
Capital assets are land, structures, equipment, intellectual property (e.g., software), and information technology (including information technology service contracts) that are used by the federal government and have an estimated useful life of 2 years or more. Capital assets may be acquired in different ways: through purchase, construction, or manufacturing; through a lease-purchase or other capital lease (regardless of whether title has passed to the federal government); through an operating lease for an asset with an estimated useful life of 2 years or more; or through exchange.

Capital assets may or may not be recorded in an entity's balance sheet under federal accounting standards. Capital assets do not include grants to state and local governments or other entities for acquiring capital assets (such as National Science Foundation grants to universities or Department of Transportation grants to Amtrak), intangible assets (such as the knowledge resulting from research and development), or the human capital resulting from education and training. For more on capital assets, consult the *Capital Programming Guide* (June 1997), a supplement to OMB Circular No. A-11.

Capital Budget

A budget that segregates capital investments from the operating budget's expenditures. In such a budget, the capital investments that are excluded from the operating budget do not count toward calculating the operating budget's surplus or deficit at the time the investment is made. States that use capital budgets usually include only part of their capital expenditures in that budget and normally finance the capital investment from borrowing and then charge amortization (interest and debt repayment) to the operating budget.

Capital Lease

A lease other than a lease-purchase that transfers substantially all the benefits and risks of ownership to the lessee and does not meet the criteria of an operating lease. (*See also* Operating Lease.)

Cash Accounting

A system of accounting in which revenues are recorded when cash is actually received and expenses are recorded when payment is made without regard to the