State of Georgia
Note Disclosure - Capital Assets and Accumulated Depreciation
Proprietary or Fiduciary Instructions, Non-PeopleSoft

Agencies on accounting systems **other than PeopleSoft** will obtain capital asset and accumulated depreciation activity and balances from their accounting records. Depending upon the accounting systems and agency procedures, capital asset and accumulated depreciation information may be recorded in a ledger, report or file. When possible, it is recommended that the capital asset and accumulated depreciation activity and balances be obtained from the capital asset ledger since the ledger is the official record of the State.

For purposes of these instructions, the **capital asset ledger** will be synonymous with reports or files containing the capital asset and accumulated depreciation activity and balances.

The instructions are separated into the following sections: *Capital Assets and Accumulated Depreciation*.

The instructions for each subtitle below correspond to the column numbers provided in the Form_Capital Assets_Accum Deprec – Proprietary and Form_Capital Assets_Accum Deprec – Fiduciary.

Open the Form_Capital Assets_Accum Deprec – Proprietary or Form_Capital Assets_Accum Deprec – Fiduciary from the website and rename it using the organization's entity code number inserted before the form name (i.e., SAO's Form_Capital Assets_Accum Deprec – Proprietary would be renamed to 407Form_Captial Assets_Accum Deprec – Proprietary).

Capital Assets

1) Beginning Balance, July 1st

a) Enter the beginning balance for each asset class from:
   i) the beginning balance in the capital asset ledger for period 1of the fiscal year under review;
   ii) the **ending balance** in the capital asset ledger for period 12 of the prior fiscal year; it should balance to the aggregate or individual beginning balance for each asset class in the capital asset ledger of the fiscal year under review.
   iii) If the accounting system has the ability to calculate and compile capital asset information, the beginning balance in the capital asset ledger should balance to the accounting system records, such as, a capital asset inventory report.

b) If applicable, include audit adjustments not recorded in the books.
   i) Audit adjustments that have been accepted should be recorded in the proper financial module.

2) Current Year Expenditures

a) Current year expenditures include assets purchased (cash payments to obtain assets) during the fiscal year and other non-cash activity, such as, adjustments, donations and transfers. Non-cash transactions and similar activities are accounted for separately and should be **excluded before entering** the current year expenditures.
   i) Adjustments, donations and transfers are accounted for separately.

b) Capital asset expenditures are recorded in capital asset ledgers. If there are differences between related accounts in the capital asset ledger it typically indicates that an adjustment, donation or transfer has occurred and will need to be identified and properly reflected in the Form_Captial Assets_Accum Deprec – Proprietary or Fiduciary. The following are examples to assist the agency in the capital asset activity process.

2) Current Year Expenditures

   i) **Current year expenditures should be off-set by the expenses in the capital asset ledger**. Example, the total debit activity in the asset account for machinery and equipment should be off-set by the total credit activity in the expense account for machinery and equipment.

c) Enter the current year expenditures for each asset class from:
   i) the capital asset ledger for the entire fiscal year; the current year expenditure is the total debit activity in each asset class;
   ii) the source documents for all additions during the fiscal year under review; it should balance to the aggregate debit activity for each asset classes.

3) Adjustments – additions (Identify)

a) Adjustments may include but not be limited to; costs not capitalized in prior fiscal years that should be, capital assets not recorded from prior fiscal years, duplicate entries, assets not separated properly (e.g., land and buildings) and manual journal entries.

b) Enter the adjustment amount for each asset class from:
   i) the agency's capital asset reconciliations;
   ii) other source documents that provides adjustments during the fiscal year under review.

c) Enter a description and amount for each adjustment on page 2 in the Capital Assets tab.

4) Georgia State Financing and Investment Commission (GSFIC) Transfers

a) These are assets transferred from GSFIC to the agency.

b) Enter the GSFIC transfers for each asset class from:
   i) the agency's capital asset reconciliations;
   ii) other source documents that indicate GSFIC transfers during the fiscal year under review.

c) Enter a description, amount and related bond issue for each asset transferred to the agency on page 2 in the Capital Assets tab.

5) Other Donations and Transfers

a) Donations are from component units or parties outside the financial reporting entity and transfers are from organizations within the primary governmental entity, other than component units.

b) Enter the donations and transfer amount for each asset class from:
   i) the agency's capital asset reconciliations;
   ii) other source documents that indicate donations or transfers during the fiscal year under review.

c) Enter the source and amount for each asset donated and transferred to the agency on page 2 in the Capital Assets tab.

6) Capital Leases

a) A lease must meet certain criteria to be classified as a capital lease. Review the Leases Policy for details.

b) Enter the capital lease amount for each asset class from:
   i) Capital lease agreements entered into during the fiscal year under review.
   ii) Capital assets acquired through a capital lease should be recorded at an amount equal to the lower of the present value of the minimum lease payments, excluding that portion of the payments representing executory costs such as, insurance, maintenance and taxes to be paid by the lessor, including any profit thereon or the fair value of the leased property at the inception of the lease. If the executory costs cannot be determined from the provisions of the lease, an estimate should be made. Refer to the Leases Policy for details.

7) Retirements

a) Retirements include assets that have been disposed of, removed from service or transferred during the fiscal year under review.

b) The retirement amount may include activity that should be excluded, such as, assets capitalized below the standard threshold, assets recorded to an incorrect profile id, assets recorded for an incorrect cost and prior period adjustments. These types and similar activity are considered adjustments and should be **excluded before entering** the retirements.
   i) Adjustments are accounted for separately.

c) Capital asset retirements are recorded in the capital asset ledger. If there are differences between accounts in the capital asset ledger it typically indicates that an adjustment has occurred and will need to be identified and properly reflected in the Form_Captial Assets_Accum Deprec – Proprietary or Fiduciary form. The following is an example to assist the agency in the capital asset activity process
   i) **Capital asset retirements should be off-set by the related accumulated depreciation and the gain/loss on the disposition of assets**. Example, if machinery and equipment is the only asset, the total credit activity in the expense account for machinery and equipment should balance to the sum of the total debit activity in the accumulated depreciation for machinery and equipment and the total debit activity in the revenue account for other financing sources -proceeds-disposition general fixed asset.

d) Enter the retirements for each asset class from:
   i) the capital asset ledger for the entire fiscal year; the retirements are the total credit activity in each asset class;
   ii) other source documents that provides retirements during the fiscal year under review; it should balance to the aggregate credit activity of all asset classes in the capital asset ledger.

8) Adjustments – deletions (Identify)

a) Adjustments may include but not be limited to; cost adjustments, duplicate deletions, assets retired due to incorrect profile id and assets retired due to incorrect cost, assets retired that do not meet the standard threshold and manual journal entries.

b) Enter the adjustment amount for each asset class from:
   i) the agency's capital asset reconciliations;
   ii) other source documents that provide adjustments during the fiscal year under review.

c) Enter a description and amount for each adjustment on page 2 in the Capital Assets tab.

9) Ending Balance, June 30th

a) Enter the ending balance for each asset class from:
   i) The ending balance in the capital asset ledger for period 12 of the fiscal year under review.
   ii) If the accounting system has the ability to calculate and compile capital asset information, the ending balance in the capital asset ledger should balance to the accounting system records, such as, a capital asset inventory report.

b) If applicable, include audit adjustments not recorded in the books.
   i) Audit adjustments that have been accepted should be recorded in the proper financial module.

Accumulated Depreciation

1) Beginning Balance, July 1st

a) Enter the accumulated depreciation beginning balance for each asset class from:
   i) the beginning balance in the capital asset ledger for period 1 of the fiscal year under review;
   ii) the **ending balance** in the capital asset ledger for period 12 of the prior fiscal year; this should balance to the aggregate or individual beginning balance for each asset class in the capital asset ledger.
   iii) If the accounting system has the ability to calculate and compile depreciation information, the beginning balances in the capital asset ledger should balance to the accounting system records, such as, an accumulated depreciation report.

b) If applicable, include audit adjustments not recorded in the books.
   i) Audit adjustments that have been accepted should be recorded in the proper financial module.

2) Depreciation Expense

a) Depreciation expense includes all assets that have been capitalized and depreciated (the historical cost or fair value allocated over its estimated useful life) during the fiscal year under review.

b) The depreciation expense may include activity, such as, capitalized assets below the standard threshold, assets recorded to incorrect profile id, assets recorded for an incorrect cost and prior period adjustments. These types and similar activity are considered adjustments and should be **excluded before entering** the depreciation expense.
   i) Adjustments are accounted for separately.

c) Capital asset depreciation is recorded in the capital asset ledger. If there are differences between related accounts in the capital asset ledger it typically indicates that an adjustment has occurred and will need to be identified and properly reflected in the Form_Capital Assets_Accum Deprec – Proprietary or Fiduciary form. The following is an example to assist the agency in the depreciation activity process.
   i) **Depreciation expense should be off-set by accumulated depreciation**. Example, if machinery and equipment is the only asset class, the total debit activity in the depreciation expense account for machinery and equipment should be off-set by the total credit activity in the accumulated depreciation account for machinery and equipment.

d) Enter the depreciation expense for each asset class from:
   i) The capital asset ledger for the entire fiscal year; depreciation expense is the total debit activity in the depreciation expense account for each asset class or one depreciation expense account for all asset classes.

3) Adjustments – additions (Identify)

a) Adjustments for depreciation may include but not be limited to; costs not capitalized in prior fiscal years that should be, capital assets not recorded from prior fiscal years, duplicate entries, assets not separated properly (land and buildings) and manual journal entries.

b) Enter the depreciation adjustment amount for each asset class to:
   i) the agency's capital asset reconciliations;
   ii) Other source documentation that provides depreciation adjustments during the fiscal year.

3) Adjustments – additions (Identify)

c) Enter a description and amount for each adjustment on page 2 in the Depreciation tab.

4) Retirements

a) When an asset is retired, an entry should be recorded to remove the cost of the asset, the related accumulate depreciation and a gain/loss on the disposition of the asset (gain/loss applicable only if the asset is retired before it is fully depreciated).

b) Accumulated depreciation related to retirements may include activity, such as, capitalized assets below the standard threshold, assets recorded to incorrect profile id, assets recorded for an incorrect cost and prior period adjustments. These types and similar activity are considered adjustments and should be **excluded before entering** the accumulate depreciation related to retirements.
   i) Adjustments are accounted for separately.

c) Capital asset depreciation is recorded in the capital asset ledger. If there are differences between related accounts in the capital asset ledger it typically indicates that an adjustment occurred and will need to be identified and properly reflected in the Form_Capital Assets_Accum Deprec – Proprietary or Fiduciary form. The following is an example to assist the agency in the depreciation activity process.
   i) **Accumulate depreciation related to retirements should be off-set by the cost of the asset and the gain/loss on the disposition of the asset**. Example, if machinery and equipment is the only asset class, the total debit activity in the accumulated depreciation account for machinery and equipment should be off-set by the sum of the total credit activity in the asset account for machinery and equipment and the total debit activity in the revenue account for other financing sources-proceeds-disposition general fixed asset.

d) Enter the accumulated depreciation related to retirements for each asset class from:
   i) The capital asset ledger for the entire fiscal year; the accumulated depreciation related to retirements is the total debit activity in the accumulated depreciation account for each asset class.

5) Adjustments – deletions (Identify)

a) Adjustments may include but not be limited to: cost adjustments, duplicate deletions, assets retired due to incorrect profile id, assets retired due to incorrect cost and manual journal entries.

b) Enter the adjustment amount for each asset from:
   i) the agency's capital asset reconciliations;
   ii) other source documentation that provides depreciation adjustments during the fiscal year under review.

c) Enter a description and amount for each adjustment on page 2 in the Depreciation tab.

6) Ending Balance, June 30th

a) Enter the accumulated depreciation ending balance for each asset class from:
   i) The ending balance in the capital asset ledger for period 12 of the fiscal year under review.
   ii) If the accounting system has the ability to calculate and compile depreciation information, the ending balances in the capital asset ledger should balance to the accounting system records, such as, an accumulated depreciation report.

6) Ending Balance, June 30th

b) If applicable, include audit adjustments not recorded in the books.
   i) Audit adjustments that have been accepted should be recorded in the proper financial module.

7) Useful Life

a) If the agency is not using the useful life established by the State for each asset class, enter the useful life.

8) Depreciation Method

a) If the agency is not using the depreciation method established by the State (Capital Asset Guide) for each asset class, enter the depreciation method.

On page 2 of the Depreciation tab in the Form_Capital Assets_Accum Deprec – Proprietary or Fiduciary is a section to provide the **loss on retirement of capital assets**. Enter the current year retirements, accumulated depreciation (negative number) and cash proceeds from the sale of capital assets (if any). The current year retirements are the total in the Capital Assets tab column 7. The accumulated depreciation is the total in the Depreciation tab column 4. The cash proceeds from the sale of capital assets can be obtained from the revenue accounts for cash proceeds for the disposition of capital assets.

Submit the completed Form_Capital Assets_Accum Deprec – Proprietary or Fiduciary through **e-mail** to SAO_Reporting@sao.ga.gov. **Do not submit paper copies of this form.**