Policy

The City shall maintain an inventory of all tangible, fixed assets owned or held by the City of Mont Belvieu in accordance with Generally Accepted Accounting Principals, including G.A.S.B. (Government Accounting Standards Board) Pronouncement # 34, and this policy.

Purpose

To ensure that consistent and proper procedures are followed in the recognition of assets held and/or owned by the City of Mont Belvieu; and to establish a written requirement that the responsible authority of the City maintain financial and other records that contain sufficient quantitative information that the asset records and inventories be complete and accurate. The fixed asset records and inventory shall be maintained in such a manner as to sufficiently serve to safeguard these items as public investments and to assure stewardship of all such assets held in public trust.

Responsibility and Authority

The Director of Finance shall be responsible for ensuring the principles and policies set forth in this Capitalization Policy are followed. As such, The Director of Finance shall assure that this policy is carried out in conformity with the financial policies and goals established by the City Manager, the Mayor, and the City Council.

OVERVIEW

Costs expended to obtain tangible assets with lives greater than one year are called capital expenditures, and such expenditures are commonly said to be capitalized. When these expenditures are treated as an expense of the current period, they are referred to as operating expenses are expensed in the fiscal year in which they are incurred, while capital expenditures are expensed as depreciation over the life of the asset. There are several factors involved in determining whether an expenditure is to be classified as a capital expenditure or as an operating expense. Following is a synopsis of the rules and guidelines to be used to determine whether an item is to be capitalized, or not.

Assets held and/or owned by the City of Mont Belvieu shall be recognized in accordance with the following three (3) categories: 1) Non-capitalized Acquisitions – minor asset acquisitions valued at less than $1,000, whose acquisition cost is not capitalized (is expensed), for which no asset record will be maintained; 2) Controlled Acquisitions – asset acquisitions valued between $1,000.01 and $4,999.99, whose acquisition cost is not capitalized(is expensed), for which a "Controlled Property Number" is issued and for which records are maintained; 3) Capitalized Assets – major assets valued at $5,000 or more, whose acquisition cost is capitalized (is not expensed), whose value is depreciated over the useful life of the asset, for which an "Asset Number" is issued and records are maintained. This inventory shall contain all the fixed assets owned by the City, and shall be listed by fund and department.

Capitalization Thresholds

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

Class of Asset	Threshold
Land/land improvements	Capitalize All
Buildings/building improvements	$ 50,000
Facilities and other improvements	$ 50,000
Infrastructure	$ 200,000
Personal property including purchased software	$ 5,000
Works of art/historical treasures	$ 5,000

Capital Asset Acquisition Cost

Capital assets should be recorded and reported in the fixed asset group (FAG) system software at historical cost, which include the vendor's invoice (plus the value of any trade-in), plus installation cost (including force labor), modifications, attachments, accessories or apparatus necessary to make the asset usable and render it into service.

For City of Mont Belvieu object expenditure codes, see Appendix A. Historical costs also include ancillary charges such as freight and transportation charges, site preparation costs and professional fees. The costs of purchasing capital assets for ***governmental activities*** do not include capitalized interest. However, interest is capitalized on:

- Assets that are constructed or otherwise produced for use by the City of Mont Belvieu (including assets constructed or produced for the City by others for which deposits or progress payments have been made)
- Assets that ***do not*** qualify for capitalization of interest include:
- Sold prior to the end of the fiscal period and the proceeds of the sale are considered available, or
- The asset is sold (or the government has entered into a contract to sell the asset) prior to the issuance of the financial statements and the proceeds of the sale are considered available.

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

CAPITALIZATION GUIDELINES

Costs incurred to obtain tangible assets are treated as operating expenses in the year incurred and are not capitalized or depreciated if any of the following criteria are met:

1) Their estimated life is less than one (1) year.

2) Their estimated value is less than $5,000.

Note: Assets in this category valued between $1,000.00 and $4,999.99 will be issued a "Non-Controlled Property Number" and records will be maintained.

3) Costs are incurred to maintain an asset in good operating condition (excluding major repairs).

Costs incurred to obtain or repair tangible fixed assets with lives greater than one (1) year, to extend the useful life of an existing asset more than one (1) year, or which result in additional or more valuable asset services are capitalized and depreciated if any of the following criteria are met:

1) The unit cost of an asset acquired by purchase or lease/purchase exceeds $5,000.

2) The fair market value of a donated asset exceeds $5,000.

3) The major repair of a constructed asset exceeds fifteen percent (15%) of the original cost of placing the asset in service, and the repair exceeds $50,000 in cost.

4) The major overhaul or repair of equipment exceeds twenty percent (20%) of the original acquisition cost and equals or exceeds $5,000.

FIXED ASSETS, ACCOUNTING FOR

All fixed assets, including infrastructure assets, should be accounted for through their respective funds.

Should the time required to construct an asset extend past the close of any accounting period it will be necessary to capitalize the cost of construction in progress at the end of that period (i.e. the end of the fiscal year). It is not permissible in that case to wait to capitalize the total value of the asset at its completion.

Note: Interest costs that are incurred in association with the purchase or construction of any asset should be accounted for as part of the cost of obtaining or constructing the asset.

Aggregated Units Purchase – When a quantity of items having a useful life of more than one (1) year are purchased that individually cost $1,000 or more (including shipping, parts and labor) yet less than $5,000 per item; which however, in aggregate cost over $5,000; the items will be aggregated and capitalized according to their useful lives (ex. golf carts, water park umbrellas and canopies).

Force Labor – The value of a capital asset created in whole or in part through the use of force labor, that is to say through utilizing municipal employees to build the assets, shall have an accounting for the cost of the labor utilized, including benefits, as well as the cost of equipment employed in determining the "all-in" cost of the asset.

FIXED ASSETS, VALUATION

Fixed assets should be accounted for at cost or, if the cost is not practically determinable, at estimated cost. Donated fixed assets should be recorded at their estimated fair value at the time received (see Governmental Accounting, Auditing and Financial Reporting, page 13).

All fixed assets should be reported based on the consideration given or received, including ancillary charges.

> Note: Ancillary costs would include freight, site preparation costs, right-of-way acquisition costs, relocation costs (ex. The cost of moving under ground cable and power lines to install new water and sewer lines), professional fees, legal claims directly attributable to asset acquisition, installation and testing costs, construction related insurance, and all other costs associated with the purchase, installation and bringing an asset to an operable and productive state.

When the determination of fair value is not clearly identifiable, the department is asked to use the highest form of authority that can reasonably be used to determine value. Examples: If the item is real estate, a valuation by a real estate agent would be the most desired form of value. If the item is a donation of art, an appraisal by an art appraiser would be the most desired determiner of value.

FIXED ASSETS, CAPITAL LEASES

Lease-purchase agreements are contractual agreements that are, in substance, a method of financing the acquisition of fixed assets. For authoritative information relating to accounting and financial reporting procedures to be followed by governmental units that enter into lease-purchase agreements, see NCGA (National Council on Governmental Accounting) Statement 5.

Acquiring of assets through the use of a lease arrangement shall be considered to be of a capital nature if at least one of the following criteria is met in the lease agreement provisions:

A. The lease transfers ownership of the property to the lessee by the end of the lease term.

B. The lease contains a bargain purchase option.

C. The lease term is equal to seventy-five percent (75%) or more of the estimated economic life of the leased property. However, if the beginning of the lease term falls within the last twenty-five percent (25%) of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease.

D. The present value at the beginning of the lease term of the minimum lease payments, excluding that portion of the payments representing executory costs to be paid by the lesser, including any profit thereon equals or exceeds ninety percent (90%) of the excess of the fair value of the leased property to the inception of the lease. (See Governmental Accounting, Auditing and Financial Reporting, page 25)

FIXED ASSETS, COMPONENTS

A. Additions

An addition is a new and separate asset or an extension of an existing asset. The construction of a new wing on an existing building is an “addition” to that building. The installation of two-way radios in newly acquired City vehicles is an “addition” to the cost of getting the vehicle “street ready,” and is therefore capitalized along with the cost of the vehicle. When the addition involves an enlargement or extension of an existing asset questions, may be asked to determine whether or not the purchased asset retains its separate identity (i.e. whether the item is separately capitalized) or whether it will be treated as a component of another asset; that is to say, not separately identifiable from it. If an asset retains its separate identity, even if it is a part of or a component of a larger asset (ex. an expenditure of $60,000 for a new roof on City Hall), it must be capitalized as an expenditure which is to be capitalized as a separate asset if it meets the criteria set forth in sections A, B, or C of the Capitalization Guidelines Threshold section of this document.

B. Improvements, Renewals, and Replacements

Improvements (or betterments), renewals, and replacements are nonrecurring expenditures that in some way add to the service potential of an asset. The additional value may be the result of extending the life of the asset, increasing the rate of output, or lowering the cost of operating the unit. This type of expenditure clearly has value associated with future periods of time and expenditures of this type should be capitalized if all other necessary capitalization criteria are met. To the extent that renovation or modernization involves the substitution of new parts for old, the proper accounting is to remove the cost of the old part from the asset account (and the appropriate amount from the related accumulated depreciation account) and enter the cost of the new part. If renovation or modernization does not involve a substitution but results in some modification of the asset, the costs incurred should be added to the carrying value of the asset.

Depreciating Capital Assets

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

The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used. The date when an asset was placed into service, is when depreciation begins subject to the use of a full-month for that first month (regardless of the date placed into service). An asset is considered placed into service on the date it became available for use and was being used for the purpose intended when purchased or constructed.

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

Sale of Capital Assets

When an asset is sold, gain or loss must be recognized at that time, when:

- Cash or other value is exchanged and the amount paid does not equal the net book value of the asset
- Cash or other value is not exchanged and the asset is not fully depreciated or has a residual value
- A gain or loss **is not** reported when:
    - Cash exchanged equals the net book value and the asset does not have a residual value, or
    - Cash is not exchanged and the asset is fully depreciated and has no residual value.

Assets Acquired by the Exchange of Other Assets

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

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

Dissimilar assets – When recording an exchange of dissimilar assets, we will:

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

DISPOSITION OF MUNICIPAL ASSETS

Mont Belvieu's municipal assets shall be disposed of in accordance with the following requirements:

1) Non-capitalized Acquisitions – assets whose original purchase value is valued at less than $1,000 – may be disposed of simply by utilizing proper disposal practices.

2) Controlled Acquisitions – assets whose original purchase value is valued between $1,000. and $4,999.99 –

- The asset will be disposed of through the City's formal asset disposition process.

3) Capital Assets – major assets whose original purchase or constructed value is valued at $5,000 or more –

- The asset will be disposed of through the City's formal asset disposition process.

Formal Asset Disposition Process

1) Each department is required retain its controlled property and capital asset items that are to be disposed of until such assets are: a) presented and declared and classified individually as surplus property by the City of Mont Belvieu's City Council; b) collected for disposition prior to annual presentation to the City Council for final disposition.

   Note: Large assets that are placed for sale on EBay or are placed directly with another governmental entity or volunteer organization do not have to be retained until the annual auction. However, such items must be classified as "surplus" by the City Council prior to any effort to dispose.

   Note: When items are disposed of through trade-in or are otherwise made as a part of a purchase, the assets that are being disposed of may not be transferred to the vendor/seller until the City Council is able to act and declare the items(s) as surplus.

2) Each department will:
   - Prepare a "Transfer/Disposition of Fixed or Controlled Assets" form for each item to be disposed of. It is acceptable to prepare a composite Transfer/Disposition form accompanied by a detailed list (that includes make, model, asset, and serial numbers and a full description). All items shall be submitted to the Director of Finance's office no less than thirty (30) days prior to the date of the advertised annual auction or sale date.
   - The listing shall contain the identification tag number of the asset, serial number's (if applicable) the year of purchase, and a description of the item.
   - The property will have its identification tag removed and turned in along with the department's submission of the list of items to be disposed of.
   - The department head must sign off on and date the list of items to be surplused.

3) The Director of Finance shall submit to the City Council a composite listing of assets and property that are proposed to be recognized as "surplus" property.

- The list is to contain: a) a description of the item; b) preferred method of disposal; c) a secondary means of disposal, if contemplated; d) a note that any auction items that go unsold will be classified as unsalable and disposed of by the most efficient means possible.

4) If the cost to advertise, sell and otherwise dispose of the asset exceeds the fair market value, the item may be discarded, if authorized by Council.
5) The sale or auction of surplus property must be advertised in accordance with state law.
6) Any items not sold or auctioned may be properly disposed of unless alternate means of sale are pursued.

Municipal assets that are to be disposed of, regardless of value, may not be donated to City employees or to members of the public without express Council approval. However, employees and citizens may purchase surplus items at advertised public or internet sales or auctions.

Computation of Gain and Loss from Sale of Assets

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

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

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

Example:	Asset's Historical Cost	$10,000
	(residual value = $1,000)	
	Less Accumulated Depreciation	9,000
	Net book value	$ 1,000
	Subtract Proceeds Received	2,000
	Loss from Sale of Asset	$ 1,000

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

II. Capital Asset Categories

Land and Land Improvements

Land Definition

Land is the surface or crust of the earth, which can be used to support structures, and may be used to grow crops, grass, shrubs, and trees. Land is characterized as having an unlimited life (indefinite).

Land Improvement Definition

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

Examples of Expenditures to be Capitalized as Land and Land Improvements

- Purchase price or fair market value at time of gift
- Commissions paid in purchasing land
- Professional fees (title searches, architect, legal, engineering, appraisal, surveying, environmental assessments, etc.)
- Land excavation, fill, grading, drainage
- Demolition of existing buildings and improvements (less salvage)
- Removal, relocation, or reconstruction of property of others (railroad, telephone and power lines)
- Interest on mortgages accrued at date of purchase
- Accrued and unpaid taxes at date of purchase
- Other costs incurred in acquiring the land
- Water wells (includes initial cost for drilling, the pump and its casing)
- Right-of-way

Buildings and Building Improvements

Building Definition

A building is a structure that is permanently attached to the land, has a roof, is partially or completely enclosed by walls, and is not intended to be transportable or moveable. Total project costs are accumulated in detail as one asset in a construction in progress account, with depreciation calculated as of the date the building is placed into service.

Building Improvement Definition

Building improvements are capital events that materially extend the useful life of a building or increase the value of a building, or both. A building improvement should be capitalized as a betterment and recorded as an addition of value to the existing building if the expenditure for the improvement is at the capitalization threshold, or the expenditure increases the life or value of the building by at least 25 percent of the original life period or cost. An asset that meets this definition is not entered as separate costs for depreciation purposes; the total project cost is accumulated and entered as one total in the system, with depreciation calculated as one amount from that total.

<u>Examples of Expenditures to be Capitalized as Buildings</u>

<u>PURCHASED BUILDINGS</u>

- . Original purchase price
- Expenses for remodeling, reconditioning or altering a purchased building to make it ready to use for the purpose for which it was acquired
- Environmental compliance (i.e., asbestos abatement)
- Professional fees (legal, architect, inspections, title searches, etc.)
- Payment of unpaid or accrued taxes on the building to date of purchase
- Cancellation or buyout of existing leases
- Other costs required to place or render the asset into operation

<u>CONSTRUCTED BUILDINGS</u>

- Completed project costs
- Interest accrued during construction
- Cost of excavation or grading or filling of land *for a specific building*

- Expenses incurred for the preparation of plans, specifications, blueprints, etc.

- Payment of unpaid or accrued taxes on the building to date of purchase

- Cost of building permits

- Professional fees (architect, engineer, management fees for design and supervision, legal)

- Costs of temporary buildings used during construction

- Unanticipated costs such as rock blasting, piling, or relocation of the channel of an underground stream

- Permanently attached fixtures or machinery that cannot be removed without impairing the use of the building

- Additions to buildings (expansions, extensions, or enlargements)

Examples of Expenditures to be Capitalized as Improvements to Buildings

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

- Conversion of attics, basements, etc., to usable office, clinic, or classroom space

- Structures ***attached*** to the building such as covered patios, sunrooms, garages, carports, enclosed stairwells, etc.

- Installation or upgrade of heating and cooling systems, including ceiling fans and vents

- Original installation/upgrade of wall or ceiling covering such as carpeting, tiles, paneling, or parquet

- Structural changes such as reinforcement of floors or walls, installation or replacement of beams, rafters, joists, steel grids, or other interior framing

- Installation or upgrade of window or door frame, upgrading of windows or doors, built-in closet and cabinets

- Interior renovation associated with casings, baseboards, light fixtures, ceiling trim, etc.

- Exterior renovation such as installation or replacement of siding, roofing, masonry, etc.

- Installation or upgrade of plumbing and electrical wiring
- Installation or upgrade of phone or closed circuit television systems, networks, fiber optic cable, wiring required in the installation of equipment (that will remain in the building)
- Other costs associated with the above improvements

Building Maintenance Expense

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

- Adding, removing and/or moving of walls relating to renovation projects that are not considered major rehabilitation projects and do not increase the value of the building
- Improvement projects of minimal or no added life expectancy and/or value to the building
- Plumbing or electrical repairs
- Cleaning, pest extermination, or other periodic maintenance
- Interior decoration, such as draperies, blinds, curtain rods, wallpaper
- Exterior decoration, such as repainting, touch-up plastering, replacement of carpet, tile, or panel sections; sink and fixture refinishing, etc.
- Maintenance-type exterior renovation such as repainting, replacement of deteriorated siding, roof, or masonry sections
- Replacement of a part or component of a building with a new part of the same type and performance capabilities, such as replacement of a old boiler with a new one of the same type and performance capabilities
- Purchases of maintenance-type equipment or supplies during the construction phase that would not be otherwise capitalized if purchased after the project is placed in service (i.e., mops handcuffs, cleaning supplies, brooms, etc.)
- Any other maintenance-related expenditure which does not increase the value of the building

Facilities and Other Improvements

Facilities Definition

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

Other Improvements Definition

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

<u>Examples of Expenditures to be Capitalized as Facilities and Other Improvements</u>

- Fencing and gates
- Landscaping
- Parking lots/driveways/parking barriers
- Outside sprinkler systems
- Recreation areas and athletic fields (including bleachers)
- Paths and trails
- Septic systems
- Stadiums
- Fountains
- Plazas and pavilions
- Retaining walls

Infrastructure

Infrastructure Definition

Assets that are long-lived capital assets, are 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.

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

Infrastructure Improvements

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

Jointly Funded Infrastructure

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

Maintenance Costs

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

Preservation Costs

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

Additions and Improvements

Additions and improvements are those capital outlays that increase the capacity or efficiency of the asset. A change in capacity increases the level of service provided by an asset. For example, additional lanes can be added to a highway or the weight capacity of a bridge could be increased. A change in efficiency maintains the same service level, but at a reduced cost. For temperature changes at reduced cost. The cost of additions and improvements should be capitalized.

<u>Examples of Expenditures to be Capitalized as Improvements to Buildings</u>

- Farm Market and Lateral Roads, streets, curbs, gutters, sidewalks
- Bridges
- Ditches, waterways, docks, bulkheads, boardwalks
- Dam, drainage facility
- Radio or television transmitting tower
- Fiber optic and telephone distribution systems (between buildings)
- Light system (traffic, outdoor, street, etc.)
- Signage

Site Improvements

Site Improvements Definition

Site Improvements are defined as depreciable assets that deteriorate over time. The improvements include fences, parking lots, and access roads.

Personal Property

Personal Property Definition

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

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

Jointly Funded Personal Property

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

Examples of Expenditures to be Capitalized as Buildings

- Original contract or invoice price
- Freight charges
- Import duties
- Handling and storage charges
- In-transit insurance charges
- Sales, use, and other taxes imposed on the acquisition
- Installation charges
- Charges for testing and preparation for use

- Costs of reconditioning used items when purchased
- Parts and labor associated with the construction of equipment

Computer Software

Computer Software Definition

Computer software is defined as the operating systems, programs, drivers, networking or other internal instructions used to accumulate, report or facilitate the financial, fiscal, operating and maintenance requirements for information for the City.

Purchased software – Computer software developed by a vendor not affiliated with the City and for which the product is generally sold an maintained by that vendor or an independent third party.

Examples of Expenditures to be Capitalized as Improvements to Buildings

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

Leasehold Improvements

Leasehold Improvements Definition

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

Construction in Progress

Construction in Progress Definition

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