

DEPRECIATION

OF CAPITAL ASSETS

What is depreciation?

- An accounting method of allocating the cost of a tangible or physical asset (Buildings, Equipment, Infrastructure, other) over the life of the asset.
- Represents how much of an asset's value has been used up.



Where and When will depreciation be included?

- Capital Assets change from a schedule within supplementary information to a note disclosure.
- 2020 financial statements prepared in 2021

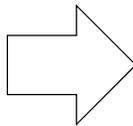


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Capital Asset Note (*Draft*) - 2020

Note X. Capital Assets

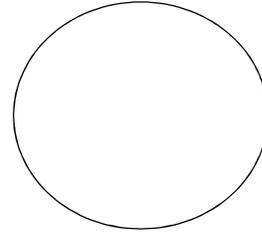
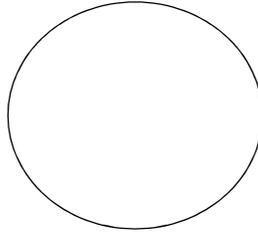
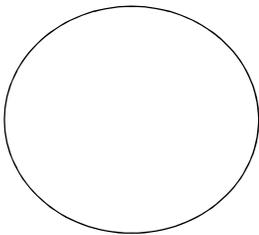
General Government Assets	Beginning Balance 01/01/20	Additions	Reductions	Ending Balance 12/31/20
Capital assets not being depreciated				
Land	1,371,633	500,000	49,682	1,821,951
Construction in progress	75,000	25,000	-	100,000
Total capital assets not being depreciated	<u>1,446,633</u>	<u>525,000</u>	<u>49,682</u>	<u>1,921,951</u>
Capital assets being depreciated				
Infrastructure	1,591,231	352,789	256,251	1,687,769
Buildings	25,348,431	3,500,000	1,750,000	27,098,431
Improvements other than Buildings	-	-	-	-
Machinery, Equipment and Vehicles	9,476,302	2,000,000	1,260,350	10,215,952
Total capital assets being depreciated	<u>36,415,964</u>	<u>5,852,789</u>	<u>3,266,601</u>	<u>39,002,152</u>
Less: Accumulated depreciation				
Infrastructure	106,612	23,637	17,169	113,080
Buildings	1,698,345	234,500	117,250	1,815,595
Improvements other than Buildings	-	-	-	-
Machinery, Equipment and Vehicles	634,912	134,000	84,443	684,469
Total accumulated depreciation	<u>2,439,870</u>	<u>392,137</u>	<u>218,862</u>	<u>2,613,144</u>
Net capital assets being depreciated	<u>\$ 33,976,094</u>	<u>\$ 5,460,652</u>	<u>\$ 3,047,739</u>	<u>\$ 36,389,008</u>



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What can be depreciated?

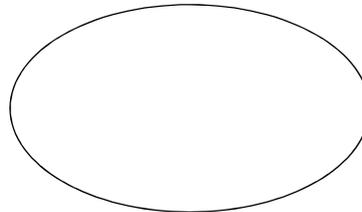
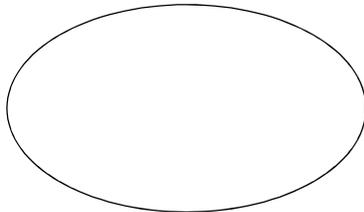
- Buildings
- Infrastructure
- Improvements other than Buildings
- Machinery, Equipment, & Vehicles



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What does not depreciate?

- **Land** - Assumed to have an unlimited useful life
- **Construction in Process** - Asset has to be placed in Service



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How to get started?

CAPITAL ASSETS LEDGER

General Form No. 353 (Rev. 2013)

FUND _____

DEPARTMENT OR BUILDING _____

Date of Purchase	Description of Asset	Serial Number	Location of Asset	Original Cost of Asset	Estimated Life of Asset	Date of Disposal of Capital Asset	Amount Received on Disposal or Trade-In	Type of Capital Asset					Books and Other	Total Capital Assets
								Land	Infrastructure	Buildings	Improvements/Other Than Buildings	Machinery Equipment & Vehicles		
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SAMPLE



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Depreciation Calculation

$$\frac{\text{Asset value (Historical Cost)}}{\text{Estimated Useful Life}} = \text{Yearly Amount of Depreciation}$$

***** Accumulated Depreciation is the total depreciation to date**



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Depreciation Calculation Continued...

- Asset Value
 - Historical cost or purchase price
 - What if you don't know the Historical cost?
 - Obtain an estimate of replacement cost
 - Insurance policy could have information
 - Determine the year of acquisition
 - Use the Table of Cost Indexes to determine factor
 - Multiply Replacement cost by factor



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Depreciation Calculation Continued...

- Estimated Useful life
 - The number of years the assets will last
- Must maintain a documented basis for:
 - Asset Valuation
 - Estimated Useful Lives
- Internal Controls



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Resources

- The County Bulletin – June 2018 (Volume 409, Page 7)
“Establishing the estimated cost of Capital Assets”
- SBOA YouTube Channel –
<https://www.youtube.com/channel/UC62Ozm0wY81GZHipK2UrjLA>
 - Capital Asset Training

