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Chapter 1 – Overview

This Texas A&M University System Asset Management Manual sets forth the policies for management of real, personal tangible and intangible property within The Texas A&M University System (TAMUS) and prescribes the duties and functions of selected key personnel. This manual must be used in conjunction with the State Property Accounting Process User’s Guide, hereinafter referred to as the SPA Process User’s Guide.

This manual is located online at Asset Management Manual-A&M System. In the event this Asset Management Manual is in conflict with the State Comptroller manual or other guidelines, the Comptroller’s guidelines will prevail. This manual will contain more detailed or specific guidance for the Texas A&M Members. Other basic controlling guidance for asset management is included in the Texas Government Code Ann. sec. 403.271(b), 403.2715 and 403.272.

Capital assets are real, personal tangible or intangible property including right to use assets. Capital assets have a value equal to or greater than the capitalization threshold for the particular asset classification and have an estimated useful life of greater than one year. This asset management manual will describe each of the types of capital assets the State is vested in and TAMUS’ responsibility for each type of asset.

This manual provides capital asset category definitions, capitalization thresholds, depreciation methodologies and examples of expenses for each class of assets. Also included are guidelines for leasehold improvements and construction in progress.

Texas A&M University System Capital Assets General Ledger Accounts

The following page has a list of acceptable general ledger accounts for property within The Texas A&M University System (TAMUS) as well as the corresponding threshold amount and AFR category as defined by the State of Texas.

All TAMUS Members are required to use the same FAMIS general ledgers/account controls listed so all data will merge easily into the combined Annual Financial Report (AFR).
## Capital Asset FAMIS General Ledgers & Capitalization Thresholds in General Ledger Number Order

<table>
<thead>
<tr>
<th>AFR Category</th>
<th>Description</th>
<th>Account Control</th>
<th>General Ledger</th>
<th>Capitalization Threshold Amount</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Land and Land Improvements [3]</td>
<td>1700</td>
<td>089700</td>
<td>ALL</td>
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<tr>
<td>2</td>
<td>Buildings and Building Improvements</td>
<td>1705</td>
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<td>9</td>
<td>Facilities and Other Improvements</td>
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<td>3</td>
<td>Infrastructure</td>
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<td>Leasehold Improvements</td>
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<td>Equipment</td>
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<tr>
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<td>Vehicles, Boats &amp; Aircraft</td>
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<td>Land Use Rights-Term</td>
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<td>Other Capital Intangibles-Term</td>
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**Lease/Right-to-Use (RTU) Assets (managed in separate lease accounting software)**

| GASB 87 | Lease/RTU-Land and Land Improvements | 1650 | 089780 | $100,000 |
| GASB 87 | Lease/RTU-Building & Building Improvements | 1651 | 089781 | $100,000 |
| GASB 87 | Lease/RTU-Equipment | 1652 | 089782 | $100,000 |
| GASB 96 | RTU-Software Subscription Asset | 1653 | 089783 | $500,000 |

[1] Professional library. If not professional, then use $5,000 threshold.
[2] $5,000 *per* animal in order to be considered capital.
[3] Non-Depreciable or Amortizable
Real Property
Real property is defined as any interest in land, together with structures, fixtures and improvements of any type located thereon. The term “real” should be associated with realty, land or something attached thereto. Real property includes land and land improvements, buildings and building improvements, facilities and other improvements, infrastructure and construction in progress. Each major class of real property has a standard capitalization threshold. All state entities are required to use the thresholds provided in the SPA Process User’s Guide.

Personal Property
Personal property is fixed or movable tangible assets to be used for operations, the benefits of which extend beyond one year from date of acquisition and rendered into service. The A&M System also defines personal property as any possession owned by or entrusted to a Member of the A&M System having sufficient value to warrant inclusion in fixed asset financial reports or, due to the nature of the asset, is required to have management controls placed on it.

Personal property does not include consumable items, nor does it include real property. It can be a capital asset, a controlled asset, or an inventoried asset. Capital and controlled items must be inventoried. Capitalization is mandatory for all equipment having a unit value of $5,000 or more and an estimated useful life of more than one year.

Controlled Assets
Controlled assets are defined by the Comptroller’s Office and must be inventoried. A list of the required controlled items can be found at State Controlled Assets. Controlled items include sound systems/audio equipment, cameras, televisions/video players, computers, data projectors, smart phones/tablets plus other hand held devices and laptops having a unit value of $500.00-$4,999.99.

All firearms (hand guns, rifles, shot guns, etc.) must be controlled regardless of dollar amount. Inventory controls over other equipment valued at less than $5,000 per unit may be required if the Agency Head deems such controls necessary. These items would be called inventoried items. An example would be if an agency chooses to control cash registers or printers. These items are not required to be controlled by the State of Texas, but an agency could require it. If a member chooses to track inventoried property it must be tracked consistently for all like items owned by the Member. With the exception of real property, all assets should be identified as belonging to the Member regardless of whether they are capital, controlled, or inventoried. Normally, TAMUS Members place ‘State of Texas’ or the agency name on the assets.

Intangible Assets
Intangible assets must be classified and reported as capital assets. Examples of intangible assets include easements, water rights, timber rights, patents, trademarks, copyrights and computer software. Intangible assets can be purchased or licensed, acquired through non-exchange transactions, or internally-generated.
Intangible assets are assets with the following characteristics:

- Lack of physical substance – An asset may be contained in or on an item with physical substance, for example, a compact disc in the case of computer software. An asset also may be closely associated with another item with physical substance, for example the underlying land in the case of a right-of-way easement. These modes of containment and associated items should not be considered when determining whether or not an asset lacks physical substance.

- Non-financial nature – An asset not in a monetary form similar to cash and investment securities, and represents neither a claim or right to assets in a monetary form similar to receivables, nor a prepayment for goods or services.

- Initial useful life extending beyond a single reporting period – The reporting period is one year for A&M System Members.

**Intangible Right-to-Use Assets**

Right-to-use (RTU) assets for leased assets or subscription based information technology arrangements (SBITAs) are reported as intangible capital assets. The value of these assets is based on the net present value of the remaining required payments per the contract, offset by a liability for the remaining payments. RTU and SBITA capital assets are amortized over the contract term. The A&M System used a separate lease accounting software (LeaseQuery) to track these assets, accounting entries are posted monthly.

See [Annual Financial Report Instructions](#) for additional information on RTU leases and SBITAs.

Assets, real, personal and intangible, under the control of an A&M System Member must be maintained and reported using the mandatory inventory categories shown in the Class Codes section of the *SPA Process User’s Guide*.

Assets funded or furnished by State, Federal or private agencies, by endowment, or by private donations are also subject to the rules and regulations of those agencies or terms of agreements under which funds to purchase equipment were acquired. These assets must be marked with the correct funding source in the Fixed Asset module, so these assets can be isolated during the Facilities & Administration (F&A) rate proposal. We must ensure we do not add depreciation expense to the indirect cost rate proposal for assets purchased with federal resources.

The policies set forth herein apply to all Members of The Texas A&M University System, but specific procedures for use in each location are maintained by the respective A&M System Members. If one Member maintains another Member's asset inventory, the latter Member's policies will be adopted.

**Depreciation, Useful Life and Residual Value Defined by the State**

The *SPA Process User’s Guide* requires all state agencies to use the straight-line depreciation method (historical cost less residual value, divided by useful life). Useful life for each asset type is based on statewide historical data for each class of asset. Agencies will be allowed to
substitute information for residual value and/or estimated life determined by agency experience for each class of asset. All substitutions must be reasonable, documented and auditable.

**Leasehold Improvements**

**Leasehold Improvements** are improvements made by a lessee (i.e. new buildings or improvements to existing structures, etc.) The lessee has the right to use the improvements over the term of the lease. The improvements revert to the lessor upon lease expiration. Moveable equipment or office furniture not attached to the leased property is not a leasehold improvement. The capitalization threshold for leasehold improvements is $100,000.

Improvements made in lieu of rent should be expensed in the period incurred.

**Depreciation Methodology**

Leasehold improvements are capitalized by the lessee and are amortized over the remaining lease term or the useful life of the improvement, whichever expires first. Leasehold improvements do not have a residual value.

If the lease contains an option to renew and the likelihood of renewal is uncertain, the leasehold improvement should be written off over the life of the initial lease term or useful life of the improvement, whichever expires first.

Once a leasehold improvement involving a third party (i.e. not a state agency) has been fully amortized, the improvement must be removed from the financial records using disposal method 25 (Leasehold Improvements).

Once a leasehold improvement involving a state agency has been fully amortized, the improvement must be transferred by the lessee state agency to the lessor state agency.
Chapter 2 – Responsibilities

A&M System Members are responsible for the accurate and timely reporting of all assets in their possession.

Agency Head
The Agency Head is ultimately responsible for the custody and care of all property in the Member's possession. For purposes of property management, Agency Head refers to the Chief Executive Officer of each A&M System Member.

The Agency Head is responsible for ensuring the accuracy of all statements of financial reporting relating to the Member's property and evaluating the adequacy of inventory controls placed on property.

The Agency Head will designate a Property Manager. Institutions of higher education are exempt (effective fiscal year 2013) from reporting to State Property Accounting System (SPA) and are no longer required to inform the State Comptroller of the designated manager in writing. Although not required, it is recommended the A&M System members continue to submit a completed Notice of Agency Head and Designation of Property Manager form to the State Comptroller to notify them when the Property Manager changes. A copy of this form is included in the SPA Process User's Guide and can be found at Form 73-286. An Alternate Property Manager may also be designated on this form. An Agency Head is not relieved of responsibility for the Member’s property by designating a Property Manager.

Delegations
The Agency Head may delegate to the following positions below.

Property Manager/Alternate Property Manager
Accountable Property Officer/Alternate Accountable Property Officer
Surplus Inventory Supervisor
Surplus Procurement Officer

Property Manager/Alternate Property Managers are normally responsible for real, personal and intangible property. All other delegates are normally only responsible for personal property (equipment). It is up to each A&M System Member to determine the level of delegation/responsibility assigned to its employees.

Distribution of Procedures
Each Agency Head or delegate is responsible for the distribution of procedures regarding the accountability for and safekeeping of property owned or managed by the Member. All Member procedures must comply with the rules of property management and reporting as defined by the State Comptroller and this Texas A&M System Asset Management Manual. A Member may adopt a stricter policy as long as it does not contradict the State rules or System policy. Furthermore, it is the responsibility of the Agency Head to ensure the Property
Manager and Alternate Property Manager receive training in the rules, policies, procedures, and operation of the State Property Accounting (SPA) System as administered by the State Comptroller.

**Sale of Surplus/Salvage Personal Property**

The Agency Head or designee is authorized to sell in an orderly manner all surplus and salvage personal property. However, if the property was acquired through a gift or sponsored agreement, the terms of the gift or agreement should be reviewed prior to sale. All requests for authorization for sale will include the asset number, description, date of acquisition, condition and inventory value for each item of personal property. The Agency Head will ensure the Member has written procedures (including advance approval requirements) for surplusing property.

In rare circumstances, capital assets can be exempted from the surplus process. Each Member can grant exceptions if it is in the best interest of the Member. Documentation is required when these exceptions are granted.

**Loss of Property**

If an Agency Head has reason to believe personal property belonging to the Member is missing, destroyed or damaged through the negligence or fault of an official or employee of the State, the Agency Head may report the occurrence to the Texas Comptroller and the Office of the Attorney General (OAG). Since higher education institutions are exempt from Texas Government Code section 403.276, reporting to these entities is no longer required. All personal property belonging to the Member that is stolen, regardless of negligence or fault, must be reported to the Property Manager and the appropriate law enforcement agency as applicable.

Per Texas Government Code, Section 403.275, if property disappears, deteriorates, or is damaged or destroyed as a result of negligence, or failure to exercise reasonable care, by the head of agency, property manager, or agency employee entrusted with the property, they could be held liable for monetary damages.

**Property Manager/Alternate Property Manager**

The Property Manager for each A&M System Member is responsible for the overall asset management of real, personal and intangible property for the Member, including the maintenance and control of central inventory records. Institutions of higher education are exempt (effective fiscal year 2013) from reporting to State Property Accounting System (SPA) and are no longer required to inform the State Comptroller of the designated manager in writing. Although not required, it is recommended the A&M System members continue to submit a completed *Notice of Agency Head and Designation of Property Manager* form to the State Comptroller to notify them when the Property Manager changes. A copy of this form is included in the *SPA Process User's Guide* and can be found at [Form 73-286](#).

When a Member's personal property is entrusted to a person other than the Property Manager, the Property Manager shall require a written receipt from the person receiving
custody of the items. This receipt shall transfer the responsibility for the personal property to the person receiving the custody of the items. The receipt must include a detailed list of the property entrusted to the individual, along with a statement of financial liability for loss or damage resulting from negligence, intentional act, or failure to exercise reasonable care to safeguard, maintain and service the property.

Property Managers can delegate property management responsibility to Accountable Property Officers when the receipt process is followed. Normally, this delegation is limited to personal property (equipment). The Accountable Property Officer is typically the Department Head. Property Managers will maintain a current list of Accountable Property Officers for every department/unit under their jurisdiction. Property Managers need to ensure the Accountable Property Officers or their Alternates are trained in issues related to personal property management for assets under their care.

**Annual Inventory**

Per Texas Government Code, Section 403.273, each A&M System Member must conduct a physical inventory of its personal property (assets) each year, at a time of its own choosing. The Property Manager is responsible for coordinating this effort. The State Comptroller’s Office requires most state agencies to submit a Certification of Physical Inventory Conducted by Agency form annually, within 20 day of the end of the fiscal year. Per Texas Government Code, Section 403.2715, universities (including all members of the A&M System) are exempt from submitting this form, but still must “account for all personal property as defined by the Comptroller under Section 403.272.”

During each annual physical inventory, the legibility of the inventory number should be verified. Missing or illegible labels and personal property numbers should be replaced or numbered before concluding the inventory process. The condition of each property item must also be evaluated during annual physical inventory.

In addition to the annual inventory requirement for personal property, it is strongly suggested the Property Manager review a list of all real and intangible property owned by the Member at least once a year (preferably at year-end) to ensure all assets included on the list still exist (have not been destroyed or demolished), the ownership has not changed and the assets are properly valued in the inventory records.

**Transfers**

The Property Manager will control transfers of property. Transfer of personal property includes any asset transferred from or to a department of a Member of the A&M System by another department within the same Member, a department in another Member, or another agency outside the A&M System. The Accountable Property Officers or Alternates will be responsible for transfers of equipment to or from their departments and will submit documentation for all transfers to the Property Manager. Accountability will be maintained throughout the transfer process. The Accountable Property Officer or Alternate from the two departments must document the transfer. If the transfer involves another Member of the A&M System or an outside agency, the two Property Managers need a written/electronic
agreement. When transferring an asset, the original acquisition date must remain the same in order to comply with State procedures.

The transfer of real property will be discussed later in Chapter 5.

**Missing or Stolen Personal Property**
Each Member must have a missing/stolen property report the Accountable Property Officer or Alternate will complete when the property is discovered to be missing/stolen. The Accountable Property Officer or Alternate must notify the Property Manager within 24 hours of identifying missing/stolen property. Missing property must remain on the Member’s inventory through two physical inventories and/or two calendar years from the time the property is determined to be missing. Stolen property must be immediately disposed from the Member’s inventory.

When property is found after being reported as missing or stolen, a report must be submitted to the Property Manager certifying the recovery of the property. The report should include the following information: asset number, asset description, location of asset, and signature of the Accountable Property Officer or Alternate. The Accountable Property Officer or Alternate should prepare this cancellation report.

**Found Property**
Personal property found within the member or system which appears to have been lost, abandoned or not under the control of any individual or a member, will immediately be reported to the Property Manager and placed under the control of either the Accountable Property Officer of the finding department/unit or the Member’s surplus property office. Documentation is required. If the property is determined to be already assigned to a department, its discovery will be reported by the Property Manager to the Accountable Property Officer or Alternate of that department who will make arrangements for its recovery or turn the equipment over to the surplus property office.

**Accountable Property Officer/Alternate Accountable Property Officer**
Accountable Property Officers (typically Department Heads) are responsible for the physical possession and control of all property entrusted to their department. This is normally limited to personal property. They are under financial liability for the loss or damage to personal property under their control if the loss or damage results from their negligence, intentional act, or failure to exercise reasonable care to safeguard, maintain, and service the items. Accountable Property Officers are also responsible for ensuring employees are aware of their responsibilities for property. An Accountable Property Officer may appoint, in writing, an Alternate Accountable Property Officer to act on his behalf.

Designated by the Accountable Property Officer, the Alternate Accountable Property Officer performs the daily functions of personal property management for the department. The Alternate Accountable Property Officer exercises “due care”, ultimate responsibility for departmental equipment belongs to the Accountable Property Officer. Since Alternate Accountable Property Officers generally fill out the paperwork and are aware of day-to-day
equipment issues, Property Managers need to train these individuals on proper asset management procedures for property under their care.

**Transfers**
Transfer of property includes any item of property transferred from or to a department of a Member of the A&M System by another department within the same Member, a department in another Member, or another agency outside the A&M System. The Accountable Property Officer or Alternate will be responsible for transfers of property to or from the department and will submit documentation for all transfers to the Property Manager. Accountability will be maintained throughout the transfer process. The Accountable Property Officer or Alternate from each department must first complete the transfer form. If the transfer involves another Member of the A&M System or an outside agency, the two Property Managers must also approve the transfer on the appropriate transfer form before transferring the property.

If research equipment is being sent to surplus or transferred out of the A&M System, the sponsored agreement should be reviewed to see if permission is needed from the sponsor. This review should be performed and documented accordingly prior to submitting the transfer form to the Property Manager.

When transferring personal property to another Member or State agency, all insignia of the releasing Member or State agency should be removed or permanently obliterated prior to delivery to the receiving Member or State agency.

**Loans**
All loaned inventoried personal property must be reported in the physical inventory of the loaning Member. Upon completion of the assignment or loan period, the Accountable Property Officer will ensure the equipment is properly accounted for and the documentation reflects the end of the assignment and the return of property.

Equipment may be assigned or loaned to a department or individual for the official benefit of the A&M System only. This assignment or loan can be considered temporary (i.e. overnight or for a weekend) or long-term.

When personal property is loaned to a department not under the control of the Accountable Property Officer, the Accountable Property Officer will require the receiving department to execute a receipt. If property is to be or has been loaned in excess of 90 days, the loaning Accountable Property Officer should review the need for the property in the department to determine if the property should be transferred to the borrowing department, returned, or reported to the Property Manager as surplus.

The Accountable Property Officer should establish procedures for management of personal property assigned or loaned. The procedure will include the following requirements at a minimum:
• receipt for the issue and return of personal property
• receipt specifying, if applicable, restrictions on use, requirements for special handling or operator training, and any other specific stipulations
• identification of the loan in the department's inventory records
• specific time limits for the loan, if known and,
• periodic review of items on loan

When personal property is to be assigned to an employee for use overnight or during the weekend at some location other than the normal official work area, the Accountable Property Officer should require the use of a temporary receipt or sign out procedure.

When personal property, such as laptops, drafting sets, and cameras, are specifically assigned to an employee for use in the employee's official duties, the Accountable Property Officer must ensure upon the employee transfer or termination all personal property assigned to the employee is returned to the department or accountable unit.

Loans of certain types of personal property require special attention due to restrictions on utilization. Accordingly, written approval of the Chief Financial Officer or the official designated to circulate and/or control research activities is required prior to loan of research equipment. The loan of personal property acquired through the Texas A&M Research Foundation will require prior written approval from the Research Foundation and be subject to the conditions prescribed by the Research Foundation.

**Found Property**

Personal property found within the System which appears to have been lost, abandoned or not under the control of any individual or System department/unit, must be reported immediately to the Property Manager and placed under the control of either the Accountable Property Officer of the finding department/unit or the surplus property activity serving the System Member. Documentation of the return to control of the personal property is required. If the item is determined to already be assigned to a department, its discovery will be reported by the Property Manager to the Accountable Property Officer or Alternate of that department who will make arrangements for its recovery or turn the property over to an authorized surplus property office of the Member. If the department charged with control of the item cannot be identified, and the item is required by the finding department, it will be entered into the inventory records of the finding department. If such item is not required by the finding department/unit, it will be entered into the inventory records of the surplus property office for either reissue or disposal.

**Surplus/Salvage**

The Accountable Property Officer or Alternate is responsible for promptly identifying and reporting to the Property Manager any excess personal property under the department’s control. Once reported, the Property Manager will initiate action to transfer the property to a department which has need for the property or to the surplus property office.
**Missing/Stolen Personal Property**

The Accountable Property Officer or Alternate will notify the Property Manager within 24 hours of identifying missing/stolen property. In addition, a copy of the missing/stolen inventory report is to be sent by the Accountable Property Officer, within the 24-hour period, to the Property Manager.

The Accountable Property Officer will immediately initiate a formal investigation in an effort to locate all missing/stolen property and/or prevent a repeat occurrence. This investigation must include the following at a minimum:

- notify all departmental personnel of loss, and request any information known concerning the property
- conduct a search of the department
- identify the person responsible for the property
- identify the date and place the property was last seen
- identify the manner in which the loss occurred
- determine if prescribed procedures were adequate to safeguard the property
- recommend any revisions in procedures which might be required to assist in preventing future losses of the same type; and,
- recommend holding an individual or individuals financially liable and, if so, in what amount

Results of the investigation should be provided to the Property Manager. Please be aware missing property must remain on a Member’s inventory through two physical inventories and/or two calendar years from the time the item is determined to be missing. Stolen property must be immediately disposed from the Member’s inventory.

Any individual who, through misuse or neglect, causes or permits property to be missing, stolen, damaged, or destroyed may be held financially liable for the loss sustained. To determine the amount of the loss, such factors as original acquisition value, age, condition, cost of recent repairs or renovation, and estimated fair market value prior to loss or damage should be considered. If the Accountable Property Officer suspects employee theft or negligence, this must be indicated on the missing report.

When property is found after being reported as missing or stolen, the Accountable Property Officer or Alternate will prepare and submit to the Property Manager, a cancellation of the missing report previously submitted. This cancellation should provide the following information: asset number, asset description, location of asset, and signature of the Accountable Property Officer or Alternate certifying the recovery of property.

**Surplus Inventory Supervisor**

The Surplus Inventory Supervisor is responsible for the management of excess personal property. This individual may also be the Property Manager, the Surplus Procurement Officer, or another employee. For those A&M System Members having a separate property account for surplus property, this individual might also be the Accountable Property Officer for the account.
**Surplus/Salvage**
Basic procedures for disposition of personal property (excluding data processing equipment) include the following:

- available for transfer to other departments or other System Members,
- transfer to public schools or school districts or other State agencies, or
- sold at auction.

Surplus/salvage data processing equipment cannot be sold to the general public. All state agencies *must* transfer all surplus/salvage data processing equipment to a school district, open enrollment charter school or the Texas Department of Criminal Justice. The agency transferring the data processing equipment may not collect a fee or other reimbursement for the transfer.

The sale of property received under a contract or agreement will be in accordance with the terms of the contract or agreement under which the equipment was provided.

**Surplus Procurement Officer**
The Surplus Procurement Officer is the official representative of the Member in all matters pertaining to the acquisition of surplus property. The Texas Facilities Commission will be provided the name and mailing address of the designated Surplus Procurement Officer.

**Transfers**
Property held in trust cannot be transferred without the approval of the owning agency or entity. If property is U. S. Government surplus property, the Surplus Procurement Officer is responsible for coordinating and approving the transfer for the Member.

**Employee**
Each state employee is responsible for using state personal property (equipment) for state purposes and is required to exercise reasonable care for its safekeeping. The term "reasonable care" means, at a minimum, steps are taken to maintain the asset in an acceptable manner, ensure the security of an asset, ensure an asset can be located at any time requested, and ensure the person responsible for the asset is known. At no time should state property be used for personal gain.
Chapter 3 – Acquisitions & Disposals

Acquisitions

Purchased
The most common way to acquire property is through purchase (account control 4400/acquisition method ‘PO’). However, assets can also be acquired as gifts, as transfers from another state agency, as ‘found’ equipment, or they can be fabricated/constructed.

Gifts
Members of the A&M System frequently receive furniture, equipment, museum collections/historical treasures and works of art, etc. as gifts. These items usually referred to as noncash gifts, become property of the Member upon formal acceptance. System Policy 21.05 Gifts, Donations, Grants, and Endowments, Regulation 21.05.01 Gifts, Donations, Grants, and Endowments and Regulation 21.05.02 Federal Reporting for Foreign Gifts, Donations, Grants, Endowments and Contracts should be followed when accepting and reporting such gifts. The Property Manager should be notified in writing of the acceptance of a gift which needs to be inventoried. The gift will be given an inventory number and will be tagged, if possible. If tagging or marking is not possible, an inventory number will be "assigned" for the item.

Donated asset items are to be recorded at the estimated fair market value at the gift date. In many cases, the donor may have had an independent appraisal completed for income tax purposes. If available and the appraisal appears reasonable, the Member should consider using the independent appraisal provided by the donor to value the item. An alternative would be to work with experts within the System to share expertise in appraising gifts. An example of an expert would be an art historian from another Member, preferably someone who would not benefit personally from a high appraisal. These methods of valuation must be fully documented and maintained on file in accordance with State Comptroller policies and procedures. The acquisition method in the fixed assets accounting system should be ‘GF’ (account control 4405). Assets received by State, Federal or private donations are subject to the terms of agreements under which the assets were donated.

Any gifts with a restriction must be reviewed by TAMUS Office of General Counsel prior to preliminary acceptance.

System Policy 41.01 Real Property requires all gifts of real property be first accepted by the Board of Regents. All potential gifts or bequests of real property must be directed to the System Real Estate Office (SREO). The SREO is solely responsible for the evaluation of the property, and if acceptable, the SREO will prepare the necessary agenda items seeking authority from the Board to accept the gift or bequest.

Original and successor donee organizations must file Form 8282 if they sell, exchange, consume, or otherwise dispose of (with or without consideration) charitable deduction
property (or any portion) within 3 years after the date the original donee received the property. There is an Internal Revenue Service reporting requirement when this event occurs.

**Prior Year Gifts**
If the property manager is notified of a non-cash gift received in the prior year, the acquisition method ‘GF’ should be used to record the asset. There is a potential for a restatement and the depreciation expense needs to be analyzed.

- If the depreciation/amortization is material (material is defined as an amount greater than 3-5% of the net assets of the NACUBO Fund Group ‘Investment in Plant’), record the depreciation/amortization expense in the year notified with a restatement in the ‘Adjustments’ column in the Note 2.
- If the depreciation/amortization is immaterial, the depreciation/amortization expense should be recorded in the current year with the activity flowing through the ‘Additions’ column.

**Transfers**
Assets can be acquired as a transfer from another state agency. If the asset is capital, it is necessary to coordinate and confirm the amount of accumulated depreciation or amortization associated with the asset with the other Property Manager. If the transfer is between A&M System Members, each Member is assigned a unique acquisition method in order to identify where the asset came from. For example, if TTI acquired an asset from TAMU, TTI would use the acquisition method of ‘02’ for ‘transferred from part 02-TAMU’ (account control 4702). If you are the accepting agency of a transfer, it is important not to change the original acquisition date, acquisition method, class code, or dollar amount. Transfers from the Texas A&M Research Foundation should use acquisition method “GF” (account control 4405) or ‘99’ (account control 4799); both will appear on the annual financial report as Capital Contributions.

For transfers with a state agency that use SPA (referred to as an internal user), an entry is required in SPA. Refer to *SPA Process User’s Guide*, Chapter 7, for detailed instructions. All entries must be complete by September 28th at the end of each fiscal year.

For transfers with a state agency outside of the A&M System that does not use SPA (referred to as an external user), complete the *External Agencies Transfers In and Out (Excel)* schedule and submit to the System Office with the annual financial report submission in October. System Members do not need to submit the form to SPA.

**Found Property**
Property found within the System which appears to have been lost, abandoned or not under the control of any individual or System department/unit, must be reported immediately to the Property Manager and placed under the control of either the Accountable Property Officer of the finding department/unit or the surplus property office serving the System Member. Documentation is required. If the property is determined to already be assigned to a department, its discovery will be reported by the Property Manager to the Accountable
Property Officer or Alternate of that department who will make arrangements for its recovery or turn the property over to an authorized surplus property office of the Member. If the department charged with control of the property cannot be identified, and the property can be used by the finding department, it will be entered into the inventory records of the finding department. If such property cannot be used by the finding department/unit, it will be entered into the inventory records of the surplus property office for either reissue or disposal.

**U. S. Government Surplus Property**

Under existing U.S. Government Regulations, the General Services Administration is responsible for donations of U.S. Government surplus property to the State agency responsible for distribution of such property within each State. In Texas, the allocations of this property are made to the Texas Facilities Commission (TFC).

Unless otherwise indicated in the transfer documents, property acquired from U.S. Government surplus property sources becomes A&M System Member property upon acceptance by the department. If the unit value is $5,000 or more, the item will be assigned a property number, tagged, entered on the acquiring department's inventory, and controlled the same way as any other property item.

If the item is below the capitalization threshold, it’s recorded in the accounting system using a journal entry similar to a non-cash gift, debit ‘Other Operating Expense’ and credit ‘Other Operating Revenue’. If the item is capitalized, record the asset as a capital contribution (FFX acquisition method ‘TB’ Transfer from Non-Texas Entity). The capital asset value should be based on the estimated cost to purchase an asset with similar service capacity, including freight/delivery costs paid to TFC. If the asset is below the capitalization threshold, the freight/delivery costs are expensed.

The provisions under which this property may be transferred to Members of the A&M System include the following:

- The property transferred is usable and necessary for educational purposes, or public health purposes, including research in this State, and is required by the applicant for its own use in the State to fill an existing need and is not being acquired for use outside the State, for sale or any other use or purpose.

- Funds are available to pay the costs of care and handling associated with the donation, including packing, preparation for shipping, loading and transporting such property.

- The property shall be placed in use within one year of receipt and shall continue in use for one year from the date the property was placed in use. There shall be a period of restriction which will expire after property having a single item acquisition cost of $5,000 or more and passenger motor vehicles, regardless of cost, have been used for the purpose for which acquired for a period of 18 months from the date the property was placed in use (40 US Code 484).
Inventory records pertaining to property transferred must be maintained by the donee institution in the same manner as other properties belonging to the donee institution.

The Texas Facilities Commission has the right to refuse violators of these provisions from further participation in the Donation of Federal Surplus Personal Property program. For annual financial report purposes, the amount to be included on the federal expenditures schedule (SEFA) will be provided by Texas Facilities Commission. The property will be reported on the SEFA, it is not reported as federal revenue on the financial statements. This creates a reconciling item for the SEFA Note 2.

**Fabricated/Constructed Personal Property**

Fabrications of moveable property allow organizations to capitalize expenses incurred in the construction or renovation of property. The cost of individual components may be less than the capitalization limit; however, the finished, tangible asset may have a total cumulative cost which does meet the capitalization limit, in which case the fabricated asset should be capitalized. Each component must work together to perform one function. Individual components having an acquisition value of $5,000 or more will be capitalized on their own merit if they are, or can be, stand-alone equipment (i.e., a computer, a power supply unit, etc.). The property created from the fabrication should keep its configuration for at least one year.

In those instances where the individual components are not purchased at the same time, costs should be accumulated in a construction in progress asset. Once the asset is complete, the cost should be reclassified from CIP into the appropriate class code. The acquisition date should be the date the fabrication process is complete.

**Disposals**

There are many common ways to dispose of an asset. Some of the most common are transfers, sale, or cannibalization. It is recommended each Member offer excess personal property to other departments within the Member prior to offering it externally. This practice will ensure TAMUS is getting the best benefit possible for all personal property.

Occasionally, a disposal of real property will take place. System Policy 41.01 *Real Property* requires all sales and exchanges of real property must first be approved by the Board of Regents. The System Real Estate Office is solely responsible for all aspects of the sale or exchange of real property to include the preparation of the necessary agenda items seeking authority from the Board for such disposition. Currently, the State Property Accounting System only allows two types of disposals of real property: a transfer or disposal method ‘DR’ (disposal of real property; account control 5407). More information is provided in Chapter 5 regarding the disposal of real property.

**Transfers**

Assets can be disposed as a transfer either internally to another department or externally to another state agency. Surplus/Salvage property should be disposed of in compliance with
System Policy 21.01.10 Surplus or Salvage Property. If the asset is leaving your agency and it is capital, it is necessary to coordinate and confirm the amount of accumulated depreciation or amortization associated with the asset with the other Property Manager.

If the transfer is between A&M System Members, each Member is assigned a unique disposal method in order to identify where the asset is going. For example, if TTI disposed of an asset to TAMU, TTI would use the disposal method of ‘02’ for ‘transferred to part 02-TAMU’ (account control 5702). Many other disposal methods exist for transfers; for example ‘TP’ means transferred to a political subdivision (account control 5416). For a complete list of disposal methods, use screen 583 in FFX or review account controls within the 5400-5499 range on the System Office website regarding TAMUS account controls Texas A&M Object Codes and Account Controls. Transfer amounts (both total cost and accumulated depreciation or amortization for capital assets) must be verified yearly in order to complete the combined AFR for TAMUS.

For transfers with a state agency who uses SPA (referred to as an internal user), an entry is required in SPA. Refer to SPA Process User’s Guide, Chapter 7, for detailed instructions. All entries must be complete by September 28th at the end of each fiscal year.

For transfers with a state agency outside of the A&M System who does not use SPA (referred to as an external user), complete the External Agencies Transfers In and Out (Excel) schedule and submit to the System Office with the annual financial report submission in October. System Members do not need to submit the form to SPA.

**Surplus Sales**
Sales normally take place through the surplus office. The sale of property received under a contract or agreement will be in accordance with the terms of the contract or agreement under which the equipment was provided. To find more guidelines to follow regarding the sale of personal property, go to the “Sale of Surplus/Salvage Personal Property” section under Agency Head. The sale of real property must be coordinated with SREO prior to the actual sale. State guidelines must be followed prior to a surplus sale.

**Surplus Exceptions**
In rare circumstances, capital assets can be exempted from the surplus process. Each Member can grant exceptions if it is in the best interest of the Member. Documentation is required when these exceptions are granted.

**Cannibalization**
Another method of disposal is to cannibalize a piece of personal property some of the parts can be used for other personal property. An example would be dismantling an old printer so and parts could be used to repair a similar printer. It is important to use the correct disposal method (CN/account control 5410) and to have the appropriate paperwork documenting the disposal of the property. All remaining parts not used to help repair another piece of personal property should be transferred to surplus as a non-inventory (zero value) item.
Disposal of Property Acquired through Sponsored Agreements
Special care should be exercised in tracking and using assets acquired through sponsored agreements. OMB Uniform Guidance CFR Part 215 (previously found in Circular A-110), “Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations,” includes several sections on property standards. Each federal agency may have specific requirements for recipients concerning the use and disposition of property acquired in whole or in part under federally sponsored projects.

Records Retention
The Texas State Records Retention Schedule requires agencies to maintain property records for the life of the asset and for a period not less than three fiscal years after the disposal of property, except for buildings.

Building records must be maintained for the life of the building, plus ten years.

Property records should include any payment-related source documentation (i.e. invoices, payment vouchers, receipts, etc.) necessary to substantiate the value of the asset.

When applicable, agencies must adhere to the federal rules and regulations for retention of records for property purchased with federal grants or funds. Where federal guidelines and state guidelines apply, the greater required time period for records retention applies.
Chapter 4 – Inventory Control

Tagging of Inventory
All Members' personal property is required to be permanently marked as “Property of the State of Texas or the agency”. Markings shall be considered permanently affixed when the marking can be removed only through considerable or intentional means. Professional judgment should be used to determine whether or not a non-inventory item should be tagged.

Each item tracked on a unit basis must be assigned a unique individual property inventory number. Members may not place a new piece of personal property into service with a property inventory number previously assigned to another piece of property, even if the previous item has been deleted from the inventory system.

An inventory number is to be assigned and permanently affixed to each personal property item whether received by a central receiving office or directly by a department prior to the item being placed in use or released outside the initial receiving activity. For an item received by a central receiving activity for a department, the inventory number will be assigned and permanently affixed by the central receiving office prior to the item being delivered or released to the property account. When central receiving assigns and permanently affixes the inventory number, the numbers will be recorded on the delivery document transmitted to the department or unit. For an item received directly by a property account, the inventory number will be assigned by the Property Manager and permanently affixed by the activity prior to the item being placed in use.

The inventory number must be permanently affixed to an item promptly upon receipt and acceptance, but not later than ten calendar days after receipt, unless prevented by unusual circumstances. Examples of acceptable reasons for not accomplishing such within the ten calendar days would be the item had to be assembled, calibrated, or connected to a system before it could be inspected properly and placed in use.

Members may choose to track personal property using appropriate labeling methods as long as they meet guidelines established by the State Comptroller in consultation with the State Auditor’s Office. Both “Property of the State of Texas or the agency” labels and property number labels must be placed in a highly visible position on the asset, where it is easily accessible during an inventory. The location of inventory labels should be consistent for all similar assets assigned to a department, in order to facilitate physical inventories.

Securing of Assets
Each Member is responsible for ensuring property is tracked and secured in the manner most likely to prevent the theft, loss, damage, or misuse of assets. Each Member should be diligent to ensure building security at all times. The Member should ensure individuals in charge of security notify the Property Manager of violations or changes to security which could subject property to misuse or theft.
Members must know where capitalized and controlled assets are located at all times, should have a method for locating any inventory item whether on-site or off-site under their control, and should be able to locate a given asset upon request.

Personal property checked out to employees must be used for State purposes, and the responsibilities of stewardship and care of the property must be maintained at the Member level. Each Member must have a written policy on checking out equipment and require each employee to sign for any property when it is checked out. Please refer to the section on Loans under the Accountable Property Officer's responsibilities in Chapter 2 for more detailed information.

All Member procedures should be based on good business practices.

Storage
The primary concern when storing property is providing security from theft or pilferage and protection against the elements, while maintaining the property in a serviceable condition and accessible location. The placement of property in storage does not normally relieve a Property Manager or an Accountable Property Officer of the responsibility for proper care, maintenance, and utilization of the property. The only exception will be when an item is placed in a central warehouse type of storage which is under the jurisdiction of another Property Manager. In this case, the Accountable Property Officer will retain accountability for the property while the person in charge of the central warehouse facility, having receipted the property, assumes responsibility for the care and safeguarding of the property. Unless there are agreements to the contrary, the person in charge of the central warehouse facility assumes responsibility for whatever maintenance is required for the property while in storage.

Utilization of Assets
Federal equipment issued to or provided to a System Member is to be utilized in the manner for which it was originally furnished and authorized unless specific written exception is received from the grantor. In all cases concerning a change in utilization of equipment obtained through the Texas A&M Research Foundation or Sponsored Research Services department, the request for change will be submitted through the Research Foundation or Sponsored Research Services department to the grantor.
Chapter 5 – Asset Categories

Real Property

Land and Land Improvements
Land and land improvements are defined as the surface or crust of the earth which may be used to support structures or used to grow crops, grass, shrubs, and trees. Land is characterized as having an unlimited (indefinite) life. All acquisitions of land and land improvements will be capitalized. Land improvements consist of site preparation and site improvements (other than buildings) that ready land for its intended use. A detailed list of examples can be found in the SPA Process User’s Guide.

Valuation
Land is capitalized regardless of the purchase cost or donated value. Land is recorded at the acquisition (purchase) price or donated value plus incidental costs (real estate commissions, attorney’s fees, escrow fees, appraisal and surveying fees, interest on mortgages accrued at date of purchase, accrued and unpaid taxes at date of purchase, title and recording fees, etc.) For additional guidance on incidental costs, contact the Texas A&M University System Real Estate Office (SREO). All activities involving the purchase of land must be handled by SREO prior to Board of Regent approval, in accordance with System Policy 41.01 Real Property. All activities involving the acceptance of a gift or bequest of land must be handled by SREO prior to Board approval, in accordance with System Policy 41.01 Real Property. SREO will prepare a minute order requesting approval of the gift or bequest by the Board. Donated land should be capitalized in an amount equal to the estimated fair value at the time acquired.

Upon purchase or acceptance of a gift or bequest of land, SREO provides the Member with documentation for the total value of the acquisition, including land and any structures, buildings, or infrastructure located on the land. SREO should provide guidance on how each Member should separate the assets so the land costs can be separately identified.

Disposal
The Chief Executive Officer (CEO) of each A&M System Member is authorized to sell land with surplus buildings or other improvements with the approval of the Board of Regents. However, all activities involving the disposition of land should be coordinated with SREO (System Policy 41.01 Real Property and System Regulation 41.01.01 Real Property). SREO must be notified of any transfers of land between A&M System Members prior to the transfer.
Reconciliation of Acreage with System Real Estate Office (SREO)
All land acreage is required to reconcile with the General Land Office. Each System Member should reconcile the acreage for all land back to the information maintained by SREO. The acreage figures should match between the System Member and the General Land Office. The System Member should resolve any discrepancies and contact SREO if corrections need to be made to the SREO database.

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

Depreciation is not applicable while assets are accounted for as construction in progress.

The first semi-final CIP asset should be capitalized to the appropriate capital asset categories upon the earlier
- execution of substantial completion contract documents,
- occurrence of occupancy or
- placement of the asset into service

The first semi-final CIP transfer term is used when CIP has reached substantial completion and the System Office compiles the capital expenses and forwards to the members. A member could also use this terminology/methodology for the minor construction projects.

Major Construction Projects
Major construction projects are handled either by the System Facilities Planning and Construction Department (FP&C) or by the Member if less than $10 million, as described in System Policy 51.04 Delegations of Authority on Construction Projects. Separate subsidiary ledger accounts should be established for each construction project and for each funding source to be used. Major projects are considered anything above the $4 million threshold. Major projects with scopes of less than $10,000,000 may be administered by the member. Major projects with scopes of $10,000,000 or greater will be administered by the Office of Facilities Planning & Construction.

Major Construction Projects Administered by the System Office
Major construction project expenses funded by proceeds from Permanent University Fund and Revenue Financing System (including Tuition Revenue) bonds, notes or commercial paper are tracked in System Office’s accounting records. Major construction project expenses from other funding sources are also tracked in System Office’s accounting system. System Office will send a C-30 Completion report for either a semi-final or final close at which time the costs identified on the C-30 should be moved out of CIP and into the appropriate category (building, infrastructure, etc.).
If project expenses are being tracked in System Office’s accounting records, the System Office will process a CIP transfer to the Member. The Member will accept the transfer as an addition to CIP and will then reclassify the appropriate dollars to the new asset(s) being created by the C-30 completion report.

**Major Construction Projects Administered by the Members**

Major construction project expenses funded by proceeds from Permanent University Fund and Revenue Financing System (including Tuition Revenue) bonds, notes or commercial paper are still tracked at the System Office; however the accounting for the CIP expenses is reported on the Member’s accounting records. The member will need to adopt a similar process to send a C-30 Completion report for either a semi-final or final close at which time the costs identified on the C-30 should be moved out of CIP and into the appropriate category (building, infrastructure, etc.). Once the CIP project is complete the member will reclassify the appropriate dollars to the new asset(s) being created by the C-30 completion report.

**Minor Construction Projects**

Minor construction projects are managed by the Member and are less than $4 million. Expenses are tracked in the Member’s accounting system and the Member is responsible for processing final closes within a reasonable period of time after completion of the project. A completed project should be reclassed to the appropriate fixed asset category as soon as reasonably possible. The completed project should not be classified as CIP at the end of the fiscal year in which it was completed.

**CIP Close-Out Process**

The members must analyze CIP restatements for materiality. Normally, restatements for CIP will be the amount of depreciation expense attributable to the prior years if the asset was placed into service in a previous fiscal year. The substantial completion date is used to place the original assets on the members’ financial statements. In practice, expenses continue to be incurred after the substantial completion date. These CIP expenses will continue to be transferred to the member until the project is closed out completely.

For the first semi-final CIP transfer, the System Office will continue to use the Substantial Completion date as the acquisition date. If this date is in a prior year, a calculation will need to be made by the member to record additional depreciation expense, since the asset was in service in the prior year and the catch-up depreciation expense should be recorded.

- If this prior year, catch-up depreciation amount is immaterial, the expenses are reported as current year depreciation expense and recorded in the ‘Additions’ column for the Note 2.
- If this prior year, catch-up depreciation amount is material (material is defined as an amount greater than 3-5% of the net assets of the NACUBO Fund Group
‘Investment in Plant’), then this amount should be recorded as a Restatement on the operating statement and recorded in the ‘Adjustments’ column for the Note 2.

CIP transfers sent after the first CIP transfer or initial semi-final, the System Office will use the member’s Date of Acceptance as the acquisition date. The Date of Acceptance is defined as the date the Property Manager or delegate signs the CIP transfer form. The depreciation expense begins the same month as the signature is obtained.

If the asset is not entered into FFX until several months after the Date of Acceptance, then additional depreciation expense needs to be calculated and recorded in FFX to ensure depreciation expense is captured as of the Date of Acceptance.

**CIP Reporting on the Note 2**
The disposal of the CIP asset and the addition of the capital asset should be included in the Completed CIP column on the Note 2, resulting in a net zero change.

**Buildings and Building Improvements**
A building is a structure permanently attached to the land, has a roof, is partially or completely enclosed by walls, and is not intended to be transportable or moveable. Building improvements are capital events if they materially extend the useful life of a building or increase the value of a building, or both. The capitalization threshold for buildings and building improvements is $100,000. Buildings must be componentized when recorded.

**Building Componentization Guidelines**
Componentization is the process of separately calculating the depreciation of major building structural components, subsystems and equipment.

Effective Sept. 1, 2001 (as required by Texas Government Code Section 2101.015), state agencies at a minimum, must use the following component categories and suggested useful lives or refer to the SPA class codes for buildings in Appendix A of the “SPA Process User’s Guide.”

- Building shell, 30 years
- Electrical and lighting systems, 20 years
- Plumbing systems, 20 years
- Fire protection systems, 20 years
- Elevator systems, 20 years
- Fixed equipment assets, 20 years
- Heating, ventilation and cooling systems, 15 years
- Floor coverings, 15 years
- Interior finish, 15 years
• Miscellaneous construction features, 15 years
• Roof coverings, 10 years

Sale or Disposal
All activities involving the disposition of land with surplus buildings or other improvements must be coordinated with SREO (System Policy 41.01 Real Property and 41.01.01 Real Property). The sale of surplus buildings and other improvements with a sale price of $25,000 or more must be approved by the Chancellor. The Texas Historical Commission must be notified before any building over fifty years old is demolished or moved. SREO must be notified of any transfers of buildings between A&M System Members prior to the transfer.

Demolition
When a demolition has taken place, the Member must decide whether the costs should be included as part of a new building. This must be determined on a case-by-case basis. If an existing building is demolished and there are no plans to build again in the future, then the costs should be expensed. If there is a project planned in the near future, then identify the demolition costs to the future project and capitalize them. Once a building has been demolished, it is the Member’s responsibility to ensure the applicable building cost is removed from the fixed asset records in a timely manner. If System Facilities Planning and Construction contracted to have the building demolished, a reminder will be sent to the Member when the contractor is paid for completed demolition costs. System Policy 41.01 and 41.01.01 should be reviewed and followed prior to demolition of a building.

Other
For those Members included in the long-form facilities and administrative cost rate proposal, it is important the actual building and room number match the information provided by TAMU Facilities Coordination (FCOR). This information must also exactly match the information in the accounting software for all capital personal property.

Facilities and Other Improvements
Facilities and Other Improvements are defined as assets (other than general use buildings) built, installed or established to enhance the quality or facilitate the use of land for a particular purpose. Other improvements are enhancements made to a facility or to land. The capitalization threshold for facilities and other improvements is $100,000. A detailed list of examples can be found in the SPA Process User’s Guide.

Consistency in reporting of facilities and other improvements is important. Currently, there are two methodologies for tracking facilities and other improvements. One is to pool the costs into one asset. For example, all expenses for parking lots of any given project would be added to one asset. The other method is to separately track each asset based on the project. For example, project A has a parking lot for $500,000 while project B has a parking lot for
$250,000. Each asset has its own unique asset number. A similar example can be found under ‘Infrastructure’.

**Infrastructure**
Infrastructure is defined as long-lived capital assets normally stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Infrastructure assets are often linear and continuous in nature. The capitalization threshold for infrastructure is $500,000.

Infrastructure may be reported by major class, network, subsystem, or individual asset. Other factors, such as maintenance, insurance, and stewardship responsibilities influence the level of record keeping. Consistency in reporting of infrastructure is important. Currently, there are two methodologies for tracking infrastructure. One method is to pool the costs into one asset. For example, all expenses for sidewalks for any given project would be added to one asset. The other method is to separately track each asset based on the project. For example, project A has a sidewalk for $500,000 while project B has a sidewalk for $250,000. Each asset has its own unique asset number. If one chooses to pool the costs into one asset, a determination needs to be made whether to report the asset at a network or subsystem level. A network is composed of all assets needed to provide a particular type of service. A network of infrastructure assets may be only one infrastructure asset composed of many components. A subsystem is composed of all assets that make up a portion or segment of a network.

There may be times when an existing component needs to be replaced. If the replacement meets the capitalization threshold and the asset’s normal useful life is extended, the asset value should be adjusted by removing the cost and accumulated depreciation of the component being replaced and adding the cost of the new component. The estimated useful life of the asset should also be re-evaluated at this time to determine if it needs to be adjusted. Proper documentation should be maintained in your internal records for audit purposes. The Texas Higher Education System Generic Building Componentization Guidelines offer examples of how to determine appropriate amounts.

**Personal Property**
Personal property is defined as fixed or movable tangible assets to be used for operations, the benefits of which extend beyond one year from date of acquisition and rendered into service.

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

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

**Trade-Ins**
When a piece of equipment is traded in or exchanged for a similar asset, a trade-in worksheet should be completed and kept as documentation for how to record the transaction on your
books. The System Office of Budgets and Accounting has developed a Trade-In Worksheet (Trade-In Worksheet) to assist Members in determining the amount of gain or loss associated with a trade in. ‘Similar asset’ is defined as an asset that falls within the same fixed asset category. Example, a computer and a monitor are both types of equipment and would be in the same AFR category; whereas, a computer and land would not be similar assets because they are in different AFR categories.

**Vehicles, Boats, and Aircraft**

Another category of personal property is vehicles, boats, and aircraft. These items are separately identified on the state’s annual financial report (AFR), but are still considered types of personal property.

Texas Transportation Code Section 502.452 states in order to have exempt license plates the name of the agency who has custody of the vehicle must be printed on each side of the vehicle, in letters at least two inches high or in an emblem at least 100 square inches in size. The letters or emblem must be of a color sufficiently different from the body of the vehicle to be clearly legible from a distance of 100 feet. Exceptions to the emblem/lettering requirement are generally granted for law enforcement vehicles, in accordance with Texas Transportation Code, Section 502.

The vehicle identification number (VIN) and license plate number should be recorded in the fixed assets system. For most Members, VIN number can be considered a serial number.

**Other Capital Tangible Assets**

**Assets Held in Trust**

Assets Held in Trust are capital assets held by an agency on behalf of a non-state entity (such as art collections owned by families, estates or other individuals or entities) or under the temporary control of the agency (such as federally-owned equipment).

Special care should be exercised in tracking and using such assets. OMB Uniform Guidance CFR Part 215 (previously found in Circular A-110), “Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations,” includes several sections on property standards. Each federal agency may have specific requirements for recipients concerning the use and disposition of property acquired in whole or in part under federally sponsored projects. Please refer to OMB Uniform Guidance.

**Recording Requirements**

A capital asset held in trust and is used in operations should be capitalized in the appropriate asset category (such as Equipment) if it meets the capitalization threshold, depreciated or amortized if applicable, and accounted for in fixed asset records. Capital assets held in trust should be identified and they must be excluded from the Facilities and Administrative cost rate calculation.
Reporting Requirements

Only assets NOT used in operations are to be reported as Assets Held in Trust. These assets are not accounted for in fixed asset records and there is no threshold amount – all items must be reported on the AFR. Currently, TTI reports Assets Held in Trust per the State Comptroller’s instructions.

Library Acquisitions

The threshold for catalogued library acquisitions is $0 – all acquisitions are to be capitalized. Library acquisitions include library books, films, recordings, serials, and software.

Acquisition Procedure

The recommended procedure for recording library acquisitions is to accumulate purchases for each fiscal year into a single asset in fixed asset accounting. Library purchases should be recorded using object code 8510 - Library Books & Reference Materials. The timing of the addition to capital is at the entity’s discretion. This could be a monthly addition to library acquisitions or a one-time addition at fiscal year end. Total purchased acquisitions should tie to the total purchases coded 8510 in the accounting system for the fiscal year.

Disposal Procedure

When acquisitions are removed from libraries, an entry to reduce the book value needs to be made. The adjustment to book value for disposal of assets is recorded prior to fiscal year end. If the value of the items removed and disposed is known, an entry will need to be made to reduce the asset value by the specific amount. When the value for individual volumes is unknown, the recommended procedure is to:

- Calculate the current year acquisition cost per volume (total dollar amount of current year acquisitions/number of volumes purchased = cost per volume).
- Using the calculated cost per volume x the number of volumes disposed = reduction in asset value.
- As the assets are removed, if the year of purchase is known the adjustment should be made to the correct year. If the year of purchase is unknown, the adjustment should be made to oldest library asset.

Depreciation

Professional, academic and research library books and materials should be depreciated. Inexhaustible libraries are not depreciated.

Works of Art and Historical Treasures

Works of Art and Historical Treasures should be recorded in the fixed asset records. If the assets are for display or viewing only, the assets are non-depreciable. If used in operations may need to be depreciated.

For example, if there is a building considered an historical treasure and is used as office space, the structure itself would continue as a historical structure and would not be depreciated.
Any modifications made to the structure to convert it to office facilities could be depreciated as part of the cost of operations if it meets the capitalization threshold for a given fiscal year.

Donated museum items are to be recorded at the estimated fair market value at the gift date. In many cases, the donor may have had an independent appraisal done for income tax purposes. If available and the appraisal appears reasonable, the Member may want to consider using the independent appraisal provided by the donor to value the item. An alternative would be to work with experts within the System to share expertise in appraising gifts. Gifts must be reported in accordance with System Policy 21.05 and Regulation 21.05.01 Gifts, Donations, Grants and Endowments.

**Leasehold Improvements**
Leasehold Improvements are improvements made by a lessee (i.e. new buildings or improvements to existing structures, etc.) The lessee has the right to use the improvements over the term of the lease. The improvements revert to the lessor upon lease expiration. Moveable equipment or office furniture not attached to the leased property is not a leasehold improvement. The capitalization threshold for leasehold improvements is $100,000.

**Livestock**
Livestock includes cattle, horses, mules, swine, sheep, goats, poultry, rabbits and other animals.

The CEO of each System Member is responsible for the custody, care, maintenance, and safekeeping of livestock possessed by the Member. These responsibilities may be delegated by the CEO to the Property Administrator, Property Manager, and/or to Accountable Property Officers. Transfers of control and accountability must be made in accordance with the provisions of state property accounting laws, rules and policies.

The CEO of each System Member possessing livestock will publish such rules as are deemed necessary to ensure effective livestock management including procurement, production, utilization in research and other programs, treatment and care, and marketing of surpluses.

**Inventory Records**
The following livestock inventory systems will be maintained:

1. A perpetual inventory system will be maintained for permanent breeder stock and for animals held for short-term purposes by those departments in possession of dairy and beef cattle, swine, horses, mules, sheep, and goats. A physical inventory will be taken annually or more often if necessary and the results reconciled to the financial control accounts. The existence and location of livestock loaned out or otherwise removed from a department will be confirmed annually.
2. Programmed changes in poultry breeder stock quantities (flock size) will be recorded in a perpetual inventory system including departmental records and financial control accounts during the year. Production records will be maintained for each lot of feeder birds showing the quantity started and finished and the mortality rate of each lot. A physical count of poultry breeder stock will be made annually or more often if necessary and reconciled to the financial control accounts.

3. A perpetual inventory system which will account for the live animals, carcasses, and meat products will be maintained for livestock acquired for slaughter and processing.

Each member is responsible for maintenance of departmental inventory and individual livestock records which may provide any information desired for departmental use, but must include:

- identification number or description;
- breed and gender;
- date and method of acquisition;
- date and method of disposal; and
- production record for breeder stock.

Any number or descriptive system which permits the individual or group identification of cattle, horses, mules, and breeder stock swine, as well as sheep, goats, non-breeder stock swine, and poultry may be used. Each System Member is responsible for determining the method of marking (branding, tagging, etc.) livestock in its possession.

**Value of Individual Animals**

The original inventory value of a purchased animal is the actual cost of the individual animal. A unit cost should be assigned to animals produced or acquired by means other than purchase. The assigned cost and the methodology used to determine the cost should be documented for audit purposes.

**Livestock to be Capitalized**

1. All livestock purchased or received by gift valued at $5,000 or more per animal and having a useful life of more than one year will be capitalized.

2. Livestock produced by departments will be capitalized at the point an individual animal is valued at $5,000 or more and it is determined its useful life is more than one year.

3. An individual animal in which a part ownership interest is acquired will be capitalized if the ownership interest of the animal is valued at $5,000 or more and the animal has a useful life of more than one year.
4. Livestock acquired by any other means will be capitalized individually if the animal is valued at $5,000 or more and it is determined its useful life is more than one year. Livestock will not be recorded as a single asset per herd, flock, etc.

**Livestock NOT Capitalized**

1. Livestock acquired by a department for classroom, laboratory or research purposes that will eventually be slaughtered will not be capitalized. Expenses for such purchases will be classified as "stock for resale."

2. Poultry included in short-term feeding programs will not be capitalized.

**Livestock Can be Inventoried**

If a member decides to control livestock, this is at their management’s discretion, but this asset is not deemed a controlled asset by the State Property Accounting guidelines. Inventoried livestock is defined as livestock which does not meet the capitalization threshold of $5,000 and can be tracked due to their nature if the Member deems necessary.

**Intangible Capital Assets**

The A&M System Members defined intangible assets to include items with all of the following characteristics:

- Acquisition or development value of $1,000,000 (internally developed software), $100,000 (easements, land use rights with limited lives, purchased software, license agreements or covenants) and $100,000 for copyrights, patents and trademarks (used for operations)
- Normal (useful) life of greater than one year
- Lack of physical substance
- Assets of non-financial nature

Intangible assets include:

- Easements
- Land rights, including water, mineral and timber rights
- Copyrights (as qualified below)
- Patents (as qualified below)
- Trademarks (as qualified below)
- Computer Software
- License agreements for computer software
- Covenants not to compete

Copyrights, patents and trademarks will be classified and recorded as intangible assets only if they are acquired for the primary purpose of enhancing the quality of operational services.
of the Member. Copyrights, patents and trademarks not meeting this definition will not be classified as intangible assets.

**Land Use Rights-Easements**
Prior to fiscal year 2010, easements were not capitalized as intangible assets by the Members. An easement is the Member’s right of use over the land of another. For example, a Member may have an easement which gives the Member access over a private roadway to the Member’s property, or the Member may have an easement to place telecommunication lines within an easement tract to connect together computers in two facilities.

Any easements acquired after September 1, 2009 forward are capitalized on the Member’s books if the value of the easement is greater than the $100,000 threshold. If the easements have an indefinite life then the asset will not be amortized, but the condition will be measured annually. If the easement has a limited term, then it will be amortized.

**Land/Timber/Water Rights**
Land/timber/water rights are rights purchased vs. granted to others. Land rights are the rights to use or remove certain land related assets. The A&M Members will record these as intangible assets. If the right has an indefinite life then the asset will not be amortized but the condition will be measured annually. If the right has a limited term, then it will be amortized.

**Mineral Rights**
Mineral rights are held for the purpose of generating income, thus they will be classified as investments. In 2016, GASB 72 *Fair Value Measurement and Application* is requiring these mineral rights be marked periodically to ensure all investments are being carried at a market value.

**Copyrights, Patents and Trademarks**
Copyrights, patents and trademarks may be classified as intangible assets only if they are acquired specifically to improve the quality of the Member’s future operating services. A&M System Members have patents, trademarks and copyrights as a by-product of research, the intent was not to create passive income nor improve the operations of the member. Current year disbursements for these types of assets will predominantly be recorded as an expense.

Each Member will review newly acquired copyrights, patents and trademarks to determine if they are being acquired primarily for use in future operations to enhance the quality of its services or for the primary purpose of generating passive income.

**Computer Software**
Computer software is the most widely known intangible asset. There are two main categories of software.
- computer software purchased
- computer software internally generated
**Purchased Software**
Purchased software is commercial software that is purchased “off the shelf” and then placed into service with minimal modification.

The commercial software must have:
- An estimated useful life of one year or greater
- A cost that meets or exceeds the capitalization threshold of $100,000.00

When purchasing computer software licenses or similar assets, the capitalization threshold is based on the aggregate or total cost of the purchase. **Do not divide the cost by the number of licenses.**

The cost can include:
- Purchase software license
- License fees
- Testing fees
- Set-up fees
- Delivery cost

**Internally-Generated Computer Software**
Intangible computer software assets are considered internally-generated if they are:
- Created or produced by the government’s employees or a third party contractor on the behalf of the state and local government
- OR-
- Purchased off-the-shelf software that requires substantial modification before being placed into service. This can include cloud computing computer software.

Internally-generated computer software must have:
- An estimated useful life of one year or greater
- A cost of the application development stage activities that meets or exceeds the capitalization threshold of $1 million.

Each member will review newly acquired or internally developed software developments to determine if they need to be capitalized. Members will capture costs from the technical department to determine if the modifications of existing software or upgrades to new software need to be capitalized. The majority of the costs gathered will include salaries and wages of the technical experts or subject matter experts. It is recommended to add administrative (overhead) costs to the overall developmental costs, using the off-campus facilities and administrative rate of 26%. See The Texas A&M University System [GASB 51 Intangible Assets White Paper](https://www.tamu.edu/finance/assetmgmt/) dated September 16, 2010 for more information.

Internally-developed software will be recorded if meeting the capitalization threshold $1,000,000 and the guidance below.
• **Preliminary Project Stage** – Activities in this stage include the conceptual formulation and evaluation of alternatives, the determination of the existence of needed technology, and the final selection of alternatives for the development of the software. The cost of this stage will be **expensed**.

• **Application Development Stage** – Activities in this stage include the design of the chosen path, including software configuration and software interfaces, coding, installation to hardware, and testing, including the parallel processing phase. The cost of this stage will be **capitalized**.

• **Post-Implementation/Operation Stage** – Activities in this stage include application training and software maintenance. The cost in this stage will be **expensed**.

The capitalized value of internally-generated computer software includes the direct costs incurred during the application development stage. These direct costs include direct labor comprised of wages and benefits. Physical hardware is capitalized separately according to capital asset guidelines. The direct labor benefits allocation may be based on actual payroll/benefit costs or a reasonable estimation method. Agencies must maintain support for any such calculation.

Capitalization threshold decisions for internally-generated computer software projects are based on the total estimated application development stage costs. Capitalizable activities may occur in different sequences. Apply recognition guidance based on the nature of the activity — not the timing of its occurrence. Capitalize data conversion costs only to the extent determined necessary to make the computer software operational. Otherwise, expense data conversion costs as incurred.

The costs associated with training, project management or business process reengineering are expensed as incurred. These activities do not further the development of the software and do not contribute to placing the software into service.

If debt funding is used, there will be a need to ensure object codes are coded properly. Often the debt funding will allow for the setup costs of a new office; however these costs would not normally be capitalized costs. If purchasing computers for the team working on the cloud computing solution those computers would still be recorded as controlled assets vs. CIP for the software project.

**Software Updates and Upgrades**

Outlays associated with the minor modifications of computer software should generally be considered maintenance and expensed as incurred. However, the modification should be capitalized if it results in meeting the threshold requirements and any of the following:

• An increase in the functionality of the computer software – the software is able to perform tasks it was previously incapable of performing

• An increase in the efficiency of the computer software – the level of service provided by the software is increased without the ability to perform additional tasks

• An extension of the estimated useful life of the software
Cloud Computing Services
Cloud computing installment agreements that are greater than one year are capitalized and considered intangible capital assets if the total cost meets or exceeds the $100,000 threshold for purchased software (for example — a five year licensing agreement to use the cloud service software).

Capitalize Costs Include the Items Below
- Use of software licenses
- Vendor or consultant configuration expenses
- Vendor or consultant software modification expenses
- Conversion expenses
- User Acceptance Testing is considered costs needed to convert the software and usually occurs during the configuration stage of the implementation
- Burn In Phase is the period in which the software has gone live but continues to be improved upon, modifications to the configuration are occurring during this phase

Non Capitalized Costs Include
- Training (not including User Acceptance Testing)
- Support costs
- Software maintenance

A monthly subscription or fee is NOT considered an installment agreement and is expensed. Software licensing can only be considered a subscription expense if the term is one year or less and cancelable at will.

Covenants Not to Compete
Covenants Not to Compete are not currently capitalized as intangible assets by the A&M System Members. Typically, Members do not have restrictions with regard to physicians or other parties when they leave a Member. However, if this is written into a contract then this could create an asset qualifying as an intangible asset. The method for determining the amounts would need to be defined, if the asset value is greater than the threshold and there is a term listed, the asset will need to be capitalized and amortized over the stated time period.

Intangible Right-to-Use Assets
Right-to-use (RTU) assets for leased assets or subscription based information technology arrangements (SBITAs) are reported as intangible capital assets. The value of these assets is based on the net present value of the remaining required payments per the contract, offset by a liability for the remaining payments. RTU and SBITA capital assets are amortized over the contract term. The A&M System used a separate lease accounting software (LeaseQuery) to track these assets, accounting entries are posted monthly.

See Annual Financial Report Instructions for additional information on RTU leases and SBITAs.
Chapter 6 – Additional Information

Capital Assets and Facilities and Administrative Cost Rates
The accuracy of capital asset records for both personal, intangible, and real property is essential to the calculation of the most accurate Facilities and Administrative Cost rate (formerly referred to as Indirect Cost Rate) possible for each A&M System Member. The U.S. Department of Health and Human Services reviews/audits the rate calculation and sets the rate to be applied to future sponsored grants and contracts awarded to the Member. Their review/audit includes steps to

- ensure only valid inventory items are included and the items are allocated to the function (administration, research, instruction, or other) to which the items apply
- ensure disposed or demolished items are promptly removed from inventory records
- ensure newly acquired assets, including recently completed and occupied buildings, should be added to inventory as soon as possible
- ensure asset locations should be recorded in the accounting system and updated as frequently as necessary to reflect changes. It is important the exact building and room number be displayed in the accounting system because this information is compared to the space information during the long-form calculation and subsequent negotiation.

Maintenance & Repair vs. Replacements vs. Additions/Improvements
Once an asset is placed in service, an entity may incur costs and may be categorized as (a) repairs and maintenance of existing components, (b) replacement of existing components, or (c) acquisition of additional components. The nature of the expense will determine whether or not it should be capitalized.

Maintenance is the act of keeping assets in a usable condition, including preventative maintenance, normal repairs, replacement of parts and structural components and other activities needed to preserve the asset so it continues to provide acceptable services and achieves its expected life. Maintenance excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, those originally intended. The costs of normal, recurring, or periodic repairs and maintenance activities incurred after an asset is placed in service should be charged as an expense.

Planned major maintenance activities, also referred to as overhauls or refurbishments, are other than routine activities an entity considers necessary to perform on a recurring basis to maintain the asset in operating condition. Costs incurred often include labor costs for repair and maintenance activities such as cleaning, servicing, replacement, or repair, as well as costs of replacement components, minor parts, and interactive agents (such as certain fluids or elements). The individual costs incurred in such planned major maintenance activities should be evaluated to determine if they represent (a) the acquisition of additional components or
(b) the replacement of existing components. All other costs incurred in a planned major maintenance activity should be charged to expense as incurred.

When a replacement of an existing component occurs which meets the capitalization threshold and the asset’s normal useful life is extended as a result of the replacement, the asset value should be adjusted by removing the cost and accumulated depreciation or amortization of the component being replaced and adding the cost of the new component. The estimated useful life of the asset should also be re-evaluated at this time to determine if it needs to be adjusted. When removing part of the replaced asset an appropriate amount should be determined in order to offset some of the costs of the replacement. For example, if removing an old roof in order to add a new roof, part of the cost of the old roof should be taken into consideration. The Texas Higher Education System Generic Building Componentization Guidelines, which can be found on the State Property Accounting website at Building Componentization, has examples of how to determine appropriate amounts.

Additions and improvements are those capital outlays that increase the capacity or efficiency of an asset. A change in capacity increases the level of service provided by an asset. A change in efficiency maintains the same service level, but at a reduced cost. The acquisition of additional components should be evaluated to determine if the costs of the additional components meet the capitalization threshold. If they do, then they will be added as capitalized components of the asset.
Chapter 7 – Frequently Asked Questions

Construction In Progress-Reclass Issues

QUESTION # 1
We have received the transfer from System Office for the final C-30 on the apartments. We have some questions on how to process the entries. The increased amount for the building is less than $100,000.00. Will we still be able to increase the amount of the building?

ANSWER
No, if it does not meet the threshold amount then it is expensed.

QUESTION # 2
It is our understanding each item in Facilities and Other Improvements and Infrastructure is considered a separate item and not a part of the whole amount for each. If so, the only part for them to be added is the Parking Lots and Driveways and they do not tie to the building as a component.

ANSWER
This is correct; the parking lots would not tie to the building as a component because it is a different GL.

Analyze how your agency has handled F&OI costs in the past. Are items added together, all 'like items' into one big grouping (so all natural gas line expenses would be added to one asset regardless of which project)? Or are each project listed individually? The decision on how to handle these costs must be based on how your agency handles this...consistency is the key. If your agency looks at each project individually, then yes, most of your F&OI line items would end up being expensed. If your agency combines like items into one asset (such as all natural gas lines in a given year would be added to a single natural gas line asset), then consider whether the total meets the threshold at the end of the year? If yes, then capitalize; if no, then expense the item.

QUESTION # 3
We have a project closing with a $196,000.00 improvement to an old building. Do we have to break out each part of the improvement or do we just add the improvement amount to the building?

ANSWER
Recommend breaking out the costs, some of the costs will now have to be expensed. There can be an asset with different class codes in it as long as it is within the same GL/AFR category. So if this improvement consisted of $75,000 for roof, $75,000 for plumbing and $46,000 for elect & lighting system it could all be added under one asset with 3 separate class codes and because all of the costs would be added in the same fiscal year it would meet the...
threshold amount and depreciate. The only other comment would be - to decide how to handle these types of situations and be consistent.

Trade-In Issues

QUESTION # 1
We are trading in two like items for a similar item. The two like items (vans) are capital and are not fully depreciated. We plan to trade them in for a new car. How do we get the trade-in worksheet to work correctly?

ANSWER
Since the trade in contains like items (all are in AFR category of vehicles), there is no problem with this transaction. In order to get the trade-in worksheet (Trade-In Worksheet) to work correctly, we would recommend combining the total cost and total depreciation of the two items to fill in the trade-in worksheet to determine how to book the trade-in. It can be a challenge to determine how to prorate any trade-in amount (where you might have to reduce the assets on 515 with a D-TR). The first thought is to do it based on the cost of each of the assets; however, each of the vans could have a different remaining useful life. If you have to reduce the old assets you will have to determine how to prorate the dollar amount and keep good documentation justifying how you chose the amounts.

QUESTION # 2
We purchased a vehicle from another TAMUS Member for $6,000. The original price of the car was $19,800 and already has $19,200 in accumulated depreciation. We are also going to have to repair the car with an additional $2,900 work of worth to get the car to run. Should we book this car as $6,000 or $19,800? And what do we do with the $2,900 worth of repairs?

ANSWER
The following steps are suggested:

1. Accept a transfer from the TAMUS Member for the original cost of $19,800.
2. Add to your asset the $6,000 paid to the Member. It is suggested to add this $6,000 as a separate component to identify the dollars easier. Consider adjusting the useful life of the item and document why it would be less than the normal 5 years.
3. Add the $2,900 cost to put the asset into service if the dollars were paid in the same fiscal year as the $6,000. If paid in a different fiscal year and the expenses were less than $5,000 then record as an expense.
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defined as material accounting events which occurred in the prior year. The intent is to not commingle material activity from a prior year in the current year activity.

**Salvage** Any equipment through use, time, or accident is so depleted, worn out, damaged, consumed, or outdated it is obsolete and/or can no longer serve the purpose for which it was originally intended.

**Sensitive Item** An equipment item potentially harmful or hazardous or is of high monetary value and easily converted to unauthorized use or disposal.

**Stolen** Any equipment missing by theft, whether by forced removal, burglary, theft by employees, or other criminal acts.

**Surplus** Any equipment which is in excess of the needs of a TAMUS Member and which is not required for its foreseeable need. Surplus property may be new or used but must have additional useful life.

**Surplus Inventory Supervisor** Individual responsible for the management and disposal of excess equipment.

**Surplus Procurement Officer** The official representative of the TAMUS Member in matters pertaining to the acquisition of surplus property.

**Right-to-Use (RTU) Asset** Represents the right to use (RTU) another entity’s nonfinancial asset as specified by the contract, for a period of time, in an exchange or exchange-like transaction.

**SBITA** A subscription-based ITarrangement (SBITA) is defined as a contract that conveys the RTU another party’s information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time, in an exchange or exchange-like transaction.

**Trade-in** Surplus or salvage property, which in the best interest of the State, is exchanged for new property of the same general type.
**Trust Property**

Assets held by a TAMUS Member on behalf of a non-state entity (such as art collections owned by families, estates, and other individuals or entities) and which are under the temporary control of the Member. This is the same as Assets Held in Trust.