



WISCONSIN ACCOUNTING MANUAL

Department of Administration – State Controller’s Office

Section	07	REVENUE AND ACCOUNTS RECEIVABLE	Effective Date	7/1/2015
Sub-section	09	Surplus Property Proceeds	Revision Date	12/27/2017
SAM Ref	6-11			

BACKGROUND

The 2003 - 2005 Wisconsin State Budget, Act 33 requires that the net proceeds from the sale of surplus property (supplies, materials or equipment) be deposited into the Budget Stabilization Fund (Fund 28600). Section 16.72(4)(b) requires DOA to promulgate rules for the declaration and disposal of surplus property. This section of the State Accounting Manual provides information for determining what is considered "state surplus property" that is subject to the provisions of this statutory section. It also identifies the accounting treatment for the proceeds from the sale of property that meets the definition of either "state surplus property" or "state replacement property". For more information on how to dispose of surplus property see section PRO-F-3 and PRO-F-1 of the State Procurement Manual.

POLICIES

The following definitions come from section PRO-F-3 of the State Procurement Manual and are important in determining how to account for the proceeds from the sale of surplus property.

- **State Surplus Property** - Property (materials, supplies or equipment) that meet the following characteristics, of both A and B, should be considered "State Surplus Property".
 - A. The property does not meet program needs for one or more of the following:
 1. It does not function in whole or in part.
 2. It is technologically obsolete.
 3. It is not otherwise useful to the program.
 4. It is not needed in the foreseeable future to meet program responsibilities.
 - B. It will not be replaced within the standard replacement schedule or within the current fiscal year with property that is functionally similar.
 - C. Exceptions - The following exceptions have been established for property that meets the requirements of A. and B. above. Proceeds from the sale of property that fall under the following exceptions do not need to be deposited to the Budget Stabilization Fund.
 1. Gifts - Gifts of supplies, materials or equipment received by an agency for a particular program where the gift is not used in the service of the program and it is sold within a year of receipt should not be considered surplus property for application of s. 16.72(4)(b) Wis. Stat. It is assumed that the donor intended the value of the gift, not necessarily the gift itself, to benefit the program and the proceeds from the sale of the gift should be accounted for similar to the receipt of a gift of cash for the program. For example, a gift of a boat for use by DNR Wardens may not be the type of boat needed for the program. Rather than using the boat in the program, DNR might sell it and purchase a different type of boat that is better suited to the program needs. **Note:** to determine how to account for the proceeds from the sale of gifts that were actually placed into the service of the program, or gifts that were not used but sold more than one year after receipt, it is necessary to determine whether the property meets the



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definition of either "state surplus property" or "state replacement property" at the time of sale.

2. Property Purchased with Federal Funds - The federal regulations governing the disposition of property should be followed when determining the proper treatment of proceeds from the sale of property that was purchased with federal funds. The federal requirements would supersede the requirement to deposit these proceeds into the Budget Stabilization Fund. If property is purchased with multiple fund sources then the proceeds should be allocated to each fund source and accounted for in accordance with the rules governing the fund source. I.E. if 80% federal funds and 20% GPR then 80% of the net proceeds would be accounted for in accordance with the federal rules and the remaining 20% would be accounted for based on whether the property is replacement or surplus property.
 3. Property Purchased with funds from the Public Employee Trust Fund. - Proceeds from the sale of property originally purchased with Public Employee Trust Fund money should be returned to the Public Employee Trust Fund.
 4. By-Products - By-products that result from the normal operation of the program would not be considered surplus property but rather a product of the program. Any proceeds from their sale should be accounted for as revenues to the program unless otherwise specified by statute or administrative rule.
 5. Property purchased with Lottery Funds – Proceeds from the sale of property originally purchased with Lottery Funds should be returned to the Lottery Fund.
- State Replacement Property - Property (materials, supplies or equipment) that meet the following characteristics should be considered "State Replacement Property".
 - A. The property is due to be replaced because of one or more of the following characteristics:
 1. It is beyond the specific date established in an agency replacement schedule.
 2. It meets established department replacement criteria.
 3. It is technologically obsolete.
 4. It does not function in whole or in part.
 - B. It will be replaced within the standard replacement schedule or the current fiscal year with property that is functionally similar. Functionally similar property is property that performs the same purpose as the property being replaced but is not the same property. For example, replacing 50 room air conditioners with a central air conditioning unit would be considered functionally similar property. Agencies can replace this property either through purchase or lease of functionally similar property. If leasing, the lease should be signed within a year of the sale of the replacement property.
 - Net Proceeds - Administrative Code Chapter 11.07(1) permits the handling and selling costs to be deducted from the sales proceeds. The amount that remains after deducting allowable costs from the



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sales proceeds is the "net proceeds". The following items are examples of allowable deductions from the sales proceeds:

- A. Staff time (including overtime)
- B. Storage expenses
- C. Sales commissions
- D. Transportation expenses
- E. Legal expenses
- F. Insurance expenses
- G. Preparation expenses
- H. Repayment of master lease obligations or other debt on the property that is outstanding at the time of the sale. Property purchased from those appropriations listed under s. 20.903(2)(b) and (bn) are essentially financed by the fund balance of the fund in which these appropriations were created. These appropriations recoup moneys to repay the financing through their charges for services. The book value of the capital asset at the time of sale would represent the amount of financing that has not been recouped from the charges for services. This amount essentially represents a debt to the fund and should be considered an allowable deduction to arrive at the net proceeds for the sale of the asset.

PROCEDURES

Section 16.72(4)(b) requires the net proceeds from the sale of surplus property be deposited in the Budget Stabilization Fund (Fund 28600). Agency staff do not have the ability within the accounting system to deposit these proceeds directly into the Budget Stabilization Fund. Therefore, the following procedures should be used by agencies that are selling surplus or replacement property.

- Review the definitions in this section and determine whether the property being disposed of is considered either "State Surplus Property" or "State Replacement Property".
- After the property is sold calculate the amount of the "Net Proceeds" based on the definition in this section.
- If the property is considered "State Surplus Property" deposit the net proceeds in appropriation 963 using Revenue Source Code 5950000 - Sale of Surplus Property. However, if the property was purchased with federal funds the rules covering the disposition of federal property would supersede the requirement to deposit these proceeds into the Budget Stabilization Fund. See the chart later in this section for more information. If you do not currently have an appropriation 963 you should contact the State Controller’s Office to establish one. The appropriation should be established in either the general fund or the fund that your agency uses for operations.
- If the property is "State Replacement Property" under the definition in this section then account for the proceeds based on the chart later in this section of the manual.
- DOA - SCO will periodically process transactions to transfer the amounts deposited into appropriation 963 into the Budget Stabilization Fund.



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Note: If a section of the statutes, other than s. 16.72(4)(b), specifically directs that the proceeds from sale of certain property be deposited somewhere other than the Budget Stabilization Fund then that specific statutory provision would supersede s. 16.72(4)(b). The proceeds should then be deposited in accordance with that statute.

ACCOUNTING FOR NET PROCEEDS FROM SALE OF PROPERTY

The following chart identifies how net proceeds from the sale of either "State Surplus Property" or "State Replacement Property" should be accounted for based on the type of appropriation that was used to originally purchase the asset.

Appropriation Type	Proceeds from Sale of State Surplus Property	Proceeds From Sale of State Replacement Property (A)
GPR	Record as revenues in Appropriation 963, Revenue Source Code 5950000. These amounts will be periodically transferred by DOA into the Budget Stabilization Fund - Fund 28600	Record the proceeds as General Purpose Revenues - Earned
PR-F (Federal)	Account for the proceeds in accordance with the requirements of the related federal program.	Account for the proceeds in accordance with the requirements of the related federal program.
All Other PR	Record as revenues in Appropriation 963, Revenue Source Code 5950000. These amounts will be periodically transferred by DOA into the Budget Stabilization Fund - Fund 28600	Record the proceeds as revenue in the appropriation that originally purchased the property.
SEG - Executive	Record as revenues in Appropriation 963, Revenue Source Code 5950000. These amounts will be periodically transferred by DOA into the Budget Stabilization Fund - Fund 28600	Record the proceeds as Unassigned Revenues SEG (equivalent to GPR - Earned)
SEG-F (Federal)	Account for the proceeds in accordance with the requirements of the related federal program.	Account for the proceeds in accordance with the requirements of the related federal program.
All Other SEG - Revolving	Record as revenues in Appropriation 963, Revenue Source Code 5950000. These amounts will be periodically transferred by DOA into the Budget Stabilization Fund - Fund 28600	Record the proceeds as revenue in the appropriation that originally purchased the property.



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- (A) The proceeds from the sale of "replacement property" should not be coded to revenue code 5950000. This code is intended for sale of "surplus property" only.