

RESOLUTION ADOPTING POLICY FOR CAPITAL ASSET GUIDE

WHEREAS, it is necessary to adopt a policy for a Capital Asset Guide to comply with Governmental Accounting Standards Board No. 34.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF LAKEWAY MUNICIPAL UTILITY DISTRICT THAT:

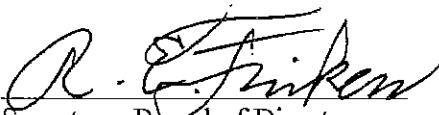
The Comptroller of the State of Texas has established the Capital Asset Guide attached hereto and it is hereby adopted, with customized amendments, as the official guide for the District.

Adopted this 12th day of February 2003.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

**LAKEWAY MUNICIPAL
UTILITY DISTRICT**

CAPITAL ASSET GUIDE

**Adopted
February 12, 2003**

Capital Asset Guide

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Introduction

The new reporting requirements were established by Governmental Accounting Standards Board (GASB) Statement No. 34 and No. 35, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments and Public Colleges and Universities. The Comptroller's office has prepared this Capital Asset Guide to help you implement the new reporting requirements that became effective 9/1/2001. Included in this guide are asset category definitions, capitalization thresholds, depreciation methodologies, and examples of expenditures for each class of assets as defined by State Property Accounting (SPA). Additionally, guidelines for leasehold improvements and construction in progress have been included.

I. Capital Asset Definitions and Guidelines

Capital assets are real or personal property that have a value equal to or greater than the capitalization threshold for the particular classification of the asset and have an estimated life of greater than one year. The state has invested in a broad range of capital assets that are used in the state's operations, which include:

- Land and land improvements
- Buildings and building improvements
- Facilities and other improvements
- Infrastructure
- Construction in progress
- Leasehold improvements
- Personal property
 - Furniture and equipment
 - Vehicles, boats and aircraft
 - Software developed or obtained for internal use
 - Other assets
 - 1)Works of art and historical treasures
 - 2)Library books and materials
 - 3)Intangible assets

Capital Asset Classification

Assets purchased, constructed or donated that meet or exceed the Comptroller's established capitalization thresholds or minimum reporting requirements must be uniformly classified, utilizing the SPA class code structure. A list of current class code structures for personal and real property is in Appendix B. Included in the SPA class code structure are codes that can be used to componentize buildings as required by Senate Bill 482. Each class code in the SPA system contains a default value for both residual value (expressed as a percentage of historical cost) and estimated useful life (expressed in months). The default values are based upon statewide historical data for each class of asset. Agencies will follow set Comptroller accounting standards for establishing the historical cost for each asset. Agencies will be allowed to substitute information for residual value and/or estimated life based on individual experience for each class of asset. Any substitutions must be substantiated and auditable.

Capitalization Thresholds

Standard capitalization thresholds for capitalizing assets have been established for each major class of assets. All state entities are required to use these thresholds.

Class of Asset	Threshold
Land/land improvements	Capitalize All
Buildings/building improvements	\$100,000
Facilities and other improvements	\$100,000
Infrastructure	\$500,000
Personal property (equipment)	\$5,000 *
Library books/materials (collections)	Capitalize All
Works of art/historical treasures	Capitalize All
Software developed for internal use	\$100,000 **
Leasehold improvements	\$100,000

* If you have a multiple year cost allocation plan or indirect cost proposal, see Section II. Capital Asset Categories, Personal Property for more information.

** This requirement applies only to colleges and universities. Please see Section II. Capital Asset Categories, Computer Software for more information.

Capital Asset Acquisition Cost

Capital assets should be recorded and reported in both USAS and SPA at their historical costs, which include the vendor's invoice (plus the value of any trade-in), plus sales tax, initial installation cost (excluding in-house labor), modifications, attachments, accessories or apparatus necessary to make the asset usable and render it into service. For USAS Comptroller object expenditure codes, see Appendix A. Historical costs also include ancillary charges such as freight and transportation charges, site preparation costs and professional fees. The costs of capital assets for **governmental activities** do not include capitalized interest. However, interest is capitalized on:

- Assets that are constructed or otherwise produced for an enterprise's own use (including assets constructed or produced for the enterprise by others for which deposits or progress payments have been made)
- Assets intended for sale or lease that are constructed or otherwise produced as discrete projects (for example, ships or real estate developments)

Assets that **do not** qualify for capitalization of interest include:

- Assets acquired for governmental activities (interest will be reported in the statement of activities as a separate line item)
- Assets that are in use or ready for their intended use in the earning activities of the enterprise
- Assets that are not being used in the earning activities of the enterprise and that are not undergoing the activities necessary to get them ready
- Assets acquired with gifts and grants that are restricted by the donor or grantor to acquisition of those assets to the extent that funds are available from such gifts and grants

Capital Asset Donations

GASB Statement No. 33, Accounting and Financial Reporting for Non-Exchange Transactions, defines a donation as a voluntary nonexchange transaction entered into willingly by two or more parties. Both parties may be governments or one party may be a nongovernmental entity, including an individual. **A voluntary contribution of resources between state agencies is not a donation.**

For governmental funds, GASB 33 is effective beginning in fiscal 2002 or September 1, 2001. For agencies with proprietary or fiduciary funds, GASB 33 is effective in fiscal 2001 or September 1, 2000. The timing of recognition of the asset and related revenue is outlined as follows:

	Governmental Activities (effective fiscal 2002)	Business Type Activities (effective fiscal 2001)
Donations	<ul style="list-style-type: none"> •If the asset has been received but the eligibility requirements have not been met then capital assets are debited and deferred revenue is credited in the government-wide financial statements. •If the asset has been received and the eligibility requirements have been met then capital assets are debited and revenue is credited in the government-wide financial statements. •If the asset has not been received but the eligibility requirements have been met then a receivable is debited and revenue is credited in the government-wide financial statements. 	<ul style="list-style-type: none"> •If the asset has been received but the eligibility requirements have not been met capital assets are debited and deferred revenue is credited in the fund financial statements. •If the asset has been received and the eligibility requirements have been met then capital assets are debited and revenue is credited in the fund financial statements. •If the asset has not been received but the eligibility requirements have been met then a receivable (net of estimated uncollectible amounts) is debited and revenue is credited in the fund financial statements.
Promises of capital asset donations	<ul style="list-style-type: none"> •Promises should be recognized as receivables and revenues (net of estimated uncollectible amounts) on the government-wide financial statements when all applicable eligibility requirements are met provided that the promise is verifiable and the resources are measurable¹ and probable² of collection. 	<ul style="list-style-type: none"> •Promises should be recognized as receivables and revenues (net of estimated uncollectible amounts) on the fund financial statements when all applicable eligibility requirements are met provided that the promise is verifiable and the resources are measurable and probable of collection.

¹ Measurable – Reasonable estimable

² Probable – The future event or events are likely to occur.

Sale of a Capital Asset Donation

Governmental fund statements per GASB 34 are to be used to report spendable assets and not capital assets. However, there may be instances when a government receives a gift of a capital asset that it intends to sell. In such cases, the donation will be reported as revenue on the governmental fund statements if the asset is either:

- Sold prior to the end of the fiscal period, and the proceeds of the sale are considered available³, or
- The asset is sold (or the government has entered into a contract to sell the asset) prior to the issuance of the financial statements, and the proceeds of the sale are considered available.

³ Available – Collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

If the proceeds of the sale are not considered available, then the related receivable should be offset by a liability for deferred revenue on the fund financial statements.

Leased Equipment

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

- The lease transfers ownership of the property to the lessee by the end of the lease term.
- The lease contains a bargain purchase option.
- The lease term is equal to 75 percent or more of the estimated economic life of the leased property.
- 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 property.

Leases that do not meet any of the above requirements should be recorded as an operating lease and reported in the notes of the financial statements.

USAS Entries for Capital Leases	SPA Entries for Capital Leases
<p>Expenditures (Lease object codes):</p> <ul style="list-style-type: none"> •Debt Service – Principal – Capital Leases •Interest (all other GLTD) <p>Noncurrent Assets:</p> <ul style="list-style-type: none"> •Capital Asset AFR Category <p>Liabilities:</p> <ul style="list-style-type: none"> •Capital Leases Payable 	<p>Acquisition Method – 08 (Other Debt Instruments) Debt Finance Method – 01 (Local Lease) Paid-Off Flag – N (Default Value)</p> <p>Note: Upon liquidation of lease obligations, flag should be changed to Y.</p>

Master Lease Purchase Program

Assets acquired under the Master Lease Purchase Program (MLPP) must be treated as an operating lease (although they meet the definition of a capital lease) since these assets will be reported by TPFA until termination of the lease arrangement. This treatment is necessary to avoid double counting of the assets in the CAFR.

Purchase of MLPP

USAS Entries Made by TPFAs Only	SPA Entries Made by Agencies using MLPP
Expenditures: •Debt Service – Principal – Capital Leases •Interest (all other GLTD) Noncurrent Assets: •Capital Asset AFR Category Liabilities: •Capital Leases Payable	Acquisition Method – 08 (Other Debt Instruments) Debt Finance Method – 02 (MLPP) Paid-Off Flag – N (Default Value) Note: USAS entries are recorded when agencies make operating lease payments to TPFAs.

Liquidation of MLPP Lease Obligation

AFR Note 2	SPA Entries Made by Agencies
TPFA: Show decrease in “adjustments” column for related AFR asset category. Agencies: Show increase in “adjustments” column for related asset category.	Paid-Off Flag – Change to Y and enter effective date

Depreciating Capital Assets

Capital assets should be depreciated over their estimated useful lives unless they are inexhaustible. For a definition of an “inexhaustible asset,” see the Works of Art and Historical Treasures section of this guide.

The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used by all state entities. Agencies may apply the use of the half-year convention for depreciation, or the actual date, for indicating when an asset was rendered into service. Agencies choosing to use the half-year convention depreciation must use March 1 of the fiscal year for the first and last year computations.

Depreciation data will be calculated and stored by the Comptroller’s office for each eligible asset. Accumulated depreciation will be summarized and posted to the accounting general ledger. Agencies that already calculate depreciation expense will be allowed to submit depreciation information to SPA in lieu of a centralized calculation.

Residual Value

In order to calculate depreciation for an asset, the estimated residual value must be declared before depreciation can be calculated. The use of historical sales information becomes invaluable for determining the estimated residual value. Proceeds from sale of assets must be netted against residual value in computing net gain or loss from sale.

Sale of Capital Assets

When an asset is sold to a non-state entity or another state agency, a gain or loss must be recognized in the annual report when:

- cash is exchanged and the amount paid does not equal the net book value of the asset
- cash is not exchanged and the asset is not fully depreciated or has a residual value

A gain or loss **is not** reported when:

- cash exchanged equals the net book value and the asset does not have a residual value
- cash is not exchanged and the asset is fully depreciated and has no residual value

Computation of Gain and Loss from Sale of Assets

To compute a gain or loss, proceeds received must be subtracted from the asset's net book value.

Example:	Asset's Historical Cost	\$10,000
	Less Accumulated Depreciation	<u>7,000</u>
	Net book value	\$3,000
	Subtract Proceeds Received	<u>2,000</u>
	Loss from Sale of Asset	\$1,000

If the asset has been fully depreciated and has a residual value, then the proceeds must be subtracted from the residual value to compute the gain or loss.

Example:	Asset's Historical Cost (residual value = \$1,000)	\$10,000
	Less Accumulated Depreciation	<u>9,000</u>
	Residual value	\$1,000
	Subtract Proceeds Received	<u>2,000</u>
	Gain from Sale of Asset	\$1,000

Note: When the sale is between state entities, the selling agency's historical cost of the asset and the accumulated depreciation will carry in SPA to the agency buying/receiving the asset.

Net Book Value – asset's historical cost less the accumulated depreciation.

Assets Acquired by the Exchange of Other Assets

Similar assets – When recording an exchange of similar assets, agencies must use a book value basis for the assets surrendered or acquired.

- When assets are exchanged and no monetary consideration is paid or received, the cost of the asset acquired is recorded at the book value of the asset surrendered.
- Where monetary consideration is given, the new asset must be recorded at the sum of the cash paid plus the book value of the asset surrendered.

Dissimilar assets – When recording an exchange of dissimilar assets, agencies must:

- Record the value of the asset being traded and the resulting transaction for acquiring the new asset, using the fair value of the asset being traded.
- If cash is used to purchase the asset, agencies must record the transaction for the new asset as cash paid plus the fair value of the asset surrendered.

Assets Held in Trust

Capital assets held by an agency on behalf of a non-state entity (such as art collections owned by families, estates and others) and that are under the temporary control of the agency should be accounted for in SPA. Currently, the accounting treatment is being researched. This includes assets owned by the federal government that have been loaned to a state entity. Assets held in trust must be reported to SPA using the appropriate acquisition and disposal method for such assets.

Controlled Assets

Controlled assets are assets of the state, identified by the Comptroller's office that **must** be secured and tracked on SPA due to the nature of the items. Agencies that secure and track controlled assets must report those assets to the SPA using reporting rules promulgated by the Comptroller. In addition to the controlled assets identified by the Comptroller, an agency may secure and track assets it considers to be high risk or for management purposes. A list of current controlled assets is in Appendix C.

II. Capital Asset Categories

Land and Land Improvements

Land Definition

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 is characterized as having an unlimited life (indefinite).

Land Improvement Definition

Land improvements consist of betterments, site preparation and site improvements (other than buildings) that ready land for its intended use. The costs associated with improvements to land are added to the cost of the land.

Depreciation Methodology

Land and land improvements are inexhaustible assets and do not depreciate over time.

Capitalization Threshold

All acquisitions of land and land improvements will be capitalized.

Examples of Expenditures to be Capitalized as Land and Land Improvements

- Purchase price or fair market value at time of gift
- Commissions
- Professional fees (title searches, architect, legal, engineering, appraisal, surveying, 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 (railroad, telephone and power lines)
- Interest on mortgages accrued at date of purchase
- Accrued and unpaid taxes at date of purchase
- Other costs incurred in acquiring the land
- Water wells (includes initial cost for drilling, the pump and its casing)
- Right-of-way and easements

Buildings and Building Improvements

Building Definition

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. Buildings that are an ancillary part of the state's highway network, such as rest area facilities and toll buildings will be reported as infrastructure rather than as buildings.

Building Improvement Definition

Building improvements are capital events that materially extend the useful life of a building or increase the value of a building, or both. A building improvement should be capitalized as betterment and recorded as an addition of value to the existing building if the expenditure for the improvement is at the capitalization threshold, or the expenditure increases the life or value of the building by 25 percent of the original life period or cost.

Depreciation Methodology

The straight-line depreciation method (historical cost – residual value)/useful life) will be used for buildings, building improvements and their components. Subsequent improvements that change the use or function of the building shall be depreciated.

Buildings designated as “historical” by the Texas Historical Commission will not be depreciated unless used in the operations of the state. However, any improvements or betterments not deemed “historical” by the Texas Historical Commission will be depreciated the same as any other improvements or betterments made to a building.

Capitalization Threshold

The capitalization threshold for buildings and building improvements is \$100,000.

Examples of Expenditures to be Capitalized as Buildings

PURCHASED BUILDINGS

- 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 (legal, architect, inspections, title searches, etc.)
- Payment of unpaid or accrued taxes on the building to date of purchase
- Cancellation or buyout of existing leases
- Other costs required to place or render the asset into operation

CONSTRUCTED BUILDINGS

- Completed project costs
- Interest accrued during construction
- Cost of excavation or grading or filling of land **for a specific building**
- Expenses incurred for the preparation of plans, specifications, blueprints, etc.
- Cost of building permits
- Professional fees (architect, engineer, management fees for design and supervision, legal)
- Costs of temporary buildings used during construction
- Unanticipated costs such as rock blasting, piling, or relocation of the channel of an underground stream
- Permanently attached fixtures or machinery that cannot be removed without impairing the use of the building
- Additions to buildings (expansions, extensions, or enlargements)

Examples of Expenditures to be Capitalized as Improvements to Buildings

Note: For a replacement to be capitalized, it must be a part of a major repair or rehabilitation project, which increases the value, and/or useful life of the building, such as renovation of a student center. A replacement may also be capitalized if the new item/part is of significantly improved quality and higher value compared to the old item/part such as replacement of an old shingle roof with a new fireproof tile roof. Replacement or restoration to original utility level would not. Determinations must be made on a case by case basis.

- Conversion of attics, basements, etc., to usable office, clinic, research or classroom space
- Structures **attached** to the building such as covered patios, sunrooms, garages, carports, enclosed stairwells, etc.
- Installation or upgrade of heating and cooling systems, including ceiling fans and attic vents
- Original installation/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 door frame, 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, masonry, etc.
- Installation or upgrade of plumbing and electrical wiring
- Installation or upgrade of phone or closed circuit television systems, networks, fiber optic cable, wiring required in the installation of equipment (that will remain in the building)
- Other costs associated with the above improvements

Building Maintenance Expense

The following are examples of expenditures **not** to capitalize as improvements to buildings. Instead, these items should be recorded as maintenance expense.

- 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 decoration, such as draperies, blinds, curtain rods, wallpaper
- 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 deteriorated siding, roof, or masonry sections

- Replacement of a part or component of a building with a new part of the same type and performance capabilities, such as replacement of an old boiler with a new one of the same type and performance capabilities
- Any other maintenance-related expenditure which does not increase the value of the building

Facilities and Other Improvements

Facilities Definition

Assets (other than general use buildings) built, installed or established to enhance the quality or facilitate the use of land for a particular purpose.

Other Improvements Definition

Depreciable improvements made to a facility or to land that should be capitalized as betterment if the improvement is at the capitalization threshold or the expenditure increases the life or value of the asset by 25 percent of the original cost or life period.

Depreciation Methodology

The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used for Facilities and Other Improvements.

Capitalization Threshold

The capitalization threshold for facilities and other improvements is \$100,000.

Examples of Expenditures to be Capitalized as Facilities and Other Improvements

- Fencing and gates
- Landscaping
- Parking lots/driveways/parking barriers
- Outside sprinkler systems
- Recreation areas and athletic fields (including bleachers)
- Golf courses
- Paths and trails
- Septic systems
- Stadiums
- Swimming pools, tennis courts, basketball courts
- Fountains
- Plazas and pavilions
- Retaining walls

Infrastructure

Infrastructure Definition

Assets that are long-lived capital assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Infrastructure assets are often linear and continuous in nature.

Note: Prospective reporting of general infrastructure assets is required beginning in fiscal 2002. Also required is the retroactive reporting of infrastructure assets purchased, constructed, or donated in fiscal years ending after June 30, 1980 or that received major renovations, restorations, or improvements during that period. State entities are encouraged to report their entire infrastructure, if possible.

Infrastructure Improvements

Infrastructure improvements are capital events that materially extend the useful life or increase the value of the infrastructure, or both. Infrastructure improvements should be capitalized as betterment and recorded as an addition of value to the infrastructure if the improvement or addition of value is at the capitalization threshold or increases the life or value of the asset by 25 percent of the original cost or life period.

Jointly Funded Infrastructure

Infrastructure paid for jointly by the state and other governmental entities should be capitalized by the entity responsible for future maintenance.

Modified Approach vs. Depreciation

The modified approach is an alternative to reporting depreciation for infrastructure assets that meet the following criteria:

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

Depreciation is not reported for infrastructure assets reported using the modified approach. Only infrastructure assets that comprise a network or subsystem of a network can be reported using the modified approach. The state highway system (excluding bridges) administered by Texas Department of Transportation (TxDOT) will be the only network reported by the state using the modified approach.

Maintenance Costs

Maintenance costs allow an asset to continue to be used during its originally established useful life. Maintenance costs are expensed in the period incurred.

Preservation Costs

Preservation costs are generally considered to be those outlays that extend the useful life of an asset beyond its original estimated useful life, but do not increase the capacity or efficiency of the asset. Preservation costs should be expensed under the modified approach and capitalized under the depreciation approach.

Additions and Improvements

Additions and improvements are those capital outlays that increase the capacity or efficiency of the asset. A change in capacity increases the level of service provided by an asset. For example, additional lanes can be added to a highway or the weight capacity of a bridge could be increased. A change in efficiency maintains the same service level, but at a reduced cost. For example, a heating and cooling plant could be reengineered so that it produces the same temperature

changes at reduced cost. The cost of additions and improvements should be capitalized under both the modified and depreciation approaches to reporting infrastructure.

Depreciation Methodology

The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used for infrastructure assets. However, TxDOT will use the modified approach for the state highway system.

Capitalization Threshold

The capitalization threshold for infrastructure is \$500,000. Infrastructure already capitalized will remain capitalized.

Examples of Expenditures to be Capitalized as Infrastructure

- Highway and rest areas
- Roads, streets, curbs, gutters, sidewalks, fire hydrants
- Bridges, railroads, trestles
- Canals, waterways, wharf, docks, sea walls, bulkheads, boardwalks
- Dam, drainage facility
- Radio or television transmitting tower
- Electric, water, wastewater and gas main lines and distribution lines, tunnels
- Fiber optic and telephone distribution systems (between buildings)
- Light system (traffic, outdoor, street, etc.)
- Signage
- Airport runway/strip/taxiway/apron
- Booster pumps
- Lift stations

Personal Property

Personal Property Definition

Fixed or movable tangible assets to be used for operations, the benefits of which extend beyond one year from date of acquisition and rendered into service. Improvements or additions to existing personal property that constitute a capital outlay or increase the value or life of the asset by 25 percent of the original cost or life should be capitalized as betterment and recorded as an addition of value to the existing asset.

Note: Costs of extended warranties and/or maintenance agreements, which can be separately identified from the cost of the equipment, should not be capitalized.

Jointly Funded Personal Property

Personal property paid for jointly by the state and other governmental entities should be capitalized by the entity responsible for future maintenance.

Depreciation Methodology

The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used for personal property.

Capitalization Threshold

The capitalization threshold for personal property is \$5,000. State entities that have a multiple year cost allocation plan or an indirect cost proposal **will not** be required to implement the new threshold until such time that they renegotiate their cost allocation plan or indirect cost proposal with their federal cognizant agency, such as the U.S. Department of Health and Human Services.

Examples of Expenditures to be Capitalized as Personal Property

- Original contract or invoice price
- Freight charges
- Import duties
- Handling and storage charges
- In-transit insurance charges
- Sales, use, and other taxes imposed on the acquisition
- Installation charges
- Charges for testing and preparation for use
- Costs of reconditioning used items when purchased
- Parts and labor associated with the construction of equipment

Library Books and Reference Materials

Library Books and Materials Definition

A library book is generally a literary composition bound into a separate volume and identifiable as a separate copyrighted unit. Library reference materials are information sources other than books which include journals, periodicals, microforms, 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. Changes in value for professional, academic or research libraries may be reported on an aggregated net basis.

Library Characteristics

A professional, academic or research library normally has one or more of the following characteristics:

- Internal controls are in place in lieu of central property management.
- Information is housed in a centralized location.
- Physical security measures are in place to protect the assets.
- Checkout procedures and policies exist and are used.
- Individual item costs and supplemental information is generally contained in a supplemental database.
- Volumes assigned to libraries are typically available to employees, students, and other individuals for check-out or use.
- Existence of the library helps the entity fulfill its mission.
- The value is material to the organization.
- Equipment assigned to libraries typically remains under central security for on-premises use.

A library may be reported on a composite basis by making net adjustments to total value to reflect increase or decrease in total value. Net adjustments must be made at least once annually by the close of the fiscal year.

Depreciation Methodology

Professional, academic and research library books and materials are considered inexhaustible assets and should not be depreciated. These library books and materials have an economic benefit or service potential that is used up slowly, and their estimated useful lives are extraordinarily long. Some books have a cultural, aesthetic, or historical value, and efforts are usually applied to protect and preserve these assets in a manner greater than that for similar assets without such cultural, aesthetic, or historical value.

The straight-line depreciation method will be used for books and materials purchased but not used in a library if the capitalization threshold is met.

Capitalization Threshold

All purchases of books and materials for a professional, academic or research library should be capitalized, as there is no minimum dollar amount. Library acquisitions are valued at cost or other reasonable basis; deletions are valued at annually adjusted average cost. The library maintains records of all books and other library items, which suffice as detailed inventory records.

Books, periodicals and other materials purchased but not used in a library should be expensed unless they constitute a capital event.

Examples of Expenditures to be Capitalized as Library Books and Materials

- Invoice price
- Freight charges
- Handling
- In-transit insurance charges
- Binding
- Electronic access charges
- Reproduction and like costs required to place assets in service, with the exception of library salaries

Works of Art and Historical Treasures

Works of Art and Historical Treasures Definition

Collections or individual items of significance that are owned by a state agency which are not held for financial gain, but rather for public exhibition, education or research in furtherance of public service. Collections or individual items that are protected and cared for or preserved and subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

Exhaustible collections or items – items whose useful lives are diminished by display or educational or research applications.

Inexhaustible collection or items – where the economic benefit or service potential is used up so slowly that the estimated useful lives are extraordinarily long. Because of their cultural, aesthetic, or historical value, the holder of the asset applies efforts to protect and preserve the asset in a manner greater than that for similar assets without such cultural, aesthetic, or historical value.

Depreciation Methodology

The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used for exhaustible collections. Inexhaustible items should not be depreciated.

Capitalization Threshold

All works of art and historical treasures acquired or donated will be capitalized as of September 1, 2001 unless held for financial gain. 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 conditions for exemption from capitalization.

If a collection is held for financial gain and not capitalized, disclosures must be made in the notes that provide a description of the collection and the reasons these assets are not capitalized. When donated collection items are added to noncapitalized collections, program expense equal to the amount of revenues should be recognized.

Examples of Expenditures to be Capitalized as Works of Art and Historical Treasures

- Collection of rare books, manuscripts
- Maps, documents and recordings
- Works of art such as paintings, sculptures, and designs
- Artifacts, memorabilia, exhibits
- Unique or significant structures

Computer Software

Comptroller policies relating to the capitalization of computer software for state agencies will not change. However, colleges and universities are now required by the National Association of College and University Business Officers to adopt the AICPA Statement of Position 98-1, Software Developed or Obtained for Internal Use (SOP 98-1). The requirements of this document are effective for all higher education institutions for fiscal years beginning June 15, 1999, with earlier application recommended.

State Agencies

CAPITALIZATION OF COST/THRESHOLD

State agencies will record the payment for the purchase of computer software whose unit value cost is \$5,000 or greater and has an estimated useful life of more than one year. Capitalization of computer software includes software license fees if the total dollar amount of the fee divided by the number of units served (terminals) meets the criteria to capitalize the purchase.

Colleges and Universities (AICPA SOP-98-1)

INTERNAL USE SOFTWARE DEFINITION

For software to be considered for internal use, the college/ university must meet the following tests:

- The software must be acquired, internally developed or modified solely to meet the college/university's internal needs, **and**
- During the software's development or modification, the college/university must not have a substantive plan to market the software externally to other organizations.

CAPITALIZATION OF COSTS

Software development generally involves three phases. These phases and their characteristics are as follows:

- Preliminary project phase – when conceptual formulation of alternatives, the evaluation of alternatives, determination of existence of needed technologies and final selection of alternatives is made.
- Application development phase – Design of chosen path including software configuration and software interfaces, coding, installation of computer hardware and testing, including parallel processing phase.
- Post-implementation/operation phase – training and application maintenance activities.

Costs associated with the preliminary project and the post- implementation/operating phases should be expensed as incurred. Internal and external costs associated with the application development phase should be capitalized. Costs to develop or obtain software that allows for access or conversion of old data by new information systems should also be capitalized. General and administrative costs and overhead expenditures associated with software development should not be capitalized as costs of internal use software.

Capitalization of costs should begin when the preliminary project phase is complete and the college/university's management has implicitly or explicitly authorized or commits to funding the software project with the intent it will be completed and used to perform its planned functions. Capitalization should cease no later than the time at which substantial testing is complete and the software is ready for its intended purpose or rendered in service.

Examples of Expenditures during the Application Development Phase to be Capitalized

- External direct costs of materials and services (third party fees for services)
- Costs to obtain software from third parties
- Travel costs incurred by employees in their duties directly associated with development
- Payroll and payroll-related costs of employees directly associated with or devoting time in coding, installing or testing
- Interest costs incurred during the application development

DEPRECIATION METHODOLOGY

The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used for software developed or obtained for internal use.

CAPITALIZATION THRESHOLD

The capitalization threshold for internally developed software is \$100,000. Values are to be reported to SPA using a property number for each application developed.

MARKETING OF SOFTWARE DEVELOPED OR OBTAINED FOR INTERNAL USE

If a college/university decides to market the software, proceeds received from the license of the software, net of direct incremental costs (i.e., marketing, commissions, software reproduction costs, warranty and service obligations, and installation costs) should be applied against the carrying amount of the software.

Profits should not be recognized until aggregate net proceeds from licenses and amortization have reduced the carrying amount of the software to zero. Subsequent proceeds should be recognized in revenues as earned. If, during the development of internal use software, the agency decides to market the software to other organizations, the agency is required to follow the requirements of Financial Accounting Standards Board Statement No. 86 – Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed.

Leasehold Improvements

Leasehold Improvements Definition

Construction of new buildings or improvements made to existing structures by the lessee, who has the right to use these leasehold improvements over the term of the lease. These improvements **will revert to the lessor** at the expiration of the lease. Moveable equipment or office furniture that is not attached to the leased property is not considered a leasehold improvement. Leasehold improvements do not have a residual value.

Depreciation Methodology

Leasehold improvements are capitalized by the lessee and are amortized over the shorter of (1) the remaining lease term, or (2) the useful life of the improvement. 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 written off over the life of the initial lease term or useful life of the improvement, whichever is shorter.

Capitalization Threshold

The capitalization threshold for leasehold improvements is \$100,000.

Construction in Progress

Construction in Progress Definition

Construction in Progress reflects the economic construction activity status of buildings and other structures, infrastructure (highways, energy distribution systems, pipelines, etc.), additions, alterations, reconstruction, installation, and maintenance and repairs which are substantially incomplete.

Depreciation Methodology

Depreciation is not applicable while assets are accounted for as Construction in Progress. See appropriate capital asset category when asset is capitalized.

Capitalization Threshold

Construction 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 asset is placed into service.

Master Lease Purchase Program

Participants in the Master Lease Purchase Program (MLPP) must report their payments to the Texas Public Finance Authority (TPFA) similar to an operating lease. Neither an asset nor a liability is reported by the agency as these will be reported by TPFA until termination of the lease arrangement.

Each agency will maintain custodial responsibility for the assets subject to the MLPP. This will require the normal inventory and accounting controls exercised for all agency assets. Agencies do not include the assets on the Annual Financial Report until sufficient lease payments have been made to liquidate the lease obligation. At the conclusion of the lease, the asset title is transferred to the agency and general fixed assets are increased for the asset's original cost and associated depreciation. The fixed asset note will show an addition in this amount. No operating statement posting is required.

Depreciation

Equipment purchased through the MLPP shall begin depreciation at the point the property is placed into service.

Appendix A

Capital Asset Object Codes Effective September 1, 2001 (Old and New)

ASSET CATEGORIES Per Capital Asset Guide	Capitalize/Expense	Object Code Number and Title (New codes in bold)
Land and Land Improvements	CAPITALIZE	7345 Real Property – Land
		7346 Real Property – Land Improvements
		7348 Real Property – Land/Highway Right-of-Way (Restricted to TxDot use only)
	EXPENSE	7271 Real Property – Land/Maintenance and Repair
Buildings and Building Improvements	CAPITALIZE	7342 Real Property – Buildings
		7343 Real Property – Building Improvements
	EXPENSE	7266 Real Property – Buildings/ Maintenance and Repair
		7340 Real Property and Improvements (To be used for buildings, facilities, infrastructure and related improvements)
		7936 Real Property – Building and Improvements/ Depreciation Expense
Facilities and Other Improvements	CAPITALIZE	7336 Real Property – Facilities and Other Improvements
	EXPENSE	7338 Real Property – Facilities and Other Improvements/ Maintenance and Repair
		7340 Real Property and Improvements
		7937 Real Property – Facilities and Other Improvements/ Depreciation Expense
Infrastructure	CAPITALIZE	7356 Real Property – Infrastructure
		7357 Real Property – Infrastructure/Preservation Cost
		7520 Real Property – Infrastructure/ Telecommunications
	EXPENSE	7270 Real Property – Infrastructure/ Maintenance and Repair
		7340 Real Property and Improvements
		7358 Real Property – Infrastructure/ Preservation Cost (Restricted to TxDot use only)
		7514 Real Property – Infrastructure/ Telecommunications/Maintenance and Repair
		7521 Real Property – Infrastructure/ Telecommunications
		7938 Real Property – Infrastructure/ Depreciation Expense

Personal Property	CAPITALIZE	7361 Personal Property	7365 Personal Property – Boats	
			7365 Personal Property – Boats	
			7375 Personal Property – Aircraft	
			7371 Personal Property – Passenger Cars	
			7372 Personal Property – Other Motor Vehicles	
			7373 Personal Property – Furnishings and Equipment	
			7379 Personal Property – Computer Equipment	
			7386 Personal Property – Animals	
			7512 Personal Property – Telecommunications Equipment	
		EXPENSE	7374 Personal Property – Furnishings and Equipment – Controlled	
	7378 Personal Property – Computer Equipment – Controlled			
	7334 Personal Property – Furnishings, Equipment and Other			
	7335 Parts – Computer Equipment			
	7377 Personal Property – Computer Equipment			
	7380 Personal Property – Computer Software			
	7384 Personal Property – Animals			
	7262 Personal Property – Maintenance and Repair – Computer Software			
	7263 Personal Property – Maintenance and Repair – Aircraft			
	7263 Personal Property – Maintenance and Repair – Aircraft			
	7267 Personal Property – Maintenance and Repair – Computer Equipment			
7367 Personal Property – Maintenance and Repair				
7368 Personal Property – Maintenance and Repair/ Motor Vehicles				
7517 Personal Property – Telecommunications Equipment				
	7939 Personal Property – Depreciation Expense			
Library Books and Reference Materials	CAPITALIZE	7389 Personal Property – Books and Reference Materials		
	EXPENSE	7382 Personal Property – Books and Reference Materials		
Works of Art and Historical Treasures	CAPITALIZE	7369 Personal Property – Works of Art and Historical Treasures		
Computer Software	CAPITALIZE	7387 Personal Property – Computer Software		

Leasehold Improvements	CAPITALIZE	7344 Leasehold Improvements
	EXPENSE	7354 Leasehold Improvements
Construction in Progress	CAPITALIZE	7341 Real Property – Construction in Progress
		7347 Real Property – Construction in Progress/Highway Network (Restricted to TxDot use only)
		7388 Personal Property – Construction in Progress – Fabrication of Equipment
Capital Leases		7350 Real Property – Buildings/Capital Lease
		7337 Real Property – Facilities and Other Improvements/Capital Lease
		7519 Real Property – Infrastructure/ Telecommunications/Capital Lease
		7351 Personal Property – Passenger Cars/Capital Lease
		7352 Personal Property – Other Motor Vehicles/Capital Lease
		7366 Personal Property – Capital Lease
		7376 Personal Property – Furnishings and Equipment/Capital Lease
		7385 Personal Property – Computer Equipment/Capital Lease
Note: For a detailed description of object codes, see the Comptroller Manual of Accounts.		
Buildings and Building Improvements	EXPENSE	7340 Real Property and Improvements (To be used for buildings, facilities, infrastructure and related improvements)
		7936 Real Property – Building and Improvements/Depreciation Expense
Facilities and Other Improvements	CAPITALIZE	7336 Real Property – Facilities and Other Improvements
	EXPENSE	7338 Real Property – Facilities and Other Improvements/Maintenance and Repair
		7340 Real Property and Improvements
		7937 Real Property – Facilities and Other Improvements/Depreciation Expense
Infrastructure	CAPITALIZE	7356 Real Property – Infrastructure
		7357 Real Property – Infrastructure/Preservation Cost
	EXPENSE	7340 Real Property and Improvements
		7358 Real Property – Infrastructure/Preservation Cost (Restricted to TxDot use only)
		7521 Real Property – Infrastructure/Telecommunications
		7938 Real Property – Infrastructure/Depreciation Expense

Personal Property	CAPITALIZE	7361 Personal Property
		7512 Personal Property – Telecommunications Equipment
	EXPENSE	7367 Personal Property – Maintenance and Repair
		7368 Personal Property – Maintenance and Repair/Motor Vehicles
		7939 Personal Property – Depreciation Expense
Works of Art and Historical Treasures	CAPITALIZE	7369 Personal Property – Works of Art and Historical Treasures
Leasehold Improvements	EXPENSE	7354 Leasehold Improvements -
Capital Leases		7337 Real Property – Facilities and Other Improvements/ Capital Lease
		7366 Personal Property – Capital Lease
Note: For a detailed description of object codes, see the Comptroller Manual of Accounts.		

Appendix B

CLASS CODES DIRECTORY

Class Codes by Name

A		E	
Agricultural Equipment.....	175	Equipment, Other.....	720
Aircraft.....	731-750	F	
Aircraft, Other.....	750	Facilities and Other	
Aircraft – Helicopters.....	734	Improvements.....	003-016
Aircraft – Jet.....	731	Fax Machines, Telecopies*.....	121
Aircraft - Propeller:		Ferries.....	724
Multiple Engine.....	733	Furniture and Equipment.....	101-132, 134-136, 144-252, 255-294, 500-557, 711-713, 720, 725
Single Engine.....	732	H	
Art Collections.....	801-802	Hand Guns**.....	106
B		Helicopters.....	734
Balance*	504	Horses.....	851
Boats.....	721-724, 730	I	
Boats - Shorter than 20 feet.....	722	Incubators and Accessories.....	521
Boats - 20-Foot or Greater.....	721	Infrastructure.....	055-089
Boats, Other.....	730	Instructional Equipment.....	150
Bookbinding Equipment.....	190	K	
Building Maintenance Equipment...	197	Kitchen Appliances and Equipment...	195
Buildings.....	030-054	L	
Buses.....	703, 718-719	Land.....	001-002
C		Laptops, Portable, CPU*.....	284, 294
Cabinets.....	105	Laundry Equipment.....	196
Calculators.....	108	Laserdisk Players*.....	131
Cameras*.....	130	Library Books.....	751, 752
Camcorders*.....	131	Livestock.....	851-855
Cases.....	105	Livestock, Other.....	855
Centrifuge*.....	507	M	
Chairs.....	103	Miscellaneous Machinery.....	180
Construction-In-Progress.....	090	Machines, Office.....	179
Computer Equipment.....	201-294	Medical and Scientific Lab	
Computer Software.....	307-311	Equipment.....	501-557
Purchased Software.....	307	Microcomputer Software.....	307-311
Internally Developed Software..	308	Microscopes and Accessories*.....	525
Customized Software (i.e. ISAS)..	310	Minicomputers*, Servers.....	203
Enterprise Software.....	311	Motorcycles.....	704
Cosmetology.....	189	Multiplexor, HUB, MAU.....	252
Cows.....	852	Musical Instruments.....	133
D		O	
Desks.....	101	Oscilloscopes*.....	528
Desktop CPU*.....	204-214		
Docking Stations.....	215		

P

Passenger Cars.....701
 Photocopying Equipment.....120
 Portable CPUs*.....284, 294
 Printers*.....208, 288
 Printing Machines.....190

R

Rifles**.....107

S

Safety Equipment.....197
 Scientific and Laboratory
 Equipment.....501-557
 Servers, Minicomputers*.....203
 Sheep.....853
 Sound Systems/Equipment, Other....132
 Sports Utility Vehicles.....707
 Stereo Systems*.....129
 Swine.....854

T

Tables.....102
 Telecommunication Equipment,
 Other.....700
 Telephones.....675-700
 Automatic Call Distributors.....678
 PBX, KSU, Voice Mail, Phone
 Systems.....675
 Phone Equipment (other than
 systems).....700
 Televisions*.....131
 Tools.....170
 Trucks.....702, 709, 714-715
 Typewriters.....109

V

Vans.....708, 716
 Vehicle Components/Life 60 Months..705
 Vehicle Components/Life 120 Months.706
 Vehicle Maintenance Equipment....119
 Vehicles.....701-720
 Video Recorders/VCRs*.....131
 Voice Communications
 Inventory.....675-7000

W

Weather Equipment.....182
 Word Processors.....109
 Works of Art.....801-802

Class Codes by Number

001-002 LAND AND LAND IMPROVEMENTS	
Land and Land Improvements.....	0
Land: Right of Way.....	0
003-016 FACILITIES AND OTHER IMPROVEMENTS	
Fencing and Gates.....	300
Landscaping.....	120
Parking Lot/Driveway/Parking Barrier.....	240
Outside Sprinkler System.....	180
Recreational Area, Athletic Field (including bleachers).....	144
Golf Course.....	240
Path and Trails.....	132
Septic System.....	180
Stadiums.....	540
Swimming Pool, Tennis Court.....	264
Fountain.....	240
Plaza, Pavilion.....	720
Retaining Wall.....	240
030-054 BUILDINGS AND BUILDING IMPROVEMENTS	
Building Exterior: Residential.....	360
Building Exterior: Office.....	360
Building Exterior: Correctional Facilities.....	360
Building Exterior: Farm.....	360
Building Exterior: Storage and Warehouse.....	360
Building Exterior: Garage and Hangar.....	360
Building Exterior: Hospital.....	360
Building Exterior: Education.....	360
Building Exterior: Research.....	360
Building Exterior: Museum.....	360
Building Exterior: Chilling Station/Boiler.....	360
Building Exterior: Clinics.....	360
Building Interior: Elevator.....	240
Building Interior: Carpet.....	180
Building Interior: Modular/Fixed Furniture.....	240
Building Interior: Sprinkler System.....	240
Building Interior: Electrical.....	240
Building Interior: Roof.....	120
Building Interior: Curtains and Drapes.....	60
Building Interior: Water System.....	240
Building Interior: Heating/Cooling System/Air Circulation.....	180
Building Interior: Security.....	120
Building Interior: Cabling/Fiber Optic.....	120
Building Interior: Fire Alarm System.....	120
055-089 INFRASTRUCTURE & INFRASTRUCTURE IMPROVEMENTS	
Highway System & Rest Areas.....	0
Road/Street (curb, gutters).....	240
Bridge - Concrete Girder (pan).....	420
Bridge - Concrete Slab.....	240
Bridge - Culvert.....	420
Bridge - Prestressed Girder (box).....	360
Bridge - Prestressed Girder.....	300
Bridge - Steel Girder.....	300
Bridge - Steel Truss Category One.....	540
Bridge - Steel Truss Category Two.....	540
Bridge - Timber Stringe.....	300
Sewer (sanitary, storm).....	240
Railroad.....	120
Canal.....	240
Waterway.....	240
Drainage Facility.....	240
Wharf or Dock.....	240
Radio or Television Tower.....	240
Dam.....	600
Electric (lines & distribution).....	240
Gas (main & lines).....	300
Water Lines.....	300
Fiber Optic (information technology)	240
Telephone Distribution System.....	120
Tunnels (utility).....	540
Tunnels (other).....	540
Lighting System (traffic, outdoor, street,	

etc.).....	180
Signage.....	120
Airport Runway/Strip/Taxi Area/ Apron.....	192
Trestles.....	540
Sea Walls/Bulkheads/Piers/ Boardwalks.....	420
Fire Hydrants.....	300
Agricultural Irrigation Systems.....	420
Sidewalks.....	192

90 CONSTRUCTION-IN-PROGRESS...0

91 LEASEHOLD IMPROVEMENTS...60

**1101-700,
720, 725 FURNITURE and
EQUIPMENT, OTHER PERSONAL
PROPERTY**

101 Desks	
Desks.....	120
Typewriter Desks.....	120
102 Tables	
Card Tables.....	120
Collapsible Tables.....	120
Drawing Tables.....	120
End Tables.....	120
Folding Tables.....	120
Kitchen Tables.....	120
Tables.....	120
103 Chairs	
Chairs.....	120
Dental Chairs.....	120
Executive Chairs.....	120
Folding Chairs.....	120
Seats.....	120
Settees.....	120
Stools.....	120
104 Personal Furniture	
Bed.....	144
Dresser.....	144
Rocker.....	144
105 Cases, Cabinets and Credenzas	
Apparatus Cabinets.....	120
Beverage Cooling, Ice or Electric Cabinets.....	120

Blood Plasma Cabinets.....	120
Dental Cabinets.....	120
Display Cases.....	120
Drafting Print Cabinets.....	120
Exhibit Cases.....	120
File Cases.....	120
Filing Cabinets.....	120
Frozen Food Storage Cabinets.....	120
Galley Printers Cabinets.....	120
Ice Cream, Ice or Electric Cabinets....	120
Laboratory Cabinets.....	120
Laboratory Cases.....	120
Lantern Slide Cabinets.....	120
Medicine Cases.....	120
Printing Cases.....	120
Sectional Bookcases.....	120
Supply Cases.....	120
Supply Cabinets.....	120
Type Cases.....	120
Type Printers Cabinets.....	120
106 Hand Guns**	
Hand Guns.....	120
107 Rifles**	
Machine Guns.....	120
Rifles.....	120
Shotguns.....	120
108 Calculators	
Calculating Machines.....	84
Calculators.....	84
109 Typewriters, Word Processors	
Typewriters.....	84
Word Processors.....	84
110 Other Office Furniture	120
119 Vehicle Maintenance Equipment	
Automobile Lifts.....	84
Battery Chargers.....	84
Brake Drum Lathes.....	84
Brake Lining Machines.....	84
Chamber Alignment Gauges, Etc.....	84
Clutch Rebuilding Apparatus.....	84
Engine Lathes.....	84
Engine Repair Stands.....	84
Garage Type Hydraulic Jacks.....	84
Hand or Power Brakes and Folders....	84
Motor Analyzers.....	84

Motor Generator Sets.....	84	133 Musical Instruments	60
Spark Plug Cleaning Machines.....	84	134 Recreational Equipment	
Tire Spreaders.....	84	Bicycle.....	120
Tire Stacks.....	84	Pool Table.....	120
Vehicle Maintenance Equipment.....	84	135 Video Conferencing Equipment	
Wheel Straightening Apparatus.....	84	Equipment.....	60
120 Photocopying Equipment		136 GPS Equipment	
Ditto Machines.....	84	Geodesic Positioning Systems.....	60
Duplicating Equipment, All Types.....	84	140 Other Assets	
Enlargers.....	84	141 Other Assets	
Infrared Drying Units.....	84	142 Other Assets	
Mimeograph Machines.....	84	144 Warehouse Equipment Forklift	
Photocopiers/Apparatus.....	84	145 Mailroom Equipment	
Photoengravers/Routers Planing		Folder.....	108
Machines.....	84	Insertor.....	108
Presses.....	84	Labeler.....	108
Stereoscopes.....	84	Band Tyer.....	108
Typecasting Machines.....	84	150 Instructional Equipment	
Varytypers Hectographs.....	84	Arts & Crafts Equipment.....	84
Photographic Washers and Dryers.....	84	Chart Stands.....	84
121 Fax Machines, Telecopier*		Gym Equipment.....	84
Fax Machines.....	84	Hurdles.....	84
Telecopiers.....	84	Portable Blackboards.....	84
129 Stereo Systems*	84	Sculpturing Equipment.....	84
130 Cameras*		Track and Field.....	84
Cameras.....	84	World Globes.....	84
Video Cameras.....	84	155 Conveyer Systems	180 156
131 Video Recorders/Laserdisk		Drills, Stationary	180 157
Players* - (TV, VCR, camcorder)		Gin Machinery.....	180 158
Camcorders.....	84	Grinders, Stationary	180 159
Television and VCR Combinations....	84	Lathes, Stationary.....	180
Television Sets.....	84	160 Metal Working Machine,	
Video Cassette Recorders.....	84	Stationary, Others	180
132 Other Sound Systems/		161 Milling Machines	180
Equipment		162 Pallet Trucks, Lifts, Jacks,	
Camera Equipment.....	84	Hydraulic.....	180
Electronic Recording Devices.....	84	163 Saws, Stationary	180
Microfilm/Microfiche Machines.....	84	164 Scales	180
Optical Disks.....	84	165 Shapers, Joiners, Planers,	
Phonographs/Record Players.....	84	Stationary.....	180
Portable Public Address Systems.....	84	166 Sharpeners, Stationary	180
Projection/Portable Screens.....	84	167 Shears	180
Radio Receivers and Transmitters....	84	168 Textile Machines	180
Recording Electrical Instruments....	84	169 Woodworking Machines ...	180
Sound Recorders.....	84	170 Tools	
Still/Motion/Micro Projectors.....	84	Anvils.....	84

Auto Body, Pneumatic, Etc Hammers.....	84	Accounting Machines.....	84
Band Saws.....	84	Adding Machines.....	84
Bench, Floor or Radial Drill Presses.....	84	Addressing Machines.....	84
Chisels in Sets.....	84	Billing Machines.....	84
Circular Saws.....	84	Bookkeeping Machines.....	84
Dies in Sets.....	84	Cash Registers.....	84
Electric/Hand Hammers.....	84	Check Handling Machines.....	84
Electric Sanding Machines.....	84	Checkwriters.....	84
Forges.....	84	Coin, Currency, and Check Handling Machines.....	84
Hand Tools in Sets.....	84	Coin Handling Machines.....	84
Jointers.....	84	Dating Machines.....	84
Machine Tools.....	84	Dictaphones.....	84
Miter Boxes.....	84	Dictating Machines.....	84
Mortisers.....	84	Electric Erasers.....	84
Power Drills.....	84	Envelope Sealers.....	84
Power Driven, Pneumatic and Electric Hand Tools.....	84	Filing Machines.....	84
Power Hack Saws.....	84	Paper Cutters.....	84
Sanding Machines.....	84	Postal Meters.....	84
Socket Wrench Sets.....	84	Power Stamping Machines.....	84
Welding Apparatus.....	84	Shorthand Writing Machines.....	84
175 Agricultural Equipment		Tabulating Machines.....	84
Agricultural Binders.....	84	180 Miscellaneous Machines	
Combines.....	84	Air Compressors.....	84
Cultivators.....	84	Air Hoists.....	84
Field Plows.....	84	Arc Welding Apparatus.....	84
Harnesses.....	84	Blueprint Machines.....	84
Harrows.....	84	Canning Machinery.....	84
Hedge/Power Trimmers.....	84	Cement Making Machinery.....	84
Lawn Blowing Machines.....	84	Centering Machines.....	84
Lawn Rollers 84 Lawn String Trimmers.....	84	Chain Hoists.....	84
Lawnmowers.....	84	Cloth Cutting Machines.....	84
Manure Spreaders.....	84	Coin Operated Machines.....	84
Mowers.....	84	Computing Machines.....	84
Power Operated Grass Shears.....	84	Connecting Rod Boring Machines.....	84
Power Operated Shears.....	84	Conveyors.....	84
Power Pruners.....	84	Cylinder Boring Machines.....	84
Power Sprayers and Dusters.....	84	Drafting Machines.....	84
Power Sprayers.....	84	Electric Gasoline Dispensing Pumps.....	84
Sheep/Horse Electric Clippers.....	84	Electric or Pneumatic Hoists.....	84
Trailers (farm-type) Wagons.....	84	Electric Welding Apparatus.....	84
Wheelbarrows.....	84	Elrod Lead, Slug, and Rule Casting Machines.....	84
179 Office Machines		Engine Flushing Machines.....	84
		Foundry Machinery.....	84
		Gas Compressors.....	84

Gas Cylinders.....	84	Lithographic or Offset Printing Presses.....	84
Gear Cutting Machines.....	84	Power Presses.....	84
Lathes, Turret, or Automatic Screw Machines.....	84	Punch, Foot Power Presses.....	84
Metalworking Machinery.....	84	Printing Frames.....	84
Milling Machines.....	84	195 Kitchen Appliances & Equipment	
Mixing Machines.....	84	Canners.....	84
Nibbling Machines.....	84	Coffee Grinders.....	84
Not Integral Parts of Larger Units		Coffee Urns.....	84
Generators.....	84	Cooking Ranges.....	84
Permanent Waving Machines.....	84	Cooking Stoves.....	84
Polishing Machines.....	84	Counter Freezers.....	84
Power Numbering Machines.....	84	Deep Fat Fryers.....	84
Power Operated Grinders.....	84	Deep Freezers.....	84
Precision Table or Vertical Types Boring Machines.....	84	Dishwashing Machines.....	84
Sanding Machines.....	84	Electric Broilers.....	84
Sewing Machines.....	84	Electric Coffee Percolators.....	84
Type Metal Remelting Furnaces.....	84	Electric Dishwashers.....	84
Vending Machines.....	84	Electric Eggbeaters.....	84
Weaving Machines.....	84	Electric Hot Plates.....	84
182 Weather Equipment		Electric Juice Extractors.....	84
Anemometers.....	84	Electric Mixers.....	84
Barographs.....	84	Electric Toasters.....	84
Barometers.....	84	Electrical Bread Toasters.....	84
Boyles Law Apparatus, Complete Unit.....	84	Electrical Peelers.....	84
Pyrometers.....	84	Freezers.....	84
Thermographs.....	84	Gas Plates.....	84
Tunnels, Models, Wind.....	84	Gas Stoves.....	84
189 Cosmetology		Ice Cream Freezers.....	84
Beauty Class Furniture.....	84	Large Potato Peeling Machine.....	84
Electric Hair Clippers.....	84	Mechanical Bread Slicers.....	84
Electrical Barbershop Tools.....	84	Microwave Ovens.....	84
Hair Dryers.....	84	Ovens.....	84
190 Printing Machines & Bookbinding Equipment		Power Food Choppers.....	84
Arbor Presses.....	84	Pressure Cookers.....	84
Book Bookbinders Presses.....	84	Refrigerators, Electric or Ice, Not Built- in.....	84
Bookbinding Machinery.....	84	Stoves.....	84
Compression Molding Baling Presses.....	84	196 Laundry Equipment	
Cylinder, Flat Bed, Printing Presses.....	84	Clothes Dryers.....	84
Embossers.....	84	Dry-cleaning Machines.....	84
Engraving Presses.....	84	Electric Flatirons.....	84
Letter Presses.....	84	Electric Irons.....	84
Linotypes.....	84	Laundry Machines.....	84
		Pressing Machines.....	84

Steam Vapor Cleaners.....	84
Washing Machines.....	84
197 Building Maintenance & Safety Equipment	
Andirons.....	84
Electric Floor Scrubbers.....	84
Electrical Buffers.....	84
Fire Extinguishers.....	84
Fireplace Fixtures.....	84
First Aid.....	84
Power Driven Brooms.....	84
Scrubbing Machines.....	84
Security Systems.....	84
Smoke Detectors.....	84
Vacuum Cleaners.....	84
Water Coolers.....	84
Waxing Machines.....	84
198 Portable Building	108
200 Other Furniture & Equipment	120
201-294 COMPUTER EQUIPMENT	
201 Supercomputer Computer Hardware – Supercomputer.....	60
202 Mainframe Computer & Peripherals	96
203 Minicomputer*, Servers	72
204 Desktop CPU - Not Apple* ...	72
205 Peripheral Devices Microcomputer Disk, Tape, Optical Drives.....	60
208 Printers (not portable*) Computer Hardware – Printers.....	84
Laser Printers.....	84
Printers.....	84
209 Terminals, Monitors Computer Hardware - Terminals, Monitors.....	72
Personal Computer Display Terminal.	72
210 Controllers Tape, Disk, Terminal.....	72
213 Other Computer Hardware .	60
214 CPU Desktop - Apple*	72
215 Docking Station	36
218 Data Projectors 'Proxima,' or Data viewers w/o Projector.....	72

240 Security System Card Reader, Camera, Monitor (not built- in).....	72
241 Image Scanner.....	36
242 Barcode Scanner	72
245 Power Supply Battery, Generator.....	72
246 Uninterruptible Power Supply.....	36
250 Modem, External.....	60
251 Digital & Channel Service Units.....	60
252 Multiplexor, HUB, MAU	60
254 Communication Controllers	60
255 Protocol Converters.....	60
256 VSATS.....	60
257 Data Communications Diagnostic Systems.....	60
258 Other Communications Hardware.....	60
259 Lan/Wan Switching Hubs, Switches, and Routers.....	60
260 Computer Equipment Racks Shelving, Chassis.....	120
284 Portable CPU - Not Apple* Laptops.....	72
288 Portable Printers*	84
294 Portable Apple CPU/ Laptops* Laptop.....	72
307-311 COMPUTER SOFTWARE	
307 Purchased Software	60
308 Internally Developed Software	60
310 Customized Software (i.e. ISAS).....	60
311 Enterprise Software	72
501-557 MEDICAL & SCIENTIFIC LAB EQUIPMENT	
501 Amplifiers, All Types.....	132
502 Analyzer, All Types	108
503 Autoclaves and Sterilizers .	120
504 Balance*.....	168
505 Baths, Water and Shakers..	132
506 Animal Cages & Accessories.....	168
507 Centrifuge*	132

508 Chromatograph	144
509 Cryostat	132
510 Counter Laboratory Assembly	132
511 Densitometer.....	120
512 Electronic Module	156
513 Electrophoresis Apparatus	120
514 Evaporators	144
515 Fraction Collector.....	168
516 Freeze Dryers & Accessories.....	180
517 Freezer, Lab	108
518 Homogenizer	144
519 Hood, All Types	168
520 Ice Machines, Lab	120
521 Incubators & Accessories*	168
522 Isolator	72
523 Micromanipulator.....	144
524 Meters, Gauges, Indicators.....	144
525 Microscopes & Accessories*	180
526 Micro Tomes, Diamond Knives, Sharpeners	168
527 Optical Equipment.....	120
528 Oscilloscope*	180
529 Ovens & Ranges, Lab	96
530 Pumps	120
531 Recording Systems	180
532 Refrigerators, Lab	144
533 Rotors & Heads	168
534 Scan Systems	108
535 Scintillation Systems	180
536 Ultrasound Equipment	144
537 Spectrofluorometer	120
538 Spectrometer	120
539 Spectrophotometer.....	168
540 Stereotaxic Instrument & Accessories	144
541 Stimulator	144
542 Tables, Dissecting, Operating, & Balancing	180
543 Tanks, Containers, Chambers, All Types	120
544 Water Purification.....	156
545 X-Ray Equipment	132

546 Miscellaneous Lab and Scientific Equipment	84
547 Patient Monitoring Systems.....	144
548 Breathing Apparatus, Respirator	180
549 Defibrillator	144
550 EKG/ECG/EEG Apparatus..	180
551 Dialysis Equipment	180
552 Clinical Diagnostic Instruments.....	96
553 Table, Exam.....	120
554 Dental Equipment	132
555 Wheelchair	120
556 Miscellaneous Surgical Instrument	120
557 Patient Care, Miscellaneous	84
675-700 VOICE COMMUNICATION INVENTORY	
675 PBX, KSU, Voice Mail, Phone System	36
678 Automatic Call Distributors Telephones - Voice Communications - Automatic Call Distributors.....	36
700 Phone Equipment (other than systems) Cellular Phones.....	36
Mobile Phones.....	36
Misc. Phone Equipment and Accessories.....	36
701-719 VEHICLES	
701 Passenger Cars Automobiles, Sedans.....	60
Station Wagons.....	60
702 Trucks (26,001 lbs and over GVWR) Commercial, with large carrying capacity (i.e. Tractor-Truck type, Dump Trucks).....	120
703 Buses (up to 15 passengers) Shuttle Type.....	96
Small School Buses.....	96
704 Motorcycles	60
705 Vehicle Inventory/ Components/Life	60

Bodies, Bus.....	60
Chassis, Truck.....	60
Engines, for Use in Classrooms.....	60
Motors, Not Integral Parts of Larger Units.....	60
Transmissions, Not Integral Parts of Larger Units.....	60
Trucks, Motor.....	60
706 Vehicle Inventory/ Components/ Life.....	120
Bodies, Truck.....	120
Chassis, Bus.....	120
Diesel Engines for Use in Classrooms.....	120
Vehicle Components.....	120
707 Sports Utility Vehicles (i.e., Jeep Wrangler/Cherokee, Suburban, Tahoe, Jimmy, Blazer, Durango, Explorer, Expeditions, Chargers and similar vehicles).....	84
708 Vans, Cargo & Passenger	84
709 Light Trucks (under 8,600 lbs. GVWR).....	84
710 Mounted Equipment with Truck Chassis, (i.e. Aerial Devices, Fuel Trucks).....	96
711 Self-Propelled Roadway Equipment (i.e. Motor Graders, Loader, Rollers).....	120
712 Trailers	120
713 Towed Roadway Equipment	120
714 Light/Medium Trucks (8,601-14,999 lbs. GVWR)	60
715 Medium Trucks (15,000- 26,000 lbs. GVWR).....	60
716 Mini-Vans (i.e. Aerostar, Town & Country, Voyager, Villager, Silhouette, Caravan, Windstar, and similar vehicles).....	84
718 Buses (16-28 passengers)...	96
719 Buses (29 passengers & Over)	120
720 Other Equipment: Forklift, Grader, Other	120
Golf Carts.....	120

Mobile Heavy Equipment.....	120
3 or 4 Wheel All-Terrain Vehicle.....	120
721-724, 730 BOATS	
721 Boats - 20 Feet or Longer....	120
722 Boats - Shorter than 20 feet.....	120
723 Boats Accessories, Motors.....	120
724 Ferries	480
725 Marine Equipment.....	60
730 Boats, Other	120
Canoes.....	120
Rowboats.....	120

731-750 AIRCRAFT

731 Jet	120
732 Single Engine – Propeller ...	120
733 Multi-Engine – Propeller....	120
734 Helicopters.....	120
750 Other Aircraft.....	120

751-752 LIBRARY BOOKS & REFERENCE MATERIALS

751 Books & Reference Materials	120
752 Library Books & Reference Material.....	0
Book Stacks.....	120
Book Trucks.....	120
Dictionary Holder.....	120
Library Trucks.....	120
Other Library Furniture	120
Software Library CD OM.....	120

801-802 WORKS OF ART, HISTORICAL TREASURES

801 Works of Art, Historical Treasures – Depreciable....	120
802 Works of Art, Historical Treasures - Not Depreciable	0

851-925 LIVESTOCK

851 Horses	84
852 Cow (i.e. Cattle).....	84
853 Sheep	84
854 Swine.....	84
855 Other Livestock/Animals	84

Appendix C

Class Codes – Property Controlled But Not Capitalized

Controlled assets are property classes that the Comptroller requires agencies to report to the SPA system. The list below includes the items the Comptroller requires agencies to report to SPA. Your agency should have an internal review to make sure you know who has these items and where they are at all times. Controlled items should not be reported in the Capital Assets section of your Annual Financial Report (AFR).

If a single unit's acquisition cost is \$1000 or greater, that item should be reported to SPA as a capitalized item. Only capitalized items are included in the Capital Assets portion of your AFR.

Controlled (at any cost)

Class Code	Property Item
106	Hand Guns
107	Rifles

Controlled (\$500.00 to \$4,999.99)

Class Code	Property Item
121	Fax Machines, Telecopier
129	Stereo Systems
130	Cameras
131	Video Recorder/Laserdisk Player (TV, VCR, Camcorders)
204	Desktop CPU – Not Apple
208	Printers (not portable)
214	Desktop CPU – Apple
284	Portable CPU Laptop – Not Apple
294	Portable Apple CPU/Laptops

Appendix D

In determining estimated useful life, a district should consider an asset's present condition, use of the asset, construction type, maintenance policy, and how long it is expected to meet service and technology standards. For estimated useful lives, districts can use either (1) general guidelines obtained from professional or industry organizations, (2) information for comparable assets of other governments, or (3) internal information. It may be appropriate for districts to conduct periodic reassessments of estimated useful lives.

The Internal Revenue Service suggests the following useful lives for certain assets.

3 year property	Furniture
5 year property	Cars; light and heavy general purpose trucks; qualified technological equipment; research and experimentation property; geothermal, solar and wind energy properties; computer and peripheral equipment; and office machinery
7 year property	office furniture and fixtures
10 year property	water vessels, single purpose agricultural or horticultural structures
15 year property	wastewater treatment plants
25 year property	water utility property and sewers
40 year property	real property

Appendix E

Physical Inventory Control

Physical inventory is done to establish the District's assets. Physical inventory will be done every two years. Any asset found during inventory which is not on the Capital Asset inventory list will be added. Any asset not found during inventory will be properly investigated and possibly written off, subject to Board approval.