

STATE OF RHODE ISLAND  
DEPARTMENT OF ADMINISTRATION

OFFICE OF ACCOUNTS AND CONTROL

*FIXED ASSETS CONTROL  
AND TRACKING SYSTEM*

Revised June 2013

**\*F\*A\*C\*T\*S\***

**Policy and Procedure  
Manual**

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## OVERVIEW OF STATEWIDE FIXED ASSET CONTROL AND TRACKING SYSTEM (FACTS)

The State has a significant investment in fixed assets such as land, land improvements, buildings, building improvements, machinery, equipment, furniture, and motor vehicles. In a major effort to improve financial reporting, accountability, and operational efficiencies in managing these assets, the State has established a Statewide Fixed Asset Control and Tracking System (FACTS).

The primary purpose of FACTS is to maintain auditable information concerning the State's fixed assets, in addition to detailed information concerning location and space for inventory control purposes. This will assist the State in complying with generally accepted accounting principles and increase the accountability for fixed assets.

Complete and accurate fixed asset records will help management personnel identify underutilized buildings and equipment. In addition, surplus assets can be reassigned for more productive use. Accurate records will also help identify replacement and renovation needs of existing assets. This type of management information is also useful in making budgetary decisions for specific requests, as well as in long term capital planning.

State agencies apply for a variety of grants. These funds are often used for the construction or purchase of fixed assets. To comply with grantor requirements, the State must maintain adequate records to support disposition of grant funds. Use of FACTS will ensure compliance with these requirements.

### SCOPE

The FACTS is statewide in scope, except for the following entities: 1) component units of the State (such as the University of Rhode Island, Rhode Island College, the Community College of Rhode Island, the Rhode Island Higher Education Assistance Authority, the Rhode Island Public Telecommunications Authority, and others), and 2) the Lottery Division of the State Department of Revenue. FACTS is designed to capture information from all non-exempt State departments and agencies responsible for equipment and space. The cooperation of all personnel with equipment and space responsibilities is required to ensure the accuracy of FACTS.

It is the agency's responsibility to assist the Office of Accounts and Control in maintaining accurate fixed asset information using FACTS. The Office of Accounts and Control Fixed Asset Unit will monitor and coordinate input to FACTS, maintain the statewide fixed asset database records, distribute reports generated by FACTS, inventory fixed assets as they are reported by all agencies, and affix bar-code labels.

Fixed asset additions shall be reported to the Office of Accounts and Control via the Capital Acquisition Report-Form SFA-12 (submitted in Excel). This form contains detailed information concerning the fixed asset, including its make, model, serial number, and physical location.

Bar coded labels will be used to identify State fixed assets that are included in FACTS. The Office of Accounts and Control will provide the labels that you affix to the fixed asset using established written guidelines as to placement of the labels.

**OVERVIEW OF STATEWIDE FIXED ASSET CONTROL AND TRACKING  
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Agencies shall not purchase bar code labels and/or bar code label scanning equipment, nor shall they purchase related computer software, without first obtaining approval, in writing, from the Office of Accounts and Control, Fixed Asset Unit.

Departments and agencies can account for items outside of FACTS thresholds by coordinating the use of their thresholds with the Office of Accounts and Control. (Agencies can use a "departmental" bar code label of a different color and number sequence for their purposes, providing they are compatible with the bar code scanner. Please note each item should contain only one bar code label: either the "State" bar code label or the "department" bar code label. The State label is affixed for all items with a basis above \$5,000 (\$500 for lawn, landscape and grounds maintenance equipment and computer equipment).

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**KEY POLICIES FOR STATEWIDE FIXED ASSET CONTROL  
AND TRACKING SYSTEM**

INCLUSION OF ASSETS ACQUIRED BEFORE SYSTEM'S EFFECTIVE DATE

It is intended that fixed assets acquired prior to the effective date of the Statewide Fixed Asset Control and Tracking System and that meets the capitalization guidelines will be recorded in FACTS.

CAPITALIZATION POLICY

Capitalized assets are those included in FACTS for management control and/or financial reporting purposes. Depreciation expense and/or use allowance calculations will be completed for those items of assets that have been included. These calculations can be used for determination of an indirect cost rate or for determination of program costs for revenue analysis.

The State's capitalization policy requires capitalization of items having a useful life of more than one year and a basis at or above the established threshold. The amount capitalized is the purchase price of the asset and any costs necessary to prepare the assets for use. Donated assets should be capitalized at their fair market value at the time of acquisition.

Frequently the State purchases or constructs assets meeting the criteria described in the above paragraph, but the State is not the owner of the asset. In that case, the transaction is either a transfer to component units or a grant.

DEFINITIONS

Aircraft/Airplane- A fixed wing aircraft heavier than air that is driven by a propeller or by a high-velocity jet and supported by the dynamic reaction of the air against its wings.

Boat- A small vessel propelled by oars, paddles, sail or by an internal combustion engine.

Building and Plant Equipment-Tangible property other than land and buildings used for the operation of a building or plant (heating, air conditioning, fire safety, lighting, etc.) and in servicing buildings or plants (snow blowers, snow plows, cherry pickers, street sweepers).

Casualty Loss- Items which are destroyed through catastrophe or natural disaster.

Computer Equipment-Programmable electronic devices that can store, retrieve, process, and send data and information.

## **FIXED ASSET CONTROL AND TRACKING SYSTEM (FACTS)**

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Personal Computers-A device that is used for the above purposes at a person's desk. (A personal computer consists of one monitor, one central processing unit [CPU], and one keyboard.)

Laptop/Notebook Computer- A device used for the above purposes that is portable and can be used outside of the office.

Mainframe Computer- A programmable device that can perform the above tasks on a larger scale for more than one user.

Computer Network- A system of computers, terminals, servers, and databases connected by communications hubs.

Construction Equipment- Tangible equipment and machinery used to assemble/improve land, buildings, and/or infrastructure assets.

Construction in Progress- Cost of construction work undertaken but not yet completed.

Education and Recreational Equipment- Furniture, equipment and tangible property used for educating/teaching in a classroom; and/or furniture and equipment used for rest and relaxation or social activities.

Farm Equipment and Livestock- 1) Equipment-tangible property and implements used for agricultural, horticultural, or dairy farm purposes; 2) Livestock- domesticated animals raised or kept for use or profit.

Household Furnishings and Equipment- Furniture, property and accessories used in and around living quarters.

Medical, Surgical and Lab Equipment- Furniture, implements and tangible property used for medical treatment and/or experimental testing and analysis.

Modular Furniture- A series of standardized units of furniture for use together.

Motor Vehicles and Motor Vehicle Service Equipment-1) Motor Vehicles- A self-propelled vehicle powered by an internal combustion engine used to transport people and other items. 2) Automotive Service Equipment- Furniture, implements and tangible property used to test, diagnose and repair motor vehicles.

Office Furnishings and Equipment- Furniture, equipment and tangible property used in rooms within a building(s) for the conduct of a trade, business, profession or government service.

Scrap- Items having no salvage or disposal value.

Trade-In-An item that is given to a vendor who is supplying a new item to replace the

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## **FIXED ASSET CONTROL AND TRACKING SYSTEM (FACTS)**

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old as part of the purchase price paid for the new item.

Building-A roofed and walled structure acquired or constructed for permanent use as a dwelling, for storage, or for commercial use.

Fixed furniture, machinery or equipment-a piece of equipment that is attached, but not permanently affixed to, a room or building and is used as furnishings, decorations, or for specialized purposes. Such equipment is considered not to be permanently affixed to the building if it can be removed without the need for costly or extensive alterations or repairs to the building to make the space useable for other purposes. Each item of fixed equipment must have an acquisition cost (including installation costs) of \$5,000 or more and a useful life of more than one year.

Infrastructure-Long-lived capital assets that are normally stationary in nature and can be preserved for a greater number of years than most capital assets. Most infrastructure assets are attachments or annexations to land designed for public use, health, and welfare.

Land-A portion of the earth's solid surface distinguishable by boundaries or ownership.

Movable furniture, machinery or equipment- An item of equipment, not affixed to any part of a building or room, with a unit cost of \$5,000 or more and a useful life of more than one year.

Renovation or improvement-Extensive attachments and annexations which are intended to be permanent and remain attached or annexed. The attachment or annexation increases the asset's useful life and/or increases its value.

### ASSIGNING BASIS TO FIXED ASSETS:

Basis is the dollar amount capitalized and included in the fixed asset system as the book value of the fixed asset. Basis should be assigned to fixed assets based on actual historical costs, or for donated assets, at fair market value on the acquisition date. Historical cost information for assets purchased should be obtained from the vendor invoice and included on the Form SFA-12 Capital Asset Acquisition Report.

For construction projects, basis should include all payments for each contract, plus architect fees, and management and planning fees. When a fixed asset is constructed by or for an agency, the agency shall submit periodically payment documents to process payments to the vendor(s); a Form SFA-12, submitted in Excel and accompanying each payment, shall report the amount of the payment. Upon completion of the project, one "FINAL" Form SFA-12 shall be submitted to the Office of Accounts and Control to report the total costs of the project and the date placed in service.

Assets acquired through contribution, donation, or forfeiture shall be recorded at fair market value on the date acquired. Fair market value is the estimated amount at which the fixed asset might be exchanged between a willing buyer and a willing seller, neither being under

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compulsion, and each having reasonable knowledge of all relevant facts. All donations, gifts, or bequests shall comply with the applicable State statutes before the State can claim title and the receiving agency can deem it as a fixed asset. Use the guidelines following this paragraph to estimate fair market value of assets acquired by contribution, donation, or forfeiture if the cost of obtaining an independent appraisal exceeds the benefit of such. The cost of an appraisal would exceed its benefits if an asset acquired through contribution, donation, or forfeiture were to be held by the State for only a short time before being disposed of. The cost of an appraisal would also most likely exceed its benefits if the apparent condition of a contributed, donated, or forfeited asset were to reveal a relatively low value.

Land, buildings, and/or motor vehicles	Property tax assessment value
Furniture, machinery, and equipment:	
5-year estimated remaining useful life	100% of replacement cost of same asset purchased new
4-year estimated remaining useful life	80% of replacement cost of same asset purchased new
3-year estimated remaining useful life	60% of replacement cost of same asset purchased new
2-year estimated remaining useful life	40% of replacement cost of same asset purchased new
1-year estimated remaining useful life	20% of replacement cost of same asset purchased new

If the estimated value meets the capitalization threshold, the asset will be recorded in the system and depreciated over its remaining useful life.

For purposes of assigning a basis in FACTS for buildings and underlying land acquired prior to the effective date of FACTS, an estimate of cost will be made and shall be used to determine a basis.

**DEPRECIATION**

**INTRODUCTION:**

Depreciation shall be calculated on all assets costing at least \$5,000, except for land and land rights. Depreciation will provide another gauge for budget maintenance and program cost analysis purposes. Also, it will serve the agencies that have depreciation requirements for grant or reimbursement purposes.

**DEPRECIATION CONVENTION:**

One half year's depreciation will be calculated in the fiscal year an asset is acquired. This convention shall be used regardless of when, during the fiscal year, an asset is acquired.

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DEPRECIATION METHOD:

The straight-line method of depreciation will be utilized. Straight-line depreciation is computed by establishing the basis of an asset, then dividing by the number of years of useful life to arrive at an annual depreciation charge. The following criteria are used to determine the annual depreciation amount:

1. Cost or Basis
2. Useful Life

ORIGINAL COST:

Defined as the cost to the first owner which was a department or agency of the State of Rhode Island (also known as the basis or book value). See Assigning Basis to Fixed Assets on Page 3 for a discussion of "Basis" and "Book Value."

ASSET LIVES:

The following schedule shall be used as a guide in determining the useful life of the various categories of fixed assets:

<u>ASSET CATEGORY</u>	<u>LIFE</u>
• Aircraft (all types)	10 years
• Boats (all types)	10 years
• Building Improvements and Renovations	20 years
• Buildings	50 years
• Computer Equipment (all types)	5 years
• Computer Software	5 years
• Computer Licenses	5 years
• Furniture and Equipment	5 years
• Land Improvements	20 years
• Leasehold Improvements	Term of Lease
• Automobiles and Light Trucks	5 years
• Motor Vehicles (heavy equipment)	10 years
• Trailers	10 years

The natural account for the acquisition/construction of fixed assets, except via leases, is 661XXX with the XXX being the category code. A series of accounts 66XXXX have been created for Furniture and Equipment costing between \$500 and \$4,999.

SALVAGE VALUE:

The State has elected not to estimate salvage value for its assets.

## **FIXED ASSET CONTROL AND TRACKING SYSTEM (FACTS)**

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### UNIT GROUP CONTROL:

Assets will be inventoried and labeled on a unit basis. That is, no quantities greater than one will be entered in FACTS to account for each individual item where multiple assets of the same kind exist. This is consistent with the capitalization threshold policy and eases the asset verification process.

### BULK PURCHASES:

For modular furniture, the total purchase price must equal or exceed \$5,000.

### FABRICATED ASSETS:

Assets which are constructed internally using various component parts shall be included in FACTS as one asset, if the cost of labor and material to construct the asset equals or exceeds the capitalization threshold. Internally constructed assets are those constructed by a State department or agency using its own labor and purchasing the components.

### RECORDING COMPONENT GROUPS

Assets which are purchased as a component group, such as a personal computer system (including a central processing unit, monitor and keyboard and any pre-installed software), shall be recorded in FACTS as one asset and, accordingly, one label number will be assigned to the total group. For furniture and equipment between \$500 and \$4,999 any type of "kit" should be treated as one asset.

If several components of a group are lost, stolen, destroyed, or sold and the disposition of these components causes the asset's useful life to cease, report the disposition of the total asset on Form A-70. If these components are replaced and all of the replacement components cost more than \$5,000 (\$500 for furniture and equipment and computer equipment) and will increase the asset's useful life to more than one year, then a new asset group will be recorded in FACTS, including the component(s) of the previous asset group that was not lost, stolen, destroyed or sold. If only one component, to which a bar code label was affixed, is lost, stolen, or destroyed, and it is replaced, a new bar code will be affixed regardless of whether or not the new component costs \$5,000 or less.

When replacing components of a fixed asset which increase its useful life or its value, the new component will be depreciated over its useful life.

## **FIXED ASSET COORDINATOR**

### FUNCTION:

The Fixed Asset Coordinator(s) shall be appointed by the Director of each agency. The Director shall notify the State Controller in writing of the employee(s) [name, title, and

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## **FIXED ASSET CONTROL AND TRACKING SYSTEM (FACTS)**

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telephone number] in each department or agency who shall serve in this capacity, and of any changes. The Fixed Asset Coordinator shall act as a contact person with the Fixed Asset Unit of the Office of Accounts and Control in all matters related to the Statewide Fixed Asset Control and Tracking System. The Fixed Asset Coordinator shall assist the Office of Accounts and Control in ensuring that data maintained in FACTS is accurate and timely and shall assist with any physical inventory of fixed assets of his/her department.

Generally, a Fixed Asset Coordinator should not function as an Authorized Agent for the approval of Fixed Asset Invoice Vouchers, as keeping these two activities separate enhances internal control.

When a Department or Agency owns a building but does not occupy it, the following policy applies: The Fixed Asset Coordinator of the Department or Agency that is the owner is responsible for accounting for the building. The Fixed Asset Coordinator for the Department or Agency that occupies the building is responsible for accounting for its contents.

### **FIXED ASSET UNIT**

#### **FUNCTION:**

The Fixed Asset Unit within the Office of Accounts and Control will maintain the Oracle Fixed Asset system database. The Fixed Asset Unit will monitor and coordinate input from the various fixed asset forms. Also, the reconciliation of perpetual records with physical assets will be performed by the Fixed Asset Unit. The Fixed Asset Unit will monitor the annual physical count of fixed assets by State departments and agencies. The Fixed Asset Unit will distribute periodic reports generated by FACTS.

The responsibilities of the Fixed Asset Unit include, but are not limited to, the following:

1. Assigning State bar-code labels to fixed assets.
2. Reviewing, verifying and correcting activity reports generated by the system.
3. Ensuring a periodic physical inventory of fixed assets is conducted by each agency in accordance with law and policies.
4. Reviewing the Capital Asset Acquisition Report (Form SFA-12) for accuracy and compliance with policies and procedures. Any error found by the Office of Accounts and Control, Accounts Payable Section, shall be returned to the acquiring department for corrections.
5. Ensuring that data maintained in the system is accurate and timely.
6. Reconciling FACTS database to the ORACLE general ledger.
7. Creating journal entries to remove construction projects from construction in progress (CIP) status once they are 100% complete.

**FIXED ASSET CONTROL AND TRACKING SYSTEM  
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**CRITERIA FOR INCLUSION OF FIXED ASSETS IN SYSTEM**

**GENERAL:**

Fixed assets are defined as tangible or intangible property with a useful life of more than one year and a certain cost or value. These assets are not intentionally acquired for resale, nor are they readily convertible to cash.

The major types of assets included in the Statewide Fixed Asset Control and Tracking System are:

- All land.
- Land improvements costing \$1,000,000 or more.
- All buildings.
- Building renovations and leasehold improvements costing \$1,000,000 or more.
- Construction in progress with a cost of \$1,000,000 or more.
- Works of Art, Historical Treasures and Memorabilia costing \$5,000 or more.
- Motor vehicles.
- Computers and computer equipment costing \$500 or more.
- Equipment and furniture costing \$5,000 or more on a unit basis use natural accounts 6616XX. Lawn, landscape and grounds maintenance equipment items costing between \$500 and \$4,999 use natural account 660101. If other equipment and furniture costs under \$5,000 and is part of the capital budget, use 660095.
- Intangibles.
- All land use rights.
- Computer Software and User Licenses (various thresholds).
- Infrastructure acquisitions or improvements costing \$1,000,000 or more.

Examples of such fixed assets include but are not limited to:

- Equipment, Vehicles, Boats and Trailers, and Computers.
- Office Furniture and Equipment, Household Furniture.
- Parks, Office Buildings, Parking Lots.

Fixed assets which do not meet the criteria outlined in the procedures should not be reported on the Capital Asset Acquisition Report (SFA-12) and shall not be included in FACTS.

## **FIXED ASSET CONTROL AND TRACKING SYSTEM (FACTS)**

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As stated in the general definition, the identifying characteristics of a fixed asset are "cost" and "useful life"; therefore, if an asset meets the test of cost indicated above and has a useful life of more than one year it shall be included as a fixed asset in FACTS.

Charges such as installation and delivery that are included in the original purchase order should use the same natural account as the asset purchased. For instance, the 661605 natural account should be used for the purchase of equipment; therefore, the cost of delivery and installation should also be charged to 661605.

### LAND AND LAND IMPROVEMENTS

Each parcel of land owned by the State is initially recorded as a separate asset. Land improvements made to each parcel such as parking lots, sidewalks, retaining walls, yard lighting, fencing, etc., are also recorded as separate assets in FACTS. For example, a parking lot would be recorded as a separate asset from the land underneath. It should be noted that although land assets are included in FACTS regardless of cost, land improvements are only included if they cost \$1,000,000 or more and have a useful life of more than one year.

Since land is acquired on a parcel basis, it is recorded in FACTS as such, so that, for example, each purchase of contiguous lots is recorded in FACTS as a separate asset.

### BUILDINGS, BUILDING RENOVATIONS AND IMPROVEMENTS:

All buildings and other structures owned by the State shall be recorded in the System.

Renovations made to buildings shall be recorded in FACTS if they meet the criteria established: a cost of \$1,000,000 or more and a useful life of more than one year. A renovation enhances an already existing asset to a condition beyond that which results from normal maintenance or repairs, and/or increases the useful life of the asset. Replacing a roof, or installing a better electrical system in a building, are examples of renovations.

Improvements are defined as the addition of a new building component or section where one did not previously exist, costing \$1,000,000 or more, with a useful life of more than one year. Examples of building improvements would include installation of an air conditioning system in a building or the addition of floor space to an existing building.

### LEASEHOLD IMPROVEMENTS:

Leasehold improvements made to buildings leased by the State shall be recorded in FACTS if they meet the criteria established: a cost of \$1,000,000 or more and a useful life of more than one year and the remaining term of the lease is more than one year.

### MACHINERY, EQUIPMENT, AND FURNITURE:

All machinery, equipment, and furniture that costs or has a value \$5,000 or more and has a useful life of more than one year will be recorded in FACTS. Equipment is defined as any

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## FIXED ASSET CONTROL AND TRACKING SYSTEM (FACTS)

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vehicle, piece of machinery, or other device that meets the fixed asset criteria. Examples of equipment and furniture would include, but are not limited to:

- Appliances and Household Furniture
- Autos
- Buses
- Computers (cost/basis at least \$500)\*
- Construction Machinery
- Trucks
- Office Equipment and Furniture
- Tractors
- Telecommunications Equipment
- Landscaping equipment (cost at least \$500)

- \* The \$500 threshold should not include the cost of the following items (if sold separately, i.e. “unbundled”): license agreements, maintenance contracts, training manuals, or software.

Repairs to equipment and furniture that cost \$5,000 or more and that will increase the useful life of the asset by one year or more will be recorded in the system.

### LEASED ASSETS:

In general, assets included in FACTS are, by definition, either owned by the State or Federal Government or leased with the various characteristics of ownership present. The five major acquisition methods are:

- Purchase
- Construction
- Donation
- Lease/Purchase
- Forfeiture (includes seizure, foreclosure, and forfeiture)

The two major categories of leases are:

1. **Lease/Purchase (Capital Lease)** - A contract entered into by an agency to make periodic payments to the owner of a fixed asset for the right to use it. Included in the contract is a provision that transfers ownership of the asset to the State at some time during or at the end of the lease.

This type of lease agreement is classified as a capital lease when substantially all of the risks and benefits of ownership are assumed by the State. A capital lease is, for the most part, viewed as an installment purchase of property rather than the rental of property.

## FIXED ASSET CONTROL AND TRACKING SYSTEM (FACTS)

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If any one of the following four criteria is a characteristic of the lease transaction, the lease will be recorded in FACTS:

1. The lease transfers ownership of the property to the lessee by the end of the lease term.
2. The lease contains a bargain purchase option.
3. The lease term is equal to 75% or more of the estimated useful life of the leased property.
4. The present value of the minimum lease payments at the inception of the lease equals at least 90% of the fair value of the leased property.

Copies of all lease/purchase type leases shall be submitted with the Form SFA-12 to the Office of Accounts and Control, Fixed Asset Unit to include in the system.

**Assets acquired under lease/purchase arrangements are included in FACTS and shall be reported on Form SFA-12. Each asset acquired via a lease/purchase contract shall be recorded in FACTS upon initial use of the asset, after the contract receives all necessary approvals and signatures.**

**A RIFANS payment document or other appropriate document should be prepared to initiate payment to the vendor. Assets acquired under a Master Lease Program and a Certificate of Participation Program are included in this category.**

2. **Operating Lease (Rental)** - Periodic payments made to the owner of a fixed asset for the right to use the asset. The asset remains the property of the owner throughout the rental period, and is returned to the owner at the end of the lease term. Assets acquired under leases of this type are not included in FACTS.

### INFRASTRUCTURE:

Assets in this category will be included in FACTS if they exceed the capitalization threshold. These include roads, bridges, curbs, and gutters, streets and sidewalks, water, sewage and drainage systems, lighting systems, dams and levees, telecommunications systems, water distribution, gas and electric utilities, solid waste disposal, waste water treatment, and similar assets that are immovable. Any real property that becomes part of infrastructure will be entered into FACTS but will retain its identity, e.g., land is land.

### WORKS OF ART, HISTORICAL TREASURES AND MEMORABILIA

These assets are defined as one or more items 1) on public display, 2) used in furtherance of historical education, or 3) involved in advancement of artistic or historical research.

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Administrative type buildings not considered part of a collection of historic buildings (for example, a visitor's center or a storage facility at a historical site) will be capitalized using the FACTS general policies as guidance.

These assets will be recorded in FACTS as works of art, historical treasures or memorabilia whether they are held as individual items or in a collection, if the conditions of ownership are as follows.

- Held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
  
- Protected, kept unencumbered, cared for and preserved.

Bar code label numbers will be recorded in FACTS for each asset recorded. However, the labels will not be affixed to the asset (so as to not diminish or destroy the physical integrity of the asset).

Depreciation will not be required for individual items or collections because these assets are considered inexhaustible. Depreciation will not be recorded on works of art or historical treasures whose economic benefit or service potential is used up so slowly that their estimated useful lives are extraordinarily long. Items that are exhaustible, such as exhibits whose useful lives are diminished by display or educational or research applications, shall be depreciated over their estimated useful lives.

Historic buildings will be recorded and depreciated consistent with the FACTS policy.

### COMPUTER NETWORK

A computer network, which is defined as a system of computers, software, terminals, servers and databases connected by communication lines, will be recorded as one asset if the total cost of all components (hardware and software) equals or exceeds \$1,000,000. A bar code label will be "assigned" to this asset, but not affixed to any component thereof.

### COMPUTER SOFTWARE

The State of Rhode Island considers computer software that exceeds a certain dollar amount of cost and has an estimated useful life greater than one year to be an intangible asset. Governmental Accounting Standards Board Statements No. 34 and No. 51 define capital assets to include "...intangible assets that are used in operations and that have initial useful lives extending beyond one reporting period."

Computer software that costs \$1,000,000 or more and has an initial estimated useful life of one year or more will be capitalized. (The estimated useful life determination is to be made on the basis of functional usefulness and technological usefulness.) This policy shall apply both to software that is internally developed and to software purchased from a vendor.

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Computer software maintenance fees paid annually to the same vendor from whom the original application software was purchased shall **not** be capitalized.

Computer software that is developed internally shall be included in FACTS as one asset if the cost of labor and material to develop the asset equals or exceeds the capitalization threshold.

Computer software applications that cost less than the above threshold and/or do not have an expected useful life greater than one year will not be capitalized.

### COMPUTER USER LICENSES

Computer software vendors sell users a license to use their software. They do not sell users their software per se. Therefore, it shall be the policy of the State of Rhode Island to account for computer software user licenses for "major" computer applications, i.e., those computer systems capitalized under the above policy, as an intangible asset.

If the cost of initial acquisition of the computer network system software and licenses equals or exceeds \$1,000,000, a Form SFA-12 will be submitted for both. The Form SFA-12 will report the cost assigned to the software and the cost assigned to the licenses.

### RENOVATIONS, IMPROVEMENTS AND MAJOR REPAIRS

Renovations, improvements and major repairs made to original assets that equal or exceed the dollar capitalization thresholds and increase the original asset's value or useful life are to be included in FACTS.

A separate asset will be entered into the database for renovations, repairs and improvements to the following types of assets: land improvements, building renovations and improvements and leasehold improvements with a cost of \$1,000,000 or more. These improvements will be recorded separately from the original asset because the estimated useful life of the improvements is less than that of the original asset.

Renovations, repairs, and improvements to vehicles, furniture, and equipment that extend the estimated useful life of the original asset, or restorations of works of art, memorabilia and historic treasures, the cost of which equal or exceed \$5,000, will be recorded as a separate asset and depreciated over a 5-year period.

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**REPORTING FIXED ASSET ACQUISITIONS**

**GENERAL:**

Each agency, when acquiring a fixed asset, shall submit a Capital Asset Acquisition Report (form SFA-12) to the Office of Accounts and Control. If the Form SFA-12 is not completed according to the procedures set forth in this section the payment will not be processed. The payment document will then be returned to the agency requesting the additional information required to properly process the Form SFA-12. A Form SFA-12 must be submitted for all expenditures that are charged to the natural accounts for capital assets.

The Form SFA-12 is used to record the fixed asset transactions in FACTS.

Instructions concerning completion of the Form SFA-12 are included as part of the document found on the Controller's web site. Certain aspects of the Form SFA-12 that require special attention are reviewed below.

**TRANSACTION CODES:**

There are two categories of transaction codes that are used on the Form SFA-12. These codes provide certain information concerning the fixed asset acquired. Each code is discussed in detail below.

**LOCATION:**

All assets on a Form SFA-12 must be situated at the same location and have the same line item assigned. Please indicate the specific address where the asset will be located.— DO NOT USE THE ADDRESS OF THE AGENCY BUSINESS OFFICE UNLESS THE ASSET WILL ACTUALLY BE LOCATED THERE. Vehicles will always use a cost center as their home base. This may be either the land or building code.

In the Oracle Fixed Asset Module the location for the State's fixed assets will be state – city/town – land – building – line item. The Department of Transportation has additional segments.

**CITY/TOWN**

The city/town will be the Rhode Island municipalities plus the applicable municipalities in Massachusetts. The city/town code is part of the land and building codes, so it does not have to be entered separately.

**LAND**

For this you will use the land codes located on a tab of the Excel version of Form SFA-12 which is on the Controller's WEB site. The land code must be entered in the cost center square on Form SFA-12 and as part of the account structure on requisitions, purchase orders

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## **FIXED ASSET CONTROL AND TRACKING SYSTEM (FACTS)**

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and payments related to land improvements. The land code must be entered in the cost center square on Form SFA-12 as the location for other assets where the land is the location of an asset rather than a building.

### BUILDING

For this you will use the building codes located on a tab of the Excel version of Form SFA-12 which is on the Controller's WEB site. The building code must be entered in the cost center square on Form SFA-12 and as part of the account structure on requisitions, purchase orders and payments related to building improvements or renovations. The building code must be entered in the cost center square on Form SFA-12 as the location for other assets to identify what building the asset is in or associated with. Leased building and/or space will have a building code assigned for this purpose.

### BUILDING PURCHASES:

When a building is purchased, the agency responsible for the management and operation of the building shall submit the Form SFA-12. The insurance form, which is included in the SFA-12 form on the Controller's web site, must be submitted with the SFA-12. Once the Form SFA-12 is accepted, the Office of Accounts and Control will assign the building code.

### CONSTRUCTION:

When a fixed asset is constructed by or for an agency, the agency shall process payments to the vendor(s). For buildings, all requisitions, purchase orders and payments should use the applicable building code. The insurance form must be submitted with the first payment for construction or related costs. These codes are on a tab of the Form SFA-12. All related payments should be submitted with a Form SFA-12. Upon completion of the project, a final Form SFA-12 shall be submitted to the Office of Accounts and Control to report the total costs of the project and the date placed in service. The Form SFA-12 is needed with all payments because a project is rarely done all within one fiscal year. Payments made in the fiscal years prior to completion have to be reclassified as construction in progress.

The following natural accounts have been created so that certain transactions related to the construction of an asset are properly included in the cost of the asset.

- 661102 - Surveying costs related to the purchase of land
- 661202 - Architecture and engineering costs related to capital improvements

Refer to the section of this manual called Construction in Progress (CIP) Control Procedures for specific guidelines concerning CIP.

### RENOVATIONS:

## **FIXED ASSET CONTROL AND TRACKING SYSTEM (FACTS)**

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Renovations that qualify as a fixed asset shall be reported by the agency responsible for the management and operation of the building, using Form SFA-12. Follow the instructions in CONSTRUCTION above.

### LAND IMPROVEMENTS:

All requisitions, purchase orders and payments should use the applicable land code. These codes are on a tab of the Form SFA-12. All related payments should be submitted with a Form SFA-12. Upon completion of the project, a final Form SFA-12 shall be submitted to the Office of Accounts and Control to report the total costs of the project and the date placed in service.

### DONATIONS:

All donations, gifts, or bequests shall comply with the applicable State Statutes before the State can claim title and the receiving agency can deem it as a fixed asset - (See appendix III.) When an agency receives a fixed asset that has been donated, the agency receiving the asset should first determine the fair market value of the fixed asset and its remaining useful life. Then file Form SFA-12 if 1) its value equals or exceeds the dollar amount criteria qualifying it for inclusion as a fixed asset and 2) it has a useful life of more than one year. State on the Form SFA-12 that the asset was donated and indicate by whom. See the earlier section of these procedures called "Assigning Basis to Fixed Assets" for a discussion of how to determine the asset's fair market value.

### CUSTODIAL ASSETS

Capital assets acquired with funds held in custody for an inmate, patient, client or ward will not be recorded in FACTS and will not have a bar code label affixed. This policy applies also to a capital asset(s) donated for use only by a specific inmate, patient, client, or ward.

The State agency responsible for the care, custody, and control of these assets should affix a label indicating the owner of the asset as the inmate, patient, client, or ward.

### FORECLOSURE

No record of foreclosed property shall be maintained in FACTS unless the property is placed into operation by a State department or agency. However, if the State has taken possession, contact the Division of Central Services within DOA because an insurance form may be needed. When a foreclosed property is placed into operation instead of sold, the agency shall submit a Form SFA-12 to the Office of Accounts and Control in order to establish a record of ownership. A barcode label will be assigned to it, and, depending upon the type of asset, the label might be required to be affixed to the asset.

**THE STATE DEPARTMENT/AGENCY THAT FORECLOSED ON THE PROPERTY AND IS HOLDING IT PENDING ITS SALE IS RESPONSIBLE FOR MAINTAINING A RECORD OF THIS PROPERTY UNTIL IT IS SOLD OR PLACED INTO**

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### OPERATION.

The term "foreclosed property" means any asset received in satisfaction of a loan receivable or as a result of payment of a claim under a guaranteed or insured loan (excluding commodities acquired under price support programs). All properties included in foreclosed property are assumed to be held for sale.

Foreclosed property is recorded at cost and adjusted to the lower of cost or its net realizable value; any difference is carried in a valuation allowance.

The expected net realizable value shall be based on an estimate of the market value of the property adjusted for any expected losses and any other costs of the sale. The estimate of market value shall be based on (1) the market value of the property if an active market exists; (2) the market value of similar properties if no active market exists; or (3) a reasonable forecast of expected cash flows adjusted for estimates of all holding costs, including any cost of capital. In addition to considering market value, the expected net realizable value shall consider the entity's historical experience in disposing of foreclosed properties, i.e., if the entity is typically unable to obtain market value for properties, the expected net realizable value shall be adjusted to be consistent with historically experienced losses. Additionally, if the entity will not be able to sell the property under normal market conditions or is forced to sell the property within a given time, this factor shall be considered in arriving at net realizable value.

If the property is taken subject to claims of the lender, debtor, or other party, these claims shall be accounted for in a valuation allowance. These claims can be in the form of a lien or a residual interest of the debtor or lender. These claims shall be recorded at the expected amount of the cash required to settle the claims.

Any receipts or disbursements associated with acquiring and holding foreclosed assets shall be charged or credited to foreclosed property. This shall include rental receipts, maintenance and repair expense, advertising costs, and any other elements of the projected cash flows considered in arriving at the net realizable value.

Upon sale, any difference between the net carrying amount of the foreclosed property and the net proceeds of the sale shall be recognized as a gain or a loss on the sale of foreclosed property.

Assets not sold but placed into operation shall be removed from foreclosed property when such action is taken. If reimbursement for the transfer of assets from one program to another is made, the proceeds from the transfer shall be treated in the same manner as a sale to a third party.

Agency accounting policies, procedures, and records shall contain the following minimum requirements:

- Basis for establishing value of foreclosed property.
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## FIXED ASSET CONTROL AND TRACKING SYSTEM (FACTS)

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- Changes from prior year's accounting methods, if any.
- Restrictions on the use/disposal of the property.
- Balances in the categories described above.
- Number of properties held and average holding period by type or category.
- Number of properties for which foreclosure proceedings are in process at the end of the period.

### LEASES:

Assets that are leased and meet the criteria for inclusion in FACTS should be reported on Form SFA-12. The "memorandum" SFA-12 should be submitted upon use of the asset, after the lease agreement receives all necessary approvals and signatures.

### FEDERAL SURPLUS PROPERTY:

The acquisition of Federal Surplus Property shall be reported on Form SFA-12 when the property meets all of the criteria to qualify it as a fixed asset. The Office of Accounts and Control, Fixed Asset Unit, will determine if the fair market value of the fixed asset meets the criteria for inclusion into FACTS.

### SEIZURE

As a consequence of various laws, certain property is seized by authorized law enforcement agencies, and much of it is subsequently forfeited to the government through abandonment or administrative or judicial procedures. The forfeited property is ultimately sold, converted for use by the government, or transferred to other governmental entities. Because this property is first seized, then all or a portion of it is forfeited, this standard separately addresses the accounting for seized property.

"Seized property" includes monetary instruments, real property, and tangible personal property of others in the actual or constructive possession of the seizing agency.

**Seized property shall be accounted for in an agency's property management records when an agency has gained actual or constructive possession of it under statutory and/or regulatory authority.**

The value of the seized property shall be accounted for in an agency's property management records until the property is forfeited, returned, or otherwise liquidated. No record of any capital assets acquired through seizure shall be maintained in FACTS until legal title passes to a State agency through administrative or judicial proceedings, i.e., until the asset is forfeited. (SEE THE FOLLOWING PARAGRAPHS CONCERNING FORFEITURES FOR THE ACCOUNTING PROCEDURES TO FOLLOW FOR FORFEITED PROPERTY.)

Seized monetary instruments shall be recognized as seized assets of the entity as of the time

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## FIXED ASSET CONTROL AND TRACKING SYSTEM (FACTS)

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they are seized. In addition, a liability shall be established in an amount equal to the seized asset value. Seized monetary instruments are recognized upon seizure due to (1) the fungible nature of monetary instruments and (2) the high level of control over the assets that is necessary.

Seized property shall be valued at its fair value when seized or, if fair value cannot be readily determined, as soon thereafter as reasonably possible. Fair value shall be based on the value of the property assuming an active market exists for the property. If no active market exists for the property in the general area in which it was seized, a value in the principal market nearest the place of seizure shall be used. Seized monetary instruments shall be valued at their market value.

Agency accounting policies, procedures, and records shall contain the following minimum requirements.

- Explanation of what constitutes a seizure and a general description of the composition of seized property.
- Method(s) of valuing seizures.
- Changes from prior year's accounting methods, if any.
- Analysis of change in seizures, including the dollar value and number of seizures that are
  - (1) on hand at the beginning of the year,
  - (2) made during the year,
  - (3) disposed of during the year, and
  - (4) on hand at the end of the year as well as known liens or other claims against the property. This information should be presented by type of seizure and method of disposition.

### FORFEITURE:

"Forfeited property" consists of (1) monetary instruments, real property and tangible personal property acquired through forfeiture proceedings; (2) property acquired by the government to satisfy a tax liability; and (3) unclaimed and abandoned merchandise.

The property shall be valued at its fair market value at the time of forfeiture. A valuation allowance shall be established for liens or claims from a third party. This allowance shall be credited for the amount of any expected payments to third-party claimants.

Revenue from the sale of property shall be recognized when the property is sold.

Property not held for sale may be

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- placed into official use
- transferred to another State government agency, or
- distributed to a local enforcement agency

Property acquired by the government in satisfaction of a taxpayer's liability shall be recorded when title to the property passes to the State. The property shall be valued at its fair value less any third-party liens. Upon sale of the property, revenue shall be recognized in the amount of the sale proceeds, and the property and the third-party liens are removed from the accounts.

Unclaimed and abandoned merchandise shall be valued at its fair value. Upon sale of the merchandise, revenue shall be recognized in the amount of the sales proceeds.

When a law enforcement or regulatory agency receives a fixed asset that has been forfeited, the agency receiving the asset should first determine the fair market value of the fixed asset and its remaining useful life, then file Form SFA-12 if its value 1) equals or exceeds amounts listed in the section called Criteria for Inclusion of Fixed Assets in System, and 2) the asset has a useful life of more than one year. Then state on the Form SFA-12 that the asset was forfeited and from whom. Any subsequent transfer or sale of the fixed asset shall comply with these accounting policies and procedures.

### CONSTRUCTION IN PROGRESS (CIP) CONTROL PROCEDURES

1. The following procedures apply to all construction projects controlled by any Rhode Island State agency **except for the Lottery Division of the State Department of Revenue**. They do **not** apply to construction projects controlled by any component unit of the State. While they **do** apply to **building** projects of the Rhode Island Department of Transportation (RIDOT), they do **not** apply to RIDOT **infrastructure** projects.
2. Once the State legislature has transmitted the approved State budget to the State Budget Office, the Budget Office will inform each agency that is responsible for one or more construction projects listed in the budget that it has thirty calendar days to prepare a separate Construction in Progress (CIP) Control Form for each of its projects. Each completed CIP Control form should be signed by the agency CFO and submitted to the agency's budget analyst in the State Budget Office. If a construction project consists of a set of subprojects that are each to be accounted for separately in the RI-FANS system, then the agency needs to submit a separate CIP Control Form for each separate subproject. The CIP Control Form must provide the following information:
  - a. For each project, the project name as listed in the capital budget, the subproject name (if applicable), the expected start date, the expected end date, and the estimated total cost of the (sub)project.
  - b. An indication as to whether the project (or subproject, if applicable) is for 1) new construction and/or the purchase of land, or 2) a renovation which extends the useful

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life of an existing building component, or 3) an improvement involving the addition of a building component or section that did not previously exist, or 4) an ordinary repair or maintenance project that does **not** qualify as “construction in progress” but which nevertheless **is** included as an item in the State’s capital budget, or 5) an “Asset Protection” project expected to cost in excess of \$750,000, or 6) some other category of construction.

- c. A brief description of the nature and scope of the (sub)project.
- d. If already determined, a complete list of the RI-FANS account code combinations (except for the natural accounts and project code) that will be used to account for the (sub)project. Note that in the case of asset protection projects, a separate line item sequence (LIS) number should be assigned to the capital asset component and to any normal operating repair and maintenance component.

The Office of Accounts and Control (A&C) is only concerned with those projects expected to cost over \$750,000. However, because the State Budget Office also uses this form for a variety of different purposes, **all** construction projects and subprojects, regardless of total expected costs, need to be reported to the Budget Office on a CIP Control Form. **Exception:** A CIP Control form should **not** be submitted for any (sub)project which **both** a) is expected to cost less than \$750,000, **and** b) is to be funded **solely** with Asset Protection money.

- 3. The agency budget analyst will review the information on every CIP Control Form he/she receives and will add the list of RI-FANS account code combinations (except for natural accounts and project codes) for each (sub)project if the agency has not already provided it on the form. The analyst will then sign the form and forward it to the State Budget Officer or his/her designee, who in turn will review the form and sign it. He/she will then forward a hard copy of the signed form to the Supervisor of the Financial Reporting Unit of the Office of Accounts and Control.

The agency budget analysts will follow up with any of their agencies that have not submitted their CIP Control Forms by the deadline.

- 4. The Supervisor of the Financial Reporting Unit will review the information on each CIP Control Form he/she receives and make a determination as to whether or not the (sub)project in question qualifies for construction in progress status. Said (sub)project will **not** qualify if either a) its total cost is expected to be **less** than \$750,000, or b) the (sub)project is for ordinary repairs and maintenance, **regardless of whether or not total cost is expected to be more than \$750,000**. In cases where a (sub)project does **not** qualify for CIP status, the Supervisor of the unit will assign RI-FANS project code 00000 to the (sub)project. He/she will sign the CIP Control Form, scan it, and forward it electronically to the Supervisor of the Accounting Section of the Office of Accounts and Control. The Supervisor of the Accounting Section will then put RI-FANS cross-validation rules in place that will 1) link the line item sequence (LIS) numbers associated with the project **only** with project code 00000, and 2) **exclude** natural accounts 661302 (Construction in Progress), 661351 (Architecture and Engineering – CIP), and 661361 (Consultant Services – Computer Systems Development) from linkage with the LIS numbers associated with the project. The Supervisor of the Financial Reporting Unit will retain a scanned copy of the completed CIP Control form in his/her electronic office files.
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5. If the Supervisor of the Financial Reporting Unit determines that the (sub)project **does** in fact qualify as a true construction project, he/she will assign it a unique RI-FANS project code number and e-mail a request to both an Accounting Section staff member and the Supervisor of the Accounting Section to set it up in RI-FANS. A valid project code must begin with a letter other than Z, followed by four other alpha and/or numeric characters. The Supervisor of the Financial Reporting Unit will at the same time sign the CIP Control Form, scan it, and forward it electronically to the Supervisor of the Accounting Section. The Supervisor of the Accounting Section will then put RI-FANS cross-validation rules in place that will 1) link the line item sequence (LIS) numbers associated with the project **only** with the project code designated by the Supervisor of the Financial Reporting Unit, and 2) limit the natural account linkages for the project **only** to those RI-FANS natural account numbers that begin with the sequence 661. The Supervisor of the Financial Reporting Unit will retain a scanned copy of the completed CIP Control form in his/her electronic office files.
  
6. Regardless of whether or not he/she has determined that a particular (sub)project qualifies for CIP status, the Supervisor of the Financial Reporting Unit will also electronically forward the completed CIP Control Form to both the State Budget Officer (or his/her designee) and to the CFO of the State agency in charge of the (sub)project. This will ensure that both the State Budget Office and the agency in charge of the (sub)project will know what the approved RI-FANS account code combinations for the (sub)project are.
  
7. Based on various RI-FANS reports that will be run no less frequently than once a month, the Fixed Asset Unit of the Office of Accounts and Control will periodically update an Excel workbook that it maintains for each (sub)project that qualifies for CIP status. All transactions that have posted to RI-FANS for a particular (sub)project must be added to the Excel spreadsheet for that (sub)project, even in the case of transactions that the Fixed Asset Unit suspects were probably incorrect or inappropriate. In such cases, the Fixed Asset Unit will notify the appropriate agency of the possible accounting error. The agency will address the problem either by posting a correcting entry as soon as possible or by notifying the Fixed Asset Unit in writing that, in its opinion, the original entry in question was correct. In the latter case, the issue will be resolved as a result of discussions between the agency, the State Budget Office, and the Supervisor of the Financial Reporting Unit of the Office of Accounts and Control.
  
8. On the first business day of each quarter, the State Budget Office will send out a Capital Project Status Report (CPSR) update reminder to each State agency that had at least one construction project still in progress. This reminder will let the agencies know that they are required to fill out the CPSR form in its entirety for each project by the following July 20, October 20, January 20, or April 20, as appropriate. The CPSR form is located on the Budget Office web site at the following address: <http://internal.budget.ri.gov/>. The agency budget analysts will follow up with any of their agencies that do not submit their CPSR forms by the deadline.

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Once it has completed a CPSR form, the State agency must send a signed copy to the agency's budget analyst. In the case of any project that is deemed to be 100% complete (unresolved contractor payment issues notwithstanding), the agency must also attach a copy of the certificate of occupancy issued by the State Building Code Commissioner (if applicable).

The State Budget Officer or his/her designee will sign off on any CPSR form that indicates that an agency's construction (sub)project is now 100% complete. He/she will then electronically transmit the signed CPSR form and certificate of occupancy (if applicable) to the Supervisor of the Fixed Asset Unit of the Office of Accounts and Control.

Any CPSR form that indicates that a (sub)project is less than 100% complete must not be transmitted to the Office of Accounts and Control.

9. In the case of any project designated as 100% complete per a CPSR form **and** which ended up costing at least \$1,000,000, the Fixed Asset Unit of Accounts and Control will prepare a journal entry to remove the accounting for the project from Construction in Progress and transfer it into Capital Assets in the full accrual set of books. In the case of a 100% completed project costing **less** than \$1,000,000, the Fixed Asset Unit will prepare a journal entry to write off the cumulative costs of the project from Construction in Progress.

### **DISPOSITION OF FIXED ASSETS**

Property and equipment may be disposed of as follows:

**Casualty Loss** - Items which are destroyed through catastrophe or natural disaster. Items lost in this manner should be reported on form FA-70, Report of Retired Assets, to the Office of Accounts and Control in order to update the fixed asset database.

**Lost** - If after investigation they cannot be located, a copy of form FA-70, Report of Retired Assets is to be sent to the Office of Accounts and Control. The Office of Accounts and Control will update the inventory system.

**Stolen** - Stolen items should be reported to the police. If after investigation they cannot be located, a copy of form FA-70, Report of Retired Assets and a copy of the police report are to be sent to the Office of Accounts and Control. The Office of Accounts and Control will update the inventory system.

**Sale** - Items of significant value that are sold by the Division of Purchases via public auction or bid. The items sold should be reported on form FA-70, Report of Retired Assets, to the Office of Accounts and Control in order to update the fixed asset database.

**Trade-in** - The item is given to the vendor that is supplying a new item to replace the old one as part of the purchase price paid for the new one. The item traded is to be reported on form SFA-12, Capital Asset Acquisition Report. Please include any identifying numbers such as serial numbers or vehicle identification numbers. The Office of Accounts and Control will

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update the inventory system.

**Transfer** - An item which is no longer needed by the current owner Fund/Agency can be transferred to another Fund/Agency (e.g., Internal Service Fund to General Fund). The item transferred is to be reported on Form FA-80, Report of Fixed Asset Transfers. Also report a transfer if the assets are transferred between buildings or accounting line items.

**Surplus** - Once an asset is no longer needed for an agency's operations, the agency should declare it surplus and fill out form FA-70.

- In the case of surplus computer equipment, the agency must certify that all data on said equipment has been permanently erased. The agency must also contact its AIM (Assigned Information Manager) or, if an agency does not have an AIM, it should contact the Department of Administration Enterprise Service Desk at 462-4357 or at [ServiceDesk@doit.ri.gov](mailto:ServiceDesk@doit.ri.gov) to schedule the removal of the computer equipment.
- For all other fixed assets, contact the State Surplus Property Administrator at the Department of Administration at 462-3709.

**Scrap** - Items having no salvage or disposal value may be discarded as scrap or scrapped for parts with written permission from the Department of Administration, Division of Facilities Maintenance. The items scrapped should be reported to the Office of Accounts and Control on form FA-70, Report of Retired Assets, in order to update the fixed asset database.

GENERAL:

There are two forms that are available, depending on the circumstances, to report surplus assets or disposal of fixed assets:

- (1) Form FA-70- Report of Retired Fixed Asset- Obtain from Central Services within DOA.
- (2) Form FA-80-Report of Fixed Asset Transfers – Available on the State Controller's WEB site.

Instructions concerning the purpose and proper completion of the form FA-80 are included as part of the form on the Controller's web site.

There are six two-digit numeric codes, called Disposition Codes, which shall be used on the appropriate form to designate the method of disposition. These codes are outlined below:

- 21 Surplus - Used when fixed assets are declared surplus or obsolete by the agency.
  - 22 Lost - Used to report involuntary retirement of a fixed asset.
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- 23 Destroyed - Used to report destruction of a fixed asset.
- 24 Sold - Used to report a fixed asset sold through the State bidding process or other authorized method.
- 25 Traded - Used to report a fixed asset exchanged along with cash consideration for another fixed asset.
- 26 Transfers - Used when the physical location of a fixed asset changes between State agencies.
- 27 Stolen - Used to report involuntary retirement of a fixed asset. Must submit a police report.

**TRANSFERS:**

A department or agency may transfer a fixed asset within the same department or agency or to another State agency or department. Transfers shall be reported under disposition code 26. Form FA-80 should be initiated by the releasing agency. Upon completion by the releasing agency, the FA-80 Form is sent to the receiving agency for additional information. Upon completion by the receiving agency, the FA-80 Form is submitted to the Office of Accounts and Control, Fixed Asset Unit. Only complete form FA-80 if the transfer is between funds, buildings, or line items.

**RETIREMENT OF ASSETS:**

Property and/or components with an original basis that qualifies for inclusion in the system that are Lost - Stolen, Destroyed or Sold, will be reported on Form FA-70 using the proper disposition code. The Form FA-70 shall be submitted to the Office of Accounts and Control, Fixed Asset Unit. All information relative to the fixed asset, including the original cost and label number, shall be included on the form. Items having no utilization potential by State agencies will be sold by the Division of Purchases to potential buyers in order to obtain the best possible market value.

The Division of Purchases will report the items sold to the declaring (reporting) agency, which will then prepare and process Form FA-70 in accordance with procedure.

The Division of Purchases will report sales, proceeds, and disposition of funds in accordance with established procedures.

**CONDUCTING FIXED ASSET INVENTORIES**

**POLICY GUIDELINES - EQUIPMENT:**

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To ensure the accuracy of the information contained in the Oracle Fixed Asset system, the following guidelines have been established:

- Agency inventories shall be conducted every two years.
- The Office of Accounts and Control- Fixed Asset Unit will schedule and coordinate these inventories.
- Prior to the scheduled inventory, the Office of Accounts and Control will forward a list of all assets to be inventoried (the "Inventory Report") to the agency Fixed Asset Coordinator. This report will be generated from the Oracle Fixed Asset system.
- Assets costing \$5,000 or more, as well as all vehicles and laptop computers, will be inventoried.

### INVENTORY, TIMING, AND PROCEDURES

The inventory will be conducted as follows:

- Using the Inventory Report provided by the Office of Accounts & Control, agency Fixed Asset Coordinators and other departmental personnel will locate all items to be inventoried prior to the verification visit by Office of Accounts & Control staff.
- The equipment located in each building/room will be reviewed by the Fixed Asset Coordinator for tag number, condition of the item, availability of the item, and any other physical characteristics recorded on the Inventory Report. Each item actually inventoried will be documented on the Inventory Report listings provided by the Office of Accounts & Control. In addition, for any item not located, an explanation will be provided.
- The listings will be returned to the Office of Accounts and Control- Fixed Asset Unit prior to the Accounts & Control verification visit.
- The Office of Accounts and Control staff during their verification visit will randomly select assets and the Fixed Asset Coordinator or a designee will physically show them to the Office of Accounts and Control representative.
- The Office of Accounts and Control will have access to every building and/or room selected to be inventoried.

The Office of Accounts and Control will obtain written authorization from the agency to resolve discrepancies identified between recorded and actual fixed asset inventories by making appropriate additions and deletions to the Oracle Fixed Asset system. In any case where the net book value of the fixed assets to be added or deleted from the Oracle Fixed Asset system exceeds \$25,000, the director of the agency must approve the request. Lesser amounts can be approved by the agency chief financial officer.

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### SPECIAL INVENTORIES

Inventories should be performed prior to an elected General Officer leaving office and after the newly elected General Officer assumes his/her position.

When an agency/department changes location, an inventory should be performed by staff of that agency/department. Any assets no longer needed should be surplusized before the move. The results of the inventory should be sent to the fixed asset unit. The fixed asset unit will compare the inventory to what is listed in the Oracle data base. Assets that were not in the data base will be added. The CFO of the agency/department will have to sign off on the list of assets not located during the inventory but that are in the data base so that the data base can be adjusted.

### LABELING INSTRUCTIONS

#### GENERAL:

The primary purpose of labeling is to maintain a positive identification of assets owned by the State. Labeling is important for:

- Providing an accurate method of identifying individual assets;
- Facilitating the physical inventory process on a periodic basis;
- Controlling the location of all physical assets;
- Assisting in maintaining fixed assets;
- Providing a common ground of communication for both the fiscal staff and the asset users.

All fixed assets other than the categories of assets listed in Appendix I must be physically labeled with a State Bar Code Label. The Office of Accounts and Control, Fixed Asset Unit, will affix bar-code labels to the fixed assets reported on the Form SFA-12 received from the agency. At the discretion of the Fixed Asset Unit, the bar-code labels may be given to the agency to affix. The labels should be affixed in the proper location to allow for re-examination and Bar Code scanning.

If part of a fixed asset is stolen that has the bar coded label affixed to it, a new label will be assigned to the replacement part, regardless of its cost.

The placement of the label is very important. Appendix II contains guidelines concerning the placement of the labels on various categories of assets.

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## **APPENDIX I**

### **FIXED ASSETS NOT REQUIRED TO BE LABELED**

The following items should not be labeled due to their physical characteristics, general use, or location of the item. However, information concerning all items in these categories shall be reported on a Form SFA-12 and shall be included in the Statewide Fixed Asset Control and Tracking System should they meet the Fixed Asset threshold value.

- Antennae
- Books
- Building Improvement and Renovations
- Buildings
- Computer Equipment to be installed internally within a computer (e.g. expansion board)
- Computer Software (see page 10)
- Handguns and Rifles
- Historical Treasures
- Infrastructure
- Land
- Land Improvements
- Memorabilia
- Modular Work Stations
- Monuments
- State Police Vehicles
- Statues
- Works of Art

### **ASSETS NOT INCLUDED IN THE FIXED ASSET SYSTEM**

The following assets should not be recorded in the Fixed Asset System:

- Blinds
- Carpeting
- Curtains
- Hearing Aids, Contact Lenses, Eye Glasses

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**APPENDIX II**

**PLACEMENT OF LABELS**

**GENERAL:**

The following are instructions for the placement of State property identification labels. These instructions describe the location of labels for various fixed assets from the vantage point of facing the front of the asset (unless specifically noted otherwise). When placing the label, press firmly to ensure complete adhesion.

**OFFICE FURNITURE AND EQUIPMENT**

1. Air Conditioners -- Place on front near control panel.
2. Appliances -- Stoves, Refrigerators, Washing Machines, Dryers, Microwaves, Etc. Place on upper left corner on right side of appliance toward front.
3. Bookcases -- Place on upper left corner on front.
4. Cabinets -- File: Place at upper left corner on front. Lateral: Place at upper left corner on front. Storage: Place inside of right door at upper right corner.
5. Calculators, Dictating Machines, Transcribers, Cassette Recorders, Tape Recorders, etc. -- Place underneath machine.
6. Cameras -- Place on bottom of camera.
7. Chairs -- Executive: Place at base of stem connecting to legs. Steno: Place on any leg. Swivel, Side Arm: Place on upper left part of metal frame of back seat. Stacking: Place outside at top of back support.
8. Check Signers and Protectors -- Place underneath machine.
9. Computers -- Place on front of Central Processing Unit (CPU). Terminals: Place on front of terminal base. Laptop or Notebook -- Place on keyboard.
10. Copiers -- Place at upper left corner on front.
11. Credenzas -- Place at left upper corner on front.

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12. Desks -- Place inside of middle drawer on left side toward front of drawer. For desks without middle drawer, place on left side of knee-hole toward front of desk.
13. Fax Machines -- Place on front.
14. Furniture -- Such as Sofas, Stuffed Chairs, Etc., place at the side of the left front leg.
15. Lamps -- underneath base of lamp.
16. Microfilm Readers -- Place on left side of base on front.
17. Microphones -- If microphone and base is one unit, place on base. For microphones only, place on stem.
18. Projector Stands -- Place on upper corner.
19. Projectors -- Place underneath base of projector.
20. Shelving Units -- Top left corner in front of each separate freestanding unit.
21. Storage Bins -- Place at left upper corner on front.
22. Tables -- Square: Place on underside of any corner. Round: Underside.
23. Televisions -- Place on upper left corner on front.
24. Typewriters -- Place on exterior of typewriter, left, or right side.
25. Typing Stands -- underneath stand on left side.
26. Typing Returns -- On exterior of side panel, place on upper left corner.
27. VCR's -- Place at upper left corner on front.

**OPERATING & MAINTENANCE EQUIPMENT**

1. Air Compressors -- By manufacturer's I.D. plate.
2. Autos -- On front door jam of driver's side door.
3. Band Saws -- On front in a visible location.
4. Boats -- Alongside registration sticker. For unregistered boats, place where sticker would be located.

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5. Buffers/Grinders -- On motor by manufacturer's I.D. plate.
6. Buses -- Same as auto or middle of dashboard.
7. Chain Saws -- By manufacturer's I.D. plate.
8. Construction Heavy Equipment -- On steering column or control column.
9. Drafting Tables -- Underside of any corner.
10. Drill Presses -- On front in a visible location.
11. Electric Drills -- By manufacturer's I.D. plate.
12. Electric Grinders -- By manufacturer's I.D. plate.
13. Floor Buffers -- By manufacturer's I.D. Plate on motor.
14. Generators -- By manufacturer's I.D. plate.
15. Hand Held Portable Radios -- Bottom of unit.
16. Heavy Metal Cutters -- By manufacturer's I.D. plate.
17. Hydraulic & Mechanical Presses -- By manufacturer's I.D. plate located on frame.
18. Jointers -- On front in a visible location.
19. Lathes -- On front in a visible location.
20. Mobile Radio Units -- Upper left corner on front.
21. Mowers -- By manufacturer's I.D. plate.
22. Planers -- On front in a visible location.
23. Pumps -- By manufacturer's I.D. plate.
24. Radial Arm Saws -- On front in a visible location.
25. Sanders -- On front in a visible location.
26. Shapers -- On front in a visible location.

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27. Street Sweepers -- Steering column.
28. Table Saws -- On front in a visible location.
29. Trailers -- Place near registration plate.
30. Trucks -- Same as auto or middle of dashboard.
31. Vacuum Cleaners -- By manufacturer's I.D. plate located on motor housing.
32. Weed Eaters -- By manufacturer's I.D. plate.
33. Welders -- Upper right hand corner on front panel.
34. Workbenches -- Underside of any corner.

AUTOMOTIVE SERVICE EQUIPMENT

1. Battery Chargers -- By manufacturer's I.D. plate.
2. Brake Service Equipment -- By manufacturer's I.D. plate.
3. Distributor Tester -- By manufacturer's I.D. plate.
4. Engine Analyzers -- By manufacturer's I.D. plate or main unit.
5. Generator, Regulator Tester -- By manufacturer's I.D. plate.
6. Lubrication Equipment -- By manufacturer's I.D. plate.
7. Paint Spray Booths -- Outside in a conspicuous location.
8. Power Lifts -- By manufacturer's I.D. plate.
9. Service Jacks -- By manufacturer's I.D. plate.
10. Tire Changers -- By manufacturer's I.D. plate.
11. Valve Refacers -- By manufacturer's I.D. plate.
12. Wheel Alignment Units -- By manufacturer's I.D. plate.

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13. Wheel Balancers -- By manufacturer's I.D. plate.
14. Laboratory and Test Equipment:
15. Centrifuges -- by manufacturer's I.D. plate on base.
16. Electronic Equipment -- on front.
17. Hardness Testers -- by manufacturer's I.D. plate located by controls.
18. Meters -- on back panel.
19. Oscilloscopes -- by manufacturer's I.D. plate.
20. Ovens and Dryers -- by manufacturer's I.D. plate located on lower front panel.
21. Power Supplies -- by manufacturer's I.D. plate located on back.
22. Sound Generators -- by manufacturer's I.D. plate.
23. Spectrophotometers -- by manufacturer's I.D. plate.
24. Stills -- by manufacturer's I.D. plate.

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**APPENDIX III**

**GENERAL LAWS PERTAINING TO FIXED ASSETS**

Following is a partial list of Rhode Island General Laws that pertain to fixed assets:

GL 30-24-6. Acceptance of gifts -- Veterans' home fund.

GL 30-24-9. Property of deceased residents.

GL 35-4-6. Acceptance of gifts and bequests.

GL 35-4-7. Sale of gifts and bequests - Deposit of proceeds.

GL 37-1-1. Acceptance by director of administration - Report to general assembly.

GL 37-2-45. Supply disposition process.

GL 37-2-54. Chief Purchasing Officer – Purchases.

GL 37-7-6. Transfer of land between departments and agencies.

GL 37-7-7. Filing, publication, and recording of transfers between departments  
and agencies -- Costs.

GL 42-75.2-4. Allocation for Art for Public Facilities.

GL 42-75.2-5. Establishment of Fund.

GL 42-75.2-6. Administration.

GL 42-75.2-7. Selection of works of art and artists.

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**APPENDIX IV**

**FEDERAL RULES, REGULATIONS AND GUIDELINES  
PERTAINING TO FIXED ASSETS**

**OMB CIRCULAR NO. A-87 – COST PRINCIPLES FOR  
STATE, LOCAL, AND INDIAN TRIBAL GOVERNMENTS**

Attachment B, Paragraph 19, 22, and 24

[http://www.whitehouse.gov/omb/circulars\\_a087\\_2004/](http://www.whitehouse.gov/omb/circulars_a087_2004/)

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**APPENDIX V**

**WORKSHEET**

*How to Identify a Fixed Asset*

If you are uncertain whether the acquisition is a fixed asset, answer each of the following questions to make this determination. If the State is not going to own the asset, do not complete this form. The transaction is either a transfer to component unit or a grant.

<b>Are you acquiring or constructing:</b>	<b><u>YES</u></b>	<b><u>NO</u></b>
(a) Land?	<input type="checkbox"/>	<input type="checkbox"/>
(b) A Building?	<input type="checkbox"/>	<input type="checkbox"/>
(c) A renovation that costs over \$1,000,000 and extends the useful life of the component which involves the enhancement of a major part or component of a building?	<input type="checkbox"/>	<input type="checkbox"/>
(d) An improvement at a cost of over \$1,000,000 involving the addition of a building component or section that did not previously exist at a cost of over \$1,000,000?	<input type="checkbox"/>	<input type="checkbox"/>
(e) Equipment having a unit historical cost of over \$5,000 (computers \$500) and a useful life of one year or more?	<input type="checkbox"/>	<input type="checkbox"/>
(f) An equipment improvement which costs over \$5,000 (computers \$500) and extends the useful life by one year or more?	<input type="checkbox"/>	<input type="checkbox"/>
(g) A road, street, or highway?	<input type="checkbox"/>	<input type="checkbox"/>
(h) A bridge?	<input type="checkbox"/>	<input type="checkbox"/>
(i) A sidewalk, curb, or gutter?	<input type="checkbox"/>	<input type="checkbox"/>
(j) A water, sewage, or drainage system?	<input type="checkbox"/>	<input type="checkbox"/>
(k) A dam or levee?	<input type="checkbox"/>	<input type="checkbox"/>
(l) A monument or lighting system?	<input type="checkbox"/>	<input type="checkbox"/>

If you answered **YES** to any one of questions (a) through (l), then you are acquiring a fixed asset. Therefore, you must follow the procedures in your handbook for acquiring a fixed asset that has to be accounted for under State policy.

If you answered **NO** to all of these questions, you are not acquiring a fixed asset.

If you are unsure about the correct answer to any of the questions above, please review your handbook or contact Accounts and Control Fixed Asset Unit at 222-4800 or 222-4802.

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**APPENDIX VI**

**PORTABLE COMPUTER EQUIPMENT SECURITY POLICY**

1. Objective: Protection of portable computer equipment.

Laptop, pentop, and notebook computers are highly mobile technological devices which allow for greater employee efficiency. Because of the ability to transport the computers freely from site to site, these business tools are at greater risk of being damaged or stolen. Beyond the hardware and software loss that may result from theft or damage, is the business interruption that occurs with the loss of valuable data or information. Liability may also result from the abstraction, misuse, or release of confidential information.

The following policy is intended to provide a basis by which State agencies may reduce the likelihood of property loss, business interruption, and unauthorized release of confidential information.

2. Policy:

State agencies will inventory and maintain a current list of laptop, pentop, and notebook computers. State departments will also keep a list of employees authorized to take portable computer equipment out into the field. The State agency should record the equipment released to / returned by employees. Employees assigned portable computers will be held accountable for the safety and security of the State equipment released to their care, custody, or control.

The inventory of the data processing equipment will include the make, model, and serial number of the device.

The portable computer as part of its inventory will have a fixed asset barcode number label.

Products are available on the market that provides labeled security plates that are difficult to remove without damaging the computer case. Some labels when physically removed can leave a chemical etching on the case that reduces the sale of the purloined device.

2.1 Office

Laptop computers and other mobile computer devices used within the office should not be left unattended for protracted periods of time (i.e., overnight). Depending upon the accessibility of an agency's offices to the general public, and the security of the facility, it may be necessary to secure portable computers during lunch breaks or other periods of time when the devices will be left unattended.

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Secured closets of substantial construction with no internal window, or cabinets, protected by a locking mechanism that has limited keys should be designated for portable equipment storage when the computers are left in the office.

In the event that more than one employee may have access to the same computer equipment, a checkout protocol needs to be instituted to ensure that the assignment and location of the units can be tracked.

### 2.2 Travel

Mobile electronic computer equipment utilized in field operations should be transported in nondescript padded cases that do not identify the units as portable computers.

Portable computer equipment should not be left inside vehicles where passersby can see them. Laptop computers and other forms of mobile data processing equipment should only be stored within trunks when it is absolutely necessary to leave them in the vehicle.

Because of heat considerations, computer equipment should not be left where direct sunlight or temperatures in excess of 80 degrees Fahrenheit will occur.

Computers taken on business trips should not be checked as luggage. Computers taken through airport security check points should be removed from the case and handed to the security guard while the State employee walks through metal detectors.

Portable computers should not be left unattended while traveling to or while in attendance at a business meeting.

Computers should not be left visible in a hotel room.

Portable computers at luncheon meetings or breaks should be secured within the function room. A request to security at the meeting to lock the meeting room during breaks should be made.

### 2.3 Home

A surge protector as part of the power pack or as a separate unit should be included with the equipment released.

Computers should not be left where liquids or beverages can be spilled on them.

Portable computers should be stored in the home in an area in which they are not readily visible. In this way, the chances of the computer being stolen during a break-in will be reduced.

### 2.4 Confidentiality

Employees who are privy to confidential information should be required to attest to the fact that they will not release the information within their custody to any unauthorized individual.

Unique passwords should be assigned to those individuals designated use of portable computers.

Data encryption may be warranted in certain circumstances.

Security software applications may be needed depending upon the confidentiality of the information contained within the computer. Software incorporated into the portable computer may automatically test for computer viruses. Each State agency must decide upon the importance of the information within the domain of their portable computers to determine the merits of obtaining security applications.

Periodic testing of portable computers for software viruses should be part of the maintenance of these devices. This is especially important if the portable devices are accessing the Internet, Internet or LAN systems in which other State agency computers may become infected with rogue data or programs.

APPENDIX VII

CITY/TOWN CODES FOR USE IN FACTS LOCATION CODE

<u>CODE</u>	<u>CITY OR TOWN</u>
01.....	BARRINGTON
02.....	BRISTOL
03.....	BURRILLVILLE
04.....	CENTRAL FALLS
05.....	CHARLESTOWN
06.....	COVENTRY
07.....	CRANSTON
08.....	CUMBERLAND
09.....	EAST GREENWICH
10.....	EAST PROVIDENCE
11.....	EXETER
12.....	FOSTER
13.....	GLOCESTER
14.....	HOPKINTON
15.....	JAMESTOWN
16.....	JOHNSTON
17.....	LINCOLN
18.....	LITTLE COMPTON
19.....	MIDDLETOWN
20.....	NARRAGANSETT
21.....	NEWPORT
22.....	NEW SHOREHAM (Block Island)
23.....	NORTH KINGSTOWN
24.....	NORTH PROVIDENCE
25.....	NORTH SMITHFIELD
26.....	PAWTUCKET
27.....	PORTSMOUTH
28.....	PROVIDENCE
29.....	RICHMOND
30.....	SCITUATE
31.....	SMITHFIELD
32.....	SOUTH KINGSTOWN
33.....	TIVERTON
34.....	WARREN
35.....	WARWICK
36.....	WESTERLY
37.....	WEST GREENWICH
38.....	WEST WARWICK
39.....	WOONSOCKET
40.....	WEST SPRINGFIELD
41.....	LITTLETON

Source: Department of Revenue, Office of Municipal Affairs