

STATE OF VERMONT
AGENCY OF ADMINISTRATION

Subject: **Asset Management Procedure**
Revision Date: **May 1, 2007**
Applicable To: **All State Agencies and Departments**
Issued By: **Department of Finance & Management**
Approved By: **James Reardon, Commissioner**

PURPOSE

This procedure outlines the management of the State of Vermont's assets.

BACKGROUND

With the issuance of Statement No. 34 of the Governmental Accounting Standards Board, state governments are required to account for all financial activities using accrual accounting, for fiscal years beginning after June 15, 2001 (i.e. fiscal year 2002). These reporting requirements not only measure current assets and liabilities but also long-term assets and liabilities such as capital assets, capital leases and infrastructure assets (in accordance with GASB requirements). Prior to these requirements, with the exception of Proprietary Funds, in Vermont, all assets were expensed at the time of purchase.

PROCEDURE & GUIDELINES

I. Capital Assets

The following will govern the management of capital assets:

- 1) The State of Vermont defines a capital asset as:
 - a. A physical resource that has an acquisition cost of at least \$5,000 and provides future economic benefit for a minimum of two years.
 - Acquisition cost includes all expenditures that are necessary to place the asset into its intended location and condition for use. This includes the invoice purchase price and ancillary charges that are directly attributable to asset acquisition – such as freight & transportation, in-transit insurance, duty, site preparation, assembly, and installation costs.
 - b. Buildings that are not associated with or part of an infrastructure asset will follow these guidelines.
- 2) A Capital Lease is defined as a lease for a period of time exceeding 12 months and which meets at least one of the following criteria:
 - a. It passes title to the lessee at the conclusion of the lease term.
 - b. It contains a bargain purchase option.
 - c. The lease term is at least 75% of the assets estimated economic life.
 - d. The present value of the minimum lease payments (discounted at the lower of the implicit interest rate or the incremental borrowing rate) equals or exceeds 90% of the asset's fair value at acquisition.

For additional restrictions and requirements regarding capital leases, please refer to Bulletin 3.5 Contracting Procedures and the memorandum from the Agency of Administration dated 9/21/2005, regarding Leasing Office or Other Equipment. The bulletin and the memo can both be found on the VISION website under Documents – Bulletins.

- 3) All land will be capitalized and cannot be depreciated.
 - a. Donated land will be valued at the estimated fair market value at the time of acquisition plus ancillary cost incurred to acquire.
 - b. When a building is acquired by the State of Vermont, either through purchase or donation, land value must be identified and recorded in the financial system separately from the building.
- 4) Art and museum collections will be capitalized and will not be depreciated.
- 5) Computer software is an intangible asset and is generally considered to be of rapidly diminishing value with a limited useful life. Accordingly, only major acquisitions of software will be capitalized per the following criteria:
 - a. The software has an acquisition cost in excess of \$50,000 and an estimated useful life of two years or more. Software site licenses paid for from current year operating funds will be expensed regardless of cost.
 - b. The costs of upgrades or enhancements that materially increase the capacity or efficiency of the software (i.e. perform tasks previously not capable of) shall be capitalized per the above criteria; otherwise such costs must be expensed.
 - c. Operating and application software acquired with the purchase of a computer system (hardware) will be considered part of the cost of that hardware system.

II. Infrastructure Assets

The following will govern the management of infrastructure assets:

- 1) The State of Vermont defines an infrastructure asset as a resource utilized primarily by the public that costs at least **\$50,000** and provides future economic benefits for a minimum of **three** years.
- 2) Generally, infrastructure assets are much larger in value and have a longer future economic benefit than capital assets. Examples of infrastructure assets are roads, bridges, curbs, gutters, streets, sidewalks, airports, rail, dams, public lighting systems and buildings that are associated with these structures (i.e. power house associated with a hydroelectric generating dam).
- 3) Infrastructure improvements will be capitalized when the cost is at least \$50,000 and provides future economic benefits for a minimum of three years.

III. Non-Capital Assets

The following will govern the management of non-capital assets:

- 1) The State of Vermont defines a non-capital asset as a physical resource that **does not** meet the capitalization cost thresholds (e.g. any asset that is less than \$5,000 or has a useful life less than 2 years).
- 2) Departments are required to track in the Asset Management Module all computer equipment with an acquisition cost of greater than \$1,000. Even though this equipment may not meet the definition of a capital asset, it does have a significant and predictable impact on a department's budget. Computer equipment with an acquisition cost of less than \$5,000 must be entered as an expensed asset (use appropriate Category ending with "E" and appropriate Profile ID beginning with "E").
 - a. For purposes of this policy, a unit of computer equipment is defined as an individual item or a group of items which cannot be separated without diminishment in the usability of the item for its intended purpose. *For example:* Purchase of an individual computer workstation, which generally includes a monitor, keyboard, mouse, and the

- computer processor, should be considered as a single unit of equipment and subject to tracking in the Asset Management Module as a single asset provided the acquisition cost is greater than \$1,000.
- b. Operating and application software included with the purchase of a computer workstation should be considered part of the acquisition cost of that hardware system. Computer software, separately acquired, is not required to be tracked unless it meets the capitalization threshold defined in Section I-5 of this document.
 - c. Accessory or replacement equipment (e.g. speakers, mouse, etc.) acquired subsequent to the purchase of the *parent* item does not need to be tracked in the Asset Management Module unless the cost of the individual item(s) exceeds the \$1,000 threshold for computer equipment.
- 3) The Asset Management Module provides departments with the ability to track items for insurance and/or other tracking purposes. Although this functionality is provided, it is not mandatory that the Asset Management Module be used for this purpose. If departments choose to use the Asset Management Module for this purpose, all General Guidelines in Section V, VI and VII below will apply.

IV. Donated Assets

The following will govern the management of donated assets:

- 1) The State of Vermont defines a donated asset as any asset that is acquired by gift.
- 2) All donated assets that fall within the definition of a capital asset, infrastructure asset, or computer equipment must be tracked in the Asset Management Module.
- 3) Donated assets will be valued at fair market value at the time of acquisition.

V. General Guidelines for Adding Assets to VISION

The following will govern the management of all asset additions:

- 1) All state departments are required to use straight-line depreciation with a mid-month convention. This is a statewide standard that is set up in the state's financial management software. Any exceptions to this approach will need prior approval from the Commissioner of Finance and Management.
- 2) Each asset will be assigned a useful life based on depreciation guidelines that are provided by the Department of Finance & Management. These guidelines are based on IRS Publication 946 and/or other authoritative guidance.
- 3) All additions of fixed assets will be properly recorded in the Asset Management Module at the time of acquisition. Construction-in-Process projects will be capitalized and recorded in the Asset Management Module within 60 days after the constructed asset is accepted and ready for its intended use. The following information will be required for each addition:
 - a. **Description (Asset Information Page)** – All assets must be entered with a description of the asset.
 - b. **Tag Number (Asset Information Page)** – All assets must be tagged with a unique department identification number. Information included on the tag will include at a minimum the department's name and a unique asset tag number.
 - c. **Acquisition Date (Asset Information Page)** – All assets must be entered with the date the asset was acquired.
 - d. **Comments (Location/Comments/Attributes Page)** – Donated asset acquisition information will be kept in the Comments Panel. This information must include, but is not limited to the name and address of the donator. The fair market value of donated land at the date of acquisition must be documented in the Comments Panel.
 - e. **Location (Location/Comments/Attributes Page)** – All assets must be entered with a location code that corresponds to the primary physical location of the asset. Departments are responsible for conducting an annual physical inventory, and will

need a location code in order to complete this task. Location codes intended for use in the Asset Management Module all have an “A” prefix.

- f. **Amount (Asset Acquisition Detail Page)** – All assets must be entered with an amount equal to the acquisition cost (refer to Sect. I-1). If the asset was *donated or gifted* (with the exception of land), the amount must reflect the fair market value at the time of acquisition.
- g. **Quantity (Asset Acquisition Detail Page)** – All assets must be entered with a quantity equal to 1 (one).
- h. **Category (Asset Acquisition Detail Page)** – All assets must be entered with a category. The category determines the depreciation status of an asset. In selecting the most appropriate asset category, primary emphasis must be placed on the physical nature of the asset.
- i. **Department “Dept ID” (Asset Acquisition Detail Page - Acquisition Details Chartfields link)** – All assets must be entered with a Dept ID.
- j. **Fund (Asset Acquisition Detail Page - Acquisition Detail Chartfields link)** – All Internal Service fund, Enterprise fund and Fiduciary fund assets must be entered with a fund.
- k. **Capitalize (Asset Acquisition Detail Page)** – The Capitalization status defaults to “To Be Capitalized”. This status is **not to be overridden**. The system will change this status after the asset has been capitalized and saved.
- l. **Payables Info (Asset Acquisition Detail Page – Interfaces Info link)** – All assets entered must have Payables Info. This includes, but is not limited to: AP Unit, Voucher ID, Vendor ID, Invoice Number, and Invoice Date. This will allow for a clean audit trail of all assets from the Accounts Payable Module to the Asset Management Module. *Donated asset acquisition information will be kept in the Location/Comments/Attributes page. This information must include, but is not limited to the name and address of the donator.*
- m. **Profile ID (Asset Acquisition Detail Page)** – All assets must be entered with a Profile ID. The Profile Id must be associated with the Category. In selecting the most appropriate asset profile, primary emphasis must be placed on the physical nature of the asset and its estimated useful life.
- n. **Transaction Date (Asset Acquisition Detail Page)** – The Transaction date must be the same as the *acquisition date* that was entered on the Asset Information Page
- o. **Accounting Date (Asset Acquisition Detail Page)** – The Accounting Date defaults in as the current date. **Do not override** this date.
- p. **Transaction Code (Asset Acquisition Detail Page)** – The Transaction Code should reflect how the asset was acquired. Donated assets must be coded as Donated .

VI. General Guidelines for Transferring or Retiring Assets

The following will govern the management of all asset transfers, retirements or disposals:

- 1) All retirements or disposals of fixed assets will be properly recorded in the Asset Management Module at the time of disposal, to ensure accurate financial reporting. Retirements must be entered with a transaction date equal to the date of the disposal, an accounting date equal to the current date, and with the disposal code that most accurately describes the disposal process.
- 2) Departments are also required to document on the Comments panel of Asset Basic Information, all details regarding the disposal of the asset, including how the asset was physically disposed of.
- 3) Departments are encouraged to establish their own internal asset retirement/disposal process.
- 4) When assets are found to be surplus by any state agency or department, these assets must be physically transferred to The Department of Buildings and General Services, State Surplus Property Division per 29 VSA chapter 59, section 1556, unless otherwise directed by statute. State Surplus Property Division will then either physically transfer the property to another entity, inventory it for future use, or dispose of the property. The

same guidelines for asset retirements or disposals will apply as required in 1) and 2) of this section.

VII. General Guidelines for Conducting Physical Inventories

The following will govern the conducting of physical inventories:

- 1) All Departments are required to conduct and complete an annual physical inventory between May 1 and June 1.
 - a. A physical inventory must be taken of all capital assets and computer equipment to ensure that all capital assets and computer equipment additions and disposals are recorded properly in VISION.
 - b. If a department has opted to use VISION for insurance and/or tracking of non-capital assets, a physical inventory must be taken of all non-capital assets in VISION to ensure that all additions and disposals are recorded properly.
- 2) All adjustments including additions and disposals of assets in VISION as a result of physical inventories taken and completed annually between May 1 and June 1 must be made in VISION prior to June 15 of the same year.
- 3) Upon completion of a department's physical inventories (as required in 1) a. and 1) b. above) and adjustments (as described in 2) above), an Asset Inventory Verification Form signed by the Agency/Department Head must be submitted to Financial Operations annually by June 20th.

VIII. Revision History

April 2001: Originally issued as Administrative Bulletin #1: Asset Management

May 1, 2004: Re-issued as VISION Procedure #1: Asset Management Procedure

Key changes in **4/26/05** revision:

- Section V- 3: All additions of fixed assets will be properly recorded in the Asset Management Module *at the time of acquisition*.
- Section VI-1: All retirements or disposals of fixed assets will be properly recorded in the Asset Management Module *at the time of disposal ...*
- Requires Agency/Department Head signature on Asset Verification Form

Key changes in **9/30/05** revision:

- Section VI: Title - General Guidelines for *Transferring or Retiring Assets*
- Section VI: Addition of sub-Section 4 which relates to transferring assets

Key changes in **May 1, 2007** revision:

- Section I-1: Defines the *acquisition cost* of an asset
- Section I-3a Defines per GASB 34 how donated land is to be valued
- Section I-5: Adds separate criteria for computer software
- Section III-2: Provides guidance for tracking computer equipment and establishes a minimum cost threshold of \$1,000
- Section V-3: Specifies timeframe for capitalizing and recording Construction-in-Process assets
- Section V-3: Adds clarification to the location, category, fund and profile fields

If you have any questions or need clarification on any aspects of this procedure please contact VISION Help Desk at 828-0407, option 2 or at VISION-helpdesk-FIN@state.vt.us

The Asset Verification Form is available on the VISION website at: <http://finance.vermont.gov/forms#CAFR>