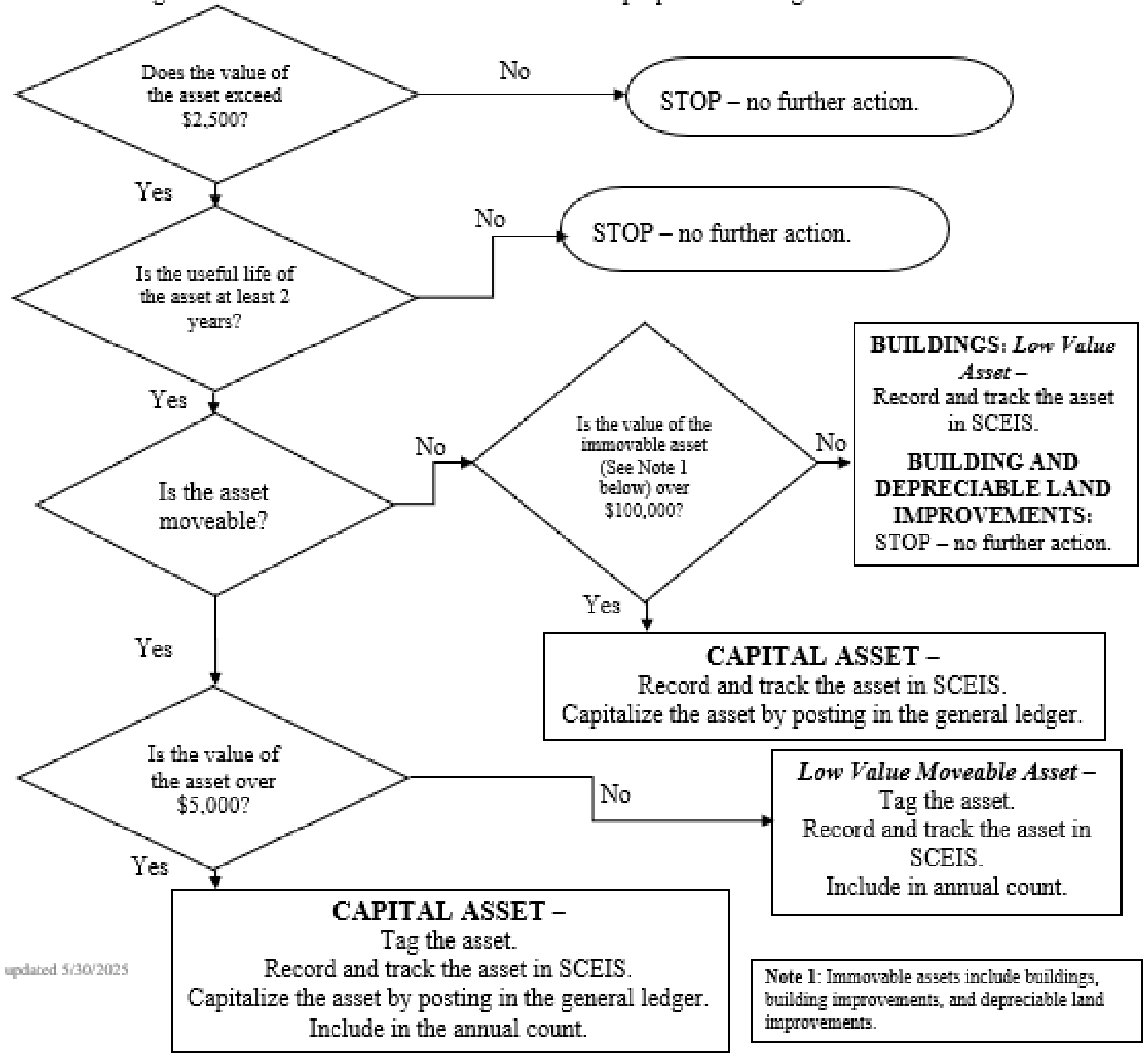
Low Value Assets

- Low value assets are NOT capital assets.
- Some items are required by State policy to be recorded and tracked in SCEIS as a low value asset.
- Building improvements, depreciable land improvements, and intangible assets with a historical cost of less than $100,000 are no longer required to be recorded as low value assets.

DETERMINING CAPITALIZATION vs. LOW VALUE ASSET

Low value assets (LVAs) have been defined as all assets purchased with a value in excess of $2,500 that have a useful life within the capitalization criteria (at least 2 years) but do not meet the capitalization dollar threshold criteria ($5,000 for moveable assets or $100,000 for all other assets). Unless specified otherwise below, SCEIS functionality must be used to record and track LVAs. Intangible assets falling below the $100,000 threshold are not required to be recorded as LVAs in SCEIS.

The following decision tree should aid in identification and proper accounting and control treatment:



updated 5/30/2025

Moveable vs. Immoveable Equipment

- Moveable equipment would be capitalized using a machinery/equipment asset class
- Immoveable equipment must be capitalized as either a building improvement, leasehold improvement, or depreciable land improvement
  - If the equipment is attached to a building and/or would not continue to retain its usefulness without the presence of an existing building or structure → building or leasehold improvement
  - If the equipment would continue to retain its usefulness without the presence of an existing building or structure → depreciable land improvement
- What exactly is considered "immoveable"?
  - Asset is attached to a building or to the ground in such a way that it cannot be relocated without the extensive use of tools and/or the process of relocating the asset will result in damage to the asset.
    - If item is attached with a few bolts or the process of relocating the asset results in minor cosmetic damage, the asset is not necessarily considered "immoveable"
    - May also be helpful to ask, "If we relocated, would we leave this item or take it with us?"

How Do I Determine What Should Be Considered a Single Asset?

- Some assets may be a “system” of various components.
  - Can be very subjective
  - Can the individual component function independently without the other components?
    - Example: Audio/Visual Equipment
      - May purchase TVs, cameras, microphones, speakers, switches, control panels, etc.
      - TVs typically can function independently from other items – consider these individually for capitalization
      - Other items that need the other components for functionality – consider these collectively for capitalization
  - Should only consider items collectively that are of the same major asset class
    - Example: You purchase a copier with software pre-installed.
      - If you have a separate charge or cost for the software on the invoice, then the software should be considered separately for capitalization.
      - If the software is listed on the invoice, but not assigned its own cost and/or included with the cost of the copier, the software does not have to be considered separately for capitalization.
  - Should also consider asset location

Lease and SBITA Assets

- Lease and SBITA assets are capital assets. If these are the only types of capital assets your agency has, you are still required to complete the 3.08 Capital Assets Reporting Package.
- Please use the appropriate lease asset class when creating new lease assets in SCEIS.
- Please make sure you retire SCEIS asset numbers for completed/terminated lease & SBITA assets.
- Capitalization thresholds

Lease Asset Class	Capitalization Threshold
Land	$0
Buildings	$0
Vehicles and Equipment	$5,000
Subscription-Based IT Arrangements (SBITAs)	$100,000

  - Each item in a lease that meets the threshold for capitalization should be assigned its own Asset Number in SCEIS.
- Lease assets should be tracked and inventoried in the same manner as other capital assets.
- May also have leasehold improvements, which are not lease assets.

Depreciation and Amortization in SCEIS

- SCEIS calculates and posts depreciation/amortization monthly.
- Regardless of what day of the month an asset is capitalized in SCEIS, a full month of depreciation/amortization expense will post for that month.
- If you create an asset in SCEIS before or after the month in which the asset is placed in service, the depreciation/amortization for the asset may be incorrect. This is further complicated if this occurs in different fiscal years.
  - This may require an unplanned depreciation adjustment, which must be made by the SCEIS at the direction of our office.
  - This may also need to adjust the "depreciation start date" in SCEIS for the asset.
  - In either case, please contact the CGO for further instructions on how to ensure the asset is correctly depreciating.

Capital Asset Transactions That Cross Fiscal Years

- If a capital asset is placed in service at the end of the fiscal year but not paid for until the following fiscal year, the capital asset must still be reflected at fiscal year end.
  - Example: A piece of equipment is ordered on May 1, 2025. It is received and placed into service on June 1, 2025. The invoice is not received until July 31, 2025.
    - Agency would need to report an adjustment on their 3.08 Capital Assets Reporting Package so that the capital asset is reflected in the FY25 year-end balances. A corresponding payable would be reported on the 3.12 Accounts Payable Reporting Package.
    - For this reason, agencies should prepare the 3.12 Accounts Payable Reporting Package prior to the 3.08 Capital Assets Reporting Package to help identify potential capital asset adjustments that may need to be reported on the 3.08 package.
    - Other adjustments may include prior year payables that result in increases to Assets Under Construction (AUC).
  - Capital asset inventories may also result in adjustments that impact prior fiscal years. Please contact the CGO to determine if these adjustments need to be reported on the 3.08 Capital Assets Reporting Package (even if it's corrected in SCEIS prior to fiscal year end).
    - Example: An asset purchased five years ago was never added to SCEIS or an asset was retired five years ago and never retired in SCEIS.

AUC Substantially Complete Policy Revision

- All assets under construction (AUC) should be moved from the AUC asset class to their final asset class when the asset is ready and available for its intended use. If this occurs before the project is complete, any remaining project expenditures for the project should be expensed (i.e., not added to the final value of the asset).
- If the asset is ready and available for its intended use, but the project is not yet complete, agencies may elect to wait until the project is 100% complete before moving the asset from AUC to the final asset class if both of the following are true:
  - The remaining project expenditures do not exceed 10% of the project total or $100,000, whichever is less AND
  - The project will be completed in 3 months or less from the date the asset became ready and available for its intended use.
- Example: A building being constructed reaches the point where it can be occupied (i.e, a certificate of occupancy has been issued), but some rooms in the building still need to be painted and other “punch list” items remain. The building should be capitalized on the date the certificate of occupancy has been issued UNLESS the agency elects to use the option provided above and meets all of the applicable criteria for doing so.

Reminders and Clarifications for Capital Projects and Other Types of AUC

- The Executive Budget Office has increased the threshold for capital projects from $100,000 to $250,000. However, for the accounting/financial reporting side of things, the threshold for capitalizing projects/assets that otherwise qualify for capitalization as **building improvements, leasehold improvements, depreciable land improvements, or software** is still **$100,000**.
  - May need SCEIS to set up “Other Project” for projects that don’t go through EBO.
- Capital projects may be set up in a way in which the project covers work being done at multiple locations/buildings. If this is the case, your agency still needs to assess whether the project qualifies for capitalization for each location/building and not the entire project.
  - If it does, your agency should account for the costs per location/building and move the costs for each location/building from AUC to the final asset class based on when the project is ready and available for use for each respective building/location, not when the entire project is complete.
  - When the asset is moved from AUC to the final asset class, a different asset number should be used for each building/location and not the entire project.

Reminders and Clarifications for Capital Projects and Other Types of AUC (continued)

- In addition to meeting the $100,000 capitalization threshold, there are three criteria for determining if a building repair/maintenance/improvement/renovation project should be capitalized:
  - Adds square footage or adds a new feature, such as installing an HVAC system or a sprinkler system to a building that didn't previously have one
  - Prepares an existing building or room within the building for a new use (ex. a renovation to change a conference room into a kitchen)
  - Extends the useful life of the building.
- When determining if a project extends the useful life a building, please keep in mind that there are many building projects that may be substantial in cost but are expected to be done throughout the normal course of a building's life cycle (i.e., the projects preserve the building's useful life rather than extending it).
  - Examples of these types of projects may include, but are not limited to, roof replacements, HVAC replacements, bathroom fixture replacements, new flooring, water heater replacements, and interior/exterior repainting.
- If a building is fully depreciated or close to being fully depreciated, it may be acceptable to capitalize these types of projects. The age of the building and how many years remain in the useful life assigned to the building must be considered when determining if a project will extend the building's useful life.

Contact Information for Capital Assets

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