# Capital Asset Guidelines

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Introduction

On July 1, 2001, the State was required to implement 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. Two key implementation challenges continue to be infrastructure reporting and accounting for depreciation.

These Capital Asset Guidelines were prepared to assist with implementing the new reporting requirements. All On-line User Agencies and Service Bureau Agencies are required to record their asset inventory in the AASIS system based on established tracking and capitalization thresholds found herein. Included in this guide are asset category definitions, capitalization/tracking thresholds, depreciation methodologies, and examples of expenditures for each class of assets. Additionally, guidelines for leasehold improvements and construction in progress have been included.

Capital Asset Definitions and Guidelines

A capital asset is defined as real, personal or intangible property that has a value equal to or greater than the capitalization threshold (detailed below) and has an estimated life of greater than one year.

The State has invested in a wide variety of capital assets used in State operations. These assets are broadly classified as follows:

- Land
- Land Improvements,
- Easements,
- Buildings/Building Improvements, Leasehold Improvements
- Equipment,
- Equipment-Low Value,
- Equipment-Low Value Collective,
- Works of Art/Historical Treasures,
- Library Holdings,
- Other Tangible and Intangible Assets,
- Infrastructure,
- Assets Under Construction and
- Capital Leases.

Capital Asset Classification

The Asset Class is used to organize capital assets in the broad classifications detailed above. An essential function of the asset class is to establish a link between the asset master record and the related posting to the accounting general ledger. Therefore, assets purchased, constructed or donated that meet or exceed the capitalization threshold or minimum-reporting requirements must be uniformly classified, utilizing the existing Asset Class structure. Each Asset Class is further detailed into Class Codes. The Class Code breaks the Asset Class into groups of similar items. The Class Code also contains the recommended estimated useful life (expressed in years) for the group of assets.
Capital Asset Acquisition Cost

Capital assets shall be recorded and reported at their historical costs. Historical cost include the vendor’s invoice (less 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. 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. Interest, however, is capitalized on assets that are constructed for an agency’s enterprise fund or otherwise produced for an enterprise fund’s own use (including assets constructed or produced for the enterprise by others for which deposits or progress payments have been made) and assets intended for sale or lease that are constructed or otherwise produced as discrete projects (for example, ships or real estate developments).

PLEASE NOTE: The book value of assets recorded at historical costs should never be increased to reflect appraised value, insurance value, replacement cost, etc.

Capitalization Threshold

Effective 7/1/2011, standard capitalization thresholds for capitalizing assets for each major class of assets are as follows:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Threshold</th>
</tr>
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<tbody>
<tr>
<td>Land</td>
<td>Capitalize All</td>
</tr>
<tr>
<td>Land Improvements</td>
<td>$ 5,000</td>
</tr>
<tr>
<td>Easements</td>
<td>Capitalize All</td>
</tr>
<tr>
<td>Buildings/Building Improvements/Leasehold Improvements</td>
<td>$ 100,000</td>
</tr>
<tr>
<td>Equipment</td>
<td>$ 5,000</td>
</tr>
<tr>
<td>Equipment – Low Value*</td>
<td>$ 2,500 – 4,999.99</td>
</tr>
<tr>
<td>Equipment – Low Value High Risk*</td>
<td>$ 500 – 2,499.99</td>
</tr>
<tr>
<td>Equipment – Low Value Collective</td>
<td>(See note below)</td>
</tr>
<tr>
<td>Works of Art/Historical Treasures</td>
<td>$ 5,000</td>
</tr>
<tr>
<td>Works of Art/Historical Treasures – Low Value</td>
<td>$ 0 – 4,999.99</td>
</tr>
<tr>
<td>Library Holdings</td>
<td>Capitalize All</td>
</tr>
<tr>
<td>Other Tangible/Intangible Assets</td>
<td>$ 5,000</td>
</tr>
<tr>
<td>Other Tangible/Intangible Assets – Low Value*</td>
<td>$ 2,500 – 4,999.99</td>
</tr>
<tr>
<td>Internally Generated Software</td>
<td>$ 1,000,000</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>$ 5,000</td>
</tr>
<tr>
<td>Capital Leases</td>
<td>$ 5,000</td>
</tr>
<tr>
<td>Asset under Construction</td>
<td>Not Applicable</td>
</tr>
</tbody>
</table>

* Assets that are easily susceptible to pilferage shall also be included in either Low Value Equipment or Low Value High Risk Equipment depending on value. If an agency has a specialized inventory system that provides more functionality for their business processes than the AASIS fixed asset module for those assets under $2,500 that are easily pilferable, they may use their system for tracking these items instead of AASIS. These items could include laptop computers, guns, camera equipment, video equipment, tools, cell phones, handheld radios, binoculars, and any
others that are easily susceptible to loss or theft. Other Tangible/Intangible Assets – Low Value does not include purchased software licenses.

**PLEASE NOTE:** Equipment – Low Value Collective consists of groupings of smaller like items that would not individually meet the equipment threshold of $2,500 per item required for the Equipment – Low Value class.

### Capital Asset Donations

GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*, defines a donation as a voluntary non-exchange transaction entered into willingly by two or more parties. Both parties may be governments, such as the Federal Government, another state, a county or municipality, or one party may be a nongovernmental entity, including an individual.

**PLEASE NOTE:** A voluntary contribution of resources between State agencies is not a donation.

The timing of recognition of the asset and related revenue is outlined as follows:

- When an asset has been received and the eligibility requirements to receive the asset have been met, capital assets are debited and revenue is credited in the fund financial statements of an enterprise fund and the government wide financial statements for a governmental fund.

- When an asset has been received but the eligibility requirements to receive the asset have not been met, capital assets are debited and deferred revenue is credited in the fund financial statements of an enterprise fund and the government wide financial statements for a governmental fund.

### Promises of Capital Asset Donations

Promises should be recognized as receivables and revenues (net of estimated uncollectible amounts) when all applicable eligibility requirements are met, provided that the promise is verifiable, the resources can be reasonably estimated and collection is probable. When such circumstances exist, a receivable (net of estimated uncollectible amounts) is debited and revenue is credited in the fund financial statements of an enterprise fund and the government wide financial statements (Fund 700610) for a governmental fund.

### Sale of a Capital Asset Donation

Governmental fund statements report financial resources which do not include capital assets. However, in instances when a government receives a gift of a capital asset that it intends to sell, the donation shall be reported as revenue on the governmental fund statements if the asset is either: sold prior to the end of the fiscal period or prior to the issuance of the financial statements and the proceeds of the sale are considered available (collected soon enough to pay liabilities of the current period). If the proceeds of the sale are not considered available, the receivable should be offset by a deferred inflow of resources on the fund financial statements.

### Depreciating Capital Assets

Depreciation is the method by which the cost of an asset is systematically allocated over the asset’s estimated useful life. It is intended to estimate the cost of using the asset. Capital assets should be
depreciated over their estimated useful lives unless they are inexhaustible. Inexhaustible assets are assets that generally cannot be exhausted, such as land, or have an economic benefit or service potential that is used up slowly, and their estimated useful lives are extraordinarily long or have a cultural, aesthetic, or historical value, and efforts are applied to protect and preserve these assets in a manner greater than that for similar assets without such cultural, aesthetic, or historical value, such as works of art.

The State shall use estimated useful lives as recommended by the Government Financial Officers Association (GFOA). These recommended lives are included with the class code descriptions. Although class code descriptions contain an estimated useful life (expressed in years) of the asset, the estimated useful life of the asset must be entered on the depreciation areas tab when creating a new asset record. Agencies wishing to use a different estimated life based on individual experience, must request approval from the Department of Finance and Administration – Office of Accounting – CAFR Section (DFA-OA-CAFR Section). Any substitution request must include a description of the asset and an explanation for the need to change the estimated useful life. Upon approval of the alternative estimated useful life, the DFA-OA-CAFR Section will issue written authorization for the agency to change the asset’s estimated useful life. The documentation shall be maintained by the agency until the asset is retired.

Depreciation data will be calculated using the straight-line depreciation method and stored by the Financial Management System for each eligible asset. Salvage value will not be considered in the calculation of depreciation expense. Accumulated depreciation will be summarized and posted to the accounting general ledger.

**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.

**Asset Related Error Corrections**

An asset related expense error correction is a journal entry that reclassifies expenses paid with the wrong fund, funds center (appropriation), commitment item (character code), general ledger account, WBS element and/or internal order. An asset related expense error correction cannot be utilized on expenses that accrued from a previous fiscal year. In the instance where an asset was
incorrectly expensed, an asset shell must be set up before an asset related error correction can be accomplished. After an asset shell is created, the normal procedures for expense error corrections should be followed.

**Capital Asset Categories**

**Land**

Land is defined as the surface or crust of the earth, which may be used to support structures or grow crops, grass, shrubs, and trees. Land is characterized as having an inexhaustible life. All expenditures made to acquire land and to ready it for its intended use should be considered as part of the land cost.

**Examples of Expenditures to be Capitalized as Land** ---- CI 512:00:11

- Purchase price or, if donated, fair market value at time of donation
- Commissions
- Professional fees (title searches, architect, legal, engineering, appraisal, surveying, environmental assessments, etc.)
- Permanent landscaping such as land clearing, excavation, fill, grading, drainage (includes movement of earth in preparation for water impoundment)
- Demolition of existing buildings and improvements (less salvage)
- Removal, relocation, or reconstruction of property of others on the land so that the land may be used differently (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.

**Land Improvements**

Land improvements are defined as attachments to the land that have limited lives and therefore are recorded separately and are depreciable.

**Examples of Expenditures to be Capitalized as Land Improvements** ---- CI 512:00:11

- Fencing and gates
- Landscaping of temporary nature
- Parking lots/driveways/parking barriers/roadway
- Outside sprinkler systems
- Recreation areas & athletic fields (including bleachers)
- Golf course
- Paths and trails
- Septic systems
- Signage
- Swimming pools, tennis courts
- Fountains
- Plazas, pavilions
- Retaining walls
- Lighting systems
- Water impoundment structures or attachments (Dam, Liner, other water control structures)

**Buildings, Building Improvements, Leasehold Improvements**

A building is defined as 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 mobile.

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

**Examples of Expenditures to be Capitalized as Buildings ---- CI 512:00:11**

**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 (sales commission, legal, architect, inspection, appraisal, title search, etc.).
- Payment of unpaid or accrued taxes on the building at the date of purchase
- Cancellation or buyout of existing leases on the building
- Other costs required to place or render the asset into operation

**CONSTRUCTED BUILDINGS**

- Completed project costs
- Interest accrued during construction, for enterprise type activities
- 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 and for the construction
- Unanticipated costs such as rock blasting, piling, or relocation of the channel of an underground stream

**Examples of Expenditures to be Capitalized as Building Improvements ---- CI 512:00:11**

- 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 floor 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 windows or door frames, upgrading of windows or doors, built-in closets 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)
• Permanently attached fixtures or machinery that cannot be removed without impairing the use of the building
• Additions to buildings (expansions, extensions, or enlargements)
• Other costs associated with the above improvements

PLEASE 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 by 25% of the original cost or life. A replacement may also be capitalized if the new item or part significantly improves the quality and or value of the asset as compared to the old item or part such as replacement of an old shingle roof with a new fireproof tile roof (CI 11). Replacement or restoration to original utility level would not (CI 02). Determinations must be made on a case by case basis.

Building Maintenance Expense
The following are examples of expenditures not to be capitalized as building improvements. Instead, these items should be recorded as repair and maintenance expense (CI 502:00:02):
• 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.

Leasehold Improvements
• Leasehold improvements are defined as improvements made to leased property that will revert to the lessor at the expiration of the lease. Leasehold improvements include 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. (CI 512:00:11) Moveable equipment
or office furniture that is not attached to the leased property is not considered a leasehold improvement.

- **Depreciation Methodology:** Improvements made in lieu of rent should be expensed in the period incurred. If the rent period crosses one or more fiscal years, a portion of the payment should be recorded as a prepaid. Leasehold improvements should be depreciated over the life of the lease (and any extensions). The leasehold improvement should be amortized (expensed) over the shorter of the initial lease term or useful life of the improvement. If the capital lease transfers ownership at the end of the lease term or contains a bargain purchase option, the leasehold improvement should be depreciated over the asset’s estimated useful life.

**Easements**

An easement is defined as an interest in land owned by another that entitles its holder to a specific limited use or enjoyment (right to use the land). Easements may have an inexhaustible life or a fixed term life. Inexhaustible easements would not be depreciated. Fixed term easements would be depreciated over the term of the agreement. *(CI 512:00:11)*

**Equipment**

Equipment is defined as fixed or movable tangible assets to be used for operations. Improvements or additions to existing equipment 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 and recorded as sub-asset of the existing asset. *(CI 512:00:11)*

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

**Equipment-Low Value**

The equipment – low value asset class will be utilized for tracking equipment with a useful life in excess of one year and an initial value of at least $2,500 but not more than $4,999.99. Assets under $2,500.00 may be expensed unless the asset is easily susceptible to pilferage and those items must be recorded in the Equipment – Low Value High Risk category. This asset class is only used for tracking purposes and not for the capitalization of equipment. *(CI 502:00:02)*

**Equipment-Low Value Collective**

Equipment – low value collective items are groups of like items of equipment or assets that may be secured and tracked due to the nature of the items. They also have a useful life in excess of one year and have an initial individual value under the Equipment – Low Value threshold of $2,500. Individual assets under $2,500 may be expensed unless the agency desires to track the existence and location of the property. This asset class is only used for tracking purposes and not for the capitalization of equipment. *(CI 502:00:02)*

**Jointly Funded Equipment**

Equipment paid for jointly by the State and other governmental entities should be capitalized by the entity responsible for future maintenance.
Examples of Expenditures to be Capitalized as Equipment ---- CI 512:00:11

- 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

Works of Art and Historical Treasures

Works of art and historical treasures are defined as 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 are considered inexhaustible. As such, works of art and historical treasures are not depreciated. Works of art and historical treasures that do not qualify as inexhaustible are depreciated over their useful life.

Example Expenditures Capitalized as Works of Art & Historical Treasures ---- CI 512:00:11

- 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

Low Value Works of Art

The low value works of art asset class will be utilized for tracking works of art with an initial value of no more than $4,999.99. This asset class is only used for tracking purposes. (CI 502:00:02)

Library Holdings

Library holdings are generally defined as collections of books and reference materials. A library book is 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.

A professional, academic or research library 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 checkout 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.

Professional, academic and research library books and materials are considered inexhaustible assets and should not be depreciated. Changes in value for professional, academic or research libraries however may be reported on a composite basis by making net adjustments to total value to reflect increase or decrease in total value. Net adjustments shall be made at least once annually before the close of the fiscal year.

Books, periodicals and other materials purchased but not used in a library should be expensed unless they meet the $2,500 capitalization threshold.

**Examples of Expenditures to be Capitalized as Library Books and Materials ---- CI512:00:11**

• 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.

**Intangible Asset**

Intangible assets are defined as assets that have no physical characteristics but are of value because of the advantages or exclusive privileges and rights they provide to the State. Intangible assets generally arise from exclusive privileges granted by governmental authority or by legal contract, such as patents, copyrights, franchises, trademarks and trade names, and leases. Internal-use computer software should be capitalized as an intangible capital asset and amortized over its anticipated useful life. Capitalization of computer software includes software license fees if the total dollar amount of the fee divided by the number licenses issued meets the criteria to capitalize the purchase. Internally generated intangible assets should be capitalized. Internally generated is defined as an asset that is created or produced by the government or an entity contracted by the government or it is acquired from a third party but requires more than minimal incremental effort on the part of the government to begin to achieve the expected service capacity. Commercially available software should be considered internally generated if it has been modified using more than minimal incremental effort before being put into operation. For internally developed software, only those costs incurred during the development stage would be capitalized (e.g. activities involving the design of the software, coding, installing and testing). Training and maintenance will not be included as part of the capitalized cost.
GASB 51, which was effective July 1, 2010, required retroactive reporting for all intangible assets not previously recorded except for those considered to have indefinite useful lives or those that would be considered internally generated. (CI 512:00:11)

Infrastructure

Infrastructure is defined as assets that are long-lived capital assets that are stationary in nature and normally preserved for a significantly greater number of years than most capital assets. Infrastructure assets are usually part of a larger system of assets, such as roads, bridges, tunnels, water and sewer systems.

As with buildings and equipment improvements or additions to existing infrastructure that constitute a capital outlay or increase the value or life of the asset by 25 percent of the original cost or life or increase the asset’s capacity or efficiency should be capitalized and recorded as sub-asset of the existing asset. Additionally, costs to preserve an infrastructure asset to extend the useful life of an asset beyond its original estimated useful life, but do not increase the capacity or efficiency of the asset should be capitalized and recorded as sub-asset of the existing asset.

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

Jointly Funded Infrastructure

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

Examples of Expenditures to be Capitalized as Infrastructure ---- (CI 512:00:11)

- 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 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/taxi area/apron.

Capital Leases

Capital leases transfer virtually all rewards and risks that accompany ownership of property to the lessee. A capital lease is a means of financing property acquisitions and has the same economic impact as a purchase made on an installment plan. Thus, the lessee in a capital lease must record the leased property as an asset and the lease obligation as a liability. (CI 512:00:11)
A lease agreement entered into by a State agency is a capital lease and should be capitalized only if the lease agreement meets 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 administrative costs, equals at least 90 percent of the fair value of the leased property.

**PLEASE NOTE:** The other regulations for capital leases (R1-19-11-238 and R1-22-114) have additional information. Leases that do not meet the above criteria should be recorded as an operating lease and reported in the notes of the financial statements. Payments on an operating lease are expensed as paid.

**Asset under Construction**

Asset under construction 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. Assets under construction would also include internally generated software in process.  
*(CI 502:00:02; 506:00:10; 512:00:11)*

Depreciation/amortization shall not be recorded because an asset under construction is not complete or being used. The asset under construction should be capitalized to its appropriate capital asset category upon the earlier occurrence of substantial completion, occupancy, or when the asset is placed into service.