



**ASSET MANAGEMENT
POLICIES, PROCEDURES AND FORMS**

AUTHORITY				
Federal	Rev. Statutes	Admin Code	HCSD	HSC

CITATION: **Guide for Capitalization and Depreciation of Capital Assets Prepared by the Office of Statewide Reporting and Accounting Policy**

PROCEDURE NAME: **Identification and Examples of capital assets**

PURPOSE: **To identify and provide detailed explanations of the different categories and classes of capital assets**

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| Property Manager | <ol style="list-style-type: none"> 1. Movable Property: <ol style="list-style-type: none"> a. Those assets that are not fixed or stationary in nature b. Includes furniture and fixtures, machinery and equipment, and automobiles 2. Computer Software Developed or Purchased for Internal Use: <ol style="list-style-type: none"> a. Movable property that requires special consideration b. May be developed in-house or purchased from outside parties c. The following are Development costs that may be capitalized: <ul style="list-style-type: none"> ▪ Configuration ▪ Interfacing ▪ Coding ▪ Installation ▪ Conversion of old data |
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- Testing, such as parallel processing
 - d. Purchase price of software or materials needed to internally develop the software should be capitalized.
 - e. Cost of services needed after purchase of software or during internal development should be capitalized.
 - f. Payroll costs for employees who are directly associated with and who devote time directly to the software development should be capitalized.
 - g. General and Administrative and overhead costs associated with the software development should NOT be capitalized.
- 3. Buildings:
 - a. Permanent structures erected above ground, with fixtures attached to and forming a permanent part of the building, for the purpose of sheltering persons or personal property
 - b. Costs include all labor, materials, and professional services needed to construct the building, and any other costs incurred in order to put the building into use.
- 4. Building Improvements:
 - a. Major repairs, renovations, or additions to a building that increase the future service potential of the building and benefits future periods

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- b. The building and the improvements become one and inseparable.
 - c. Example of additions to a building would be addition of a new wing or a new air conditioning system.
 5. Leasehold Improvements:
 - a. Improvements made by the lessee to the leased property such as land and buildings. Examples are: new buildings or structures built on leased land and attachments or improvements made to existing leased buildings and structures.
 - b. The lessee is entitled to use of the facilities and improvements during the life of the lease.
 - c. Improvements made to the property revert to the lessor at the expiration of the lease. This is why the useful life cannot be longer than the remaining lease term.
 - d. Useful life would be the lesser of:
 - 20 years if a depreciable land improvement
 - 40 years if a building improvement
 - OR the remaining lease term
 - e. Improvements are treated as separate assets and capitalized and depreciated if above the threshold for capitalization for the particular type of leased asset.
 6. Land and Land Improvements:
 - a. Land is an inexhaustible asset that has an unlimited life and is not depreciated.
 - b. Land Improvements are the betterments, improvements, and site preparations that prepare land for its intended use.
 - c. Land Improvements are:
 - Excavation

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- Filling
- Grading
- Demolition of existing buildings
- Removal and relocation of other property (telephone or power lines)

7. Depreciable Land Improvements:

- a. Improvements made to land that have determinable estimated useful lives and deteriorate with use or passage of time.
- b. Improvements are built or installed to enhance or facilitate use of the land for a particular purpose.
- c. Examples are:
 - Walking paths and trails
 - Fences and gates
 - Landscaping
 - Sprinkler systems
 - Fountains

8. Infrastructure:

- a. Long-lived capital assets associated with governmental activities that are usually stationary in nature and can be preserved for a significantly greater number of years than most capital assets.
- b. Useful lives are assigned and assets are depreciated
- c. Examples are:
 - Roads

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- Bridges
- Tunnels
- Drainage systems
- Water and sewer systems
- Dams
- Lighting systems

9. Historical Treasures & Works of Art:

- a. Items that are considered inexhaustible and held for public exhibition, educational purposes, or research in enhancement of public service instead of financial gain.

b. Special Rules:

- If a collection was capitalized as of June 30, 1999, **the collection must continue to be capitalized, along with additions to the collection.**

HOWEVER

- If the collection was not capitalized as of June 30, 1999, **do not capitalize the collection.**

c. Examples are:

- Paintings
- Sculptures
- Photography
- Maps
- Manuscripts
- Musical Instruments
- Recordings
- Film
- Furnishings
- Artifacts
- Tools
- Weapons
- Other Memorabilia

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