

VA Financial Policies and Procedures
Heritage Assets

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0601 OVERVIEW

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures relating to accounting for heritage assets. Heritage assets are property, plant and equipment (PP&E) that are generally expected to be preserved indefinitely and are unique for one or more of the following reasons: historical or natural significance; cultural, educational or artistic importance; or significant architectural characteristics (e.g., chapels, theaters, etc.). Heritage may be further classified as (1) collection type heritage assets, such as objects gathered and maintained for exhibition, for example, museum collections, art collections and library collections; and (2) non-collection-type heritage assets, such as parks, memorials, monuments and buildings.

Heritage assets are generally not held to provide a service, but are considered a service in themselves, for example, monuments and museum or art collections where the service is a sense of tradition or pride visitors receive by visiting the site. Another consideration for whether a particular asset is heritage in nature is whether the asset is listed or is eligible to be listed (having equivalent legal status) on the National Register of Historic Places.

Heritage assets may also serve two purposes – a heritage function and a general Government operations function. When the predominant use of the heritage asset is general Government operations, the heritage asset is classified as a Multi-Use Heritage Asset (MUHA). MUHA include buildings used for general operations such as the main Treasury building being used as an office building.

Because of the different functions heritage assets and MUHA provide, the cost for each may be recognized and recorded differently. When the asset is used solely or predominantly for a heritage function, VA will expense all costs in the period incurred. However, when the asset is classified as MUHA and is used predominantly for general Government service, the cost attributed to the general Government operations will be capitalized as General-PP&E (G-PP&E) when the capitalization threshold is met. The portion of the costs attributed to the heritage asset function for the MUHA will be expensed. Refer to Volume V, Chapter 9, *General Property, Plant and Equipment*, for additional information on capitalization. Refer to Appendix A for illustrations intended to distinguish between heritage assets and MUHA.

The accounting standards for heritage assets and MUHA are described in Federal Accounting Standards Advisory Board (FASAB), Statement of Federal Financial Accounting Standards (SFFAS) No. 29, *Heritage Assets and Stewardship Land* and SFFAS No. 6, *Accounting for Property, Plant & Equipment*. Other guidance is contained in the Office of Management and Budget (OMB) Circular A-136 and the Department of the Treasury's (Treasury) Treasury Financial Manual (TFM), Volume 1, Part 2, Chapter 4700.

060101 COST RECOGNITION, ACCOUNTING, AND MEASUREMENT. In accordance with SFFAS No. 29, *Heritage Assets and Stewardship Land*, VA will recognize, account and measure the costs associated with heritage assets in the period they are incurred as an operating expense on the Statement of Net Costs (SNC) and, when applicable, VA will recognize and capitalize the costs of MUHA determined to be a part of G-PP&E when the capitalization threshold is met. VA will depreciate the capitalized cost of MUHA over its useful life.¹

060102 CAPITALIZATION. VA will not capitalize heritage assets unless the asset has been identified and classified as MUHA per SFFAS No. 6, *Accounting for Property, Plant & Equipment* and SFFAS No. 8, *Supplementary Stewardship Reporting*, as amended.

060103 FINANCIAL REPORTING AND DISCLOSURE. VA will report and disclosure heritage assets as required by SFFAS No. 29, OMB Circular A-136 and the TFM, Volume 1, Part 2, Chapter 4700. In accordance with SFFAS No. 29, VA will disclose physical unit information about heritage assets as part of the balance sheet without showing any asset dollar amounts. Heritage assets are classified as basic financial statement information, with the exception of “condition reporting,” which is considered Required Supplementary Information (RSI). VA will report and disclose the costs of G-PP&E associated to MUHA in accordance with SFFAS No. 6 and No. 29.

0602 POLICIES

060201 COST RECOGNITION, ACCOUNTING, AND MEASUREMENT.

A. VA will recognize the cost of acquisition, improvement, construction, reconstruction or renovation of heritage assets as an expense to be recorded in the standard general ledger (SGL) Account 6100, Operating Expense - General. VA will quantify and present heritage assets in terms of physical units only.

B. VA will recognize the cost of G-PP&E attributed to general Government operations of MUHA separate from the portion attributed to the heritage asset. Refer to Appendix A for illustrations intended to distinguish between heritage assets and MUHA.

060202 CAPITALIZATION.

A. VA will record new obligations for the costs of acquisition, construction, restoration, renovation and/or modification of VA-owned heritage assets as a current period general operating expense. VA will not capitalize or record depreciation expense for heritage assets, unless they are recognized as MUHA and qualify for such accounting treatment as G-PP&E.

¹ Refer to SFFAS No. 6, *Accounting for Property, Plant and Equipment* for examples of included costs.

B. VA will capitalize G-PP&E costs attributed to general Government operations for MUHA and depreciate the costs over its estimated useful life.

060203 FINANCIAL REPORTING AND DISCLOSURE. Because asset valuation is difficult and matching costs with specific periods would be meaningless for heritage assets, VA will only disclose descriptive information on the heritage assets, no dollar amounts are required to be disclosed.

A. VA will report heritage asset information as a footnote and deferred maintenance information as RSI in required VA financial reports, such as VA's PAR.

B. When applicable, VA should report the capitalized cost of MUHA as part of the G-PP&E and disclose additional information along with the heritage asset information.²

0603 AUTHORITY AND REFERENCES

060301 Federal Accounting Standards Advisory Board (FASAB), Statement of Federal Financial Accounting Concepts (SFFAC) No. 1, *Objectives of Federal Financial Reporting*

060302 FASAB, SFFAC No. 6, Distinguishing Basic Information, Required Supplementary Information and Other Accompanying Information

060303 FASAB, Statement of Federal Financial Accounting Standards (SFFAS) No. 6, Accounting for Property, Plant and Equipment

060304 FASAB, SFFAS No. 8, Supplementary Stewardship Reporting

060305 FASAB, SFFAS No. 14, *Amendments to Deferred Maintenance Reporting Amending SFFAS No. 6, Accounting for Property, Plant and Equipment and SFFAS No. 8, Supplementary Stewardship Reporting*

060306 FASAB, SFFAS No. 29, Heritage Assets and Stewardship Land

060307 FASAB, Amendments to Accounting for Property, Plant and Equipment, Measurement and Reporting For Multi-Use Heritage Assets, July 1999

060308 FASAB, Technical Release 9: Implementation Guide for Statement of Federal Financial Accounting Standards No. 29: Heritage Assets and Stewardship Land

060309 OMB Circular A-136 Financial Reporting Requirements

² Refer to Volume V Chapter 9, *General Property, Plant and Equipment*, for additional information on G-PP&E.

060310 Treasury Financial Manual, Volume 1, Part 2, Chapter 4700, Agency Reporting Requirements for the Financial Report of the United States Government

060311 36 C.F.R., PART 800—Protection of Historic Properties

060312 Department of Veterans Affairs, Financial Policies and Procedures, Volume V, Chapter 9, General Property, Plant and Equipment

060313 VA Handbook 7545, Cultural Resource Management Procedures

060314 VA Capital Asset Inventory Web site

0604 ROLES AND RESPONSIBILITIES

060401 The Assistant Secretary for Management/Chief Financial Officer (CFO) oversees all financial management activities relating to the Department's programs and operations, as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. 309. Specific responsibilities include the direction, management and provision of policy guidance and oversight of VA's financial management personnel, activities and operations. The CFO establishes financial policy, systems and operating procedures for all VA financial entities and provides guidance on all aspects of financial management.

060402 Under Secretaries, Assistant Secretaries, Chief Financial Officers, Fiscal Officers, Chiefs of Finance Activities, Chief Accountants and other key officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter.

060403 The Office of Construction and Facilities Management (OCFM), specifically VA's Historic Preservation Office, keeps information about VA's programs to comply with Federal preservation requirements. The Historic Preservation Office maintains a comprehensive inventory of VA cultural resources. Various Department Federal Preservation Officers are designated to coordinate VA's Cultural Resource Management Program and to provide guidance on cultural resource management matters, including establishing an information network with VA facilities.

0605 PROCEDURES

060501 COST RECOGNITION, ACCOUNTING, AND MEASUREMENT.

A. Heritage Assets. Costs associated with heritage assets are expensed.

1. VA will recognize the cost of acquisition, improvement, construction, reconstruction or renovation of heritage assets in the Statement of Net Cost (SNC) for the period in which the cost is incurred and recorded in standard general ledger (SGL) Account 6100. The direct, indirect and overhead costs will be recognized in the period incurred. The

costs³ will include all costs incurred during the period to bring the heritage asset to its current condition.

2. Costs⁴ may include, but are not limited to,
 - a. Amounts paid to vendors;
 - b. Transportation charges to the point of initial use;
 - c. Handling and storage costs;
 - d. Labor (including purchase and hire), materials, supplies and other direct or indirect production costs (for assets produced or constructed);
 - e. Engineering and architectural services for designs, plans, specifications and surveys;
 - f. Acquisition and preparation costs of land, buildings and other facilities or structures;
 - g. Site preparation costs for non building service equipment including medical equipment;
 - h. Direct costs of inspection, supervision and administration of construction contracts; and
 - i. Legal and recording fees and damage claims.
3. VA will not recognize any cost amounts for heritage assets acquired through public donation or devise.
4. VA will quantify and report heritage assets in terms of physical units rather than cost, fair value or other monetary values (e.g., number of buildings and structures). No asset amount will be shown on the balance sheet of VA's financial statements for heritage assets.
5. VA will use the following budget object codes (BOC) to reflect all obligations of funds for heritage asset transactions (not associated to the G-PP&E costs of MUHA):
 - BOC 3170 (Heritage Personal Property - Noncapitalized) includes all costs for acquisition, construction, renovation and/or modification of VA-owned personal property heritage assets. Because heritage assets are not capitalized regardless of cost, the capitalization threshold of \$100,000 does not apply.

³ For a full discussion of cost, including full cost, direct cost and indirect cost, see [SFFAS No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government](#). Also, see [SFFAC No. 2, Entity and Display, par. 94-95](#).

⁴ Refer to SFFAS No. 6: *Accounting for Property, Plant and Equipment*.

- BOC 3270 (Heritage Buildings and Structures – Not Capitalized) includes all costs for acquisition, construction, renovation and/or modification of VA-owned buildings and structures, when the buildings or structures are declared heritage buildings. These assets are never capitalized.
6. Each program office will receive a notification of the heritage assets, also known as historic properties, currently noted on VA's "Inventory of Historic and Cultural Resources" prepared by VA Historic Preservation Office. Assets on this list serving only a heritage purpose will be expensed. The list, maintained by the Historic Preservation Office, serves as VA's data source for heritage asset financial reporting.
 - a. VA Management and Financial Reports Service, in coordination with the Historic Preservation Office, will notify the Administration CFOs twice a year (June 30 and September 30) to review the heritage assets and MUHA posted on the VA Capital Asset Inventory Web site which may be accessed from the Construction Related Applications page. The Administration CFOs are responsible for disseminating the notification to the appropriate office(s) for review.
 - b. Reviewers will provide updated information to the Office of Construction and Facilities Management (OCFM) on the status of these assets. Examples of updated information are any changes, especially building usage and building dates, for heritage assets and MUHA, modifications, including additions, deletions and corrections.
 - c. OCFM will update the heritage asset inventory accordingly.
 - d. Reviewers are responsible for keeping appropriate documentation for audit and control purposes.
 7. Transfers of heritage assets from one Federal agency to another do not affect the net cost of operations or net position of either entity because these assets were expensed upon acquisition.
 8. When a G-PP&E asset (used for general Government operations) at a Federal agency is transferred to VA for use as a heritage asset, the transferring agency should recognize a transfer-out of the capitalized asset and VA will expense the heritage asset during the period it is received. VA will record the book value or other reasonable estimate of fair market value, as an expense and the transferring agency will record the book value of the asset as a transfer-out of capitalized assets. When the roles are reversed, VA will record a transfer out of capitalized assets and provide an estimate to the gaining Federal agency.
 9. When a heritage asset at a Federal agency is transferred to VA for use in general Government operations, VA will capitalize the asset because it will be used as G-PP&E. If the transferring agency does not provide a book value, VA will determine and record a reasonable estimate of the fair market value.

B. Multi-Use Heritage Assets (MUHA). VA will recognize the portion of MUHA assets associated with general Government operations as G-PP&E and capitalize these costs when the capitalization threshold is met. See section 060502B for the minimum thresholds. However, any portion of the cost of MUHA attributed to its heritage asset function will be treated as a heritage asset and expensed according to the procedures in 060501A above. Refer to Appendix A for illustrations intended to distinguish between heritage assets and MUHA.

1. VA will capitalize the cost of acquisition, improvement, reconstruction or renovation of the portion of MUHA used as general Government operations as G-PP&E and adhere to the accounting and reporting requirements for G-PP&E when VA's capitalization threshold is met.

a. MUHA cost recognition, accounting and measurement is prescribed in SFFAS No. 6, *Accounting for Property, Plant and Equipment*, SFFAS No. 8, *Supplementary Stewardship Reporting and Amendments to Accounting for Property, Plant and Equipment*, issued by FASAB in July 1999.

b. Refer to Volume XIII Chapter 2 Budget Object Codes for further information on the proper coding of capitalized assets for cost recognition, accounting and measurement.

2. VA will recognize MUHA acquired through donation or devise as G-PP&E at the asset's fair value at the time received, and the amount will also be recognized as "nonexchange revenues," as defined in SFFAS No. 7, *Accounting for Revenue and Other Financing Sources*.

3. Transfers of MUHA from one Federal agency to another represent transfers of capitalized assets. When an asset is transferred in, VA will recognize the transfer-in as an additional financing source and the transferring agency will recognize a transfer-out. The value recorded should be the transferring agency's book value. When the transferring agency does not provide the book value, VA will record the MUHA at its estimated fair value. Refer to SFFAS No. 7, *Accounting for Revenue and Other Financing Sources*, for further guidance on receiving MUHA from another Federal agency.

060502 CAPITALIZATION.

A. Heritage Assets

1. VA will not capitalize new obligations for the cost of acquisition, construction, restoration, renovation and/or modification of heritage assets, nor record any depreciation expense in the accounting records and the general ledger.

a. VA will not capitalize costs incurred to restore severely damaged heritage assets to a state of usefulness including property considered damaged by acts of God, such as hurricanes, earthquakes and floods.

- b. VA will not capitalize the cost of asbestos removal⁵, regardless of dollar amount.
2. VA will not capitalize any cost amounts for heritage assets acquired through public donation or devise.

B. Multi-Use Heritage Assets

1. VA will ensure the minimum requirements for capitalization are met: (1) the cost is \$100,000 or more, (2) the asset has a useful life greater than 2 years and (3) the asset is intended to be used by VA. Refer to Volume V, Chapter 9, *Property, Plant and Equipment*, for further details of VA capitalization policy.
2. VA will capitalize all acquisition, reconstruction and improvement costs of the portion of MUHA used for general Government operations as G-PP&E and depreciate the costs over the useful life of the asset when VA's capitalization criteria are met. Refer to Volume XIII Chapter 2 Budget Object Codes for further information on the proper coding of capitalized assets.
 - a. VA will capitalize the portion of the costs of MUHA incurred to restore severely damaged property to its original state of usefulness including property considered damaged by acts of God, such as hurricanes, earthquakes and floods.
 - b. VA will not capitalize the cost of asbestos removal⁵, regardless of dollar amount.
3. When an asset is acquired through donation or devise and classified as MUHA, VA will capitalize only the portion attributed to general Government operations as G-PP&E at the asset's fair value at the time received. VA will also record "nonexchange revenues," for the heritage asset portion as defined in SFFAS No. 7, *Accounting for Revenue and Other Financing Sources*.
4. Engineering staff and/or programmers will assist in providing Finance Activities with MUHA useful lives.

060503 FINANCIAL REPORTING AND DISCLOSURE.

A. Heritage Assets. Refer to Appendix B for the current wording of footnote disclosure reflected in VA's Performance and Accountability Report (PAR).

1. VA will report and disclose heritage assets consistent with FASAB standards. Specifically, the standards require additional information about VA's stewardship policies and an explanation of how heritage assets relate to VA's mission. The requirements include a description of major categories, physical unit information for the

⁵ Refer to Volume VI Chapter 8 "*Environmental and Disposal Liabilities*" for detailed information on recognizing and reporting asbestos.

end of the reporting period, physical units added and withdrawn during the year, a description of the methods of acquisition and withdrawal and condition information.

2. VA should disclose MUHA that are recognized and presented with G-PP&E in the basic financial statements.
3. VA will reference a footnote on the balance sheet that discloses information about heritage assets, but no asset dollar amounts are shown. The disclosure will provide the following:
 - a. A concise statement explaining how they relate to VA's mission.
 - b. A brief description of VA's stewardship policies for heritage assets. Such policies are the goals and principles VA established to guide the acquisition, maintenance, use and disposal of heritage assets, consistent with statutory requirements, prohibitions and limitations governing VA and the heritage assets.
 - c. A concise description of each major category of heritage assets. The appropriate level of categorization of heritage assets will be meaningful and based on VA's mission, types of heritage assets and how the assets are managed.
 - d. Heritage assets will be quantified in terms of physical units. For each major category of heritage asset, the following information should be reported:
 - The number of physical units by major category; major categories should be classified by collection or non-collection type heritage assets, for which VA is the steward as of the end of the reporting period;
 - The number of physical units by major category that were acquired and the number of physical units by major category that were withdrawn during the reporting period; and
 - A description of the major methods of acquisition and withdrawal of heritage assets during the reporting period. This will include disclosure of the number of physical units (by major category) of transfers of heritage assets between Federal entities and the number of physical units (by major category) of heritage assets acquired through donation or devise, if material. In addition, the fair value of heritage assets acquired through donation or devise during the reporting period will be disclosed, if known and material.
4. VA will not report any amounts for heritage assets acquired through donation or devise in the cost of heritage assets. However, fair value of the assets, if known and material, will be disclosed in footnotes to the financial statements in the year received. If the fair value is not known or reasonably estimable, information related to the type and quantity of heritage assets received will be disclosed.

5. VA will report the condition of the heritage assets (which may be reported with the deferred maintenance information) as RSI and include a reference to the condition and deferred maintenance information if the information is reported elsewhere in the report containing the basic financial statements. Refer to Volume V, Chapter 9, *General Property, Plant and Equipment*; and SFFAS No. 6, Chapter 3, *Deferred Maintenance*, for additional information regarding definition, measurement and disclosures specific to deferred maintenance.

6. VA will disclose deferred maintenance information on heritage assets as RSI in accordance with SFFAS No. 14, which eliminated the need for reporting such information as a line item in the Statement of Net Costs (SNC). If the information is reported elsewhere in VA's PAR, a reference to it would suffice.

B. Multi-Use Heritage Assets

1. VA should report MUHA, when recognized, within G-PP&E in the basic financial statements and disclose additional information for MUHA that is included with the heritage assets information. Refer to Volume V, Chapter 9, *Property, Plant and Equipment*, for further details on reporting G-PP&E.

2. VA should include a footnote to explain the "physical quantity" information for MUHA is included in supplemental stewardship reporting for heritage assets.

0606 DEFINITIONS

060601 Assets. Tangible or intangible items owned by the Federal Government which have probable economic benefits obtained or controlled by a Federal Government entity.

060602 Book Value. The net amount at which an asset or group of assets is carried on the books of account (also referred to as carrying value or amount). It equals the gross amount of any asset minus any allowance or valuation amount.

060603 Budget Object Codes (BOC). Categories in a classification system that presents obligations by the items or services purchased by the Federal Government.

060604 Capitalize. To record an expenditure or contribution which may benefit a future period as an asset rather than to treat the expenditure as an expense of the period in which it occurs. In general, expenditures subsequent to acquisition of the asset are capitalized only if they are material in amount and if they meet at least one of the following three conditions: (1) the useful life of the asset is increased as a result of the expenditure; (2) the quantity of units/services produced from the asset is increased; and (3) the quality of units/services produced from the asset is enhanced.

060605 Condition Reporting. Refers to the physical state of an asset. The condition of an asset is based on an evaluation of the physical status/state of an asset, the ability to

perform as planned and the continued usefulness. Evaluating an asset's condition requires knowledge of the asset, the performance capacity and the actual ability to perform and expectations for its continued performance. The condition of a long-lived asset is affected by the durability, the quality of its design and construction, the use, the adequacy of maintenance performed and many other factors, including: accidents (an unforeseen and unplanned or unexpected event or circumstance), catastrophes (a tragic event), disasters (a sudden calamitous event bringing great damage, loss or destruction) and obsolescence. Examples of condition information include, among others, (1) percentage of assets above, at or below acceptable condition; and (2) narrative information.

060606 Cost. The monetary value of resources used or liabilities incurred to achieve an objective. Costs may be charged to operations immediately or, in cases where the cost relates to goods or services that will benefit future periods, to an asset account for recognition as an expense of subsequent periods.

060607 Deferred Maintenance. Maintenance not performed when it should have been or was scheduled to be and which, therefore, has been put off or delayed for a future period. The consequences of not performing regular maintenance could include increased safety hazards, poor service to the public, higher costs in the future and inefficient operations. Estimated deferred maintenance costs are not accrued in the Statements of Net Cost or recognized as a liability on the balance sheet.

060608 Devise. A gift of real property by a will.

060609 Direct Cost. Costs associated with the direct involvement of individuals on a project to include material, direct labor, etc. Costs of direct labor for project teams (e.g., programmers, engineers, managers) are expensed or capitalized as part of the costs of the project. Direct labor costs will be tracked by and allocated to individual projects; the allocation methodology will be consistent between projects and will be auditable.

060610 Disclosure. Reporting information in notes or narrative regarded as an integral part of the basic financial statements.

060611 Expense. Outflows or other consumption of assets and/or incurrence of liabilities (or a combination of both) during a period from providing goods, rendering services or carrying out other activities related to VA's programs and missions, in which the benefits do not extend beyond the present operating period.

060612 General PP&E. Tangible assets which (1) have an estimated useful life of 2 or more years, (2) are not intended for sale in the ordinary course of operations and (3) are intended to be used or available for use by the entity.

060613 Heritage Assets. Heritage assets are property, plant and equipment (PP&E) that are unique for one or more of the following reasons: historical or natural

significance; cultural, educational or artistic importance; or significant architectural characteristics. Heritage assets are generally expected to be preserved indefinitely.

A. Collection-type heritage assets. Objects gathered and maintained for exhibition, for example, museum collections, art collections and library collections

B. Noncollection-type heritage assets. Objects such as parks, memorials, monuments and buildings.

060613 Indirect Cost. Costs typically associated (e.g., labor) with the cost of personnel responsible for overseeing more than one project. Office indirect costs will be expensed or capitalized, depending on their materiality to overall costs of individual projects. When indirect labor costs are determined to be material to a project and are distributed to the costs of a project, the costs will be allocated based on a distribution methodology that is both documented and auditable.

060614 Maintenance. Expenses incurred to maintain an asset in a useable and acceptable condition which do not meet the criteria for capitalization. Maintenance includes preventive maintenance, normal repairs, replacement of parts and structural components and other activities needed to preserve the asset to continue providing acceptable services and achieving its expected life. Maintenance excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from or significantly greater than, those originally intended.

060615 Materiality. A concept recognized by FASAB which requires the exercise of considerable judgment in determining whether an item should be included in financial statements by reviewing the surrounding circumstances and the specific facts. The concept recognizes some items, either individually or in aggregate, are important for fair presentation of financial statements in conformity with FASAB. Information is generally deemed material if its omission or misstatement could influence the decisions of users of the financial statements.

060616 Multi-Use Heritage Assets (MUHA). Heritage assets whose predominant use is general Government operations. Heritage assets having incidental use in general Government operations are simply “heritage assets.”

060617 Nonexchange Revenue. Inflows of resources the Government demands or receives by donation. Such revenues will be recognized when a specifically identifiable, legally enforceable claim to resources arises to the extent collection is probable (more likely than not), and the amount is reasonably estimable.

060618 Overhead Cost. Costs are generally associated with utilities, building maintenance and supplies essential to the overall accomplishment of a project. Overhead costs will be expensed or capitalized, depending on their materiality to overall costs of individual projects. When overhead costs are determined to be material to a

project and are distributed to the costs of a project, the costs will be allocated based on a distribution methodology that is both documented and auditable.

060619 Recognize. Having determined the amount, timing, classification and other conditions precedent to the acceptance and entry of a transaction, the recording of an amount on the books of account and the reporting of the amount on the face of the financial statements either individually or aggregated with other amounts.

060620 Required Supplemental Information (RSI). Information FASAB requires to be presented with basic information essential for financial statements and footnote disclosure.

060621 Statement of Net Cost (SNC). SNC shows the net cost of operations for the reporting entity, as a whole, by major program, which should relate to the major goal(s) and output(s) described in the entity's strategic and performance plans. The SNC also shows separately the components of the net cost of the reporting entity's operations for the period. Net cost of operations is the cost incurred by the entire reporting entity less any exchange revenue earned from its activities. The statement will include a presentation of the following: (1) program costs, (2) related exchange revenues, (3) any excess of costs over exchange revenues (net program costs), (4) costs that cannot be assigned to specific programs or outputs and (5) exchange revenues that cannot be attributed to specific programs and output.

060622 Useful Life. The normal operating life of an asset in terms of its utility to the owner.

0607 RESCISSIONS

060701 VA Handbook 4511, Property, Plant and Equipment, par. 1 and 7 (as applicable to Heritage Assets)

0608 QUESTIONS

Questions concerning these financial policies and procedures should be directed as shown below:

VHA
VBA
All Others

VHA Accounting Policy (Outlook)
VAVBAWAS/CO/FINREP (Outlook)
OFP Accounting Policy (Outlook)

APPENDIX A

ILLUSTRATIONS OF HERITAGE ASSETS⁶

Many assets are clearly heritage assets. For example, the National Park Service manages the Washington Monument, the Lincoln Memorial and the Mall. However, other assets, particularly Federal office buildings, have historical, cultural or architectural significance as well as being used for general Government operations.

The FASAB Board found that these multi-use heritage assets should still be categorized as heritage assets. Any costs to maintain the assets themselves should be treated as heritage assets. However, any costs that are operational in nature (e.g., reconfiguring of office space or modernized communications wiring) should be classified as general PP&E. Costs of these types of improvements or renovations are capitalized and depreciated—providing useful information for performance measurement.

For assets used solely for heritage purposes (e.g., the Washington Monument), the cost of operation, maintenance and other periodic expenses combined with deferred maintenance disclosures, are sufficient to assess operating performance. Allocating the cost of heritage assets to accounting periods through depreciation would not enhance the information available for performance assessment.

The Board addressed renovation, reconstruction, improvement and rebuilding costs for multi-use heritage assets (e.g., monumental style office buildings). Any costs not directly associated with the heritage nature of the asset would be capitalized and depreciated as general PP&E. The Board recognized and provided that abnormally high costs due to the heritage features of the assets (e.g., replacement of a specialized roofing material versus a modern day equivalent) would be treated as heritage asset costs.

Following are examples of general PP&E that exhibit characteristics of heritage assets.

A. Major Office Building:

1. A Federal agency constructed a central office building in 1950 to house headquarters personnel. The building was subsequently placed on the historical registry but continued to serve as headquarters office space.
2. Public tours are available and educational exhibits are provided in the hallways. However, public access is restricted to guided tours. The majority of floor space is devoted to offices, meeting rooms, cafeterias and storage.

⁶ Examples derived from SFFAS No. 6: *Accounting for Property, Plant and Equipment*.

3. The building is currently undergoing major renovations. The cost of these renovations should be capitalized and depreciated over their expected useful lives only to the extent that the work is tied to operations rather than to preserving the building. Additional information on the heritage nature of the asset would be provided through stewardship reporting.

B. New Office Building

1. A Federal facility previously used for industrial purposes (e.g., production of equipment parts) is being renovated and remodeled to serve as office space. The brick facade is being preserved because of its historic significance. Office space is being constructed inside of the brick facade.

2. The building may be viewed by visitors to the Federal facility; however, access to the office space will be restricted.

3. The original cost of the brick facade should not be included in the cost of the new office building. The cost of new construction should be capitalized and depreciated as part of general PP&E and none should be treated as a heritage asset. Additional information on the heritage nature of the existing brick facade, if material, would be provided through stewardship reporting.

C. Library of Congress

1. The Library of Congress is undergoing restoration and renovation. This includes:

- restoring artwork and architectural features,
- installing wiring for workstations, and
- building office space.

2. Expenditures for restoration of heritage aspects of the buildings should be treated as a period cost for heritage assets. However, expenditures for operational aspects of the renovation should be categorized as G-PP&E. Additional information on the heritage nature of the asset would be provided through stewardship reporting.

APPENDIX B

**Disclosure on Heritage Assets
VA's Annual Performance and Accountability Report
(Footnote 10)**

Heritage assets are properties that possess one or more of the following characteristics: historical or natural significance; cultural; educational or aesthetic value; or significant architectural characteristics. VA has properties at medical centers and National Cemeteries that meet the criteria for heritage assets. Heritage assets allow VA to meet its responsibilities under the National Historic Preservation Act to administer Federally owned, administered or controlled prehistoric or historic resources in a spirit of stewardship for the inspiration and benefit of present and future generations. Generally, additions to VA's heritage assets inventory result from field station surveys, which identify items such as new collections or newly designated assets. VA classifies heritage assets as: Art Collections (including artwork, archives, historic medical equipment, medals and awards, furniture, archaeological materials and photographs); Buildings and Structures (including historic hospitals, quarters, lodges and chapels); Monuments/Historic Flag Poles; Other Non-Structure Items (including rostrums, gates and historic walls); Archaeological Sites; and Cemeteries.

According to VA's policy for heritage assets, only developed sections of National Cemeteries are classified as heritage assets; while undeveloped sections are not until they are developed. VA policy for heritage assets may be found, in its entirety, in Directive and Handbook 7545, Cultural Resources.

As of September 30, XXXX	Heritage Assets in Units					
	2008 Balance	2009 Additions	2009 Withdrawals	2009 Net Change	2009 Balance	Condition
Art Collections	x	X	x	x	x	A/U
Buildings and Structures	x	x	x	x	x	A/U
Monuments/Historic Flag Poles	x	x	x	x	x	A/U
Other Non-Structure Items	x	x	x	x	x	A/U
Archaeological	x	x	x	x	x	A/U
Cemeteries	x	x	x	x	x	A/U**
Total Heritage Assets in Units	x	x	x	x	x	

Explanation of Condition: A = Acceptable (No to slight deterioration)
U=Unacceptable (Moderate to significant deterioration)

**** Total accounts represent all cemeteries other than those under development.**