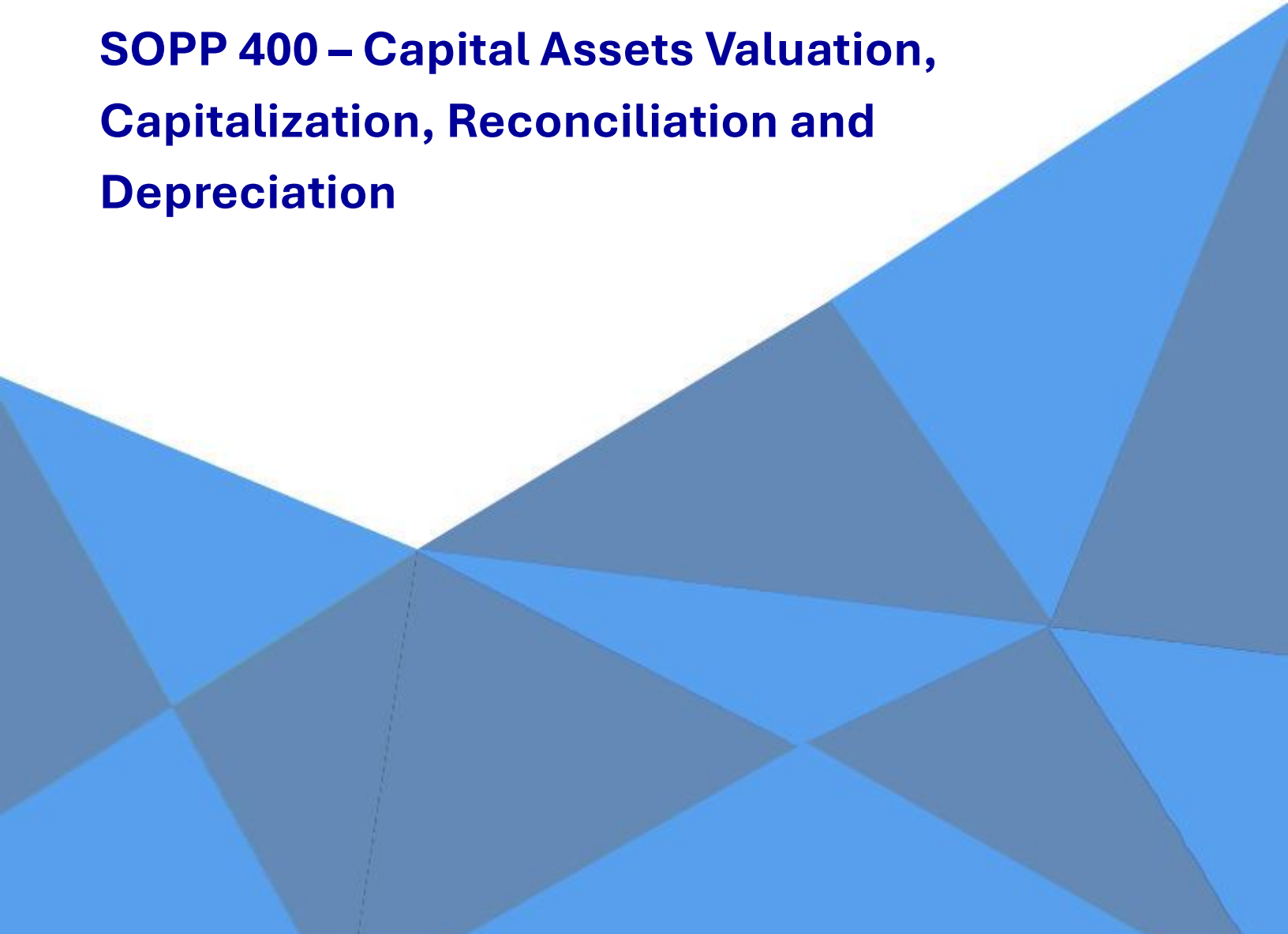


# VI Department of Finance

## Accounting Policies and Procedures

October 1, 2025

### **SOPP 400 – Capital Assets Valuation, Capitalization, Reconciliation and Depreciation**

An abstract geometric pattern composed of various shades of blue triangles, creating a dynamic, low-poly background that fills the bottom half of the page.



## **SOPP SECTION ORDER**

- 1 Purpose**
- 2 Scope**
- 3 Roles and Responsibilities**
- 4 Definitions/Abbreviations**
- 5 Regulations/References**
- 6 Policy**
- 7 Procedures**
  - 7.1 Fixed Assets Identification**
  - 7.2 Valuation**
  - 7.3 Capitalization**
  - 7.4 Reconciliation**
  - 7.5 Depreciation**
  - 7.6 Asset Disposal and Retirements**
- 8 Compliance and Accountability**
- 9 Appendices**
  - Appendix A: How to Value Capitalization**
  - Appendix B: Example ERP Asset Listing**
  - Appendix C: Example Asset Summary for Year-End Audit**
- 10 Revision History**



|                                                                                      |
|--------------------------------------------------------------------------------------|
| <b>SOPP NO. / Title:</b>                                                             |
| SOPP 400 – Capital Assets Valuation, Capitalization, Reconciliation and Depreciation |
| <b>Version / Effective Date:</b>                                                     |
| Effective 10/01/2025                                                                 |
| <b>Approved Date:</b>                                                                |
| 10/23/2025                                                                           |
| <b>Approved By:</b>                                                                  |
| Commissioner of Finance                                                              |

**Section 1. PURPOSE:**

The policy establishes a clear framework for the Department of Finance and all relevant Government of the Virgin Islands (GVI) departments and agencies. It sets forth the essential policies and procedures needed to ensure the accurate identification, valuation, capitalization, reconciliation, and depreciation of capital assets. By following these guidelines, the Department of Finance can ensure proper identification, accountability, and stewardship of fixed assets throughout the GVI.

This SOPP shall be reviewed and revised, if necessary, at a minimum of every two years from its effective date to ensure its continued relevance and accuracy.

**Section 2. SCOPE:**

This policy applies to all central government agencies and departments within the Government of the Virgin Islands that acquire fixed assets using either local or federal funds.

**Section 3. ROLES AND RESPONSIBILITIES:*****Department of Finance:***

- Maintains comprehensive financial accounting records and prepares reports for the Government of the Virgin Islands. Examples include Excel schedules and ERP system-generated reports that detail historical costs and depreciated asset values.
- Establishes general ledger accounts for major asset categories, ensuring proper capitalization and depreciation in accordance with established guidelines.
- Collaborates with the Department of Property and Procurement (DPP) to develop standardized fixed asset accounting and financial reporting policies that comply with GAAP.
- Administers and maintains the financial segment of the Fixed Assets Information System (Tyler Munis Enterprise Resource Program) for all government departments and agencies.
- Assists, as needed, in updating departmental or agency-level access to the fixed asset management system, as directed by DPP.
- Manages and safeguards assets that are assigned to the Department of Finance.

***Departments and Agencies:***

- Consult the Department of Property and Procurement (DPP) manual for detailed guidance in the acquisition and flagging of fixed assets and to ensure accurate coding of fixed assets during the procurement process.



- Ensure compliance with regulations and federal grant requirements.
- Safeguard their assets and implement effective internal controls.

#### Section 4. DEFINITIONS / ABBREVIATIONS:

| SOPP Definitions  |                                                                                                              |
|-------------------|--------------------------------------------------------------------------------------------------------------|
| <b>Capitalize</b> | To record an item as an asset on the balance sheet instead of treating its cost as an immediate expense.     |
| <b>Valuation</b>  | For capital assets, valuation includes all additional costs that are directly linked to acquiring the asset. |
| <b>Reconcile</b>  | The process of ensuring two sets of financial records match and agree with each other.                       |
| <b>Depreciate</b> | The method of distributing the cost of a capital asset over its estimated useful lifespan.                   |
| <b>CAC</b>        | Capital Assets Coordinator                                                                                   |

#### *Fixed Assets:*

To ensure consistent identification of fixed assets across the Government of the Virgin Islands (GVI), a fixed asset may be either tangible or intangible. Tangible assets include items such as land, buildings, work-in-progress construction projects, vehicles, furniture, office equipment, computers, and machinery. These must have a unit cost per item or component as specified below:

- General, Special, & Other Funds: \$500.00
- Federal Funds: \$500.00
- Capitalization Threshold (as of 10/01/2024): \$10,000.00 or greater for both general and federal funds.

Intangible assets do not have physical form and cannot be touched. Examples include computer software, subscription-based information technology agreements (SBITAs), capital leases, patents, trademarks, easements, and trade names. However, not all fixed assets qualify for capitalization.

#### *Asset Classes:*

The GVI recognizes five (5) major asset classes, which are distributed across eight (8) primary object codes. GVI's Fixed Assets Categories include the following:

| GOVERNMENT OF THE US VIRGIN ISLANDS<br>Fixed Assets Capitalization Thresholds |       |                                         |                                         |                       |
|-------------------------------------------------------------------------------|-------|-----------------------------------------|-----------------------------------------|-----------------------|
| Class Description                                                             | Class | Capitalized Thresholds<br>(US Currency) | Useful Life<br>(In Years)               | Prime Account<br>Code |
| Subscription-based Information Technology Arrangements (SBITAs)               | 40    | Equal to the lease liability            | Term as noted in the contract agreement | 570100                |
| New Building (purchased or newly constructed)                                 | 20    | Equal to/or greater than \$50,000.00    | 40                                      | 571000                |
| Building Improvements (renovations or built out)                              | 20    | Equal to/or greater than \$50,000.00    | 20                                      | 571000                |
| Land                                                                          | 10    | Any Amount                              | Unlimited                               | 571100                |
| Land Improvements                                                             | 12    | Equal to/or greater than \$100,000.00   | 20                                      | 571100                |
| Infrastructure                                                                | 60    | Equal to/or greater than \$200,000.00   | 30                                      | 571300                |



| <b>GOVERNMENT OF THE US VIRGIN ISLANDS<br/>Fixed Assets Capitalization Thresholds</b> |              |                                                 |                                                        |                               |
|---------------------------------------------------------------------------------------|--------------|-------------------------------------------------|--------------------------------------------------------|-------------------------------|
| <b>Class Description</b>                                                              | <b>Class</b> | <b>Capitalized Thresholds<br/>(US Currency)</b> | <b>Useful Life<br/>(In Years)</b>                      | <b>Prime Account<br/>Code</b> |
| <b>Personal Property (All<br/>sub-class of machine &amp;<br/>equipment)</b>           | 40           | Equal to/or greater than<br>\$10,000.00         | 5                                                      | 575000                        |
| <b>Capital Lease</b>                                                                  | 12, 20, 40   | Equal to the lease liability                    | Term as noted<br>in the<br>contract/lease<br>agreement | 576000                        |

### ***Characteristics of Property, Plant, and Equipment (PPE):***

Property, plant, and equipment (PPE) are durable assets acquired for use in regular business operations, not for resale. These assets have a long-term utility typically extending beyond one year and are subject to depreciation.

- Important Note: Starting October 1, 2024, any fixed asset with a unit price per item or system of less than \$10,000.00 will not qualify for capitalization or depreciation. However, such items will still be included in the Department of Property and Procurement's (DPP) comprehensive fixed asset listing.

Exceptions apply to assets held for resale, which are categorized as investment property. Long-lived assets classified as held for sale are not depreciated. Land is generally considered part of PPE, unless its main purpose is speculative; in such cases, GVI records the land as an investment. All taxes, insurance, and direct costs associated with holding land as an investment are capitalized by GVI.

### **Section 5. REGULATIONS / REFERENCES:**

1. Title 3, Section 177, GVI Code – The Commissioner of Finance is mandated to conduct an annual audit of the Government of the Virgin Islands' financial records. The audit and its accompanying report must be completed within 180 days after the fiscal year ends.
2. Governmental Accounting Standards Board (GASB) Statement No. 34 – Sets the financial reporting requirements for state and local governments across the United States, including asset classification.
3. Generally Accepted Accounting Principles (GAAP) – Provides a standardized set of rules for financial reporting.
4. Generally Accepted Government Auditing Standards (GAGAS) – Lays out the principal standards for conducting government audits.
5. For the acquisition of goods and services using federal funds, Executive Branch Agencies must adhere to the requirements outlined in their specific grant awards or the relevant federal program. This encompasses compliance with regulations such as the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as stipulated in Title 2, Code of Federal Regulations (CFR), Section 200.
6. § 200.436 – Depreciation – This section provides detailed rules for how federal grant recipients should handle depreciation of capital assets.



7. § 200.328 Financial reporting – The recipient or subrecipient must submit financial reports as required by the Federal award.
8. GASB Statement No. 96 – provides authoritative guidance for accounting and financial reporting of Subscription-Based Information Technology Arrangements (SBITAs) by government entities.
9. DPP Procurement Procedures Manual – Details the processes for procuring and initially flagging fixed assets.

## **Section 6. POLICY:**

This policy aims to ensure accurate financial accounting and reporting in full compliance with Generally Accepted Government Auditing Standards (GAGAS), Generally Accepted Accounting Principles (GAAP), the Governmental Accounting Standards Board (GASB), and all other relevant government accounting requirements. It establishes processes for tracking the capitalized cost, depreciation, impairment, and disposal of assets, while requiring robust internal controls to mitigate risks and safeguard assets under management.

## **Section 7. PROCEDURES:**

### **7.1 Fixed Assets Identification**

The capitalization of assets begins with their identification through several channels, including:

- A requisition, which is processed according to the steps detailed in the DPP Procurement Manual,
- A Schedule of Expenditures of Federal Awards (SEFA) detailed transaction listing,
- Project funding agreement (PFA) procurement documents supplied to the Department of Finance by the contracted accounting firm (or other designated staff).
- A detailed transaction listing provided by federal partners (Eastern Federal Land Highway Division EFLHD),
- Legal documents obtained via DPP, and
- GVI's internally generated comprehensive accounts payable report.

During the requisition process, departments and agencies use a specific asset category threshold to flag items for review in the MUNIS ERP "Capital Assets Work File." The fixed asset module within the ERP system identifies assets with values equal to or greater than \$5,000 (increased to \$10,000 in Fiscal Year 2025). Any such item should be marked as a fixed asset in the ERP. The Accounts Payable report is consulted alongside the ERP report for added verification—see the DPP Procurement Manual for further details. This process triggers the Department of Finance's Capital Assets Coordinator (CAC) to review all items flagged in the module.

At the start of each audit year, the CAC will request, via email, a copy of the SEFA report and supporting documentation for all newly capitalized and disposed assets recorded during the fiscal year from the Department of Education. The Department of Finance mirrors these entries in the audited financial system, ensuring disposed assets are promptly removed.

For assets managed by GVI's federal partners, information is obtained through written correspondence with a federal representative at the Department of Public Works (DPW).



Additionally, a member of the contracted accounting firm's team (or other designated staff) provides the Department of Finance's fixed asset team with a comprehensive listing and procurement documents for Public Finance Authority and Office of Disaster Recovery invoices paid within the fiscal year.

The team may also request, via email, that Tyler MUNIS' support staff generate a complete list of all accounts payable for the fiscal year, including payments made to vendors by check, EFT, and wire transfer.

A capital asset coordinator in the Department of Finance then applies the appropriate accounting treatment to all assets identified by these methods. This process encompasses asset valuation, capitalization, reconciliation, depreciation and disposal.

## **7.2 Capital Assets Valuation**

GVI uses the historical cost method to value capital assets, meaning each asset is recorded at its original purchase price, along with all directly related acquisition costs. These ancillary costs include expenses necessary to transporting the asset, setting it up for use, and preparing it for its intended purpose. All capital assets should be valued with these additional costs, collectively known as historical cost.

Once tangible or intangible items are flagged by departments and agencies as potential assets in section 7.1, the fixed asset coordinators further examine purchase orders and supporting documents for any extra ancillary costs linked to the acquisition.

Appendix C in this SOPP outlines detailed valuation procedures for these categories of capital assets:

- **Purchased Assets:** Include the original cost, non-refundable purchase taxes (such as sales taxes), and all relevant ancillary expenses, minus any trade discounts or rebates.
- **Land:** The capitalized value covers the purchase price and all costs required to prepare the site for its intended use.
- **Furniture, Fixtures, and Equipment:** These items, which are not part of a building's structure or considered capital improvements, should be classified as equipment. Their cost reflects actual or estimated purchase value.
- **Land Improvements:** Enhancements with limited useful lives—such as driveways, walkways, fences, and parking lots—are recorded as Land Improvements.
- **Buildings:** The capitalized cost includes both the building's purchase price and the costs of any capital improvements.
- **Capital Leases:** A capital lease occurs when a contract gives the right to use another entity's non-financial asset for over 12 months, in an exchange or exchange-like transaction.
- **Self-Constructed Assets:** Includes assets built internally, such as computer software developed in-house.

Adjustments and improvements are incorporated as new costs are identified during subsequent audit years.

## **7.3 Capitalization**

Once all costs are identified, the asset is assigned a number and classification in the ERP system,



either automatically or manually, such as through the spool process. After posting, the asset generates a journal entry in the ERP system, making it subject to depreciation. The entry is then reviewed by internal auditors to ensure accuracy and compliance.

#### **7.4 Reconciliation**

A final, audited workbook detailing newly created assets and adjustments to assets from prior fiscal years is reconciled with the ERP asset registry to ensure accuracy and completeness.

#### **7.5 Depreciation**

Depreciation allocates the cost of capital assets over the periods that benefit from their use, ensuring expenses are matched with the asset's service life. Most capital assets, including infrastructure, are subject to depreciation. However, certain assets such as land, as well as artworks and historical treasures that are considered inexhaustible, are not depreciated.

#### **7.6 Asset Disposals and Retirements**

When capital assets are sold, retired, or otherwise disposed of, they must be promptly removed from the accounting records. The gain or loss resulting from the disposal should be recorded as the difference between the netbook value of the asset and any proceeds received. Documentation supporting the disposal, such as sales agreements, transfer documents, or internal approvals, must be maintained as part of the asset's permanent record. Assets identified as impaired or no longer providing economic benefit should be evaluated for early retirement and reported in accordance with applicable financial reporting requirements. The removal of retired or disposed assets ensures the accuracy and reliability of the capital asset registry and financial statements.

### **Section 8. COMPLIANCE AND ACCOUNTABILITY:**

1. Failure to conduct timely reconciliations or report disposals may result in written warnings and escalation to the Commissioner of Property and Procurement and the Department of Finance.
2. If negligence causes loss (e.g., assets disposed of without approval), the department responsible may be charged for the book value loss.
3. Department heads are evaluated on 25% of assets verified annually and timeliness of disposal documentation.
4. All departments must complete an annual physical inventory of capital assets and submit signed certification forms to Finance by June 30. Failure to comply will be reported to the Commissioner and Audit Committee.
5. Any disposal of assets with an estimated value exceeding \$25,000 requires prior approval by the Commissioners of Property and Procurement and Finance. Finance shall not remove the asset from the register until disposal documents are received and verified.
6. Finance shall perform quarterly reconciliations between the fixed asset register and the general ledger. Unresolved variances over \$1,000 must be escalated to the respective department or Agency CFO within ten (10) business days.



## Section 9. APPENDICES:

### Appendix A. How to Value Capitalizations

#### How to value capital assets

**Capital assets** should be valued at all ancillary costs. Ancillary costs are costs directly attributable to an asset's acquisition, such as freight and transportation costs charges necessary to place the asset at its intended location and condition for use. Also known as historical cost. Historical cost measures the cash or cash equivalent price of obtaining the asset and bringing it to the location and condition necessary for its intended use. GVI capitalizes costs incurred after an asset acquisition such as additions, improvements, or replacements—when they enhance the asset's future service potential. Otherwise, such costs are expensed immediately. Capital assets are valued as follows:

1. **Purchased assets** Use historical costs including all non-refundable purchase taxes (e.g., sales taxes) and all appropriate ancillary costs less, any trade discounts or rebates. If the historical cost is not determinable, use the estimated cost.
2. **If land is purchased**, the capitalized cost includes the purchase price as well as related costs necessary to prepare the land for its intended use. These may include legal fees, filing costs, and excavation expenses. The cost of land also includes indefinite land use rights—such as easements, mineral rights, and water rights—if acquired as part of the land purchase. However, land use rights acquired separately from a land purchase, or those with definite useful lives, are classified as intangible assets.

All expenditure to acquire land and prepare it for use are considered part of the land costs. Thus, when GVI purchases land on which to construct new buildings, its land costs typically include:

- The purchase price, plus any back taxes and liens GVI paid for acquiring the land.
- The closing costs, such as title to the land, attorney's fees, and recording fees.
- All costs incurred in getting the land in condition for its intended use, such as grading, filling, draining, and clearing.
- The assumption of any liens, mortgage, or encumbrances on the property.
- Legal and title fees.
- Professional fees for engineers, attorneys, appraisers, financial advisors, etc.
- Damage payments.
- and any additional land improvements that have an indefinite life.

Removal of old buildings-clearing, grading, and filling is a land cost because this activity is necessary to get the land in condition for its intended purpose. Any proceeds for getting the land ready for its intended use, such as salvage receipts for materials, furniture, and appliances on the demolition of an old building are considered a reduction in the price of the land.

Certain departments of the Government of the Virgin Islands might incur special assessments for local improvements, such as pavements, streetlight, sewers, and drainage systems. They should charge these costs to the land account because these improvements are relatively permanent in nature. Other permanent improvements such as landscaping should also be charged to the land account.



3. **Land Improvements** Any improvements with limited lives, such as private driveways, walkways, fences, and parking lots, are recorded as Land Improvements. These costs are depreciated over their estimated lives.
4. **Building costs include** both acquisition and capital improvement costs. Capital improvements include structures (e.g., office buildings, storage quarters, and other facilities) and all other property permanently attached to, or an integral part of the structure (e.g., loading docks, heating and air-conditioning equipment, and refrigeration equipment). Agencies have the option of capitalizing the buildings by components when the useful lives of the components vary, if it's easily identifiable in the contract agreement.

The cost of buildings should include all expenditure related directly to their acquisition or construction. The cost includes:

- materials, labor, and overhead cost incurred during construction, and
- professional fees and building permits.

Generally, GVI contracts with others to construct their buildings. GVI considers all costs incurred, from excavation to completion, as part of the building cost.

If GVI purchases new land with an old building on it, the cost of the demolition less its salvage value is the cost of getting the land ready for its intended use and relates to the land rather than to the new building. However, if the land is already owned by the government, the demolition cost of the old building less its salvage value is included in the cost of the new building.

5. **Furniture, fixtures, or other Equipment** are not an integral part of a building, not considered capital improvements and should be classified as equipment. The cost for this asset type reflects the actual or estimated cost of the assets.

The term “equipment” includes delivery equipment, office equipment, machinery, furniture, fixtures, furnishing, automobiles, and similar fixed assets. Costs include all the expenditure incurred in acquiring the equipment and preparing it for use. The cost of such assets includes:

- the purchase prices,
- freight and handling charges,
- insurance on the equipment while in transit,
- cost of special foundations if required,
- assembling and installation costs,
- and costs of conduction trial runs.

6. **A Capital Lease** is defined as a contract that conveys control of the right to use (ROU) another entity' nonfinancial asset (the underlying asset) as specified in a contract for a period of time (greater than 12 months) in an exchanged or exchanged-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment.

To determine whether a contract conveys control of “the right to use” the underlying asset, GVI should assess whether it has both:

- The right to obtain the present service capacity from the 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.

Leases include contracts that, although not explicitly identified as leases, meet the definition of a lease. This definition excludes contracts for services except those contracts that contain both a lease component and a services component.

**For example: It is not a Lease if:**

- It transfers ownership of the underlying asset.
- Does not contain termination options (a forever lease)
- But it may contain a fiscal funding or cancellation clause that is not reasonably certain of being exercised.
- It's a contract for services unless the contract contains both a lease component and a replacement.
- It's a financial asset as defined in statement No. 72, Fair Value Measurement and Application.

**Lease Term:**

It is defined as the period during which a lessee has a non-cancellable right to use an underlying asset, plus the following periods, if applicable:

- a) Periods covered by a lessee's or lessor's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessee or lessor will exercise that option.
- b) Periods covered by a lessee's or lessor's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessee or lessor will not exercise that option.

Provisions that allow for termination of a lease due to (1) purchase of the underlying asset, (2) payment of all sums due, or (3) default payments, are not considered termination options.

Cancelable periods are periods for which both the lessee and the lessor have an option to terminate the lease without permission from the other parties (or if both parties must agree to extend) are excluded from the lease term.

A fiscal funding or cancellation clause allows the government to cancel a lease, typically on an annual basis, if the government does not appropriate funds for the lease payments. This type of clause should affect the lease term only when it is reasonably certain that the clause will be exercised.

Lessees and lessors should reassess the lease term only if one or more of the following occur:

- The lessee or lessor elects to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor **would not** exercise that option.
- The lessee or lessor elects not to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor **would** exercise that option.
- An event specified in the lease contract that requires an extension or termination of the lease takes place.

**Short-Term/Operational Lease:**

- is defined as a lease that, at the commencement of the lease term, has a maximum possible term of 12 months or less, including any renewal or extension options—regardless of the likelihood that such options will be exercised.

**Contract that Transfers Ownership:**

A contract that (a) transfer ownership of the underlying asset to the lessee by the end of the contract and (b) does not contain termination options, but that may contain fiscal funding or cancellation clause that is not reasonably certain of being exercised, should be reported as a financed purchase of the underlying asset by the lessee or sale of the asset by the lessor.

**Lease Liability – Measurement:**

- Fixed payment.
- Variable payments that depend on an index or a rate (such as the Consumer Price Index, determined by DPP, or a market interest rate), are initially measured using the index or rate as of the commencement of the lease term. The rate is determined by the lessor or the lessee.
- Variable payments that are fixed in substance.
- Amounts that are reasonably certain are required to be paid by the lessee under residual value guarantees.
- The exercise price of a purchase option if it is reasonably certain that the lessee will exercise that option.
- Payment penalties for terminating the lease, if the lease term reflects the lessee exercising (1) an option to terminate the lease or (2) a fiscal funding or cancellation clause.
- Any lease incentives receivable from the lesser. Lease incentives are (a) payments made to, or on behalf of, the lessee for which the lessee has a right of offset with its obligation to the lessor, or (b) other concessions granted to the lessee. A lease incentive is equivalent to a rebate or discount and includes assumption of a lessee's preexisting lease obligations to a third party, other reimbursements of lessee costs, rent holidays, and reductions of interest or principal charges by the lessor. Lease incentives reduce the amount that a lessee is required to pay for a lease. Lease incentives that provide payments to, or on behalf of, a lessee at or before the commencement of the lease term are included in initial measurement by directly reducing the amount of the lease asset. Accordingly, lease incentive payments to be provided after the commencement of the lease term are included in initial measurement and any remeasurement if they are fixed or fixed in substance, whereas variable or contingent lease incentive payments are not included in initial measurement.
- Any other payments that are reasonably certain of being required based on an assessment of all relevant factors.
- Variable payments based on future performance of the lessee or usage of the underlying asset should not be included in the measurement of the lease liability and should be expensed.

**Lease Asset – Measurement:**

A lessee initially should measure the lease asset as the sum of the following:

- The amount of the initial measurement of the lease liability
- Lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term.



- Initial direct costs that are ancillary charges are necessary to place the lease asset into service.

**Contracts with Multiple Components and Contract Combinations:**

- Account for the lease and non-lease components of a lease as separate contracts.
- If a lease involves multiple underlying assets, account for each asset as a separate lease agreement.
- To allocate the contract price to different components, use contract prices for individual components as long as they do not appear to be unreasonable based on professional judgment, or use professional judgment to determine their best estimate if there are no stated prices or stated prices appear to be unreasonable.
- If determining the best estimate is not practicable, multiple components in a lease contract should be accounted for as a single lease unit.
- Contracts that are entered at or near the same time with the same counterparty and that meet certain criteria should be considered part of the same lease contract and be evaluated in accordance with the guidance for contract with multiple components.

**Lease modifications and terminations:**

An amendment to a lease contract should be considered as a lease modification, unless the lessee's right to use the underlying asset decreases, in which case it would be a partial or full lease termination.

A lease termination should be accounted for by reducing the carrying values of the lease liability and lease asset by a lease, or the lease receivable and deferred inflows of resources by the lessor, with any difference being recognized as a gain or loss.

**Subscriptions-based Information Technology Arrangements (SBITAs)** provide governments with access to vendors' IT software and associated tangible capital assets for subscription payments without granting governments perpetual license or title to the IT software and associated tangible capital assets.

**NOTE:** Apply lease accounting to SBITS.

**Software, license of commercially available software, patents** and other purchased intangible assets that do not meet the definition of an investment are valued at historical cost, including all appropriate ancillary costs.

**Self-constructed assets, Including internally developed computer software.** Capitalized on all direct costs. Exclude indirect (overhead) costs unless they are increased by construction.

Once identifiable, costs incurred for the development of internally generated intangible assets are capitalized only upon the occurrence of all the following criteria: costs incurred prior to meeting these criteria are not capitalized:

- Determination of the specific objective of the project and the nature of the service capacity is expected to be provided by the intangible asset upon the completion of the project.
- Demonstration of the technical or technological feasibility for completing the project so that the intangible asset will provide its expected service capacity. For example, technical feasibility can be demonstrated by the selection of a commercially available software package or by the selection of a development path to meet service capacity requirements.



- Demonstration of the current intention, ability, and presence of the effort to complete or, in the case of a multiyear project, continue development of the intangible asset.

Specifically, with respect to internally developed computer software, there are three stages involved in the development and installation:

1. Preliminary project state, which includes conceptual formulation and evaluation of alternatives, determination of the existence of needed technology, and the final selection of alternatives for the development of software. Costs associated with this stage are not capitalized.
2. Application development stage, which includes design, configuration and interfaces, coding, installation of hardware, installation and licensing of commercially available software, and testing, including parallel processing. This includes data conversion only to the extent it is necessary to make the software operational. Costs associated with this phase are capitalized when both of the following occur:
  - Activities for the preliminary project stage are completed.
  - Management implicitly or explicitly authorized and commits to funding the software project.

Capitalization of cost should cease when the computer software is substantially completed and operational.

3. Post-implementation/operation stage, which includes application training and software maintenance. This includes other data conversion costs. Costs associated with this stage are not capitalized.

Computer software should be considered “internally developed” if developed in-house or by a third-party contractor on behalf of the government. Commercially available software that is purchased or licensed and modified using more than minimal incremental effort before being put into operation is also considered internally generated.

#### **Self-Constructed Assets interest cost:**

The costs of self-constructed assets include all direct costs for labor and material, and variable overhead costs that increase because of construction. GVI has taken the position that a pro rata portion of the fixed overhead will not be used in determining the cost of a self-constructed asset. GVI is concerned that the allocation of overhead costs may lead to overly aggressive or overly under allocations and therefore a misstatement of income. Fixed overhead costs include power, heat, light, insurance, property taxes, use of factory buildings and equipment, factory supervisor labor, depreciation of fixed assets and supplies.

Interest costs through debt financing for constructed assets will not be capitalized through the construction phase. All debt financing interest costs incurred during and after construction should be expensed.



Appendix B. Excerpt from DOF’s ERP Asset Listing

| ASSET | DESCRIPTION                             | STATUS | MASTER | TYPE | TAG #        | CLASS CD | SUBCLASS | LOCATION | LOCATION DESC         | LOCATION MEMO       | DEPARTMENT | CUSTODIAN | STORG. LOC        | DATE ACQ | ACQ COST     | QTY | INSTALL DATE | USEFULST | APPR VAL     | SOY VAL      | CURR BOO |
|-------|-----------------------------------------|--------|--------|------|--------------|----------|----------|----------|-----------------------|---------------------|------------|-----------|-------------------|----------|--------------|-----|--------------|----------|--------------|--------------|----------|
| 8139  | DOE Modular Classroom Bldg TE-1         | A      | 18588  | G    | TE-109-18139 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | ROUTE 1, GROVE PLAC | 4002       | 400101    | Central North     | 09/24/18 | 640,428.53   | 1   | 09/24/18     | 15       | 640,428.53   | 640,428.53   | 468.22   |
| 8140  | DOE Modular Classroom Bldg TE-1         | A      | 18588  | G    | TE-110-18140 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | ROUTE 1, GROVE PLAC | 4002       | 400101    | Central North     | 09/24/18 | 640,428.53   | 1   | 09/24/18     | 15       | 640,428.53   | 640,428.53   | 468.22   |
| 8141  | DOE Modular Classroom Bldg TE-1         | A      | 18588  | G    | TE-111-18141 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | ROUTE 1, GROVE PLAC | 4002       | 400101    | Central North     | 09/24/18 | 640,428.53   | 1   | 09/24/18     | 15       | 640,428.53   | 640,428.53   | 468.22   |
| 8142  | DOE Modular Classroom Bldg TE-1         | A      | 18588  | G    | TE-112-18142 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | ROUTE 1, GROVE PLAC | 4002       | 400101    | Central North     | 09/24/18 | 640,428.53   | 1   | 09/24/18     | 15       | 640,428.53   | 640,428.53   | 468.22   |
| 8143  | DOE Modular Sprung Main Office Bldg TR  | A      | 18144  | G    | TR-254-18143 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | 20 & 21 EST. STONEY | 4002       | 400101    | Central West, STX | 01/31/19 | 6,014,960.03 | 1   | 01/31/19     | 15       | 6,014,960.03 | 6,014,960.03 | 4,510.77 |
| 8144  | DOE Modular Classroom Bldg TR-101 Arthu | A      | 18144  | G    | TR-101-18144 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | 20 & 21 EST. STONEY | 4002       | 400101    | Central West, STX | 01/31/19 | 1,344,064.27 | 1   | 01/31/19     | 15       | 1,344,064.27 | 1,344,064.27 | 1,008.04 |
| 8145  | DOE Modular Classroom Bldg TR-201 Arthu | A      | 18144  | G    | TR-201-18145 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | 20 & 21 EST. STONEY | 4002       | 400101    | Central West, STX | 01/31/19 | 1,344,064.27 | 1   | 01/31/19     | 15       | 1,344,064.27 | 1,344,064.27 | 1,008.04 |
| 8146  | DOE Modular Classroom Bldg TR-102 A&B A | A      | 18144  | G    | TR-102-18146 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | 20 & 21 EST. STONEY | 4002       | 400101    | Central West, STX | 01/31/19 | 672,032.14   | 1   | 01/31/19     | 15       | 672,032.14   | 672,032.14   | 504.02   |
| 8147  | DOE Modular Kitchen Bldg TR-104 Arthu   | A      | 18144  | G    | TR-104-18147 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | 20 & 21 EST. STONEY | 4002       | 400101    | Central West, STX | 02/28/19 | 672,032.14   | 1   | 02/28/19     | 15       | 672,032.14   | 672,032.14   | 507.75   |
| 8148  | DOE Modular Cafeteria Bldg TR-105 Arthu | A      | 18144  | G    | TR-105-18148 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | 20 & 21 EST. STONEY | 4002       | 400101    | Central West, STX | 02/28/19 | 672,032.14   | 1   | 02/28/19     | 15       | 672,032.14   | 672,032.14   | 507.75   |
| 8149  | DOE Modular Classroom Bldg TR-202 Arthu | A      | 18144  | G    | TR-202-18149 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | 20 & 21 EST. STONEY | 4002       | 400101    | Central West, STX | 01/31/19 | 672,032.14   | 1   | 01/31/19     | 15       | 672,032.14   | 672,032.14   | 504.02   |
| 8150  | DOE Modular Classroom Bldg TR-203 A&B A | A      | 18144  | G    | TR-203-18150 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | 20 & 21 EST. STONEY | 4002       | 400101    | Central West, STX | 01/31/19 | 672,032.14   | 1   | 01/31/19     | 15       | 672,032.14   | 672,032.14   | 504.02   |
| 8151  | DOE Modular Classroom Bldg TR-204 Arthu | A      | 18144  | G    | TR-204-18151 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | 20 & 21 EST. STONEY | 4002       | 400101    | Central West, STX | 01/31/19 | 672,032.14   | 1   | 01/31/19     | 15       | 672,032.14   | 672,032.14   | 504.02   |
| 8152  | DOE Modular Classroom Bldg TR-205 Arthu | A      | 18144  | G    | TR-205-18152 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | 20 & 21 EST. STONEY | 4002       | 400101    | Central West, STX | 01/31/19 | 672,032.14   | 1   | 01/31/19     | 15       | 672,032.14   | 672,032.14   | 504.02   |
| 8153  | DOE Modular Classroom Bldg TR-206 Arthu | A      | 18144  | G    | TR-206-18153 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | 20 & 21 EST. STONEY | 4002       | 400101    | Central West, STX | 01/31/19 | 672,032.14   | 1   | 01/31/19     | 15       | 672,032.14   | 672,032.14   | 504.02   |
| 8154  | DOE Modular Classroom Bldg TR-207 Arthu | A      | 18144  | G    | TR-207-18154 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | 20 & 21 EST. STONEY | 4002       | 400101    | Central West, STX | 01/31/19 | 672,032.14   | 1   | 01/31/19     | 15       | 672,032.14   | 672,032.14   | 504.02   |
| 8155  | DOE Modular Classroom Bldg TR-210 Arthu | A      | 18144  | G    | TR-210-18155 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | 20 & 21 EST. STONEY | 4002       | 400101    | Central West, STX | 01/31/19 | 672,032.14   | 1   | 01/31/19     | 15       | 672,032.14   | 672,032.14   | 504.02   |
| 8156  | DOE Modular Classroom Bldg TR-211 Arthu | A      | 18144  | G    | TR-211-18156 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | 20 & 21 EST. STONEY | 4002       | 400101    | Central West, STX | 01/31/19 | 672,032.14   | 1   | 01/31/19     | 15       | 672,032.14   | 672,032.14   | 504.02   |
| 8157  | DOE Modular Classroom Bldg TR-212 Arthu | A      | 18144  | G    | TR-212-18157 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | 20 & 21 EST. STONEY | 4002       | 400101    | Central West, STX | 01/31/19 | 672,032.14   | 1   | 01/31/19     | 15       | 672,032.14   | 672,032.14   | 504.02   |
| 8158  | DOE Modular Classroom Bldg TR-213 Arthu | A      | 18144  | G    | TR-213-18158 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | 20 & 21 EST. STONEY | 4002       | 400101    | Central West, STX | 01/31/19 | 672,032.14   | 1   | 01/31/19     | 15       | 672,032.14   | 672,032.14   | 504.02   |
| 8159  | DOE Modular Classroom Bldg TR-214 Arthu | A      | 18144  | G    | TR-214-18159 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | 20 & 21 EST. STONEY | 4002       | 400101    | Central West, STX | 01/31/19 | 672,032.14   | 1   | 01/31/19     | 15       | 672,032.14   | 672,032.14   | 504.02   |
| 8160  | DOE Modular Classroom Bldg TR-215 Arthu | A      | 18144  | G    | TR-215-18160 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | 20 & 21 EST. STONEY | 4002       | 400101    | Central West, STX | 01/31/19 | 672,032.14   | 1   | 01/31/19     | 15       | 672,032.14   | 672,032.14   | 504.02   |
| 8161  | DOE Modular Classroom Bldg TR-216 Arthu | A      | 18144  | G    | TR-216-18161 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | 20 & 21 EST. STONEY | 4002       | 400101    | Central West, STX | 01/31/19 | 672,032.14   | 1   | 01/31/19     | 15       | 672,032.14   | 672,032.14   | 504.02   |
| 8162  | DOE Modular Classroom Bldg TR-220 Arthu | A      | 18144  | G    | TR-220-18162 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | 20 & 21 EST. STONEY | 4002       | 400101    | Central West, STX | 01/31/19 | 672,032.14   | 1   | 01/31/19     | 15       | 672,032.14   | 672,032.14   | 504.02   |
| 8163  | DOE Modular Classroom Bldg TR-221 A&B A | A      | 18144  | G    | TR-221-18163 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | 20 & 21 EST. STONEY | 4002       | 400101    | Central West, STX | 01/31/19 | 672,032.14   | 1   | 01/31/19     | 15       | 672,032.14   | 672,032.14   | 504.02   |
| 8164  | DOE Modular Classroom Bldg TR-222 Arthu | A      | 18144  | G    | TR-222-18164 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | 20 & 21 EST. STONEY | 4002       | 400101    | Central West, STX | 01/31/19 | 672,032.14   | 1   | 01/31/19     | 15       | 672,032.14   | 672,032.14   | 504.02   |
| 8165  | DOE Modular Classroom Bldg TR-223 Arthu | A      | 18144  | G    | TR-223-18165 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | 20 & 21 EST. STONEY | 4002       | 400101    | Central West, STX | 01/31/19 | 672,032.14   | 1   | 01/31/19     | 15       | 672,032.14   | 672,032.14   | 504.02   |
| 8166  | DOE Modular Classroom Bldg TR-224 Arthu | A      | 18144  | G    | TR-224-18166 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | 20 & 21 EST. STONEY | 4002       | 400101    | Central West, STX | 01/31/19 | 672,032.14   | 1   | 01/31/19     | 15       | 672,032.14   | 672,032.14   | 504.02   |
| 8167  | DOE Modular Classroom Bldg TR-225 Arthu | A      | 18144  | G    | TR-225-18167 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | 20 & 21 EST. STONEY | 4002       | 400101    | Central West, STX | 01/31/19 | 672,032.14   | 1   | 01/31/19     | 15       | 672,032.14   | 672,032.14   | 504.02   |
| 8168  | DOE Modular Classroom Bldg TR-226 Arthu | A      | 18144  | G    | TR-226-18168 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | 20 & 21 EST. STONEY | 4002       | 400101    | Central West, STX | 01/31/19 | 672,032.14   | 1   | 01/31/19     | 15       | 672,032.14   | 672,032.14   | 504.02   |
| 8169  | DOE Modular Classroom Bldg TR-227 Arthu | A      | 18144  | G    | TR-227-18169 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | 20 & 21 EST. STONEY | 4002       | 400101    | Central West, STX | 01/31/19 | 672,032.14   | 1   | 01/31/19     | 15       | 672,032.14   | 672,032.14   | 504.02   |
| 8170  | DOE Modular Classroom Bldg TR-230 Arthu | A      | 18144  | G    | TR-230-18170 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | 20 & 21 EST. STONEY | 4002       | 400101    | Central West, STX | 01/31/19 | 672,032.14   | 1   | 01/31/19     | 15       | 672,032.14   | 672,032.14   | 504.02   |
| 8171  | DOE Modular Classroom Bldg TR-231 Arthu | A      | 18144  | G    | TR-231-18171 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | 20 & 21 EST. STONEY | 4002       | 400101    | Central West, STX | 01/31/19 | 672,032.14   | 1   | 01/31/19     | 15       | 672,032.14   | 672,032.14   | 504.02   |
| 8172  | DOE Modular Classroom Bldg TR-232 Arthu | A      | 18144  | G    | TR-232-18172 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | 20 & 21 EST. STONEY | 4002       | 400101    | Central West, STX | 01/31/19 | 672,032.14   | 1   | 01/31/19     | 15       | 672,032.14   | 672,032.14   | 504.02   |
| 8173  | DOE Modular Classroom Bldg TR-233 Arthu | A      | 18144  | G    | TR-233-18173 | 20       | 22       | 4000     | DEPARTMENT OF EDUCATI | 20 & 21 EST. STONEY | 4002       | 400101    | Central West, STX | 01/31/19 | 672,032.14   | 1   | 01/31/19     | 15       | 672,032.14   | 672,032.14   | 504.02   |



## Appendix C. Excerpt from DOF's Summary Excel Works sheet Submitted to External Auditors at Year-End

| GVI<br>2023 CAPITAL ASSETS WORKFILE SUMMARY FOR FIXED ASSET<br>ADDITIONS<br>SUMMARY                                                                                                                                                |            |                         |               |               |               |              |                               |           |              |                     |              |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-------------------------|---------------|---------------|---------------|--------------|-------------------------------|-----------|--------------|---------------------|--------------|--|
|                                                                                                                                                                                                                                    |            |                         |               |               |               |              |                               |           |              | TOTAL BUSINESS TYPE |              |  |
| ASSET CLASSIFICATION                                                                                                                                                                                                               | Class      | SUMMARY -<br>GOVTL ONLY | MF-FED        | GF            | NMG           | MG-C         | TOTAL<br>GOVERNMENTAL<br>TYPE |           | GIF          | NMBT-OTHER          | TOTAL NMBT   |  |
| LAND                                                                                                                                                                                                                               | 10         | -                       | -             | -             | -             | -            | -                             |           |              | 1,200,000.00        | 1,200,000.00 |  |
| LAND IMPROVEMENTS                                                                                                                                                                                                                  | 12         | -                       | -             | -             | -             | -            | -                             |           |              |                     |              |  |
| BUILDING & BUILDING IMPROVEMENTS                                                                                                                                                                                                   | 20         | -                       | -             | -             | -             | -            | -                             |           |              |                     |              |  |
| MACHINERY AND EQUIPMENT                                                                                                                                                                                                            | 40         | 17,886,296.32           | 3,665,254.40  | 13,586,201.66 | 634,840.26    |              | 17,886,296.32                 | 6,873.21  | 374,692.75   |                     | 381,565.96   |  |
| CIP **                                                                                                                                                                                                                             | 50         | 117,424,104.84          | 80,836,527.35 | 26,544,352.77 | 10,043,224.72 |              | 117,424,104.84                | 47,500.00 | 225,512.63   |                     | 273,012.63   |  |
| INFRASTRUCTURE                                                                                                                                                                                                                     | 60         | 1,842,988.65            | -             | 1,562,696.62  | 280,292.03    |              | 1,842,988.65                  |           |              |                     |              |  |
| TOTAL - workfile - Capital                                                                                                                                                                                                         |            | 137,153,389.81          | 84,501,781.75 | 41,693,251.05 | 10,958,357.01 | -            | 137,153,389.81                | 54,373.21 | 1,800,205.38 |                     | 1,854,578.59 |  |
| ** Includes CIP Asset 20822 FY23 retainage payable of \$9,279,097.46 (8,894,949.69 Govtl & 394,247.77 PFA) and Accounts Payable of 27,925,967.51 (27,521,753.90 Govtl, 297,340.40 NMBT & 6,873.21 GIF). Tab "AP Govtl, NMBT & GIF" |            |                         |               |               |               |              |                               |           |              |                     |              |  |
| ADDITIONS NOT ALLOCATED BY CLASS AS SEEN ABOVE                                                                                                                                                                                     |            |                         |               |               |               |              |                               |           |              |                     |              |  |
| THIRD PARTY FIDUCIARY-(see separate tab) all class 40                                                                                                                                                                              | 40         | 760,947.80              | 760,947.80    | -             | -             | -            | 760,947.80                    |           |              |                     |              |  |
| THIRD PARTY FIDUCIARY-(see separate tab) all class 50                                                                                                                                                                              | 50         | 25,000.00               | 25,000.00     |               |               |              | 25,000.00                     |           |              |                     |              |  |
| EFLHD (see separate folder)                                                                                                                                                                                                        |            | 9,387,105.29            | -             | -             | 9,387,105.29  | -            | 9,387,105.29                  |           |              |                     |              |  |
| PFA (See separate PFA file)                                                                                                                                                                                                        | 50         | 12,140,415.32           | -             | 3,124,339.72  | 7,869,498.14  | 1,146,577.46 | 12,140,415.32                 |           |              |                     |              |  |
| Tobacco (See separate PFA file)                                                                                                                                                                                                    | 50         | -                       |               |               |               |              | -                             |           |              |                     |              |  |
|                                                                                                                                                                                                                                    | SUBTOTAL   | 22,313,468.41           |               |               |               |              |                               |           |              |                     |              |  |
| TOTAL FY 2023 CAPITAL OUTLAYS, including AP and retainage accruals                                                                                                                                                                 | GOVTL      | 159,466,858.22          | 85,287,729.55 | 44,817,590.77 | 28,214,960.44 | 1,146,577.46 | 159,466,858.22                |           |              |                     |              |  |
|                                                                                                                                                                                                                                    | NMBT-Other | 600,205.38              |               |               |               |              | 1,800,205.38                  |           |              |                     |              |  |
|                                                                                                                                                                                                                                    | GIF        | 54,373.21               |               |               |               |              | 54,373.21                     |           |              |                     |              |  |



## Section 10. REVISION HISTORY:

| Revision # | Date Requested | Author (Name/Title)     | Description of Changes              | Approved By (Name & Title)              | Signature                  | Date Approved |
|------------|----------------|-------------------------|-------------------------------------|-----------------------------------------|----------------------------|---------------|
| 0          | 08/31/11       | Clarina Modeste Elliott | Initial Release                     | Valdemiar Collens, Finance Commissioner | VC                         | 9/17/11       |
| 1          | 12/21/2021     | Nazareen Stephen        | Review and updates to prior SOPP    | Bosedé Bruce, Finance Commissioner      | BB                         | 12/21/21      |
| 2          | 10/1/2025      | Nazareen Stephen        | Revisions including adding Appendix | Kevin McCurdy, Finance Commissioner     | KM<br><i>Kevin McCurdy</i> | 10/30/25      |