STATE OF VERMONT DEPARTMENT OF FINANCE & MANAGEMENT			
Policy Title:	**Capital Assets - Tangible and Intangible (T & I)**	**Policy #: Issue Date:**	**10.0 02/05/19**
Applicable to:	**All State Agencies, Departments, and Offices**	**Revision #: Rev. Date:**	**1 03/01/24**
Issued by:	**Adam Greshin, Commissioner Dept. of Finance & Management**	**Page:**	**1 of 15**

A. Policy Statement:

The State of Vermont acquires, records, inventories, maintains, and disposes of Tangible and Intangible Capital assets. The State utilizes the VISION Asset Management Manual module[1] to track, provide inventory control of and accountability for assets, and to gather auditable information for preparation of the Annual Comprehensive Financial Report (ACFR). Each department is principally responsible for stewardship of assets under their control and for adhering to established procedures to achieve accurate asset reporting and compliance with accounting industry standards.

B. Objective:

Ensure the State of Vermont's assets are:

- Acquired and disposed of in accordance with State requirements.
- Inventoried, safeguarded, maintained, and controlled.
- Properly recorded and tracked in the VISION Asset Management module.
- Accounted for in accordance with generally accepted accounting principles.

C. Other Asset Management Documents:

State of Vermont Procedures

- # 1: Asset Management Procedure
  - VISION related business requirements
- Asset Management Manual
  - VISION "how to" guide with sample exercises
- Best Practice Series # 6: Capital Assets Tangible & Intangible
  - Practical guidance and recommendations on internal controls
  - Flowchart by Category - Capital Assets Flowchart

Authoritative Accounting Guidance

Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards Board (GASB) requires the State to report the ending balance of capital assets (net of accumulated depreciation), depreciation expense, and net assets invested in capital assets (net of accumulated depreciation and related debt) on the face of the financial statements. Below are links to the main GASB statements related to capital assets.

- GASB Statement 34: Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

[1] Right-To-Use Lease and SBITA Assets are maintained in a separate database by Finance & Management, not in the VISION Asset Management Module.

- GASB Statement 42: Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.
- GASB Statement 51: Accounting and Financial Reporting for Intangible Assets.
- GASB Statement 87: Leases.
- GASB Statement 96: Subscription-Based Information Technology Arrangements.

D. Definitions (Tangible & Intangible):

Accumulated Depreciation: Total reduction in value over time of a capital asset since the asset was acquired and made available for use.

Acquisition Cost: Costs incurred to purchase, construct, or develop a capital asset, plus any ancillary costs necessary to place the asset into its intended location and condition for use.

The acquisition cost of an asset is based on the actual cost and is the capitalized amount recorded in the VISION Asset Management module (AM). Following are general guidelines for determining the acquisition cost for the most common acquisition methods:

- Purchase: Invoice price plus necessary ancillary costs to place the asset into its intended location.
- Donated or Gifted: The price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty at the acquisition date is referred to as acquisition value.
- Constructed or Internally Generated: Direct cost of materials, components, contracted services, professional fees & services, in-house employee payroll and fringe benefit costs directly allocable to the project.

Annual support and maintenance fees should be expensed as incurred. If a multi-year support and maintenance agreement is paid for in full at the time of purchase of the asset, the multi-year agreement should be recorded as a Prepaid Expense, and amortized over the life of the agreement.

If acquisition costs are not readily available, historical cost estimation methods can be used. For example, costing methods can use the standard costing which involves using historical sources, such as sales catalogs or advertisements, to establish the average cost of obtaining the same or similar assets. Further, a quote from a manufacturer as to the cost at the time of purchase may be used as well. The price level index method can be used which deflates the current costs of the same or similar asset using an appropriate price index. Annual price levels are measured in terms of the Gross National Product Implicit Price Deflators (GNP Deflators) for government purchases of goods/services. GNP Deflators can be found at the following website. BEA National Economic Accounts.

Amortization: The systematic allocation of the cost of intangible assets over its estimated useful life, comparable to Depreciation in capitalized assets. Amortization is computed using the straight-line method. When applicable, AM will calculate prior period amortization for all periods (months) prior to the current period, when the transaction date is changed to reflect an in-service date in an earlier period. The prior period amortization will be reflected on the PDP journals.

Ancillary Costs: Ancillary charges include items such freight & transportation, in-transit insurance, duty, site preparation, assembly, and installation costs that are necessary to place the asset into its intended location and condition for use.

Application Development Stage: The stage of software development that involves the design of the chosen path (including software configuration and software interfaces), coding, installation to hardware, and testing (including parallel processing phase).

Building: 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.

Building Improvements: Are capital events that materially extend the useful life of a building or increase the value of a building by increasing the capital asset ability to provide service, 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 and the expenditure increases the useful life or increases the asset ability to provide service, increases effectiveness, or efficiency.

Book Value (Carrying Value): The acquisition cost of a capital asset less its related accumulated depreciation.

Capital Asset (Tangible & Intangible): Tangible or intangible assets that are used in operations and meet the capitalization threshold for that particular asset classification. Examples of tangible capital assets include land, buildings, equipment, machinery, vehicles, etc. Examples of Intangible capital assets includes patents, copyrights, internal generated software, websites, etc.

An intangible asset is considered identifiable when either of the following conditions are met:

- the asset is separable, that is, the asset is capable of being separated or divided from the State and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract, asset, or liability; or
- the asset arises from contractual or other legal rights, regardless of whether those rights are transferable or separate from the entity or from other rights and obligations.

Capitalize: To record the cost as an asset that is subject to depreciation (for depreciable assets) over its estimated useful life, rather than as an expense for one accounting period.

Capitalization Threshold: The dollar amount below which items are not capitalized because the benefits of capitalization would not exceed the costs.

Child Asset: A discreet element of a larger capital asset with a significantly shorter estimated useful life than the larger asset (a roof could be a component unit of a building).

Parent Asset: The treatment of a component of a larger capital asset as a separate capital asset in its own right.

Construction in Process (CIP): The cost of construction or development work undertaken, but not yet completed that will result in a capitalized asset; sometimes referred to as Work-in-Process (WIP); or Development-in-Process (DIP) for information technology projects.

Copyright: An intellectual property that is a right as a legal device that provides the owner the right to control how a creative work is used. A copyright is comprised of several exclusive rights, including the right to make copies, authorize others to make copies, make derivative works, sell, and market the work, and perform the work.

Depreciable Capitalized Asset: Capitalized asset that is gradually used up and loses function over time due to normal and ordinary wear and tear, obsolescence, and other factors. Most capital assets are depreciable. Depreciation is computed using the straight-line method. When applicable, AM will calculate prior period depreciation for all periods (months) prior to the current period, when the transaction date is changed to reflect an in-service date in an earlier period. The prior period depreciation will be reflected on the PDP journals.

Depreciation: Systematic allocation of the cost of a depreciable capitalized asset over time. Generally accepted accounting principles and federal regulations dictate that the value of capital assets must be written off as an expense over the estimated useful life of the asset. The State of Vermont uses a straight-line depreciation with a mid-month convention.

Donated Asset: An asset received as a gift from an individual or non-State entity; donated assets are valued at acquisition value. The price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty at the acquisition date is referred to as acquisition value.

Easements: An easement is a right to use or an interest in land that is owned by another entity or individual. Examples of easements include conservation easements, which prohibit certain types of development, and right of way easements, which allow for the use of land in some manner. Easements are typically inexhaustible in nature and therefore would not be amortized.

Historical Cost: The cost actually incurred to acquire a capital asset. Capital assets should be reported at historical cost.

Idle Capital Assets: Capital assets that have temporarily been removed from service.

Impairment: A significant, unexpected decline in the service utility of a capital asset.

Inexhaustible (Indefinite) Useful Life: A situation in which there is no foreseeable limit to the period of time over which a capital asset is expected to provide service.

Infrastructure: Infrastructure assets are those assets typically long-lived stationary in nature and be preserved for a significantly greater number of years than most capital assets. Examples include Roads, bridges, dams, drainage systems, weigh stations, rest areas, water and sewage systems, parking lots, lighting systems and highway ramps.

Infrastructure Systems: Infrastructure systems are infrastructure assets that are stationary in nature and involve several components of assets that work together for a singular purpose. Examples include railroad stations and railroad lines, airport buildings and runways and water canals, locks, and ports.

Internally Generated Intangible Asset (IGIA): Capital assets that are either 1) internally generated or produced by the State or with an entity contracted by the State, or 2) if they are acquired from a third party by requiring more than “minimal incremental effort“ on the part of the State to begin to achieve their expected level of service capacity. Generally, IGIA is customarily software, however, websites, intellectual properties, such as copyrights, trademarks and patents can be intangible assets that were developed in-house as well. For software to be included in this category, the State must own the license, code, or has a perpetual license to use the software, if the software is subscription based, it would be reported under the Subscription-Based Information Technology Arrangement (SBITA) category.

Capitalization of any development costs cannot take place until ALL of the following three criteria have been met:

- The specific objective and the nature of the service capacity expected from the asset upon completion of the project can be determined. In other words, if you can document what the intended purpose is or end result of the project then you have satisfied this first criterion.

- The technical or technological feasibility for completing the project in order to provide its expected service capacity can be demonstrated. If your department can show that contracted consultants or in-house employees have the skills, competence, and knowledge to complete the project, then this second criterion will be met.

- The current intention, presence of effort, and ability to complete the project, or, in the case of a multiyear project, continue development of the intangible asset can be demonstrated. For example, has management approved the project, or in the case of a multiyear project, has funding been committed to the project.

Intangible Asset (Intellectual Property): Intangible assets and Intellectual Property are defined as assets that have no physical characteristics but are of value because of the advantages or exclusive privileges and rights they provide to the State. Intangible assets can be purchased, licensed, acquired through nonexchange transactions, or internally generated. Examples include patents, copyrights, trademarks, easements, licenses, rights to natural resources (water, timber, and mineral rights).

Internally Generated Computer Software & Websites: Computer software is a common type of intangible asset that is often internally generated. Computer software should be considered internally generated if it is developed in-house by the State's personnel or by a third-party contractor on behalf of the State. Commercially available software that is purchased or licensed by the State and modified using more than minimal incremental effort before being put into operation also should be considered internally generated. For example, licensed financial accounting software that the State modifies to add special reporting capabilities would be considered internally generated Computer Software.

Land: 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 is an inexhaustible asset and, therefore, is not depreciated.

Land Improvements: Land improvements consist of betterments, site preparation and site improvements (other than buildings) that ready land for its intended use. Land improvements include such items as excavation, non-infrastructure utility installation, driveways, sidewalks, parking lots, flagpoles, retaining walls, fences, and outdoor lighting. They can be exhaustible or inexhaustible.

Land Use Rights: Right to use water sources or to remove timber, minerals or other resources from land that is not owned by the State. Land use rights associated with property owned by the State should not be separately recorded as intangible assets.

Lease: A lease is defined as a "contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction". To determine whether a contract conveys control of the right to use the underlying asset, a government should assess whether it has both of the following:

- The right to obtain the present service capacity from use of the underlying asset as specified in the contract.
- The right to determine the nature and manner of use of the underlying asset as specified in the contract.

The State is the Lessee when they are leasing the nonfinancial asset from another entity. The new standard applies to leases with external parties. Internal leases, for example a Department leasing from BGS, are not required to be reported under the new standard. Under lease accounting the lessee would report lease liability and an intangible right-to-use lease asset at commencement of lease. There are limited exceptions for short-term leases, which are defined as a lease with a maximum possible term of 12 months or less at lease inception, this includes options to extend.

Leasehold Improvements: Leasehold improvements are similar to building improvements, with the main differences being the improvements are made to existing structures that are leased by the State, and the lessee has the right to use these leasehold improvements over the term of the lease.

Machinery and Equipment: Machinery and equipment are fixed or movable tangible assets to be used for operations, the benefits of which extend two or more years from the date acquired and rendered into service. Improvements or additions to existing personal property that constitute a capital outlay or increase the value or life of the asset should be capitalized as a 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.

Minimal Incremental Effort: It's a term used to identify whether software is determined to be an intangible asset. When commercially available software is purchased or licensed by an entity and modified using more than "minimal incremental effort" before being put into operation, the software should be considered internally generated. Professional judgment must be used to determine what is considered "minimal incremental effort". As a general rule, if you have to change coding of commercial off-the-shelf software (COTS), then you have satisfied the requirement of applying more than a "minimal incremental effort". However, customizing COTS to interact and communicate with existing State systems would NOT be considered more than a "minimal incremental effort".

Non-Capital Assets: Tangible or intangible resources whose value falls below the capitalization thresholds for the particular asset classification; non-capital assets are fully expensed at the time of acquisition. With the exception of computer equipment valued at more than $1,000, non-capital assets are not recorded in the VISION Asset Management module. Although non-capital assets are not tracked in VISION, departments are expected to exercise proper stewardship (i.e., safeguarding and inventory controls) over their non-capital assets, particularly those that are portable and at a high risk of loss (e.g., weapons, firearms, communication devices, cameras, laptops, optical devices, hand tools, etc.).

Non-Depreciable Capital Asset: Capital assets considered inexhaustible with an indefinite useful life or are not yet substantially ready to be placed into service (CIP) are not depreciated. Examples include CIP, land, permanent rights-of-way, or easements.

Ownership: Ultimate control over a capital asset's use, normally evidenced by title.

Patent: A patent, an intellectual property that is a legal right to exclude others from making, using, manufacturing, or selling an invention in the United States (or importing the invention into the U.S.). Patents have a definitive useful life.

Perpetual Software License: A perpetual software license is a type of software license that authorizes an individual to use a program indefinitely. Generally, outside of termination, a perpetual software license allows the holder to use a specific version of a given software program continually with payment of a single fee. Perpetual software licenses or license agreements where the State owns the code should be capitalized.

Purchased / Licensed Software: Software purchased or licensed from a third party that does not require more than minimum incremental effort to achieve expected service capacity; sometimes referred to as Commercial Off-The-Shelf Software (COTS) software. Purchased or licensed software is an intangible asset and must be capitalized if it meets the capitalization threshold and useful life criteria. The category is for purchased software where the State owns the license or has a perpetual license to use the software, if the software is subscription based, it would be reported under the Subscription-Based Information Technology Arrangement (SBITA) category.

Post-implementation Stage: The stage of software development that involves training and software maintenance.

Preliminary Project Stage: The stage of software development that involves conceptual formulation, evaluation of alternatives, determination of existing needs, and final selection of alternatives for development.

Repairs and Maintenance: Asset replacement or restoration to original utility level would not be capitalized and should be expensed. For a replacement to be capitalized, it must be a part of a major repair or rehabilitation project, which increases the value, and/or useful life of the building. A replacement may also 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.

Right-to-Use Lease Assets: A right-to-use lease asset is an intangible capital asset. The asset represents the right to use an underlying asset identified in a lease contract, as specified for a period of time in an exchange or exchange-like transaction.

Right-to-Use SBITA Assets: A right-to-use SBITA asset is an intangible capital asset. The asset represents the right to use another party's (a SBITA vendor's) information technology (IT) software as specified in the contract for a period of time in an exchange or exchange-like transaction.

Right-of-Way: Right of way is a strip of land occupied or intended to be occupied by (for example) a street, crosswalk, railroad, road, electric transmission line, oil or gas pipeline, water supply main, sanitary sewer, storm drain, or any other special use.

Subscription-Based Information Technology Arrangement (SBITA): A SBITA as a contract that conveys control of the right to use another party's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction.

Examples of SBITA's

- Software as a Service - SaaS provides a customer with the ability to use a SBITA vendor's applications (software) through a cloud infrastructure.
- Platform as a Service - PaaS allows a customer to use a SBITA vendor's tools or coding language (software) to create applications that will run on the SBITA vendor's cloud infrastructure.
- Infrastructure as a Service – IaaS allows a customer to remotely access the SBITA vendor's network, server, and other fundamental computing tools to process, store, and operate the customer's data.

Under SBITA accounting the State would report SBITA liability and an intangible right-to-use SBITA asset at commencement of the subscription term. There are limited exceptions for short-term SBITA's, which are defined as a SBITA with a maximum possible term of 12 months or less at SBITA inception, this includes options to extend.

Trackable Assets (Non-Capital Assets): The State requires departments to track in the Asset Management Module all computer equipment with an acquisition cost of greater than $1,000 but less than $5,000. When the Profile ID for the Asset Types Hardware is entered with a cost below the capitalization threshold and greater than $1,000, the asset will be tracked as a physical asset for tracking only.

Trademark: Trademark is an intellectual property that is a distinctive name, symbol, motto, or design that legally identifies an entity or its products and services. Trademarks have a definitive useful life.

Useful Life: Period of time over which a capital asset provides future economic benefit in performing the function for which it was purchased.

Websites: A website is a set of interconnected webpages, usually including a homepage, generally located on the same server, and prepared and maintained as a collection of information by a person, group or organization.

Working Papers: Working papers, in terms of departmental tracking and reporting, working papers are an essential source document(s) to offer support for determining if an item is reportable and if so, the reporting costs, terms and life expectancy of assets. Working papers may include the original source(s) document of data for each item and amount, such as invoices; the purchase price of assets acquired, the acquisition value for donated assets; forms, contracts, leases, and land records, especially for rights-of-way, easements, and land use rights; payroll records for reporting on internally generated computer software; and any other documents that supports the valuation of the intangible asset. Upon review of the working papers, a department’s accounting or capital asset manager can determine the quality of the work performed. Included in the working papers are schedules, analyses, transcriptions, memos, and confirmation results related to the assets. These working papers serve as the basis of the work performed and supports a department’s decisions in the asset’s evaluation.

Works of Art and Historical Treasures: Capitalized collections or individual items that are exhaustible, such as exhibits whose useful lives are diminished by display or educational or research applications, should be depreciated over their estimated useful lives. Depreciation is not required for collections or individual items that are inexhaustible.

As allowed under governmental accounting rules, the State can elect not to capitalize works of art and historical treasures that are collections or individual items that meet all of the following conditions:

- Held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
- Protected, kept unencumbered, cared for, and preserved.
- Subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

The State of Vermont has elected not to capitalize the majority of its works of art and historical treasures that meet the conditions listed above. For works of art and historical treasures that do not meet the conditions listed above, they should be capitalized at their historical cost or acquisition value[2] if donated.

E. Asset Responsibilities:

Department of Finance and Management Responsibilities – Asset Overview:

The Financial Operations Division of the Department of Finance & Management will maintain the VISION Asset Management module with technical assistance from the Agency of Digital Services (ADS) ERP Group. These responsibilities include:

- Nightly processing of interface from the Accounts Payable module to the Asset Management module.
- Nightly processing and journal generation of transactions.
- Monthly depreciation processing.
- Month-end period closing.
- Fiscal year-end closing.
- Maintain a database of Lease and SBITA right-to-use assets and related liabilities.

Department Responsibilities – Asset Overview:

Departments' primary responsibilities for effective management of assets include:

- Exercise proper Stewardship over assets under its control.
- Comply with State contracting and purchasing policies for the acquisition of capital assets.
- Record and maintain costs directly attributable to the construction or development of assets.
- Tag asset acquisitions with a unique department identifier, when appropriate.
- Conduct a physical inventory at least annually, verifying the existence and condition of all assets, and reconcile to the VISION Asset Management module.
- Comply with State policies for the disposal of assets.
- Record and maintain capital asset acquisitions and disposals in the VISION Asset Management module per procedures and timelines established in # 1: Asset Management Procedures.
- Identify all leases contracts held by the departments and report them to Finance & Management on the ACFR-12 form.
- Identify all SBITA contracts held by the departments and report them to Finance & Management on the ACFR-13 form.

[2] The price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date.

F. Stewardship:

Departments are responsible for exercising proper stewardship over assets. Stewardship involves basic safeguarding and physical security, compliance with state and federal record keeping requirements, keeping assets in good working condition, and using them safely and properly. Departments are advised to contact the Dept. of Buildings & General Services' Office of Risk Management for insurance information and coverage.

G. Capitalize of development costs for Internally Generated Computer Software and SBITA's:

Development costs for Internally Generated Computer Software and SBITA's are separated into three stages as shown in the table below. Development costs for Internally Generated Computer Software and SBITA's incurred during the application development stage must be capitalized and added to the cost of the assets.

The activities involved in developing and installing internally generated computer software and SBITA's are grouped into the following three stages:

Project Stage	Associated Activities	Accounting Treatment
PRELIMINARY	Concept formulation; evaluation of alternatives; feasibility	EXPENSE
APPLICATION DEVELOPMENT	Application design; configuration of interfaces; coding; installation to hardware; testing	CAPITALIZE
POST- IMPLEMENTATION AND OPERATIONS	Application training; software maintenance	EXPENSE

Data conversion should be considered an activity of the Post-Implementation / Operation Stage unless it is necessary to make the computer software operational, in which case, data conversion should be considered part of the Application Development Stage.

Modifications of computer software or SBITA's already in operation should be capitalized if the project cost meets the $500,000 threshold and any of the following criteria:

- There is an increase in functionality (able to perform tasks it was previously incapable of performing),
- There is an increase in efficiency (level of service has increased without the ability to perform additional tasks),
- Or the useful life has been extended.

If none of these conditions apply, then the modification costs in question should be expensed as maintenance.

In calculating the total development costs of Internally Generated Computer Software and SBITA's, in-house payroll will be required to be tracked in some manner. Finance & Management recommends that departments use a VISION Project ID on all expenditure transactions to allow easy summarization of the costs for IGIA, including positive reporting using the project ID on payroll time allocated to the IGIA project.

H. Thresholds Tangible & Intangible:

The State of Vermont's capitalization thresholds, based on acquisition cost and estimated useful life, are listed below for each asset classifications. These thresholds must be recorded and maintained in the VISION Asset Management module.

Asset Classification	Minimum Acquisition Cost	Useful Life	Depreciable	Examples / Comments
Capital Asset*	$5,000	= >2 Year	YES	e.g., equipment, machinery, vehicles
Buildings	$5,000	= >2 Year	YES	e.g., permanent structures, (not ancillary to an infrastructure asset)
Land	No Minimum	No Minimum	NO	Must be separately valued and recorded from buildings
Easements, Right-of-Ways, Land Use Rights	No Minimum	No Minimum	NO [If permanent otherwise YES]	Record separately from associated asset; except land use rights on state-owned land should not be separately recorded
Infrastructure	$250,000	= >3 Year	YES	e.g., roads, bridges, sidewalks, dams, airports, and ancillary structures.
Art & Museum Collections	$5,000	No Minimum	NO	See Definition under Works of Art.
Intellectual Property	$5,000	No Minimum	YES [Generally]	e.g., trademarks, copyrights, patents.
Internally Generated Intellectual Property	$150,000	= > 2 Year	YES	e.g., trademarks, copyrights, patents, etc. Cost includes in house payroll and fringe benefits expense for State personnel's time devoted to a project.
Internally Generated Computer Software and Websites, and development work related to SBITA's	$500,000	= > 2 Year	YES	Internally Generated/Developed Software. Cost includes in house payroll and fringe benefits expense for State personnel's time devoted to a project.

Asset Classification	Minimum Acquisition Cost	Useful Life	Depreciable	Examples / Comments
Purchased Computer Software and Websites	$50,000	= >2 Year	YES	Purchased commercial off-the-shelf software (COTS), and perpetual software licenses
Right-to-Use- SBITA Assets	$50,000**	= >2 Year	YES	Software as a Service - SaaS provides a customer with the ability to use a SBITA vendor's applications (software) through a cloud infrastructure
Right-to-Use- Leased Assets	$5,000***	= >2 Year	YES	e.g., leased buildings, equipment, machinery, vehicles
Leasehold Improvements	$5,000	= >2 Year	YES	Improvements made to leased property, e.g. retrofitting a leased office building for a State Agency to move into.
Improvements- Non-infrastructure	$5,000	= >2 Year	YES	Depending on circumstances improvements may be separately recorded or added to the existing capital asset.
Building Improvements	$5,000	= >2 Year	YES	
Improvements - Infrastructure	$250,000	= >3 Year	YES	
Construction in Process (CIP) ****	Refer to type of asset classification		NO	Cost of development or construction of tangible or intangible capital asset before it is placed into service.
Computer Equipment (expensed)	$1,000 but less than $5,000	No Minimum	NO [Record in VISION as a physical asset]	Computer equipment over $5,000 falls under the general "Capital Asset" classification.

*General category for all capital assets not otherwise specified.
**Over the life of the contract
***Annually
****CIP costs, at a minimum, must be maintained on the ACCRL ADJ Ledger in VISION, except for SBITA's, which are maintained in a separate database by Finance & Management.

Those intangible assets which have no legal, contractual, regulatory, technological, or other factors limiting their useful life should be considered to have an indefinite useful life. A permanent right-of-way easement, for example, should be considered to have an indefinite useful life. An intangible asset with indefinite useful life should not be amortized unless its useful life is subsequently determined to no longer be indefinite due to a change in circumstances. Intangible assets with an indefinite useful life (e.g. permanent right-of-way easement, water rights), like land, are capitalized but should not be amortized. If conditions change and the useful life is no longer indefinite, the asset should be tested for impairment.

Any remaining carrying value should begin to be amortized over the remaining useful life. This change should be treated as a change in accounting estimate. Therefore, the old asset would need to be retired and a new asset set up in Asset Management. For State owned land, the land use rights (e.g. easements, water, mineral, and timber rights) already included in the tangible land should not be broken out and valued individually. These rights are considered part of the ownership of the land and would only be valued individually if they are purchased separately from the land.

Construction-In-Process (CIP) Costs: For Construction-in-Process projects, upon completion and placement into service, the value of the project must be removed from CIP and the cost value of the asset must be reestablished in the appropriate capital asset classification account in the Asset Management Module **within 60 days**, except for development work associated with a Right-To-Use SBITA asset since they are maintained in a separate database by Finance & Management, not in the VISION Asset Management Module.

- Per fiscal year end closing instructions, departments with CIP must complete the Construction in Process form (ACFR-4) located on the ACFR and Year-End Closing page on the Finance & Management website. The complete form must be emailed to VISION.ACFR@vermont.gov.
- Per fiscal year end closing instructions related to SBITA projects with development cost, departments must complete the Development in Process form (ACFR-5) located on the ACFR and Year-End Closing page on the Finance & Management website. The complete form must be emailed to VISION.ACFR@vermont.gov.
- Please read the Year End Closing Instructions for all capital asset closing requirements.

I. Thresholds Tangible & Intangible:

Any department that owns a **capital asset valued at greater than $100,000** that has undergone impairment must submit a completed Capital Asset Impairment ACFR 3 Form. An asset impairment is a significant, unexpected decline in the service utility of a capital asset due to events such as fire or flood, unanticipated technological obsolescence, enactment of new regulatory laws causing the asset to lose useful value, or construction stoppage on a capital improvement project due to some unexpected occurrence.