

**Book of Supplementary Materials for
Tracking and Managing Fixed Assets**

For: Bastrop OTRAT

July 16, 2015

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For more GFOA best practices visit (<http://www.gfoa.org/best-practices>)

Figures

Figure 1 – Fixed Asset Policy

Effective October 1, 2009 it is the policy of Montgomery County, Texas that capital assets are defined as real, intangible or personal property with values and useful lives as follows:

1. All assets *except* infrastructure and buildings and buildings improvements: Capitalization threshold of \$1,000, and a useful life of at least five years.
2. Buildings and building improvements: Capitalization threshold of \$5,000, and a useful life of at least five years.
3. Infrastructure assets: Capitalization threshold of \$10,000, and a useful life of at least five years.

Each elected or appointed official, or department head is responsible for ensuring accountability, maintenance and proper use of county assets assigned to their custody. The County Auditor is responsible for recording and reporting the capital assets of the county in compliance with the requirements of applicable laws and accounting standards.

Montgomery County's capital assets are grouped into the following classes:

Land and land improvements
Intangible
Buildings and building improvements
Improvements other than buildings
Machinery and equipment
Infrastructure and infrastructure improvements
Construction in progress

The County Auditor is responsible for assigning each capital asset of the county to an appropriate class, as determined by guidelines promulgated by appropriate accounting standards boards. Depreciation of capital assets will be reported by the County Auditor using the *straight-line* method as recommended by appropriate accounting standards boards. Useful lives for asset groupings within the above listed categories will be determined by the county auditor, by following the most current guidance provided by appropriate accounting standards. The attached schedule of depreciable lives is established in accordance with those standards.

Capitalization thresholds for capital assets:

Class	Cost	Life
Land and land improvements	\$1,000	5 years
Intangible	\$1,000	5 years
Buildings and building improvements	\$5,000	5 years
Improvements other than buildings	\$1,000	5 years
Machinery and equipment	\$1,000	5 years
Infrastructure and infrastructure improvements	\$10,000	5 years

Figure 2 – Fixed Asset Estimated Useful Lives in Years

Land and land improvements

<u>Land and land improvements</u>	<u>Indefinite</u>
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Intangible Assets

<u>Easements</u>	<u>Indefinite</u>
<u>Trademark</u>	<u>Indefinite</u>

Buildings and building improvements

<u>Permanent structures</u>	<u>50</u>
<u>Special purpose structures</u>	<u>40</u>
<u>Portable structures</u>	<u>25</u>
<u>Cabling and fiber optics</u>	<u>10</u>
<u>Carpeting</u>	<u>5</u>
<u>Ceiling finish</u>	<u>10</u>
<u>Computer flooring</u>	<u>10</u>
<u>Electrical</u>	<u>20</u>
<u>Elevators</u>	<u>20</u>
<u>Excavation</u>	<u>50</u>
<u>Exterior walls</u>	<u>50</u>
<u>Fire systems</u>	<u>25</u>
<u>Floor covering</u>	<u>15</u>
<u>Floor structure</u>	<u>50</u>
<u>Foundation</u>	<u>50</u>
<u>Frame</u>	<u>20</u>
<u>HVAC</u>	<u>20</u>
<u>Interior construction</u>	<u>15</u>
<u>Plumbing</u>	<u>20</u>
<u>Roof cover</u>	<u>10</u>

Improvements other than buildings

<u>Fencing, gates</u>	<u>10</u>
<u>Flagpole</u>	<u>15</u>
<u>Landscaping</u>	<u>10</u>
<u>Outside freestanding security lights</u>	<u>10</u>
<u>Outside sprinkler systems</u>	<u>10</u>
<u>Pavilions</u>	<u>30</u>
<u>Parking lot/driveway/parking barrier</u>	<u>20</u>
<u>Paths and trails</u>	<u>15</u>
<u>Recreation areas, athletic fields, bleachers</u>	<u>15</u>
<u>Retaining Walls</u>	<u>20</u>
<u>Retention Ponds</u>	<u>15</u>
<u>Septic systems</u>	<u>15</u>
<u>Signs, monuments and marquees</u>	<u>15</u>
<u>Tennis courts, basketball courts</u>	<u>15</u>

Infrastructure and infrastructure improvements

Roads networks

<u>Asphaltic concrete</u>	<u>7</u>
<u>Concrete</u>	<u>20</u>
<u>Road mix</u>	<u>5</u>

Bridges network

<u>Corrugated steel multiple pipe culvert</u>	<u>20</u>
<u>Concrete multiple box culvert</u>	<u>50</u>
<u>Concrete bridge (all types)</u>	<u>40</u>
<u>Culverts</u>	<u>20</u>
<u>Steel Bridge (all types)</u>	<u>40</u>
<u>Steel railroad flat car</u>	<u>30</u>
<u>Steel railroad tank car multiple culverts</u>	<u>20</u>
<u>Timber bridge</u>	<u>20</u>

Fiber optic and telephone distribution systems

<u>Streetlights</u>	<u>15</u>
<u>Traffic signals</u>	<u>20</u>

Radio tower

<u>Runways</u>	<u>10</u>
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Signage

<u>Waterway improvements network</u>	<u>10</u>
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Waterway improvements network

<u>Docks</u>	<u>10</u>
<u>Bulkheads</u>	<u>10</u>
<u>Drainage systems</u>	<u>25</u>

Machinery and equipment

<u>Athletic equipment</u>	<u>7</u>
<u>Appliances/food service equipment</u>	<u>7</u>
<u>Audiovisual equipment</u>	<u>7</u>
<u>Books, multi-media material</u>	<u>10</u>
<u>Business machines</u>	<u>7</u>
<u>Communications equipment</u>	<u>5</u>
<u>Computer equipment</u>	<u>5</u>
<u>Computer software</u>	<u>5</u>
<u>Construction equipment</u>	<u>15</u>
<u>Custodial equipment</u>	<u>7</u>
<u>Fueling systems</u>	<u>10</u>
<u>Furniture</u>	<u>10</u>
<u>Grounds agricultural equipment</u>	<u>7</u>
<u>Lab, medical and scientific equipment</u>	<u>10</u>
<u>Law enforcement equipment</u>	<u>7</u>
<u>Licensed vehicles</u>	<u>6</u>
<u>Machinery and tools</u>	<u>7</u>
<u>Patents</u>	<u>20</u>
<u>Photocopiers</u>	<u>5</u>
<u>Stage and auditorium equipment</u>	<u>10</u>
<u>Watercraft</u>	<u>10</u>

Figure 3 – Fixed Asset Guide

Montgomery County Auditor’s Office Guide to Capital Assets Capital Asset Categories and Capitalization Guide for Departments

This guide objective is to give each department a brief insight as to how the capital asset policy created by The County Auditor’s office is used to create the County’s Comprehensive Annual Financial Report (CAFR) in conformity with Generally Accepted Accounting Principles (GAAP), and Governmental Accounting Standards Board (GASB) Statement 34. When unsure this document can be used as a guide to determine if the purchased item should be considered a capital asset, maintenance or a supply.

➤ Land and Land Improvements

1. Any cost associated with acquiring the parcel or parcels of land (Examples of capitalizable cost for land purchases)
 - Unpaid taxes
 - Professional fees (title searches, legal, appraisal, surveying, environmental assessments)

➤ Construction in Progress

1. Any construction project expected to be paid out of more than one fiscal year’s budget
 - Original purchase price
 - Remodeling expenses
 - Environmental compliance (Asbestos abatement, etc)
 - All cost associated with purchasing then remodeling the building in order to make the building usable by the County for day-to-day operations
 - If the project is going to be started and completed in the same fiscal year it will have to be categorized in one of the other capital asset categories

➤ Intangible

1. Easement

The county might not own the land but have the right to use the land for a predetermined usage.

2. Trademarks

3. Software-If it was purchased and is a capitalizable cost, include data migration and consultant cost

- Is the software going to be maintained internally by a county employee in order to keep it relevant along with a lifetime licensing?
- What type of licensing is used for the software? If the software has an annual license renewal, it will be expensed rather than capitalized.
- Software maintenance agreements are to be expensed.

Figure 4 – Additions and Deletions Workbook

Item#	Fund	Class1	Class2	Desc	Desc2	Make	Mod#	Ser#	Tag#	Life	Cost
188	110	5601	EQUIP	LAW ENFORCEMENT	2/23/2015	COBAN SYSTEM				7	1,381.01
189	110	5601	EQUIP	LAW ENFORCEMENT	2/23/2015	COBAN SYSTEM				7	1,381.01
190	110	5601	EQUIP	LAW ENFORCEMENT	2/23/2015	COBAN SYSTEM				7	1,381.01
191	110	5601	EQUIP	LAW ENFORCEMENT	2/23/2015	COBAN SYSTEM				7	1,381.01
192	110	5601	EQUIP	LAW ENFORCEMENT	2/23/2015	COBAN SYSTEM				7	1,381.01
193	110	5601	EQUIP	LAW ENFORCEMENT	2/23/2015	COBAN SYSTEM				7	1,381.01
194	110	5601	EQUIP	LAW ENFORCEMENT	2/23/2015	COBAN SYSTEM				7	1,381.01
195	110	5601	EQUIP	LAW ENFORCEMENT	2/23/2015	COBAN SYSTEM				7	1,381.01
196	110	5601	EQUIP	LAW ENFORCEMENT	2/23/2015	COBAN SYSTEM				7	1,381.01
197	110	5601	EQUIP	LAW ENFORCEMENT	2/23/2015	COBAN SYSTEM				7	1,381.01
198	110	5601	EQUIP	LAW ENFORCEMENT	2/23/2015	COBAN SYSTEM				7	1,381.01
199	110	5601	EQUIP	LAB MEDICAL SCIENTIFIC	3/10/2015	MAGICARD RIO PRO DUO				10	3,328.00
200	110	5601	EQUIP	LAW ENFORCEMENT	2/23/2015	COBAN SYSTEM				7	1,436.25
201	110	5601	EQUIP	LAW ENFORCEMENT	2/23/2015	COBAN SYSTEM				7	1,436.25
202	110	5601	EQUIP	LAW ENFORCEMENT	2/23/2015	COBAN SYSTEM				7	1,436.25
203	110	5601	EQUIP	LAW ENFORCEMENT	2/23/2015	COBAN SYSTEM				7	1,436.25
204	110	5601	EQUIP	COMPUTER	3/10/2015	COMPUTER-LAPTOP		5C8CV22		5	1,171.00
205	110	5601	EQUIP	COMPUTER	3/10/2015	COMPUTER-LAPTOP		408CV22		5	1,171.00
206											160,785.00
928SF	212	5604	EQUIP	FIREARMS	2/10/2015	SBR RIFLE		FA00003 / 839540		7	1,721.00
928SF-A	212	5604	EQUIP	FIREARMS	2/10/2015	SBR RIFLE		FA00015 / 839541		7	1,721.00
928SF-B	212	5604	EQUIP	FIREARMS	2/10/2015	SBR RIFLE		FA00016 / 839508		7	1,721.00
928SF-C	212	5604	EQUIP	FIREARMS	2/10/2015	SBR RIFLE		FA00005 / 839749		7	1,721.00
927RF	212	5604	EQUIP	AIRCRAFT	2/10/2015	AIRCRAFT-CESSNA 210L			21060190	25	105,000.00
928SF	212	5604	EQUIP	COMPUTER	2/10/2015	COMPUTER-DESKTOP				5	1,100.99
931SF	212	5604	EQUIP	COMPUTER	2/18/2015	5 TAPE DRIVE OPTION FOR SERVER			41528842	5	2,950.00
931SF-A	212	5604	EQUIP	COMPUTER	2/18/2015	COMPUTER-SERVER				5	13,199.00
											129,134.99
1507163	216	513	EQUIP	GROUNDS AGRICULTURAL	3/10/2015	MOWER DECK-				7	14,971.76
1507088D	216	515	EQUIP	COMPUTER	3/10/2015	COMPUTER-LAPTOP			2401L32	5	1,587.00
1506286	132	5091	EQUIP	VEHICLE	2/23/2015	ADDITIONAL ITEMS TO PUT FIRETRUCK INTO SERVICE				6	6,594.00
1506342	110	5603	EQUIP	LAB MEDICAL SCIENTIFIC	2/23/2015	DIGITAL RADIOGRAPHY SYSTEM			VMX-5	10	24,012.25
BOOKS	118	5511	EQUIP	BOOKS MULTIMEDIA	3/10/2015	CAPITAL OUTLAY BOOKS			P05 FY15	10	75,423.14
1506928	218	55117	EQUIP	BOOKS MULTIMEDIA	3/10/2015	CAPITAL OUTLAY BOOKS			P05 FY15	10	10,811.24
											648,513.81
1506199	110	560121	IMPROVEMENTS	FENCING	2/23/2015	DISTRICT 4 PATROL				15	2,885.00
											2,885.00
1507555	40013	6154013	INFRASTRUCTURE	ROADS	2/9/2015	VALLEY RANCH PARKWAY AT GRAND PARKWAY				7	238.00
150755A	40013	6154013	INFRASTRUCTURE	ROADS	2/9/2015	VALLEY RANCH PARKWAY AT GRAND PARKWAY				7	4,723.00
1506197	40013	6154013	INFRASTRUCTURE	ROADS	2/25/2015	VALLEY RANCH PARKWAY				7	171,540.08
1507129	40013	6154013	INFRASTRUCTURE	ROADS	3/10/2015	VALLEY RANCH PARKWAY				7	8,250.75
											184,741.83
1507076	493	612401	INTANGIBLE	EASEMENT	3/10/2015	LEAGUE LINE ROAD			P05		550.00
1507441	493	612401	INTANGIBLE	EASEMENT	3/10/2015	LEAGUE LINE ROAD			P05		550.00
1507426	493	612401	INTANGIBLE	EASEMENT	3/10/2015	LEAGUE LINE ROAD			P05		550.00
											1,650.00
											912,452.15

Figure 5 – Adjustment-Out Schedule

Item#	Fund	Orgn	Class1	Class2	Desc	Desc2	Make	Mod #	Ser #	Tag #	Est. Life	Cost	A/D FYE14	Net Value	
1	9916717	110	4071	EQUIP	CONSTRUCTION	TANK-EMULSION 3,000 GAL	CRS2 OIL TANK	DURATANK	5000		15	14,900.00	(14,900.00)	-	
3	9203162	110	4071	EQUIP	CONSTRUCTION	BOX BLADE 78"		DEMO	3578		15	1,300.00	(1,300.00)	-	
5	2714351	110	4071	EQUIP	BUSINESS MACHINES	PAPER SHREDDER	POWERSHRED	FELLOWS	320CC	35436	7	1,978.07	(1,078.07)	-	
6	1016886	110	4071	EQUIP	COMPUTER	PRINTER-ID BADGE	MAGIC CARD	TANGO	2E	49E4451	38521	5	2,725.66	(2,725.65)	0.01
7	REPLACEMENT-02	110	4071	EQUIP	COMPUTER	COMPUTER-LAPTOP	ATG	DELL	GVJL2Q1	38313	5	-	-	-	
8	2808-45E	110	4071	EQUIP	COMPUTER	COMPUTER-LAPTOP	ATG		67LL2Q1	NO TAG	5	1,642.40	(1,642.40)	-	
9	REPLACEMENT-03	110	4071	EQUIP	COMPUTER	COMPUTER-LAPTOP	ATG	DELL	5J4HTM1	38314	5	-	-	-	
10	REPLACEMENT-04	110	4071	EQUIP	COMPUTER	COMPUTER-LAPTOP	ATG	DELL	TV216H1	38316	5	-	-	-	
11	1011652	110	4071	EQUIP	COMPUTER	COMPUTER-LAPTOP		SATELLITE	TOSHIBA	38314	5	1,537.92	(1,537.90)	0.02	
12	1103534-13	110	4071	EQUIP	COMPUTER	COMPUTER-LAPTOP	LATITUDE	DELL	H0KBWM1	38811	5	3,309.74	(2,641.80)	661.94	
13	1103534-14	110	4071	EQUIP	COMPUTER	COMPUTER-LAPTOP	LATITUDE	DELL	95B8WM1	38812	5	3,309.74	(2,641.80)	661.94	
14	1103534-15	110	4071	EQUIP	COMPUTER	COMPUTER-LAPTOP	LATITUDE	DELL	GBB8WM1	38813	5	3,309.74	(2,641.80)	661.94	
15	1103534-19	110	4071	EQUIP	COMPUTER	COMPUTER-LAPTOP	LATITUDE	DELL	BBB8WM1	38814	5	2,762.41	(2,209.92)	552.49	
16	1103534-17	110	4071	EQUIP	COMPUTER	COMPUTER-LAPTOP	LATITUDE	DELL	44B8WM1	38815	5	3,309.74	(2,641.80)	661.94	
17	1103534-16	110	4071	EQUIP	COMPUTER	COMPUTER-LAPTOP	LATITUDE	DELL	16B8WM1	38816	5	3,309.74	(2,641.80)	661.94	
18	1103534-12	110	4071	EQUIP	COMPUTER	COMPUTER-LAPTOP	LATITUDE	DELL	DGC8WM1	38817	5	3,309.74	(2,641.80)	661.94	
19	1103534-20	110	4071	EQUIP	COMPUTER	COMPUTER-LAPTOP	LATITUDE	DELL	15B8WM1	38818	5	2,762.41	(2,209.92)	552.49	
20	1103534-11	110	4071	EQUIP	COMPUTER	COMPUTER-LAPTOP	LATITUDE	DELL	J6B8WM1	38819	5	3,309.74	(2,641.80)	661.94	
21	1103534-18	110	4071	EQUIP	COMPUTER	COMPUTER-LAPTOP	LATITUDE	DELL	BFB8WM1	38820	5	2,762.41	(2,209.92)	552.49	
22	1103534-9	110	4071	EQUIP	COMPUTER	COMPUTER-LAPTOP	LATITUDE	DELL	72C8WM1	38821	5	3,309.74	(2,641.80)	661.94	
23	1103534-10	110	4071	EQUIP	COMPUTER	COMPUTER-LAPTOP	LATITUDE	DELL	66B8WM1	38822	5	3,309.74	(2,641.80)	661.94	
24	2808-45J	110	4071	EQUIP	COMPUTER	COMPUTER-LAPTOP	ATG		8FBHTM1	38515	5	1,642.40	(1,642.40)	-	
25	1104207-11	110	4071	EQUIP	COMPUTER	COMPUTER-DESKTOP	OPTIPLEX	DELL	780 GGZBNN1		5	1,136.10	(908.88)	227.22	
26	1104207-13	110	4071	EQUIP	COMPUTER	COMPUTER-DESKTOP	OPTIPLEX	DELL	780 GGZDNN1		5	1,136.10	(908.88)	227.22	
27	1104207-10	110	4071	EQUIP	COMPUTER	COMPUTER-DESKTOP	OPTIPLEX	DELL	780 GGZNNH1		5	1,136.10	(908.88)	227.22	
28	1104207-8	110	4071	EQUIP	COMPUTER	COMPUTER-DESKTOP	OPTIPLEX	DELL	780 GGZ7NH1		5	1,136.10	(908.88)	227.22	
29	1104207-7	110	4071	EQUIP	COMPUTER	COMPUTER-DESKTOP	OPTIPLEX	DELL	780 GGYFNN1		5	1,136.10	(908.88)	227.22	
30	1104207-6	110	4071	EQUIP	COMPUTER	COMPUTER-DESKTOP	OPTIPLEX	DELL	780 GGYNNH1		5	1,136.10	(908.88)	227.22	
31	1104207-5	110	4071	EQUIP	COMPUTER	COMPUTER-DESKTOP	OPTIPLEX	DELL	780 GGYBNN1		5	1,136.10	(908.88)	227.22	
32	1104207-15	110	4071	EQUIP	COMPUTER	COMPUTER-DESKTOP	OPTIPLEX	DELL	780 GH0BNN1		5	1,136.10	(908.88)	227.22	
33	1104207-19	110	4071	EQUIP	COMPUTER	COMPUTER-DESKTOP	OPTIPLEX	DELL	780 GGVBNN1		5	1,136.10	(908.88)	227.22	
34	2200451F	110	4071	EQUIP	COMPUTER	PRINTER		OKI	PACEMARK 3410	002A60352 06	30625	5	1,462.73	(1,462.73)	-
												74,588.97	(64,929.05)	9,659.94	

Figure 6 – Purchases Reconciliation: Header

A	B	C	D	E	F	G	H	I	J
REPORT TOTALS:									
CAPITAL OUTLAY REPORT									
		75*					1,149,659.83		
NON CAPITAL OUTLAY REPORTS									
		695.7695		CONTINGENCY			-		
		695.76956		SECURITY EXPENDITURES			-		
		ACCOUNT #7487		ACCOUNT #7487			-		
		MEMORIAL LIBRAR		ACCOUNT #7392			-		
		CDBG CLINIC		ACCOUNT #746521			-		
		SALE OF ASSETS		ACCOUNT #4361			-		
		COMPUTER REPL.		ACCOUNT #73909			32,956.67		
		FUND 216		PROJECT TRANSACTION ANALYSIS			(6,128.22)		
		FUND 4*		PROJECT TRANSACTION ANALYSIS			206,713.68		
OTHER ITEMS NOT PURCHASED ON 75*							-		
TOTAL REPORTS							1,383,201.96		
							TOTAL NOT /CA	470,749.81	LESS ITEMS NOT INCLUDED
							TOTAL CAPITAL ASSET PURCHASES	912,452.15	AMOUNT CAPITALIZED
							TOTAL AMOUNT CAPITALIZED	912,452.15	TOTAL CAPITAL ASSET PURCHASES FOR PER
TOTAL REPORTS							1,383,201.96		
LIST OF EXPENDITURES NOT INCLUDED:									

A	B	C	D	E	F	G	H	I	J	K	L	M
LIST OF EXPENDITURES NOT INCLUDED:												
	LOCATION	CLAIM #	VENDOR	AMOUNT	REASON FOR EXCLUSION							
1	110.400	1506944	BARTHOLET HOME FURNISHING	600.00	NOT C/A--\$1000							
2	110.503	1506598	PEAK METHODS	799.00	NOT C/A--\$1,000							
3	110.503	1506573	NWN CORPORATION	104,400.00	NOT C/A-VOID CHECK							
4	110.503	1506573	NWN CORPORATION	(104,400.00)	NOT C/A-VOID CHECK							
36	110.56011	1507038	DELL MARKETING	783.64	NOT C/A-SUPPLIES							
39	110.5601402	1506597	PCMG INC.	263.53	NOT C/A--\$1,000							
40	110.560161	1502-44	VINE	6,928.83	NOT C/A-VINE PAYMENT							
66	216.615	1507038	DELL MARKETING	59.99	NOT C/A-SUPPLIES							
74	219.64293	1506233	BALLARD, SAMUEL LOUIS	24,900.00	NOT C/A-CDBG							
76	219.64296	1506092	VOGT ENGINEERING	681.75	NOT C/A-CDBG							
77	219.64296	1506667	SITECON SERVICES	54,803.25	NOT C/A-CDBG							
78	219.64296	1506642	RIDGWAY'S	513.00	NOT C/A-CDBG							
79	219.64296	1507305	RIDGWAY'S	239.40	NOT C/A-MAINTENANCE							
80	219.64296	1507424	VOGT ENGINEERING	724.50	NOT C/A-CDBG							
86	225.40311	1506677	SOFTWARE HOUSE	9,416.40	NOT C/A--\$1,000							
87	232.629132	1506183	ALPHA DIAMOND ELECTRIC	1,178.95	NOT C/A-MAINTENANCE							
88	232.629132	1507122	HL FLAKE SECURITY	369.04	NOT C/A--\$1,000							
89	232.629132	1506907	ASTRO FENCE COMPANY	750.00	NOT C/A--\$1000							
96	243.458243	1507038	DELL MARKETING	267.78	NOT C/A-SUPPLIES							
97	40011.61340211	1505755	HTS INC.	2,748.25	NOT C/A-SH 242							
98	40011.61340211	1506824	WILLIAMS BROTHERS	38,582.33	NOT C/A-SH 242							
99	40011.61340211	1507129	HTS INC.	2,231.25	NOT C/A-SH 242							
100	40011.61540211	1505755	HTS INC.	2,748.25	NOT C/A-SH 242							
101	40011.61540211	1506824	WILLIAMS BROTHERS	38,582.34	NOT C/A-SH 242							
102	40011.61540211	1507129	HTS INC.	2,231.25	NOT C/A-SH 242							
103	40012.51012	1506361	DIAMOND COMMERCIAL	34,450.20	NOT CA-RETROFIT							
105	40012.51012	1507318	SANTOPETRO	6,177.37	NOT C/A-RETROFIT							
106	40012.51012	1507318	SANTOPETRO	6,177.38	NOT C/A-RETROFIT							
107	503.73909	MULTIPLE CLAIMS	COMPUTER REPLACEMENT	32,956.67	NOT C/A--1,000 EACH							
108	FUND 216	MULTIPLE CLAIMS	MULTIPLE VENDORS	(6,128.22)	NOT C/A							
109	FUND 4*	MULTIPLE CLAIMS	MULTIPLE VENDORS	206,713.68	NOT C/A							

Figure 7 – Purchases Reconciliation: Body of Document

A	B	C	D	E	F	G	H	I	J
REPORT TOTALS:									
CAPITAL OUTLAY REPORT									
		75*					1,149,659.83		
NON CAPITAL OUTLAY REPORTS									
		695.7695	CONTINGENCY				-		
		695.76956	SECURITY EXPENDITURES				-		
		ACCOUNT #7487	ACCOUNT #7487				-		
		MEMORIAL LIBRAR	ACCOUNT #7392				-		
		CDBG CLINIC	ACCOUNT #746521				-		
		SALE OF ASSETS	ACCOUNT #4361				-		
		COMPUTER REPL.	ACCOUNT #73909				32,956.67		
		FUND 216	PROJECT TRANSACTION ANALYSIS				(6,128.22)		
		FUND 4*	PROJECT TRANSACTION ANALYSIS				206,713.68		
OTHER ITEMS NOT PURCHASED ON 75*									
TOTAL REPORTS								1,383,201.96	
							TOTAL NOT /CA	470,749.81	LESS ITEMS NOT INCLUDED
							TOTAL CAPITAL ASSET PURCHASES	912,452.15	AMOUNT CAPITALIZED
							TOTAL AMOUNT CAPITALIZED	912,452.15	TOTAL CAPITAL ASSET PURCHASES FOR PER
TOTAL REPORTS								1,383,201.96	
LIST OF EXPENDITURES NOT INCLUDED:									

A	B	C	D	E	F	G	H	I	J	K	L	M
LIST OF EXPENDITURES NOT INCLUDED:												
	LOCATION	CLAIM #	VENDOR	AMOUNT	REASON FOR EXCLUSION							
1	110.400	1506944	BARTHOLET HOME FURNISHING	600.00	NOT C/A--\$1000							
2	110.503	1506598	PEAK METHODS	799.00	NOT C/A--\$1,000							
3	110.503	1506573	NWN CORPORATION	104,400.00	NOT C/A-VOID CHECK							
4	110.503	1506573	NWN CORPORATION	(104,400.00)	NOT C/A-VOID CHECK							
36	110.56011	1507038	DELL MARKETING	783.64	NOT C/A-SUPPLIES							
39	110.5601402	1506597	PCMG INC.	263.53	NOT C/A-\$1,000							
40	110.560161	1502-44	VINE	6,928.83	NOT C/A-VINE PAYMENT							
66	216.615	1507038	DELL MARKETING	59.99	NOT C/A-SUPPLIES							
74	219.64293	1506233	BALLARD, SAMUEL LOUIS	24,900.00	NOT C/A-CDBG							
76	219.64296	1506092	VOGT ENGINEERING	681.75	NOT C/A-CDBG							
77	219.64296	1506667	SITECON SERVICES	54,803.25	NOT C/A-CDBG							
78	219.64296	1506642	RIDGWAY'S	513.00	NOT C/A-CDBG							
79	219.64296	1507305	RIDGWAY'S	239.40	NOT C/A-MAINTENANCE							
80	219.64296	1507424	VOGT ENGINEERING	724.50	NOT C/A-CDBG							
86	225.40311	1506677	SOFTWARE HOUSE	9,416.40	NOT C/A-\$1,000							
87	232.629132	1506183	ALPHA DIAMOND ELECTRIC	1,178.95	NOT C/A-MAINTENANCE							
88	232.629132	1507122	HL FLAKE SECURITY	369.04	NOT C/A--\$1,000							
89	232.629132	1506907	ASTRO FENCE COMPANY	750.00	NOT C/A--\$1000							
96	243.458243	1507038	DELL MARKETING	267.78	NOT C/A-SUPPLIES							
97	40011.61340211	1505755	HTS INC.	2,748.25	NOT C/A-SH 242							
98	40011.61340211	1506824	WILLIAMS BROTHERS	38,582.33	NOT C/A-SH 242							
99	40011.61340211	1507129	HTS INC.	2,231.25	NOT C/A-SH 242							
100	40011.61540211	1505755	HTS INC.	2,748.25	NOT C/A-SH 242							
101	40011.61540211	1506824	WILLIAMS BROTHERS	38,582.34	NOT C/A-SH 242							
102	40011.61540211	1507129	HTS INC.	2,231.25	NOT C/A-SH 242							
103	40012.51012	1506361	DIAMOND COMMERCIAL	34,450.20	NOT CA-RETROFIT							
105	40012.51012	1507318	SANTOPETRO	6,177.37	NOT C/A-RETROFIT							
106	40012.51012	1507318	SANTOPETRO	6,177.38	NOT C/A-RETROFIT							
107	503.73909	MULTIPLE CLAIMS	COMPUTER REPLACEMENT	32,956.67	NOT C/A--1,000 EACH							
108	FUND 216	MULTIPLE CLAIMS	MULTIPLE VENDORS	(6,128.22)	NOT C/A							
109	FUND 4*	MULTIPLE CLAIMS	MULTIPLE VENDORS	206,713.68	NOT C/A							

Figure 8 – Additions Deletions Summary Schedule

	Buildings	C.I.P.	Equipment	Improvements	Infrastructure	Intangible	Land	Total
Balance 1/31/2015	200,032,862.90	674,798.73	92,451,594.89	23,224,616.56	1,205,961,162.49	31,379,280.33	25,146,018.01	1,578,870,333.91
Purchases	-	73,661.51	649,513.81	2,885.00	184,741.83	1,650.00	-	912,452.15
Donations	-	-	-	-	-	-	-	-
Forfeitures	-	-	-	-	-	-	-	-
Trade-In Value	-	-	-	-	-	-	-	-
Transfers In	-	-	379,599.72	-	-	-	-	379,599.72
Transfers In (C.I.P. ADJ)	-	-	-	-	-	-	-	-
ADJ-IN Prior Period	-	-	-	-	-	-	-	-
ADJ-IN Prior Year	-	-	-	-	-	-	-	-
Total Additions	-	73,661.51	1,029,113.53	2,885.00	184,741.83	1,650.00	-	1,292,051.87
Deletions:								
Sales	-	-	305,010.75	-	-	-	-	305,010.75
Salvage	-	-	-	-	-	-	-	-
Trade In	-	-	-	-	-	-	-	-
Transfers Out	-	-	379,599.72	-	-	-	-	379,599.72
ADJ-OUT	-	-	74,588.97	-	-	-	-	74,588.97
Total Deletions	-	-	759,199.44	-	-	-	-	759,199.44
Balance 2/30/2015	200,032,862.90	748,460.24	92,721,508.98	23,227,501.56	1,206,145,904.32	31,380,930.33	25,146,018.01	1,579,403,186.34
ACCUMULATED DEPRECIATION	(58,365,301.08)	-	(66,853,798.66)	(13,067,651.70)	(776,884,806.95)	-	-	(914,971,557.39)

	Buildings	C.I.P.	Equipment	Improvements	Infrastructure	Intangible	Land	Total
P01	-	53,137.56	383,114.81	-	95,265.68	25,000.00	-	556,518.05
P02	10,424.00	22,562.58	413,682.80	16,397.94	424,955.00	158,490.84	-	1,046,513.16
P03	-	95,287.04	1,229,924.23	4,100.00	769,412.20	564,206.49	298,087.38	2,961,017.34
P04	56,386.52	81,610.15	1,050,488.70	-	177,237.04	582,535.23	-	1,948,257.64
P05	-	73,661.51	649,513.81	2,885.00	184,741.83	1,650.00	-	912,452.15
P06	-	-	-	-	-	-	-	-
P07	-	-	-	-	-	-	-	-
P08	-	-	-	-	-	-	-	-
P09	-	-	-	-	-	-	-	-
P10	-	-	-	-	-	-	-	-
P11	-	-	-	-	-	-	-	-
P12	-	-	-	-	-	-	-	-
P13	-	-	-	-	-	-	-	-
	66,810.52	326,258.84	3,726,724.35	23,382.94	1,651,611.75	1,331,882.56	298,087.38	7,424,758.34

Figure 9 – Depreciation Reconciliation Workbook

Microsoft Excel: D31 = (D3+D16-D29)

	C	D	E	F	G
	Buildings	Equipment	Improvements	Infrastructure	Total
	58,365,301.08	67,008,502.19	13,067,651.70	776,884,805.95	915,326,260.92
Additions:					
Purchases	-	-	-	-	-
Donations	-	-	-	-	-
Forfeitures	-	-	-	-	-
Transfers In	-	354,703.53	-	-	354,703.53
Adjustments In	-	-	-	-	-
Total Additions	-	354,703.53	-	-	354,703.53
Deletions:					
Sales	-	289,774.50	-	-	289,774.50
Salvage	-	-	-	-	-
Trade In	-	-	-	-	-
Transfers Out	-	354,703.53	-	-	354,703.53
Adjustments Out	-	64,929.03	-	-	64,929.03
Total Deletions	-	709,407.06	-	-	709,407.06
31	58,365,301.08	66,653,798.66	13,067,651.70	776,884,805.95	914,971,557.39

Microsoft Excel: A1

	FYE14 Accumulated Depreciation P00 Balance		P 04	P 05	P 06	P 07	P 08	P 09	P 10	P 11	P 12	P 13	Total Additions and deletions	FYE14 Adjusted Accumulated Depreciation Ending Balance
BUILDINGS	58,365,301.08	Additions	-	-	-	-	-	-	-	-	-	-	-	58,365,301.08
		Deletions	-	-	-	-	-	-	-	-	-	-	-	-
TOTALS PER PERIOD			58,365,301.08	58,365,301.08	58,365,301.08	58,365,301.08	58,365,301.08	58,365,301.08	58,365,301.08	58,365,301.08	58,365,301.08	58,365,301.08	-	58,365,301.08
EQUIPMENT	69,556,496.71	Additions	43,588.97	354,703.53	-	-	-	-	-	-	-	-	1,464,702.81	66,653,798.66
		Deletions	95,525.01	709,407.06	-	-	-	-	-	-	-	-	(4,367,400.86)	66,653,798.66
TOTALS PER PERIOD			67,008,502.19	66,653,798.66	66,653,798.66	66,653,798.66	66,653,798.66	66,653,798.66	66,653,798.66	66,653,798.66	66,653,798.66	66,653,798.66	-	66,653,798.66
IMPROVEMENTS	13,067,651.70	Additions	-	-	-	-	-	-	-	-	-	-	-	13,067,651.70
		Deletions	-	-	-	-	-	-	-	-	-	-	-	-
TOTALS PER PERIOD			13,067,651.70	13,067,651.70	13,067,651.70	13,067,651.70	13,067,651.70	13,067,651.70	13,067,651.70	13,067,651.70	13,067,651.70	13,067,651.70	-	13,067,651.70
INFRASTRUCTURE	782,332,006.67	Additions	-	-	-	-	-	-	-	-	-	-	-	776,884,805.95
		Deletions	5,447,200.72	-	-	-	-	-	-	-	-	-	(5,447,200.72)	776,884,805.95
TOTALS PER PERIOD			776,884,805.95	776,884,805.95	776,884,805.95	776,884,805.95	776,884,805.95	776,884,805.95	776,884,805.95	776,884,805.95	776,884,805.95	776,884,805.95	-	776,884,805.95
923,321,456.16			915,326,260.92	914,971,257.39	914,971,557.39	914,971,257.39	914,971,557.39	914,971,257.39	914,971,557.39	914,971,257.39	914,971,557.39	914,971,557.39	-	914,971,557.39
													TOTAL ADJUSTMENT (INCREASE)	1,464,702.81
													TOTAL ADJUSTMENT (DECREASE)	(9,814,601.88)

Figure 10 – Fixed Asset Database

The screenshot displays a Microsoft Excel spreadsheet titled "FIG 06 ASSET DATABASES.pdf". The spreadsheet is organized into several panes, each representing a different category of fixed assets. The panes are:

- Buildings, 2015, Period 05:** A table with columns for function (GA, C, E, PF, HW, J, PS, PT, CR), Cost, Accum. Depr. At 9/30/14, and Net Value. Total Cost: 200,032,862.90; Total Net Value: 141,667,561.82.
- Improvements, 2015, Period 05:** A table with columns for function (GA, C, E, PF, HW, J, PS, PT, CR), Cost, FYH ACC. DEPR., and Net Value. Total Cost: 23,221,491.66; Total Net Value: 19,119,949.85.
- Infrastructure, 2015, Period 05:** A table with columns for FUNCTION, Cost, FY14 ACCUM. DEPR., and Net Value. Total Infrastructure Cost: 1,206,145,904.32; Total Net Value: 429,261,098.38.
- Equipment, 2015, Period 05:** A table with columns for function (GA, FA, C, E, PF, HW, J, L, PS, PT, CR), Cost, and Net Value. Total Cost: 92,721,568.98; Total Net Value: 26,667,718.32.
- Intangible Assets, 2015, Period 05:** A table with columns for function (GA, FA, C, E, PF, HW, J, L, PS, PT, CR), Cost, and Net Value. Total Intangible Assets Cost: 31,380,930.00; Total Net Value: 25,146,018.01.

Figure 11 – Summary Page for CAFR Table

	BUILDINGS	C.I.P.	EQUIPMENT	IMPROVEMENTS	INFRASTRUCTURE	INTANGIBLE	LAND	TOTAL
Total General Administration	94,996,661.46		4,248,917.80	1,828,034.07	36,490.00	3,521,403.84	6,308,898.14	110,940,405.31
Total Financial Administration	-		235,393.83	-	-	-	7,500.00	242,893.83
Total Conservation	877,275.70		91,294.30	101,495.02	-	-	1,682.50	1,071,747.52
Total Elections	493,238.97		3,400,322.42	70,468.75	-	-	3,000.00	3,967,030.14
Total Facilities	25,072,572.25		2,698,948.20	16,781,481.37	-	3,437.48	9,398,163.60	53,954,602.90
Total Health and Welfare	43,776,863.96		1,526,777.49	1,307,585.48	-	-	3,355,020.26	49,966,247.19
Total Judicial	2,336,953.64		1,168,878.38	5,853.47	-	-	-	3,511,685.49
Total Legal Services	-		1,476,476.31	-	-	-	-	1,476,476.31
Total Public Safety	5,093,433.07		53,010,335.03	1,176,255.40	-	1,235,508.71	240,519.46	60,756,051.67
Total Public Transportation	10,877,921.32		17,613,281.05	1,905,633.64	1,207,109,414.32	26,619,518.30	2,193,607.38	1,266,319,376.01
Total Culture and Recreation	16,507,942.53		7,250,884.17	50,894.36	-	1,062.00	3,637,626.67	27,448,209.73
CONSTRUCTION IN PROGRESS	-	748,460.24	-	-	-	-	-	748,460.24
	200,032,862.90	748,460.24	92,721,508.98	23,227,501.56	1,207,145,904.32	31,380,930.33	25,146,018.01	1,580,403,186.34
Total Additions	9,044,269.48	Total Deletions	(11,510,665.86)					
	9,044,269.48		11,510,665.86					

Figure 12 – Detail Listing for CAFR Table

DEPT	BUILDINGS	EQUIPMENT	IMPROVEMENTS	INFRASTRUCTURE	INTANGIBLE	LAND	TOTAL
Ending Balance	-	463,193.52	-	-	1,062.00	-	464,255.52
6518 Library-Gates Fndn Grant 77305-A							
Beginning Balance	-	1,671.65	-	-	-	-	1,671.65
Purchases							-
Donations							-
Transfers In							-
Audit Adjustments-Transfers In							-
Audit Adjustments-Additions							-
Sales							-
Salvage							-
Transfers Out							-
Audit Adjustments-Transfers Out							-
Audit Adjustments-Deletions							-
Ending Balance	-	1,671.65	-	-	-	-	1,671.65
Total Memorial Library	16,507,942.53	7,250,884.17	50,694.36	-	1,062.00	3,637,626.67	27,448,209.73
Total Culture and Recreation	16,507,942.53	7,250,884.17	50,694.36	-	1,062.00	3,637,626.67	27,448,209.73
Totals	200,032,862.90	92,721,508.98	23,227,501.56	1,207,145,904.32	31,380,930.33	25,146,018.01	1,579,654,726.10
800 C.I.P.							
Beginning balance							394,270.05
Additions-PURCHASES							354,190.19
Additions-ADJUSTMENT-IN							-
Deletions							-
Deletions-C.I.P. Adj.							-
C.I.P. ENDING BALANCE							748,460.24
Grand Total Capital Assets							1,580,403,186.34
ADDITIONS	9,044,269.48	(11,510,665.66)					
DELETIONS							

	PO1 Oct-13	PO2 Nov-13	PO3 Dec-13	PO4 Jan-14	PO5 Feb-14	PO6 Mar-14	PO7 Apr-14	PO8 May-14	PO9 Jun-14	PO10 Jul-14	PO11 Aug-14	PO12 Sep-14	PO13 Per 13a	PO14 CIP Adjmt	Total
Beg Balance Capital Assets															1,581,869,582.72
Purchases	556,518.05	1,046,513.16	2,961,017.34	1,949,257.64	912,452.15	-	-	-	-	-	-	-	-	-	7,424,758.34
Donations	126.66	-	11,955.90	38,058.52	-	-	-	-	-	-	-	-	-	-	50,141.08
Forfeitures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade-In Value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in	1,116,347.16	-	45,491.83	379,599.72	-	-	-	-	-	-	-	-	-	-	1,541,438.71
CIP Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjmt in	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ADJ-IN Prior Year	-	-	27,931.35	-	-	-	-	-	-	-	-	-	-	-	27,931.35
Total Additions															9,044,269.48
Deletions:															
Sales	1,108,273.83	-	47,229.42	-	305,010.75	-	-	-	-	-	-	-	-	-	1,460,514.00
Salvage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade In	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer out	1,116,347.16	-	45,491.83	379,599.72	-	-	-	-	-	-	-	-	-	-	1,541,438.71
Adjmt out	1,347,670.21	121,554.47	5,250.00	6,959,649.50	74,588.97	-	-	-	-	-	-	-	-	-	8,508,713.15
Total Deletions															11,510,665.66
Ending Balance Capital Assets															1,579,403,186.34

Figure 13 – CAFR Reports

MONTGOMERY COUNTY, TEXAS Capital Assets Used in the Operation of Governmental Activities Schedule by Source September 30, 2014		MONTGOMERY COUNTY, TEXAS Capital Assets Used in the Operation of Governmental Activities Schedule by Function and Activity September 30, 2014						
G-1		G-2 Page 1 of 2						
		Function and Activity	Total	Land	Buildings	Improvements Other than Buildings	Equipment	Infrastructure
GOVERNMENTAL FUNDS CAPITAL ASSETS:		GENERAL ADMINISTRATION:						
Land	\$ 50,901,250	County Judge	\$ 4,159	\$ -	\$ -	\$ -	\$ 4,159	\$ -
Buildings	200,917,316	Human Resources	6,033	-	-	-	6,033	-
Improvements Other than Buildings	23,206,513	Risk Management	1,184,573	-	951,264	2,394	230,915	-
Equipment	96,238,799	County Clerk	419,829	-	-	-	419,829	-
Infrastructure	1,211,357,967	Collections	7,593	-	-	-	7,593	-
Construction in Progress	394,270	Purchasing Agent	73,195	-	-	-	73,195	-
		Information Technology	2,220,189	-	86,900	1,061,450	-	6,071,839
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 1,583,016,115	County Buildings	95,578,396	-	94,899,336	642,570	-	36,490
		County Land	6,461,741	6,341,828	-	119,913	-	-
		TOTAL GENERAL ADM	110,955,708	6,341,828	95,937,500	1,826,327	6,813,563	36,490
		FINANCIAL ADMINISTRATION:						
		County Auditor	44,739	-	-	-	44,739	-
		County Treasurer	27,291	-	-	-	-	27,291
		Tax Assessor/Collector	212,187	7,500	-	-	-	204,687
		TOTAL FINANCIAL ADM	284,217	7,500	-	-	276,717	-
		CONSERVATION:						
		Extension Agents	877,115	1,682	815,958	48,017	11,458	-
		Recycling Stations	194,633	-	61,318	53,478	79,837	-
		TOTAL CONSERVATION	1,071,748	1,682	877,276	101,495	91,295	-
		ELECTIONS:						
		Elections Administrator	3,967,030	3,000	493,239	70,469	3,400,322	-
		TOTAL ELECTIONS ADM	3,967,030	3,000	493,239	70,469	3,400,322	-
		FACILITIES:						
		Custodial Services	852,877	30,715	172,561	6,155	643,446	-
		Building Maintenance	1,200,653	-	171,407	13,115	1,016,131	-
		Parks	28,701,768	9,075,333	4,390,386	15,236,049	-	-
		Jail	6,383,328	-	5,778,404	15,125	589,799	-
		Civic Center	16,577,793	88,216	14,551,294	1,509,464	428,819	-
		TOTAL FACILITIES	53,716,419	9,194,264	25,064,052	16,779,908	2,678,195	-
		HEALTH AND WELFARE:						
		Public Health	6,827,286	159,705	5,888,499	193,092	585,990	-
		Mental Health Treatment	32,030,233	2,631,689	27,792,323	1,114,494	491,727	-
		Community Development	11,106,175	563,626	10,096,041	-	446,508	-
		TOTAL HEALTH & WELFARE	49,963,694	3,355,020	43,776,863	1,307,586	1,524,225	-

MONTGOMERY COUNTY, TEXAS Capital Assets Used in the Operation of Governmental Activities Schedule by Function and Activity September 30, 2014		MONTGOMERY COUNTY, TEXAS Capital Assets Used in the Operation of Governmental Activities Schedule of Changes by Function and Activity Year Ended September 30, 2014								
G-2 Page 2 of 2		G-3 Page 1 of 2								
Function and Activity	Total	Land	Buildings	Improvements Other than Buildings	Equipment	Infrastructure	Gov't Funds Capital Assets October 1, 2013	Additions	Deletions	Gov't Funds Capital Assets September 30, 2014
JUDICIAL:		GENERAL ADMINISTRATION:								
Courts	638,112	-	-	924	637,188	-	\$ 18,491	\$ -	\$ 14,332	\$ 4,159
District Attorney	278,334	-	-	-	278,334	-	6,033	-	-	6,033
District Clerk	165,909	-	7,129	-	158,780	-	38,041	1,146,532	-	1,184,573
Justice of Peace	2,465,162	-	2,329,825	4,930	130,407	-	452,613	-	32,784	419,829
TOTAL JUDICIAL	3,547,517	-	2,336,954	5,854	1,204,709	-	6,461,741	-	-	6,461,741
LEGAL SERVICES:		FINANCIAL ADMINISTRATION:								
County Attorney	6,136	-	-	-	6,136	-	52,264	1,829	9,354	44,739
Law Library	1,453,174	-	-	-	1,453,174	-	27,291	-	-	27,291
TOTAL LEGAL SERVICES	1,459,310	-	-	-	1,459,310	-	221,717	3,355	12,885	212,187
PUBLIC SAFETY:		TOTAL FINANCIAL ADM								
Emergency Management	14,706,828	-	629,431	410,407	13,666,990	-	301,272	5,184	22,239	284,217
Fire Marshal	26,932	-	-	-	26,932	-	-	-	-	-
Constables	3,723,983	22,810	462,577	37,990	3,200,206	-	-	-	-	-
Sheriff	38,565,616	217,711	2,535,811	702,011	35,110,083	-	-	-	-	-
District Attorney Forfeitures	425,594	-	-	13,839	411,755	-	-	-	-	-
County Attorney Forfeitures	7,171	-	-	-	7,171	-	-	-	-	-
Juvenile Probation	1,858,675	-	1,404,598	-	454,077	-	-	-	-	-
Adult Probation	62,001	-	13,151	-	48,850	-	-	-	-	-
TOTAL PUBLIC SAFETY	59,376,420	240,521	5,045,568	1,164,247	52,926,084	-	105,851,824	7,050,404	1,946,520	110,955,708
PUBLIC TRANSPORTATION:		CONSERVATION:								
Engineers	34,869	-	-	-	34,869	-	877,115	-	-	877,115
Commissioners' Operations	1,234,158,005	26,431,679	6,714,524	1,193,112	16,950,459	1,182,868,231	194,633	-	-	1,184,633
Airport	35,578,923	1,688,128	4,163,397	706,821	567,331	28,453,246	1,071,748	-	-	1,071,748
TOTAL PUBLIC TRANSPORTATION	1,269,771,797	28,119,807	10,877,921	1,899,933	17,552,659	1,211,321,477	3,626,846	361,096	20,912	3,967,030
CULTURE AND RECREATION:		ELECTIONS:								
Memorial Library	28,507,985	3,637,628	16,507,943	50,694	8,311,720	-	3,626,846	361,096	20,912	3,967,030
TOTAL CULTURE REC	28,507,985	3,637,628	16,507,943	50,694	8,311,720	-	-	-	-	-
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	1,582,621,845	\$ 50,901,250	\$ 200,917,316	\$ 23,206,513	\$ 96,238,799	\$ 1,211,357,967	-	-	-	-
Construction in Progress	394,270	-	-	-	-	-	-	-	-	-
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 1,583,016,115	-	-	-	-	-	-	-	-	-

MONTGOMERY COUNTY, TEXAS
Capital Assets Used in the Operation of Governmental Activities
Schedule of Changes by Function and Activity
Year Ended September 30, 2014

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Page 2 of 2

Function and Activity	Govt Funds Capital Assets October 1, 2013		Govt Funds Capital Assets September 30, 2014	
	2013	Additions	Deletions	2014
JUDICIAL:				
Courts	620,674	89,610	72,172	638,112
District Attorney	258,301	55,155	35,122	278,334
District Clerk	168,315	4,036	6,442	165,909
Justice of Peace	2,466,776	2,342	3,956	2,465,162
TOTAL JUDICIAL	3,514,066	151,143	117,692	3,547,517
LEGAL SERVICES:				
County Attorney	8,987	-	2,851	6,136
Law Library	1,421,136	32,038	-	1,453,174
TOTAL LEGAL SERVICES	1,430,123	32,038	2,851	1,459,310
PUBLIC SAFETY:				
Emergency Management	14,133,243	963,440	389,855	14,706,828
Fire Marshal	26,952	-	-	26,952
Constables	2,725,310	1,244,702	246,429	3,723,583
Sheriff	36,982,759	3,637,720	1,654,963	38,565,516
District Attorney Forfeitures	397,064	43,070	14,540	425,594
County Attorney Forfeitures	-	7,171	-	7,171
Juvenile Probation	1,845,838	43,525	30,688	1,858,675
Adult Probation	62,001	-	-	62,001
TOTAL PUBLIC SAFETY	55,773,167	5,939,628	2,336,575	59,376,220
PUBLIC TRANSPORTATION:				
Engineer	34,869	-	-	34,869
Commissioners' Operations	1,190,618,294	44,371,890	832,179	1,234,158,005
Airport	27,608,970	7,971,012	1,059	35,578,923
TOTAL PUBLIC TRANS	1,218,262,133	52,342,902	833,238	1,269,771,797
CULTURE & RECREATION:				
Memorial Library	28,066,225	452,758	10,998	28,507,985
TOTAL CULTURE REC	28,066,225	452,758	10,998	28,507,985
Construction In Progress	2,240,455	2,631,150	4,477,335	394,270
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 1,520,490,107	\$ 72,381,737	\$ 9,855,729	\$ 1,583,016,115



September 30, 2014

NOTE 6 - DUE FROM OTHER GOVERNMENTS:
At September 30, 2014, the following amounts were recorded as due to the County:

	Federal	State	Local	Total
General Fund	\$ 4,781,610	\$ 673,888	\$ 2,379,093	\$ 7,834,591
Road & Bridge Fund	-	40,710	335,728	376,438
Special Revenue Funds	876,746	1,606,293	595,851	3,158,890
Pass-Through Toll Projects	-	20,000,000	-	20,000,000
Total Due from Governments	\$ 5,658,356	\$ 22,400,891	\$ 3,310,672	\$ 31,369,919

Amounts due from other governments arise from funding received from federal and state grants, as well as interlocal agreements with local governments.

NOTE 7 - CAPITAL ASSETS:
A) **CHANGES IN CAPITAL ASSETS FOR YEAR ENDED SEPTEMBER 30, 2014:**

Governmental Activities	Beginning Balance	Additions ⁽¹⁾	Deletions ⁽¹⁾	Ending Balance
Land ⁽²⁾	\$ 45,698,159	\$ 5,205,382	(2,291)	\$ 50,901,250
Construction in Progress	2,240,455	2,631,150	(4,477,335)	394,270
Total Capital Assets not being depreciated	47,938,614	7,836,532	(4,479,626)	51,295,520
Buildings ⁽³⁾	196,946,145	3,971,171	-	200,917,316
Improvements ⁽³⁾	22,567,479	639,034	-	23,206,513
Equipment ⁽²⁾⁽³⁾	86,266,607	15,321,475	(5,349,283)	96,238,799
Infrastructure	1,167,917,794	43,466,993	(26,820)	1,211,357,967
Total Capital Assets being depreciated	1,473,698,025	63,398,673	(5,376,103)	1,531,720,595
Less accumulated depreciation for:				
Buildings	(53,538,222)	(4,923,912)	-	(58,462,134)
Improvements	(11,750,097)	(1,318,752)	-	(13,068,849)
Equipment	(64,202,959)	(7,585,733)	2,126,480	(69,662,212)
Infrastructure	(749,521,117)	(32,810,890)	-	(782,332,007)
Total Depreciation	(879,012,395)	(46,639,287)	2,126,480	(923,525,202)
Total Capital Assets, net of Accumulated depreciation	\$ 642,624,244	\$ 24,595,918	\$ (7,729,249)	\$ 659,490,913

(1) Amounts representing transfers between categories are included in the columns for both additions and deletions.
(2) As required by GASB 51, this schedule reports intangible assets of \$23,962,569 and \$4,036,337 in land and equipment respectively.
(3) Internal service fund assets are included in these amounts.

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MONTGOMERY COUNTY, TEXAS
Notes to the Financial Statements
September 30, 2014

B) DEPRECIATION EXPENSE:
 Depreciation expense on capital assets is recorded in the Government-wide financial statements, but not in the Fund financial statements.

For the year ended September 30, 2014, the County charged depreciation expense to functions as follows:

Governmental activities:		
General Administration		\$ 2,570,061
Judicial		227,842
Legal Services		82,543
Elections		218,327
Financial Administration		19,997
Public Facilities		1,803,019
Public Safety		4,965,873
Health and Welfare		1,459,295
Culture and Recreation		1,030,822
Conservation		26,976
Public Transportation		34,193,420
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets		41,112
Total depreciation expense-governmental activities		\$46,639,387

C) CONSTRUCTION COMMITMENTS:
 The County has entered into contracts for the construction, renovation, and improvement of real property. The following projects were in progress at September 30, 2014:

Project	Starts	Commitment	Paid to Date
Various Road Projects	Under construction	\$ 44,010,155	\$ 22,651,264
Building Remodels	Underway	16,042,912	1,302,171
Park Improvements	Underway	110,000	102,099
Airport Improvements	Underway	10,609,167	2,741,520
Energy Renovation Projects	Underway	3,493,271	706,561
Total		\$ 74,175,505	\$ 27,503,606

NOTE 8 - DISAGGREGATION OF PAYABLE BALANCES:

A) DUE TO OTHER GOVERNMENTS:
 The County records certain amounts due to other governments as a result of operating contracts and overpayment of certain grant funds. At September 30, 2014, the following amounts were due to other governments:

Fund	Local	Total
General	\$7,620	\$7,620

B) UNEARNED REVENUES:
 The County reports unearned revenues in the governmental funds that consist of two categories: a) receivables for revenues that are not considered to be available to liquidate liabilities of the current period, and b) resources that have been received, but not yet earned.

At the end of September 2014, unearned revenues are presented on the following page:

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GFOA Recommended Practices

Recommended Practice 1: Establishing Appropriate Capitalization Thresholds

Type: Best Practice

Approved by GFOA's Executive Board: February 2006

Background:

The term *capital assets* is used to describe assets that are used in operations and that have initial lives extending beyond a single reporting period. Capital assets may be either intangible (e.g., easements, water (rights)) or tangible (e.g., land, buildings, building improvements, vehicles, machinery, equipment and infrastructure). It is incumbent upon public-sector managers to maintain adequate control over all of a government's resources, including capital assets, to minimize the risk of loss or misuse.

As a practical application of the materiality principle, not all tangible capital-type items with useful lives extending beyond a single reporting period are required to be reported in a government's statement of position. Items with extremely short useful lives (e.g., less than 2 years) or of small monetary value are properly reported as an "expense" or "expenditure" in the period in which they are acquired.

When outlays for capital-type items are, in fact, reported on the statement of position, they are said to be *capitalized*. The monetary criterion used to determine whether a given capital asset should be reported on the balance sheet is known as the *capitalization threshold*. A government may establish a single capitalization threshold for all of its capital assets, or it may establish different capitalization thresholds for different classes of capital assets.

Capitalization is, of its nature, primarily a financial reporting issue. That is, a government's principal concern in establishing specific capitalization thresholds ought to be the anticipated information needs of the users of the government's external financial reports. While it is essential to maintain control over all potentially capitalizable items, there exist much more efficient means than capitalization for accomplishing this objective in the case of a government's smaller tangible capital-type items.¹ Furthermore, practice has demonstrated that capital asset

management systems that attempt to incorporate data on numerous smaller items are often costly and difficult to maintain and operate.

Recommendation:

GFOA recommends that state and local governments consider the following guidelines in establishing capitalization thresholds:

- Potentially capitalizable items should only be capitalized if they have an estimated useful life of at least two years following the date of acquisition;
- Capitalization thresholds are best applied to individual items rather than to groups of similar items (e.g., desks and tables), unless the effect of doing so would be to eliminate a significant portion of total capital assets (e.g., books of a library district);
- In no case should a government establish a capitalization threshold of less than \$5,000 for any individual item;
- In establishing capitalization thresholds, governments that are recipients of federal awards should be aware of federal requirements that prevent the use of capitalization thresholds in excess of certain specified maximum amounts (i.e., currently \$5,000) for purposes of federal reimbursement; and
- Governments should exercise control over potentially capitalizable items that fall under the operative capitalization threshold.²

Committee:

Accounting, Auditing, and Financial Reporting

References:

¹ See GFOA's best practice on "Maintaining Control over Items that Are Not Capitalized" (2006).

² See GFOA's best practice on "Maintaining Control over Items that Are Not Capitalized" (2006).

Recommended Practice 2: Ensuring Control over Noncapitalized Items

Type: Best Practice

Approved by GFOA's Executive Board: October 2005

Background:

Accountants use the term *capital assets* to describe “tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.”¹ As a practical matter, not all items that technically meet this definition should be capitalized for financial reporting purposes.² When potentially capitalizable items are not, in fact, capitalized, care must be taken to ensure that adequate control is maintained over any such items that fall within the following categories:

- *Items that require special attention to ensure legal compliance.* Legal or contractual provisions may require a higher than ordinary level of accountability over certain capital-type items (e.g., items acquired through grant contracts);
- *Items that require special attention to protect public safety and avoid potential liability.* Some capital-type items by their very nature pose a risk to public safety and could be the source of potential liability (e.g., police weapons);
- *Items that require special attention to compensate for a heightened risk of theft (“walk away” items).* Some capital-type items are both easily transportable and readily marketable or easily diverted to personal use (e.g., sound equipment).

Noncapitalized items that require special attention because they are sensitive for one or more of these reasons might be described as *controlled capital-type items*.

Recommendation:

GFOA recommends that every government undertake a systematic effort to identify all of its controlled capital-type items.

Control normally should occur at the departmental level. Departments typically would be expected to concern themselves with controlled capital-type items as an integral part of the process they use to achieve their operational goals. Therefore, individual departments, rather than a centralized finance function (or other designated finance function), normally should be the focus of control efforts.

Control responsibility should be assigned within each department. Control cannot be divorced from accountability. Consequently, departments should assign responsibility for different groups of controlled capital-type items to one or more specific individuals. That assignment should be documented within the department and communicated to the centralized accounting function (or other designated finance function). Likewise, changes in assignments should be documented and communicated.

Individuals responsible for controlled capital-type items should prepare and maintain a complete list of those items each year within the department. At the close of each fiscal year, every individual assigned responsibility for controlled capital-type items should prepare a report (to be maintained within the department) that provides a complete list of those items, along with an explanation of changes from the previous year.

Departments should certify each year to the central accounting function (or other designated finance function) that updated lists of controlled capital-type items are on file and available for inspection. Each department should designate an individual to be responsible for verifying that lists of all controlled capital-type items have been filed each year, as required. The responsible manager in the department should then certify to the central accounting function (or other designated finance function) that those lists are 1) on file and available for inspection and 2) reliable and complete. A sound framework of internal control is necessary to afford a reasonable basis for this certification.³

The central accounting function (or other designated finance function) should periodically verify the data on controlled capital-type items on file in each department. No less than once every five years on a rotating basis (more frequently for particularly sensitive items), the central accounting function (or other designated finance function) should ensure that procedures are performed to verify the reliability and completeness of the data on file in each department concerning controlled capital-type items.

Committee:

Accounting, Auditing, and Financial Reporting

Notes:

¹ See GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, paragraph 19.

² See GFOA's best practice on "Establishing Capitalization Thresholds for Capital Assets" (2001).

³ See GFOA's best practice on "Getting Management Involved with Internal Control" (2004).

Recommended Practice 3: The Need for Periodic Inventories of Tangible Capital Assets

Type: Best Practice

Approved by GFOA's Executive Board: February 2006

Background:

The term *capital assets* is used to describe assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Tangible capital assets include land, buildings, building improvements, vehicles, machinery, equipment, and infrastructure. It is essential that governments establish and maintain appropriate inventory systems for their tangible capital assets. Such systems are needed to protect tangible capital assets from the danger of loss or misuse.

Many governments have installed "perpetual" inventory systems to maintain effective control over their tangible capital assets. Perpetual inventory systems are constantly updated to reflect additions and deletions of tangible capital assets, thus providing managers with direct access throughout the year to reliable information on current balances in tangible capital asset accounts.

One advantage of establishing and maintaining a sound perpetual inventory system for tangible capital assets is that such a system can relieve a government of the burden of performing an annual inventory of its tangible capital assets. Such a system, however, still requires periodic verification to ensure that it is continuing to function properly as designed.

Recommendation:

GFOA recommends that every state and local government periodically inventory its tangible capital assets so that all such assets are accounted for, at least on a test basis, no less often than once every five years. While well-designed and properly maintained perpetual inventory systems can eliminate the need for an annual

inventory of a government's tangible capital assets, no inventory system is so reliable as to eliminate completely the need for a periodic physical inventory.

Committee:

Accounting, Auditing, and Financial Reporting

Recommended Practice 4: Documenting Accounting Policies and Procedures

Type: Best Practice

Approved by GFOA's Executive Board: March 2007

Background:

Communication is an essential component of a comprehensive framework of internal controls. One method of communication that is particularly effective for controls over accounting and financial reporting is the formal documentation of accounting policies and procedures. A well-designed and properly maintained system of documenting accounting policies and procedures enhances both accountability and consistency. The resulting documentation can also serve as a useful training tool for staff.

Recommendation:

Every government should document its accounting policies and procedures. Traditionally, such documentation has taken the form of an accounting policies and procedures manual. Thanks to advances in technology, even more effective methods are now also available for this purpose.

An appropriate level of management to emphasize their importance and authority should promulgate accounting policies and procedures. The documentation of accounting policies and procedures should be evaluated annually and updated periodically, no less than once every three years, according to a predetermined schedule. Changes in policies and procedures that occur between these periodic reviews should be updated in the documentation promptly as they occur. A specific employee should be assigned the duty of overseeing this process. Management is responsible for ensuring that this duty is performed consistently.

The documentation of accounting policies and procedures should be readily available to all employees who

need it. It should delineate the authority and responsibility of all employees, especially the authority to authorize transactions and the responsibility for the safekeeping of assets and records. Likewise, the documentation of accounting policies and procedures should indicate which employees are to perform which procedures. Procedures should be described as they are actually intended to be performed rather than in some idealized form. Also, the documentation of accounting policies and procedures should explain the design and purpose of control-related procedures to increase employee understanding of and support for controls.

Committee:

Accounting, Auditing, and Financial Reporting

Recommended Practice 5: Getting Management Involved with Internal Control

Type: Best Practice

Approved by GFOA's Executive Board: October 2008

Background:

GFOA's *Code of Professional Ethics* requires finance officers, as part of their responsibility as public officials, to “exercise prudence and integrity in the management of funds in their custody and in all financial transactions.” GFOA's *Code of Professional Ethics* also requires of finance officers in connection with the issuance and management of information that they “not knowingly sign, subscribe to, or permit the issuance of any statement or report which contains any misstatement or which omits any material fact.” Both provisions presume the existence of a sound framework of internal control:

- Prudence in the management of public funds requires that there be adequate control procedures in place to protect those funds.
- A sound framework of internal control is necessary to afford a reasonable basis for finance officers to assert that the information they provide can be relied upon.

While a government's independent auditors and similar outside parties often can provide valuable assistance to management in meeting its internal-control-related responsibilities, their contribution can never be a substitute for management's direct and informed involvement with internal control.

Ultimately, it is the responsibility of appropriate elected officials to ensure that the managers who report to them fulfill their responsibilities in implementing and maintaining a sound and comprehensive framework of internal control.

Recommendation:

GFOA recommends that financial managers obtain the information and training needed to meaningfully take responsibility for internal control. In particular, they should obtain a sound understanding of the essential components of a comprehensive framework of internal control as set forth by the Council of Sponsoring Organizations (COSO) of the Treadway Commission on Fraudulent Financial Reporting in the publication *Internal Controls—Integrated Framework*.¹ They also should ensure that all employees responsible in any way for internal control receive the information and training they need to fulfill their particular responsibilities.

GFOA also recommends that internal control procedures over financial management be documented.²

Documented internal control procedures should include some practical means for lower level employees to report instances of management override of controls that could be indicative of fraud.³

GFOA further recommends that financial managers, with the assistance of internal auditors⁴ or equivalent personnel as needed, periodically evaluate relevant internal control procedures to satisfy themselves that those procedures 1) are adequately designed to achieve their intended purpose, 2) have actually been implemented, and 3) continue to function as designed.

Evaluations should also encompass the effectiveness and timeliness of the government's response to indications of potential control weaknesses generated by internal control procedures (e.g., resolution of items in exception reports).⁵

The determination of whether controls have been implemented necessarily involves establishing their initial effectiveness as a *baseline* for future monitoring. Effectiveness then needs to be reassessed periodically. Moreover, there should be a process in place to 1) identify changes, either in what is being controlled or in the controls themselves and 2) make appropriate modifications. Following each periodic reassessment or modification a new baseline of effectiveness needs to be established as a basis for subsequent monitoring.

In addition, GFOA recommends that upon completion of any evaluation of internal control procedures financial managers determine what specific actions are necessary to remedy the root cause of any disclosed weaknesses. A corrective action plan with an appropriate timetable should be adopted. There should be follow-up on the corrective action plan to ensure that it has been fully implemented on a timely basis.

Committee:

Accounting, Auditing, and Financial Reporting

Notes:

¹This information is specifically adapted to the needs of state and local governments in GFOA's publication *Evaluating Internal Controls: A Local Government Manager's Guide*.

²See GFOA's recommended practice on *Documenting Accounting Policies and Procedures* (2002).

³See GFOA's recommended practice on *Encouraging and Facilitating the Reporting of Fraud and Questionable Accounting and Auditing Practices* (2007).

⁴See GFOA's recommended practice on *Establishing an Internal Audit Function* (1997) government's response to indications of potential control weaknesses generated by internal control procedures.

⁵It normally would not be practical for financial managers to attempt to undertake a thorough evaluation of all of their internal control procedures in a single year. Therefore, it is appropriate that financial managers evaluate their various control cycles on a cyclical basis.

Recommended Practice 6: Conforming to Governmental Accounting, Auditing, and Financial Reporting Standards

Type: Best Practice

Approved by GFOA's Executive Board: February 2006

Background:

Since its inception early in the last century, the Government Finance Officers Association (GFOA) has been committed to the transparency and reliability of public-sector financial reports. As a result, GFOA has long been at the forefront of efforts to promote the highest standards of accounting, auditing, and financial reporting as represented by generally accepted accounting principles (GAAP), generally accepted auditing standards (GAAS), and *Government Auditing Standards* (GAS). GFOA also believes that state and local governments should not be satisfied with issuing only the basic financial statements required by GAAP, but should instead publish a comprehensive annual financial report (CAFR).

Recommendation:

GFOA urges individual state and local governments to fulfill their financial reporting responsibilities by:

1. Maintaining an accounting system adequate to provide all of the data needed to allow for the timely preparation of financial statements for the entire financial reporting entity in conformity with GAAP;
2. Issuing timely financial statements for the entire financial reporting entity in conformity with GAAP as part of a CAFR; and
3. Having those financial statements independently audited in accordance with either GAAS or GAS, as appropriate.

For some small governments, the preparation of GAAP financial statements may not be feasible. The GFOA urges that such governments, at a minimum, issue timely financial statements prepared on a modified cash basis and independently audited in accordance with either GAAS or GAS, as appropriate.

Furthermore, GFOA recommends that state governments enact legislation requiring local governments to maintain an accounting system adequate to provide all of the data needed to prepare timely financial statements in conformity with GAAP (or the modified cash basis of accounting, for small governments for which the preparation of GAAP financial statements is not feasible) and to have those financial statements independently audited in accordance with GAAS or GAGAS.

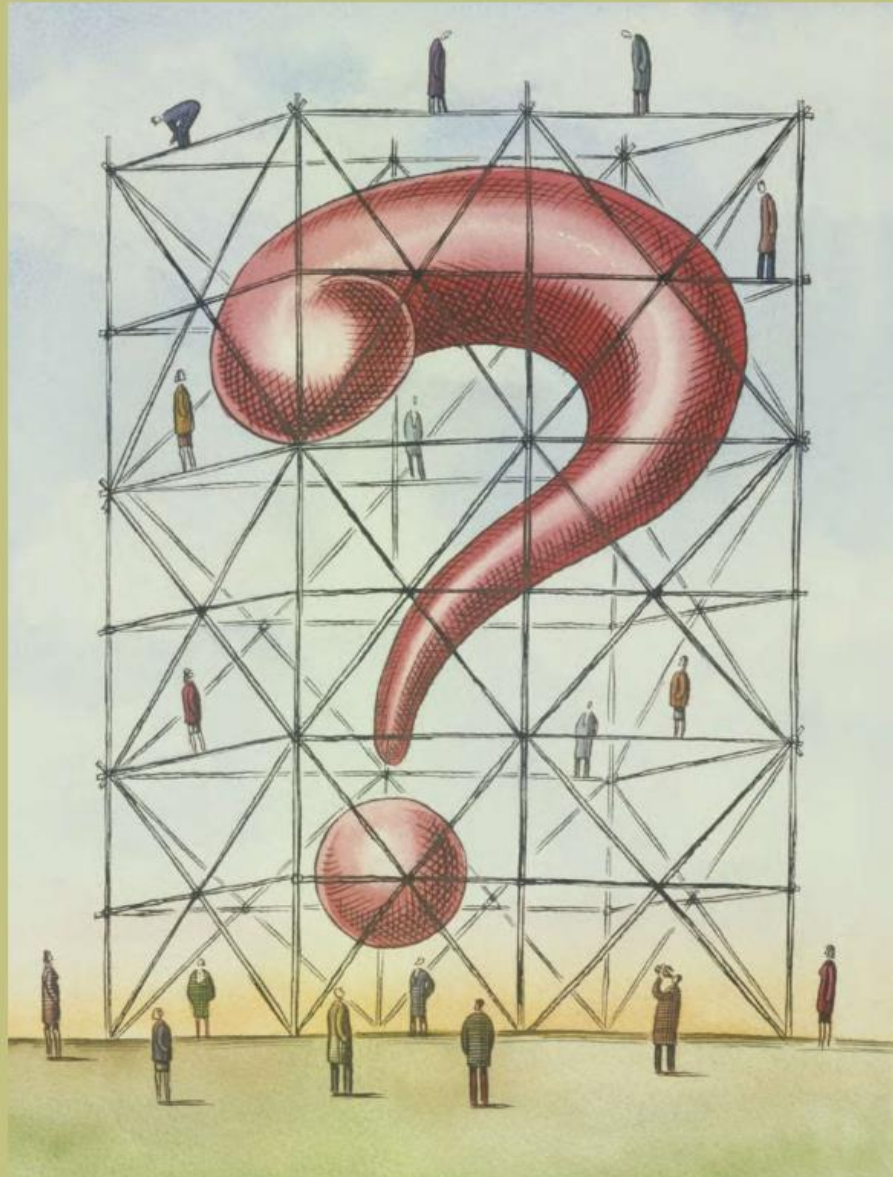
Committee:

Accounting, Auditing, and Financial Reporting

References:

GFOA's Certificate of Achievement for Excellence in Financial Reporting Program

Capital Confusion: 12 Misunderstandings about Accounting for Capital Assets



CAPITAL CONFUSION

12 Misunderstandings about Accounting for Capital Assets

BY STEPHEN J. GAUTHIER

Many accounting and financial reporting issues affect some governments, but not others. Virtually all state and local governments, however, must confront the ongoing challenge of accounting for capital assets. To help governments meet this challenge, the Government Finance Officers Association (GFOA) recently released a new book, *Accounting for Capital Assets: A Guide for State and Local Governments*, that comprehensively addresses accounting and financial reporting for capital assets (the contents are listed in Exhibit 1). This article will focus on 12 common misunderstandings that the new publication should help eliminate.

Misunderstanding No. 1

If it's a parcel of land with a building on top, it must be a capital asset.

If asked to provide the quintessential example of a capital asset, most probably would reply "land" or "buildings." Yet not every parcel of land or building necessarily qualifies as a capital asset. Some assets are acquired for use in operations (e.g., fire truck), while others are acquired with the intent of resale (e.g., foreclosure properties). By definition, only the former qualify as capital assets.¹ That is, the crucial factor in determining whether a given item should be classified as a capital asset is not the form of the asset, but its intended use. Thus, a parcel of land acquired to serve as the site of a new school would properly be classified as a capital asset, but not an identical parcel of land acquired for eventual resale to a private-sector business as part of a redevelopment program.

The distinction between *capital* and *noncapital* is more than a question of terminology: Governmental funds (e.g., general fund) do not report capital assets; they do, however, report items acquired for the purpose of resale, including items that resemble capital assets. Also, capital assets are unaffected by changes in fair value, whereas items held for resale cannot be reported at more than their net realizable value.

Misunderstanding No. 2

Capital assets and "fixed assets" are really one and the same thing.

In the private sector, capital assets are commonly described as *property, plant, and equipment*. For many years, the equivalent term in the public sector was *fixed assets*. In both cases, the language suggests an asset that is both tangible and

immovable. Neither quality, however, is an essential characteristic of a capital asset. Rather, the essential features of a capital asset are that it will be *used in operations* and that it has a useful life *extending beyond a single reporting period*. Thus, *intangible* items such as legal rights (e.g., easements) and internally developed computer software typically qualify as capital assets. Unfortunately, because intangible assets do not "look like" other capital assets, financial statement preparers often overlook them when calculating the portion of *net assets* classified as *invested in capital assets, net of related debt*.

Misunderstanding No. 3

A capital asset should always be reported as an asset of the government that maintains it.

In the public sector, it is not uncommon for a higher level of government (e.g., county) to acquire or construct a capital asset for a lower level of government (e.g., township), with the latter assuming responsibility for maintenance. Under generally accepted accounting principles (GAAP), the same item cannot be reported as a capital asset of two different governments.²

When two or more governments are involved with the same capital asset, it is the government that owns it that should report it. If ownership of a capital asset is difficult to establish (e.g., sidewalks), it is the government responsible for managing the asset (e.g., maintenance) that normally would report it.³ This last provision has led some to erroneously conclude that responsibility for managing a capital asset is the normal criterion for determining which government should report a capital asset. To the contrary, *responsibility for maintenance is only a factor if ownership cannot be determined*. Put differently, ownership always "trumps" management for this purpose.

Misunderstanding No. 4

An infrastructure asset includes the land it is built on.

Infrastructure assets (e.g., roads and sewer lines) typically are built on land that the government controls through ownership or easement. Since infrastructure is unimaginable without the underlying land, it is tempting to view the cost of the land or easement as an integral part of the cost of the infrastructure. Authoritative accounting standards, however, require that land and easements associated with infrastructure be treated as separate capital assets in their own right.⁴

Virtually all state and local governments must confront the ongoing challenge of accounting for capital assets.

Exhibit I: Accounting for Capital Assets: A Guide for State and Local Governments

Chapters

1. Capital Assets: Definition, Accounting Function, Types, and Basic Information Requirements
2. Basic Accounting
3. Major Asset Classes
4. Capitalizable Costs
5. Valuation of Capital Assets for Financial Reporting Purposes
6. Impairments
7. Depreciation
8. Financial Statement Presentation and Disclosure
9. System Design and Policies
10. Inventorying

Appendices

- A. Answers to Exercises
- B. Sample Journal Entries
- C. GFOA Recommended Practices

Glossary and Index

Misunderstanding No. 5

The cost of a capital asset should include the cost of an associated feasibility study.

Governments often undertake a feasibility study prior to the acquisition or construction of a capital asset. Accountants presume that cost should be recognized as expense when incurred, unless they have demonstrable future value at that time. It is hard to argue that cost has demonstrable future value before the feasibility of a project has been established. Therefore, the cost of a feasibility study associated with the acquisition or construction of a capital asset should not be included as part of the cost of the asset thus acquired.⁵

Misunderstanding No. 6

If you don't issue debt for a project you will have no interest to capitalize.

For enterprise funds and business-type activities, interest incurred during the acquisition or construction of a capital asset must be included as part of the cost of that asset. It would be understandable to conclude that there would be no interest to capitalize if the government did not issue debt to finance a given project. However, GAAP often require that interest be capitalized even in situations where no new debt is issued.

In theory, if a given enterprise fund or business-type activity had both available resources and outstanding debt, it could apply those resources to liquidate the debt. If this were done, of course, the resources would no longer be available to finance acquisition or construction, thus necessitating a new borrowing. Consequently, GAAP take the position that if there is any outstanding debt in a given enterprise fund or business-type activity, *even though that debt may relate to a different project of a prior period*, the government's decision not to pay off the debt is equivalent to a new borrowing, and the related interest should be capitalized during acquisition or construction as part of the cost of the capital asset.⁶

Misunderstanding No. 7

The fair value of something is what you can sell it for.

GAAP require that donated capital assets be recorded at their *fair value* as of the date of donation. For this purpose, fair value should be understood as referring to what it would have cost the government to acquire the asset, not the amount for which it could resell the asset.

Assume, for example, that a developer donated the right-of-way for a road. There is little market for the land under a road, so the right-of-way would have little or no resale value. Conversely, the cost of acquiring the land for the right-of-way could have been substantial. Some have reasoned in similar cases that the minimal anticipated resale value of the donated land justified its being reported at some nominal value (e.g., \$1 per acre). GAAP, however, would require that the right-of-way be reported at the cost the government would have had to incur to acquire it.⁷

Misunderstanding No. 8

Capital outlays and capitalized expenditures are one and the same thing.

Most state and local governments report a separate line item for *capital outlays* in their governmental fund financial statements. Many presume that this line item represents total expenditures for capital assets acquired or constructed during the period. In fact, the amount reported as *capital outlays* normally excludes some significant capitalized expenditures, while at the same time incorporating certain other expenditures that were not, in fact, capitalized.

Specifically, most governments report a line item labeled *capital outlays* in the governmental fund financial statements but restrict its use to capital projects funds. Outlays for capital acquisition or construction in the general fund typically are reported by function (e.g., public safety or parks and recre-

ation) rather than as *capital outlays*. Conversely, the amount reported as *capital outlays* in the capital projects funds often includes project-related costs that were not, in fact, capitalized (e.g., furnishings). Thus, the amount reported as *capital outlays* should not be understood as a measure of capital spending in governmental funds.

Misunderstanding No. 9

Land is never depreciated.

Capital assets that are exhausted through use must be depreciated over their estimated useful life. Since land *normally* retains its economic value indefinitely, it *normally* is not depreciated. Indeed, it is almost an axiom among accountants that “land is never depreciated.” However, in certain cases, the economic value of land may, in fact, be depleted through use (e.g., land used as a site for toxic waste or as a source of gravel or ore). In such circumstances, the land would need to be depreciated to reflect this depletion.⁸

Misunderstanding No. 10

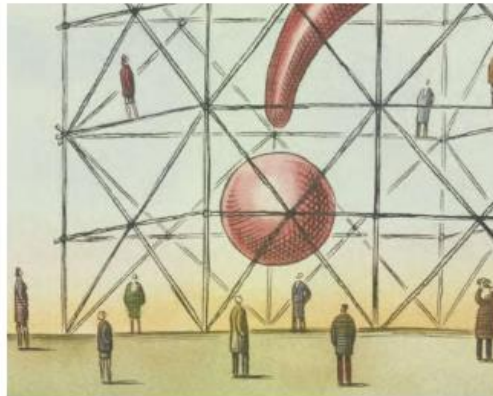
Capitalization is essential to ensure control over walk aways.

There is no dispute that governments have a duty to maintain control over all of their assets, including smaller and less expensive items easily converted to personal use (“walk aways”) such as laptop computers and printers. Some have argued that this responsibility requires that governments set their capitalization threshold low enough to encompass such items. As a practical matter, however, there are far more effective and efficient means of maintaining control over walk aways than capitalization.⁹ Accordingly, governments should set their capitalization thresholds for capital assets solely from the perspective of the requirements of sound financial reporting (i.e., would the exclusion of items below the threshold be material to the financial statement presentation?).¹⁰

Misunderstanding No. 11

For groups of similar items, the capitalization threshold should be applied to the group.

As already discussed, the sole consideration in setting a capitalization threshold ought to be the requirements of sound financial reporting. For groups of similar items (e.g., desktop computers), most often the dollar value of the entire group will still not be significant for financial reporting purposes. Accordingly, governments normally should apply their capitalization threshold to individual items in such groups rather than to the group as a whole. The one exception would be those rare cases where application of the capitalization threshold to individual items in a group would result in the



elimination of a significant portion of total capital assets (e.g., the book collection of a library district).

Misunderstanding No. 12

It's better to start from scratch than to rely on deficient inventory records.

Governments sometimes have the option of following a comprehensive basis of accounting other than GAAP (e.g., cash basis accounting). When such governments wish to convert to GAAP, they often discover that their capital asset records are insufficient to support GAAP financial statements and must undertake a major inventory effort to establish beginning balances for capital assets. Intuitively, it might appear easier to simply start over rather than to attempt to build upon defective capital asset records. Experience, however, indicates that normally it is more efficient to start from existing records, even when they are deficient.

CONCLUSION

In summary, financial statement preparers can easily avoid some of the most common misunderstandings involving accounting for capital assets by remembering the following:

1. Items acquired for resale should *not* be treated as capital assets.
2. Remember to include intangible capital assets in the calculation of *net assets invested in capital assets, net of related debt*.
3. If one government owns a capital asset, but another is responsible for its management, it is the government that owns the asset that should report it.

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4. Land or easements related to infrastructure should be reported as separate assets in their own right.
5. The cost of feasibility studies should *not* be capitalized.
6. Interest capitalization is required if debt is outstanding in an enterprise fund or business-type activity, even if the debt is unrelated to the capital asset being acquired or constructed.
7. The fair value of a donated asset is what it would cost the government to acquire it.
8. The line item *capital outlays* excludes some expenditures that are capitalized, while including others that are not.
9. Land must be depreciated if it loses economic value through use.
10. "Walk aways" should *not* be capitalized.
11. A capitalization threshold normally should be applied to individual items in a group of similar items, rather than to the group as a whole.
12. When establishing an initial capital assets inventory, it normally is better to build upon existing records than to start over from scratch. ■

Notes

1. Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*, paragraph 19: "The term *capital assets* includes land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period." [emphasis added]
2. GASB Concepts Statement No. 4, *Elements of Financial Statements*, paragraph 14: "The same specific resource cannot simultaneously be an asset of more than one entity..."
3. GASB Statement No. 34, footnote 67.
4. GASB *Comprehensive Implementation Guide*, Question 7.12.16.
5. GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, paragraph 8.
6. Financial Accounting Standards Board (FASB) Statement No. 34, *Capitalization of Interest Cost*, paragraph 12.
7. GASB *Comprehensive Implementation Guide*, Question 7.12.6.
8. FASB Statement No. 93, *Recognition of Depreciation for Not-for-Profit Organizations*, paragraph 34.
9. Government Finance Officers Association (GFOA), *Ensuring Control over Noncapitalized Items* (Recommended Practice).
10. GFOA, *Establishing Appropriate Capitalization Thresholds for Capital Assets* (Recommended Practice).

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