EXHIBIT B

GUIDE TO DISTINGUISHING BETWEEN SUPPLIES AND EQUIPMENT

In this exhibit criteria are provided for the solution of the ever-present problem in financial accounting – distinguishing between supplies and equipment. This guide consists of criteria for classifying an item as supply and criteria for classifying an item as equipment. Equipment built-in or fixed to the building or grounds is considered a part of the building or land improvement, and is to be charged to those respective accounts.

CRITERIA FOR SUPPLY ITEMS

A supply item is any article or material which meets any ***one*** or more of the following conditions:

1. It is consumed in use.
2. It loses its original shape or appearance with use.
3. It is expendable, that is, if the article is damaged or some of its parts are lost or worn out, it is usually more feasible to replace it with an entirely new unit rather than repair it.
4. It is an inexpensive item, having characteristics of equipment, whose small unit cost makes it inadvisable to capitalize the item.
5. It loses its identity through incorporation into a different or more complex unit or substance.

CRITERIA FOR EQUIPMENT ITEMS

An equipment item is a material unit which meets **all** of the following conditions:

1. It retains its original shape and appearance with use.
2. It is non-expendable, that it is usually more feasible to repair it rather than replace it with an entirely new unit.
3. It represents an investment of money, which makes it feasible and advisable to capitalize the item.
4. It does not lose its identity through incorporation into different or more complex unit or substance.

Criterion number 4 is very important, especially if capital outlay expenditures are to be depreciated.