

## Chapter 30 – Fixed Assets

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### **30.10 Introduction**

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## Chapter 30 – Fixed Assets

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### 30.10.05 Introduction

Fixed assets are assets that benefit more than one fiscal year and the value of the asset exceeds the capitalization threshold. Assets that are less than the capitalization threshold or assets with service utility that will be used up during one fiscal year, must be expensed, when purchased. The lone exception being assets purchased by internal service funds in which revenues need to be properly matched with expenditures.

In terms of this policy, Fixed Assets and Capital Assets are synonymous.

The purpose of a Fixed Asset policy is:

- 1) to provide control and accountability over Fixed assets, and
- 2) to gather and maintain Fixed Asset information needed to prepare financial statements, for both departmental and statewide reporting.

For help with processing Fixed Asset transactions in Advantage, please consult the Advantage Fixed Asset manual on the Office of the State Controller website.

For help interpreting this policy, please contact the OSC Liaison for your department.

The Office of the State Controller (OSC) is responsible for designing and maintaining Advantage, the official Statewide accounting system, to ensure proper financial management and adherence to standards.

Departments are responsible for entering all financial information, including Fixed Assets in Advantage. If a department feels this is not appropriate, please contact your OSC liaison.

The State Controller is authorized to approve any and all accounting systems used in State government, to ensure that the system is capable of transmitting accurate and timely data to Advantage and that the system meets both State and federal, financial laws and regulations.

The Advantage Accounting system provides a uniform, fully automated system to account for and report on Fixed Assets owned by State departments.

This Fixed Asset policy covers items relating to:

- Internal Control
  - o Accountability and Security
  - o GAAP Reporting
  - o Inventory
  - o Audit Preparation
- Asset Acquisition and Valuation
  - o Land
  - o Improvements other than Buildings
  - o Buildings
  - o Equipment and Furniture
  - o Vehicles
  - o Intangibles
  - o Infrastructures
  - o Historical Treasures and Works of Art
  - o Construction In Progress
- Depreciation and Useful Lives
- Asset Disposition

This policy includes a glossary of terms defining items in accordance with Fixed asset management and reporting responsibilities. It is our intent to provide updates to this policy as needed. For this reason it may be more useful for the reader to access it frequently on the Office of the State Controller website rather than printing it for distribution.

The Office of the State Controller intends to provide training to appropriate department managers and key personnel in the implementation and maintenance of the Fixed Asset subsystem, including related policies and procedures. OSC accepts requests for training at any time.

This policy attempts to be all-inclusive, providing the State of Maine's Fixed Assets policies found in Statute, Controller's Memos and other sources of information. The goal of the guide is to be a reference for those in State Government who are responsible for Fixed Asset management, including but not limited to, Department Heads, Chief Fiscal Officers, Property Officers, and GAAP liaisons.

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### **30.10.10 Policies in this chapter are minimum standards**

The policies and procedures in this chapter are the minimum requirements for Fixed Assets that State departments must meet. A department may maintain its own Fixed Asset inventory system in greater detail, or use additional supporting documentation, as long as the department meets the required minimum standards.

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### **30.10.20 Authority for these policies**

30.10.20.a The Office of the State Controller is required by MRSA 5, Ch 143, § 1541 Title 5, Chapter 143, Subsection 1547, Paragraph 1 & 2, to establish a Generally Accepted Accounting Principles (GAAP) based accounting system and procedures to ensure the State’s assets, including Fixed Assets, are properly accounted for, and that the State of Maine prepares and completes all financial statements in accordance with all governing rules, statutes and GAAP.

30.10.20.b MRSA 5, Ch 143, §1541, 14 requires the Office of the State Controller “To maintain an official statewide system for fixed assets for all state agencies to update and reconcile annually.” (see Statutes)

The purpose of the State of Maine’s policy is to provide departments with guidance for the appropriate classification and processing of Fixed Asset transactions in compliance with statutes. The term “department” includes but is not limited to State departments, boards, offices, institutions, divisions, bureaus, constitutional offices, independent departments, commissions and elected offices of the State of Maine within the Executive, Legislative, and Judicial Branches.

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### **30.10.30 Applicability**

30.10.30.a All departments of the State of Maine must comply, unless otherwise exempted by statute. If a department believes they are exempt, please notify your OSC liaison with the applicable MRSA reference.

30.10.30.b Departments may request a waiver from complying with specific requirements of this chapter. Refer to Subsection 1.10.40 of the SAAM manual for information on how to request a waiver.

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### **30.10.40 Department Responsibilities**

The department head must designate, in writing, one or more Property Officers who are responsible for maintaining and safeguarding their Departments’ Fixed Assets.

Departments are responsible for developing internal control policies and procedures to protect and control the use of all Fixed Assets. Please refer to Chapter 20 of the SAAM manual for Internal Control guidance.

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## 30.10.50 Title – Absolute vs. Residual

30.10.50.a Generally, the government entity that holds title to an asset, should record the asset. The one exception is Capital Leases (see section 30.20.30t ).

Absolute Title is when title has passed to the State. Temporary custodial responsibility or title shall not be considered absolute for the purposes of this chapter. When the department has **absolute title** of a Fixed Asset:

- Include the Fixed Asset in Advantage Accounting System, and
- Include the value of the Fixed Asset in the annual financial statements.

When an external entity, such as the federal government, retains title, they have **residual title** to the Fixed Asset:

- Include the Fixed Asset in the fixed Asset inventory system. This includes Fixed Assets on lease or long-term loan.

30.10.50.b Reporting Fixed Assets where ownership is unclear.

When ownership is unclear, the government entity that is responsible for maintaining the Fixed Asset should record the fixed asset and include the asset in its financial statements.

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## 30.10.60 Assets in use by subtenant departments

The purchasing department is the owner of, and has responsibility for the proper accounting and reporting of, Fixed Assets acquired through a capital project. If the authorizing legislation for a capital project provides Fixed Assets for more than one department, or for departments other than the purchasing department, the purchasing department may, by agreement, condition the use of such Fixed Assets by the subtenant department. This agreement could include making the subtenant department responsible for all reporting requirements for those Fixed Assets. Upon completion of the agreement, all ownership rights and responsibilities revert to the purchasing department.