Manual of Policy and Procedures

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PURPOSE

The purpose of this policy is to require that all assets across the Vermont State Colleges System be capitalized in a manner to insure appropriate tracking and valuation, consistent with Governmental Accounting Standards Board (GASB) Statements #34/#35 that all assets except land be annually depreciated to reflect true declining value over time.

POLICY

The Vermont State Colleges will capitalize and per GASB #34/#35 account for as "depreciable assets" those items meeting the following criteria:

1) Software having at least original cost of $500,000 and 3 years useful life.

2) Vehicles, Equipment, and Furnishings having at least original cost of $5,000 and 4 years useful life.

3) Infrastructure having at least original cost of $25,000 and 20 years useful life, examples of such being water & sewer systems, ponds/dams, heating trench systems, electrical distribution systems, telephone/telecommunications systems, exterior lighting, and roads.

4) Land Improvements having at least original cost of $25,000 and 20 years useful life, examples being parking lots/walkways and outdoor athletic facilities.

5) Building Improvements having at least original cost of $25,000 and 20 years useful life, and which increase the value and/or extend the life of the facility.

6) Buildings having at least original cost of $100,000 and 40 years useful life.

7) <u>Leasehold Improvements</u> – Improvements to leased items which items if purchased would be considered a depreciable items under items 1-6 will be capitalized and depreciated using the straight-line method. The depreciation period will be the shorter of the useful life for the category or the term of the lease. If a lease contains a renewal clause this clause may be used in the calculation of the depreciable period of there is management certainty that the renewal will be executed.

Also included in the appropriate category above should be assets derived through capital leases, wherein the asset becomes owned by the VSC at conclusion of the lease.

Depreciation will be done annually by straight-line method, meaning depreciating each year an amount equal to original cost divided by the number years of useful life.

<u>Land</u> will be capitalized by the Vermont State Colleges, but per GASB #34/#35 will be accounted for as "non-depreciable assets".

Statements of "depreciable" and "non-depreciable" assets will be included as prescribed in GASB-compliant financial statements required beginning with FY2002.

Recognizing the great difficulty in valuing and depreciating library holdings with individual item costs often less than $100, GASB #34/#35 allows institutional policy option to choose whether library holdings are (a) capitalized and thus depreciated, or (b) not capitalized and thus treated as expense items. Accordingly the VSC beginning FY2002 opts to not capitalize and depreciate library holdings, but instead expense library acquisitions similar to other low individual item costs like desks and chairs acquisitions.

Any activity or expense related to federal grants or contracts must comply with *2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* in addition to the provisions above.

Signed by: ________________________
Jeb Spaulding, Chancellor