

**PROPERTY AND PLANT MANUAL**

**BUSINESS AND FINANCIAL SERVICES**

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# Overview

The purpose of Capital Asset Management (CAM) is to help organizations utilize and effectively manage their assets. The Kuali CAM System is used to record and report the capital assets for Colorado State University (CSU).

All assets located in the university-owned or leased buildings, purchased through the university financial system, or used in university operated research projects are deemed to be in the custody of the university, regardless of who ultimately retains title to this equipment. This includes equipment purchased with contracts, grants or other monetary awards through CSU. This does not mean that all assets are capitalized, tracked and depreciated/amortized in the CSU Property System.

# Capitalization

Capitalization acknowledges that a transaction meets all criteria necessary to be a fixed asset of the university, and recognizes depreciation expense for them. Listed below is the financial threshold for each asset category:

Type of Asset Capitalization $ Threshold

Art and Historical Collections $5,000 per item/collection

Building and Building Improvements $50,000

Equipment and Furniture $5,000

Intangible Assets $50,000

Land All acquisitions will be capitalized

Land Improvements $50,000

Leasehold Improvements $50,000

Library Materials and Collections Physical materials are capitalized

 Electronic materials are not capitalized

Software – purchased $5,000

Software – internally developed $50,000

## **Art & Museum Objects**

Art and museum objects are non-depreciable pieces purchased or donated to the university. Art and museum pieces shall be capitalized at their historical cost or fair market value at time of acquisition, if that value is $5,000 or greater. If a collection is greater than $5,000 then it will be capitalized as a collection.

## **Buildings**

Expenditures per building for new construction, alterations or renovations greater than $50,000 and with a useful life > 1 year are capitalized. The costs per building project include expenditures related directly to their acquisition or construction. These costs include (1) materials, labor and overhead costs incurred during construction, and (2) professional fees and building permits. All direct costs incurred from excavation to completion are considered part of the building project. Equipment which is merely attached or fastened to the building should be classified as equipment to the extent feasible. Equipment built into the structure, it is considered fixed equipment.

Structural remodeling and additions completed subsequent to the original building construction should be included under buildings as improvements to buildings.

 Improvements are capitalized only if the following conditions are met:

* + - The cost of the project is over $50,000.
		- The improvement provides an economic enhancement or extends the useful life of the building.
		- Examples of projects to capitalize include conversion of the use of the space (a classroom to a lab), adapt space to accommodate startup for a new faculty, replace roof, duck points or a new HVAC system.
		- Example of projects to expense include conforming to construction codes, PCB removal, asbestos removal, handicapped access additions, cyclical maintenance such as paint, window and coverings, floor coverings, replacement of fixed equipment fixtures or major components due to premature breakdown, design flaws and unforeseen events.
		- Appropriate documentation will be maintained to support what constitutes an enhancement or useful life extension.

## **Capital Lease**

A lease-purchase is a contractual agreement conveying the right to use property, plant, or equipment usually for a stated period of time. A lease agreement involves at least two parties, a lessor and a lessee. The lessor agrees to allow the lessee to use the item for a specified period of time in return for periodic payments. There are two types of lease-purchases available; an operating lease and a capital lease.

An operating lease includes a lessor (vendor), who collects rent, and a lessee (the university), who uses the leased equipment or property and pays periodic rent for such use. The lessee merely uses the equipment and/or property and there is no transfer of ownership or any risk of benefit of ownership. A capital lease transfers substantially all of the benefits and risk inherent in ownership of the equipment to the lessee. A "capital lease-purchase” is the act of acquiring assets by making periodic payments, which generally consist of principle and interest.

The Vice President for Research is responsible for the overall management of CSU’s participation in the CSURF lease/purchase program. The CSURF lease/purchase program is designed to meet the needs of Colorado State University System faculty and staff to acquire scientific administrative support, and research equipment to further their research and educational efforts.

## **Infrastructure**

It is the policy of the State of Colorado that only the Departments of Transportation and Natural Resources will record and report infrastructure capital assets. This category therefore will not be used for CSU, which falls under the Department of Higher Education. Infrastructure consists of sidewalks, culverts, street signage, guard rails, curbs, bridges, traffic lights, tunnels, alleys, streets, roads, highways, etc.

## **Land**

Land is non-depreciable property purchased by the university. There is no capitalization threshold as to the total cost spent for land.

All costs incurred in acquiring land or getting the land ready for its intended use should be considered as part of the land cost. These expenditures shall include (1) the purchase price, (2) closing costs such as title to the land, attorney's fees and recording fees, (3) costs incurred in getting the land in condition for its intended use, such as grading, filling, draining, and clearing, and (4) the assumption of any mortgages or liens.

If both a building and land are purchased, the cost of the land should be capitalized separately from the building cost.

## **Land Improvements**

Capital land improvements are those items which have a life of their own exclusive of the land or building(s) and are considered betterments to the property. The cost of a land improvement project must be $50,000 or more to be capitalized. A land improvement project could include cost for utility lines, streets, sidewalks, parking areas, and athletic fields, among others. Land improvements differ from infrastructure and consist of paths, septic systems, athletic fields, bleachers, parking lots, fountains, fencing and gates, landscaping, yard lighting, etc.

## **Leasehold Improvements**

Leasehold improvements represent physical enhancements made to property by or on behalf of the university and can be made to property that is leased by the university. In these cases the university does not own the property, but has chosen to lease the property and to incur leasehold improvements. When improvements are made and those improvements are permanently affixed to the property, the title to those improvements transfer to the owner of the property at the end of the lease term.

To be capitalized as leasehold improvements, the total cost of the improvements to the leased space must be $50,000 or more. The capitalized costs incurred by the university in constructing leasehold improvements represent an intangible asset or a license to use the improvements.

## **Library Materials and Collections**

All physical and cataloged library acquisitions shall be capitalized. This includes all volumes, microfilm, government documents, manuscripts and archives, audio/visual materials (CDs, DVDs, Maps, software, music scores), and costs of binding/rebinding which are incurred by the university’s recognized libraries. There is no capitalization threshold as to the total cost per unit. Departmental purchases of manuals or other professional guides not cataloged in the university library system will not be capitalized and neither will electronic library materials.

## **Software Purchases**

Software includes any acquisition of packaged software or individual licenses to software for use greater than one year and with a fair market value of $5,000 or more. Software purchases should be assessed for capitalization at the system purchase level; the assessment should not be done based on individual disbursements or bundling, but on a per unit basis, such as cost per license. The cost of contracted installation and data conversion critical to the use of the software should be captured in the capitalization cost; however, any training, maintenance and/or annual license agreements to continue to use the software should be expensed.

***Internally Developed Software > $50,000***

Internally Developed Software is software developed in-house by the government personnel or by a third-party contractor on behalf of the government. Commercially available software that is purchased or licensed by the government and modified using more than minimal effort before being put into operation should also be considered internally generated. Costs should be captured from the point management has authorized and committed funds till the program is in use.

 Types of Costs Capitalized:

* Internal and External costs to develop or significantly modify the software.
* Payroll and Payroll related costs of employees directly associated with the software project for configuration, developing interfaces, installation of hardware and testing.
* Interest costs incurred while developing software.

Types of costs expensed:

* Maintenance
* Training
* Data conversion incidental to the use of the software. For example: Historical information of closed accounts.
* Expenses incurred in researching the software selection (including the options to buy or develop).
* Annual License Agreements to continue using the software.

## **Movable Equipment**

The term "equipment" includes delivery equipment, office equipment, machinery, furnishings, factory equipment, scientific equipment, and similar assets. Generally, equipment that is attached to a building is capitalized as movable equipment when removing the equipment does not cause structural damage to the building and will not destroy the equipment. An item must meet two specific criteria in order to qualify as a capital purchase. It must have (1) an acquisition value of at least $5,000 (unless part of a contract or grant where it specifically states equipment will be tracked at any value), and (2) a useful life expectancy of one year or greater.

**Acquisition cost of movable Equipment:**

* 1. Examples of service cost that can be capitalized with equipment purchases may include:
		1. Cost of assembling the asset
		2. Cost of installation
		3. Freight
		4. In-transit Insurance
		5. Preparing the site and asset for its intended use
	2. Assets are recorded net of cash and other earned discounts. In addition, a trade-in allowance can result in the reduction of the acquisition value.

**The following are not considered capital equipment regardless of cost or useful life:**

* 1. Repair or replacement parts
	2. An item or substance that has no shape or identity, or loses that shape or identify upon detachment or removal from its original location
	3. Maintenance and Warranty agreements
	4. Training
	5. Software license agreements are not capitalized unless ownership is indicated within the license agreement. Software license agreements not indicating ownership should be expensed to object code 6225 Computer Hard/Software or 6201 General Supplies.
	6. Modular Furniture is normally purchased in individual pieces on separate line items and then configured to make furniture. The normal practice is to capitalize only those line items that meet the capitalization threshold. Any furniture items that are not modular **and do not** meet the capitalization threshold will be recorded as supplies and expense (e.g., a conference table costing $4,000 would not be capitalized). Mass purchases of furniture are not capitalized (e.g., the purchase of 100 beds with a unit cost of $700).

## **Movable Fabricated Equipment and Software**

Movable fabricated equipment and internally developed software is an asset created (built) by a university organization. A fabrication is not something that can be configured at a store or assembled (like a system) by the organization. The cost of individual components may be less than the capitalization limit; however, the finished, tangible asset must have a total cumulative cost that does meet the capitalization limit in order to be capitalized. Materials and ***direct labor*** used in the construction of the asset can be capitalized as part of the fabrication. Direct labor for fabrications is defined as all hands-on assembly labor of the fabricated equipment, plus the direct supervision of that hands-on labor. Labor associated with research and the design of a fabricated asset should be expensed. In addition labor costs that are impossible or impractical to trace to a specific fabrication should be expensed. Items having an acquisition value of $5,000 or more will be capitalized on their own merit if they are, or can be, stand-alone equipment (i.e., a computer, a power supply unit, etc.)

The term “Fabrication” is used in conjunction with movable equipment and internally developed software and should not be confused with building construction projects or deliverables. Fabricated equipment/software can be distinguished by anyone of the following characteristics:

1. Original Development. The fabrication construction creates a one-of-a-kind piece of equipment or software that is built (designed) and assembled from individual parts for use within the university.
2. Original Components. The original components bear no relationship to the finished equipment and should be attached to, or internal to the finished equipment. The original components should not include equipment that can be used independent of the fabricated asset.

## **ASSIGNING THE CORRECT OBJECT CODE**

The asset management system is driven by object codes; therefore, it is important to assign the correct object codes to capital transactions. When purchasing capital equipment, two factors come into play as to which object code will be used. The Fund Source Code on the account being used to purchase the item and also who will hold title on the equipment need to be determined. The Fund Source Code is located on the Central Administration tab of the Account Lookup and the ownership for research projects (53 accounts) is found on the RPS report for that account. This is the report maintained for any research grant account with the Office of Sponsored Programs. Once those 2 pieces of information are clear, use the following table to determine the object code:

|  |
| --- |
| Object Codes to be used for equipment purchases |
|  |  |  |  |  |
|  |  |  |  |  |
| Account | Title belongs to: |  |
| Fund Source Code | Sponsor | CSU | Federal |  |
| Federal funds |  |  |  |  |
| 22 | 8235 | 8240 | 8245 |  |
| 32 | 8235 | 8240 | 8245 |  |
| 34 | 8235 | 8240 | 8245 |  |
| 41 | 8235 | 8240 | 8245 |  |
| 51 | 8235 | 8240 | 8245 |  |
| Non-federal funds |  |  |  |  |
| 11 |  | 8210 |  |  |
| 21 | 8235 | 8230 |  |  |
| 31 | 8235 | 8230 |  |  |
| 33 | 8235 | 8230 |  |  |
| 35 | 8235 | 8230 |  |  |
| 61 |  | 8210 |  |  |
| 71 |  | 8210 |  |  |

# LEASE-PURCHASES

Lease Purchases are managed by the Vice President of Research and handled though CSU Research Foundation (CSURF). Please contact CSURF for instructions on lease/purchase contracts to acquire equipment and property. CSURF will collate the lease contract information and provide it to Business and Financial Services (BFS) for classification of an operating or capital lease. BFS will determine the appropriate financial reporting of the lease.

## **Characteristics of a Lease-purchase**

A Financial Reporting and Analysis (FRA) Accountant determines whether a lease qualifies as a capital lease, operating lease, or rental agreement. A lease or a rental agreement that meets any one of the following FAS13 7a-d criteria should be treated as a capital lease by the University:

1. The lease transfers ownership of the property to the university by the end of the lease term.
2. The lease contains a written bargain purchase option.
3. The lease term is equal to 75% or more of the remaining estimated economic life of the property at the beginning of the lease term.
4. The present value of the minimum lease payments at the inception of the lease is 90% or more of the fair market value of the leased asset.

For CSU purposes we don’t capitalize leases under the $5,000 capitalization threshold, therefore if a lease meets one or more of the above criteria but is for less than $5,000 it should be tracked as an operating lease.

## **Setting up a Lease-purchase**

The capital lease liability and assets from a capital lease-purchase will be created on an adjustment/accrual voucher document within FRA. Current year debt gets booked to object code 2841. Non-current debt gets booked to object code 2840. At the end of each fiscal year an entry must be made to reclassify the next fiscal year’s debt out of non-current (2840) and into current debt (2841). Equipment and vehicles over $5,000 get booked to object codes 8312 and 8317, respectively. Any property purchases under $5,000 on a capital lease gets booked to object code 8315.

Once a lease is determined to be a capital lease, a copy of the lease agreement, including amortization schedule, as well as any other lease documents must be sent to the Campus Services Accountant. It is important that the amortization schedule break out principal and interest from the total payment amount. The amortization schedule should clearly identify the percentage rate of interest used in the interest calculation.

Principal and interest payments are applied to one of the following object codes when paid: 8300, 8310, 8320, or 8920. A generated entry is then initiated to decrease the current years debt in object code 2841 based on the lease payment object code getting used. Every quarter interest expense should be reclassified out of object code 2841 to object code 9408 per the appropriate amortization schedule for the lease agreement.

## **Assigning an Asset Type code for equipment purchased on a Capital Lease**

Asset type code 10000N is reserved for non-capital assets where the equipment’s unit cost does not meet the university’s capitalization threshold. For capital lease-purchases where the unit cost of a piece of equipment or vehicle is below the $5,000 capitalization threshold and object code 8315 was used to book the leased property, select this asset type code.

Asset type codes 00001L1, 00002L2, 00003L3, 00004L4, 00005L5, 00006LV, 00007LS, 00009LV, 00010LV, 00011LV, CB00008, and CL0000 are reserved for capital leases where the unit cost is $5,000 or more. If the lease agreement is capitalized because it met either criteria 7a or 7b from FAS 13 then the leased equipment must be depreciated using the university’s useful life therefore assign the asset type code that matches the useful life based on University policy. If the lease agreement does not meet FAS13 requirements 7a or 7b, but does meet either requirement 7c or 7d then assign the asset type code with the useful life that matches the terms of the lease agreement.

## **Preparing an Adjustment/Accrual Voucher Document**

The following example resembles an Adjustment/Accrual Voucher document for the creation of capital lease liability and asset involving the lease-purchase of only one asset. If multiply assets are purchased under a lease agreement, more lines will need to be added until all the values of the assets are entered on the document.



The 8312 and 2841/2840 entries offset each other and have no effect on cash. The 2841 and 2840 amounts entered reflect the current and non-current principle amount due according to the lease agreement.

Capitalization Entry (system generated based on the 8312 object code usage from above):

| **Account Number** | **Object Code** | **Debit** | **Credit** |
| --- | --- | --- | --- |
| 7720000 | 1841 | $10,000 |  |
| 7720000 | 9011 |  | $10,000 |

If object code 8315 was used in the example above the following capitalization entry would be generated:

| **Account Number** | **Object Code** | **Debit** | **Credit** |
| --- | --- | --- | --- |
| 7720000 | 1838 | $10,000 |  |
| 7720000 | 9011 |  | $10,000 |

If object code 8317 was used in the example above the following capitalization entry would be generated:

| **Account Number** | **Object Code** | **Debit** | **Credit** |
| --- | --- | --- | --- |
| 7720000 | 1833 | $10,000 |  |
| 7720000 | 9011 |  | $10,000 |

Object code 9011 is the Capital Expense Elimination which offsets the object code 8312, 8315, or 8317 expense activity.

## **Accounting for a Lease-purchase**

FRA maintains a capital lease excel spreadsheet. General characteristics about all capital lease-purchases of the university are recorded in the spreadsheet. The spreadsheet is in numerical order by lease number. CSURF leases are already assigned a lease number by the time they get to FRA so this number should be used, but if the lease did not come from CSURF then the FRA Accountant will assign the next available PL# (purchasing lease number) to the lease.

At the beginning of each new month a query is run to see the activity that posted against object code 2841 for the previous month. This query is used to verify that the principle payment amounts incurred during the month match the capital lease spreadsheet. The FRA Accountant then reconciles the capital lease spreadsheet to the amortization schedules and to the general ledger each month.

## **Capital Lease Payments**

Payments for capital leases can be made in one of two ways. CSURF lease payments are made on a Distribution of Income and Expense document while non-CSURF capital leases (PL-XX) payments are paid on a Payment Request from the PO or a Disbursement Voucher.

### Distribution of Income and Expense

The following example resembles the accounting lines from a Distribution of Income and Expense document for capital lease payments due to CSURF. The To Accounting Lines create a DR in object codes 8300, 8310, 8320, or 8920.



A system generated entry will take place anytime there is any activity using object code 8300, 8310, 8320, and/or 8920. In the example of a capital lease payment where any of these object codes are debited\*\* then the following entry would be generated to decrease CSU’s current year liability for the lease:

| **Account Number** | **Object Code** | **Debit** | **Credit** |
| --- | --- | --- | --- |
| 7720000 | 2841 | $125,521.91 |  |
| 7720000 | 9011 |  | $125,521.91 |

 \*\*NOTE: Keep in mind that if object codes 8300, 8310, 8320, or 8920 are used as a credit then the above entry would be reversed therefore increasing the current year liability for this lease.

### Payment Request from PO

The following example resembles the Items, Capital Asset, and Payment Info tabs on a Capital Lease Purchase Order.



Based on this PO, every time an invoice is received a Payment Request document will be issued. A system generated entry will take place anytime there is any activity using object code 8300, 8310, 8320, and/or 8920. In the example of a capital lease payment where any of these object codes are debited\*\* then the following entry would be generated to decrease CSU’s current year liability for the lease:

| **Account Number** | **Object Code** | **Debit** | **Credit** |
| --- | --- | --- | --- |
| 7720000 | 2841 | $4,472.00 |  |
| 7720000 | 9011 |  | $4,472.00 |

 \*\*NOTE: Keep in mind that if object codes 8300, 8310, 8320, or 8920 are used as a credit then the above entry would be reversed therefore increasing the current year liability for this lease.

# TRADE-IN OF SIMILAR CAPITAL EQUIPMENT

University owned equipment may be offered for trade-in by your campus purchasing organization for similar equipment. The trade-in of similar capital equipment are assets that are traded in to obtain assets for the same general purpose, are the same general type, and are employed in the same line of business such as a computer for a computer.[[1]](#footnote-1)

To be considered a trade-in of similar capital equipment the organization must give up something in return for a trade-in allowance. A trade-in allowance is a reduction to the total cost of a vendors invoice. If an asset is released to the vendor and no trade-in allowance (cost reduction) has been given the asset given up is not considered to have been traded in. The university considers the asset to be disposed of by the vendor and not a trade-in.

## **Issuing an Asset Retirement for Assets Traded-In**

The department must issue an *asset retirement document* to remove the asset from CAM using the retirement reason name of Trade-in.

1. The trade-in retirement document should be issued by the department when the vendor takes possession of the equipment.
2. The retirement reason code will be set to “2” for Trade-in.
3. A note must be included to inform Property Management of the purchase order from which the new assets are being purchased.
	1. Assets that are sponsor owned (under object code 8235), federally owned (under object code 8245), or on loan to CSU (under object code 8247) should not be traded-in without proper disposition instructions from the owner. Object codes 8235 and 8247 do not generate entries to capitalize equipment to CSU’s balance sheet.

***Note:*** On occasion a vendor may offer to remove a piece of equipment at no cost. In this case, the disposal of equipment must be approved by Surplus as this is not a trade-in just equipment being simply removed. These assets should be transferred to Surplus and if approved by Surplus they will be retired as Recycled by using reason code “4”.

## **Accounting Entries for Trade-ins**

When an asset is given up in trade and a trade-in allowance is received for the exchange a cost basis adjustment may be needed to the asset(s) purchased. The organization received a benefit from trading in an existing piece of equipment. Therefore the new assets purchased should reflect the benefit received as a cost basis adjustment.

Generally the cost basis adjustment for the trade-in of similar capital equipment should be based on the fair market value of the asset given in trade. Due to the difficulty of determining the fair market value of the asset given in trade, The Property Management Office will use book value of the asset(s) given in trade as the cost basis adjustment to the new assets purchased. The book value is the cost of the asset given in trade less the accumulated depreciation at the time of the assets retirement. The book value will be added to the cost of the newly purchased assets.

The asset retirement document will generate the following entries at the plant fund level:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Asset number 123356 retired as traded in** | **Account Number** | **Object Code** | **Debit** | **Credit** |
| Loss Capital Assets | 7720000 | 9417 | $ 20,000 |  |
| Accum Depreciation – Equipment | 7720000 | 1830 | $180,000 |  |
| Equipment – Univ Title | 7720000 | 1821 |  | $200,000 |

Please note: The above entry would apply to an asset that is being retired that was purchased using one of the following object codes – 8210, 8230, 8240, 8270, or 8910. If the asset was purchased using object code 8250, 8255, or 8915 then the above entry would change to the following:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Asset number 123356 retired as traded in** | **Account Number** | **Object Code** | **Debit** | **Credit** |
| Loss Capital Assets | 7720000 | 9417 | $ 20,000 |  |
| Accum Depreciation – Equipment | 7720000 | 1832 | $180,000 |  |
| Equipment – Univ Title | 7720000 | 1825 |  | $200,000 |

Please note: If the asset was purchased using object code 8260, 8265, or 8930 then the above entry would change to the following:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Asset number 123356 retired as traded in** | **Account Number** | **Object Code** | **Debit** | **Credit** |
| Loss Capital Assets | 7720000 | 9417 | $ 20,000 |  |
| Accum Depreciation – Equipment | 7720000 | 1831 | $180,000 |  |
| Equipment – Univ Title | 7720000 | 1826 |  | $200,000 |

Please note: If the asset was purchased using object code 8317 then the above entry would change to the following:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Asset number 123356 retired as traded in** | **Account Number** | **Object Code** | **Debit** | **Credit** |
| Loss Capital Assets | 7720000 | 9417 | $ 20,000 |  |
| Accum Depreciation – Equipment | 7720000 | 1832 | $180,000 |  |
| Equipment – Univ Title | 7720000 | 1833 |  | $200,000 |

Please note: If the asset was purchased using object code 8315 then the above entry would change to the following:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Asset number 123356 retired as traded in** | **Account Number** | **Object Code** | **Debit** | **Credit** |
| Loss Capital Assets | 7720000 | 9417 | $ 200,000 |  |
| Equipment – Univ Title | 7720000 | 1838 |  | $200,000 |

Please note: If the asset was purchased using object code 8312 then the above entry would change to the following:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Asset number 123356 retired as traded in** | **Account Number** | **Object Code** | **Debit** | **Credit** |
| Loss Capital Assets | 7720000 | 9417 | $ 20,000 |  |
| Accum Depreciation – Equipment | 7720000 | 1830 | $180,000 |  |
| Equipment – Univ Title | 7720000 | 1841 |  | $200,000 |

Please note: If the asset was purchased using object code 8245 then the above entry would change to the following:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Asset number 123356 retired as traded in** | **Account Number** | **Object Code** | **Debit** | **Credit** |
| Loss Capital Assets | 7720000 | 9417 | $ 20,000 |  |
| Accum Depreciation – Equipment | 7720000 | 1830 | $180,000 |  |
| Equipment – Univ Title | 7720000 | 1844 |  | $200,000 |

Please note: If the asset was purchased using object code 8291 or 8290 then the above entry would change to the following:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Asset number 123356 retired as traded in** | **Account Number** | **Object Code** | **Debit** | **Credit** |
| Loss Capital Assets | 7720000 | 9417 | $ 20,000 |  |
| Accum Depreciation – Equipment | 7720000 | 1852 | $180,000 |  |
| Equipment – Univ Title | 7720000 | 1850 |  | $200,000 |

Please note: If the asset was purchased using object code 8280 then the above entry would change to the following:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Asset number 123356 retired as traded in** | **Account Number** | **Object Code** | **Debit** | **Credit** |
| Loss Capital Assets | 7720000 | 9417 | $ 200,000 |  |
| Equipment – Univ Title | 7720000 | 1854 |  | $200,000 |

***Accounting for the trade-in of similar capital equipment using book value as the cost basis adjustment.***

When the purchase order has been fully invoiced and is closed the accounting process will begin. The calculations and entries that follow will be taken care of by the Property Management Office. The following is presented for information purposes only.

The cost basis adjustment to asset number 123356 is calculated as follows:

Step A: Compute the gain or loss from trade-in.

|  |  |
| --- | --- |
| Asset Given in Trade 123356 |  |
|  |  |
| FMV of asset given in trade | $20,000.00 |
| Less BV of asset given in trade | $20,000.00 |
| Gain (Loss) on trade-in | $ 0.00 |

Please note: No fair market value was given by the organization. In the above calculation FMV then becomes the BV of the asset given in trade.

Step B: Compute adjusted cost basis of asset(s) acquired.

|  |  |
| --- | --- |
| List price of asset(s) acquired | $750,000 |
| Less trade-in allowance | $130,000 |
|  Cash Paid | $620,000 |
|  |  |
| Plus BV of asset given in trade | $ 20,000 |
| Adjusted cost of asset purchase | $640,000 |

Step C: Entry to adjust the cost basis of asset number 187567. A journal voucher will be used to adjust the cost basis of asset number 187567 as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description** | **Account Number** | **Object Code** | **Debit** | **Credit** |
| Capital Equipment | 1234567 | 7000 | $20,000 |  |
|  Transfer of Funds –  Revenue | 1234567 | 9915 |  | $20,000 |
|  Loss on Disposition of  Asset | 9520000 | 4998 |  | $20,000 |
|  |  |  |  |  |
| Transfer Out | 9520000 | 9900 | $20,000 |  |
| Capital Equipment | 9520000 | 8610 | $20,000 |  |
|  Fund Balance | 9520000 | 9899 |  | $20,000 |

The account number and object code used to adjust the assets cost is the account number and object code for the newly purchased asset. The asset retirement document generated a loss to object code 4998 for the asset that was traded in. The loss needed to be removed since no gain or loss was recognized from the asset that was traded in. The cost basis adjustment to the new acquired asset is the same amount as the loss to object code 4998. When the JV is issued and approved the loss to object code 4998 is removed and is applied as the adjusted cost basis to the new acquired asset.

***Accounting for the trade-in of similar capital equipment using FMV to determine the cost basis adjustment.***

If the FMV of the asset traded in is determined and reported to the University Capital Asset Office the FMV will be used to calculate the cost basis adjustment. When using FMV for the trade-in of similar equipment any gain on the exchange should not be recognized and any loss on the trade-in will be recognized. According to GAAP when similar equipment is traded for similar equipment the earnings process is not considered complete and a gain should not be recognized.[[2]](#footnote-2)

Please note, if the book value of the asset being traded in is $50,000 or more the University Capital Asset Office will require the organization to determine the FMV of the asset being traded in.

FMV of the asset(s) given in trade less the book value of the asset(s) given in trade equals a loss or gain.

***FMV results in a loss.***

Asset number 233567 has been retired as traded in with a book value (loss to 4998) of $100,000. The organization was able to supply the University Capital Asset Office with a FMV of $90,000 with supporting document for this value. The cost basis adjustment to the newly purchased asset is calculated as follows:

Step A: Compute the gain or loss from trade-in

|  |  |
| --- | --- |
| Asset Given in Trade 233467 |  |
|  |  |
| FMV of asset given in trade |  $ 90,000.00 |
| Less BV of asset given in trade |  $100,000.00 |
| Gain (Loss) on trade-in | ($ 10,000.00) |

Step B: Compute adjusted cost basis of asset(s) acquired.

|  |  |
| --- | --- |
| List price of asset(s) acquired | $750,000 |
| Less trade-in allowance | $130,000 |
|  Cash Paid | $620,000 |
|  |  |
| Plus FMV of asset given in trade | $ 90,000 |
| Adjusted cost of asset purchase | $710,000 |

Step C: Entry to adjust the cost basis of asset number 187567. A journal voucher will be used to adjust the cost basis of asset number 187567 as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Description | Account Number | Object Code | Debit | Credit |
| Capital Equipment | 1234567 | 7000 | $90,000 |  |
|  Transfer of Funds –  Revenue | 1234567 | 9915 |  | $90,000 |
|  Loss on Disposition of Asset | 9520000 | 4998 |  | $90,000 |
|  |  |  |  |  |
| Transfer Out | 9520000 | 9900 | $90,000 |  |
| Capital Equipment | 9520000 | 8610 | $90,000 |  |
|  Fund Balance | 9520000 | 9899 |  | $90,000 |

If the exchange transaction involves similar equipment and results in a loss the loss is recognized. The FMV of $90,000 less the book value of $100,000 resulted in a loss of $10,000 that needs to be recognized. The retirement of asset number 233467 generated a loss of $100,000. The loss generated from the retirement of the asset given in trade needs to be adjusted down to $10,000. When the journal voucher above is approved the loss to object code 4998 is reduced by $90,000 on the plant fund account which will bring the true loss from the trade-in to $10,000. The cost basis adjustment to asset number 187567 will increase the assets cost by $90,000.

***FMV results in a gain.***

Asset number 233567 has been retired as traded in with a book value (loss to 4998) of $100,000. The organization was able to supply the University Capital Asset Office with a FMV of $110,000 with supporting document for this value. The cost basis adjustment to the newly purchased asset is calculated as follows:

Step A: Compute the gain or loss from trade-in

|  |  |
| --- | --- |
| Asset Given in Trade 233467 |  |
|  |  |
| FMV of asset given in trade |  $110,000.00 |
| Less BV of asset given in trade |  $100,000.00 |
| Gain (Loss) on trade-in |  $ 10,000.00 |

Step B: Compute adjusted cost basis of asset(s) acquired.

|  |  |
| --- | --- |
| List price of asset(s) acquired | $750,000 |
| Less trade-in allowance | $130,000 |
|  Cash Paid | $620,000 |
|  |  |
| Plus BV of asset given in trade | $100,000 |
| Adjusted cost of asset purchase | $720,000 |

Step C: Entry to adjust the cost basis of asset number 187567. A journal voucher will be used to adjust the cost basis of asset number 187567 as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description** | **Account Number** | **Object Code** | **Debit** | **Credit** |
| Capital Equipment | 1234567 | 7000 | $100,000 |  |
|  Transfer of Funds – Revenue | 1234567 | 9915 |  | $100,000 |
|  Loss on Disposition of Asset | 9520000 | 4998 |  | $100,000 |
|  |  |  |  |  |
| Transfer Out | 9520000 | 9900 | $100,000 |  |
| Capital Equipment | 9520000 | 8610 | $100,000 |  |
|  Fund Balance | 9520000 | 9899 |  | $100,000 |

If the exchange transaction involves similar equipment and results in a gain the amount of the gain is not recognized. The FMV of $110,000 less the book value of $100,000 resulted in a gain of $10,000. This gain will not be recognized. The retirement of asset number 233467 generated a loss of $100,000. Since there is a gain and no actual loss, the loss generated from the retirement of asset number 233467 will need to be removed and added as the cost basis adjustment to the new acquired asset. When the journal voucher above is approved the loss to object code 4998 is removed on the plant fund account and no gain has been recognized. The cost basis adjustment to asset number 187567 will increase the assets cost by $100,000.

***Assigning the Object Code on Capital Requisitions with a Trade-in***

The net book value of the asset given in trade may also determine which object code should be used on the purchase of the new equipment.

**Example – Asset given in trade:** Toro Greenmaster asset number 377304 with a net book value of $1,425.83

New Asset Purchased

Line Qty Description Unit Cost Assign to Trade-in

1 1 Groundsmaster Mower $4,700.00 yes

Trade-in allowance - $1,000

The Plant Fund Accountant processes a journal voucher to increase the cost of the asset by the net book value of $1,425.83. After final approval of the journal voucher, the new cost of the asset will be $5,183.25. In this example, a capital equipment object code is assigned.

# EQUIPMENT PURCHASED FOR RECHARGE / 21 FUND EQUIPMENT

Some departments on campus will purchase capital equipment with the intent to resell it to other university organizations, via a monthly recharge. This equipment will be charged out to a department so that the actual purchase cost can be recovered by the department that purchased it, but no additional profit can be recognized. Facilities Management and Transportation Services purchase the majority of Recharge Equipment, but other departments have the option as well. This process relies on an offset account 2100100, in which the acquisition and recharge cost recovery within the RECHAR accounts will net to zero, as the actual acquisition and depreciation are simultaneously recorded in account 7720000.

The equipment is purchased on the department’s RECHAR sub-fund account in the 21xxxxx range. The initial purchase should be made using either object code 8210 Capital Equipment-CSU or 8250 Vehicles > $5000, on the requisition. Before the requisition is routed for approval, an approved Equipment Acquisition Request (EAR) form should be attached. This form is located on the Business & Financial Services website, [www.busfin.colostate.edu](http://www.busfin.colostate.edu) under Forms. The form will be approved by Cost Accounting and then filed within the Property Management Office. The Purchase Requisition will not be approved by the Asset Processor until this form has been attached.

Once the asset has been received and payment has been processed, an asset record will be created in CAM and financial depreciation will begin as for any capital equipment. Recharge equipment will also be added to an Access database maintained by Campus Services so that the recharge process can begin.

# GIFTS, LOANS AND TRANSFER-IN EQUIPMENT

## **Gifts and Donations of Capital Assets**

Gifts and donations of capital assets occur either by a donation to a CSU department via the Advancement Office as a Gift in Kind (GIK), or through a direct donation to a department. Both GIK’s and direct donations are recorded the same with the exception of which gain object code is used. The asset(s) is brought into the system under the Education+General Plant-Investment In Plant account number 7720000 via the *add asset document*. The type of asset being gifted will determine the object code usage. Object code 4101 is specifically reserved for GIK assets. If the asset is moveable capital equipment then object code 8210 should be used. If the asset is a vehicle then object code 8250 should be used. If the asset is software then object code 8260 should be used and if the asset is an art or museum object then object code 8280 should be used. The asset(s) will be recorded with an acquisition type of “G” for Gift if acquired through the GIK program or “T” for Transferred if acquired through a direct donation.

If the add asset global document uses 7720000-8210 then the following general ledger entries will be automatically generated:

| **Account Number** | **Object Code** | **Debit** | **Credit** |
| --- | --- | --- | --- |
| 7720000 | 1821 | $acquisition value |  |
| 7720000 | 8210 | $acquisition value |  |
| 7720000 | 4101/4419 |  | $acquisition value |
| 7720000 | 9011 |  | $acquisition value |

If the add asset global document uses 7720000-8250 then the following general ledger entries will be automatically generated:

| **Account Number** | **Object Code** | **Debit** | **Credit** |
| --- | --- | --- | --- |
| 7720000 | 1825 | $acquisition value |  |
| 7720000 | 8250 | $acquisition value |  |
| 7720000 | 4101/4419 |  | $acquisition value |
| 7720000 | 9011 |  | $acquisition value |

If the add asset global document uses 7720000-8260 then the following general ledger entries will be automatically generated:

| **Account Number** | **Object Code** | **Debit** | **Credit** |
| --- | --- | --- | --- |
| 7720000 | 1826 | $acquisition value |  |
| 7720000 | 8260 | $acquisition value |  |
| 7720000 | 4101/4419 |  | $acquisition value |
| 7720000 | 9011 |  | $acquisition value |

If the add asset global document uses 7720000-8280 then the following general ledger entries will be automatically generated:

| **Account Number** | **Object Code** | **Debit** | **Credit** |
| --- | --- | --- | --- |
| 7720000 | 1854 | $acquisition value |  |
| 7720000 | 8280 | $acquisition value |  |
| 7720000 | 4101/4419 |  | $acquisition value |
| 7720000 | 9011 |  | $acquisition value |

Object codes: 1821=Equipment – Univ Title

 1825=Vehicles-$5000 & Ovr 1826=Software

 1854=Nondep Collect Obj

 8210=Capital Equipment – CSU

 8250=Vehicles>$5000

 8260=Software

 8280=Art & Museum Objects

 4101=Gifts-Equipment

 9011=Equip Acquisitions

### *Gift in Kind - Gift*

CSU receives non-cash contributions from donors. The University Property Management Office will create gifts received through, or reported to, the Advancement Office. The Advancement Office collects and records information regarding gifts and then compiles a list with pertinent information and sends it to the Property Management Office at the beginning of each month for the prior month, where it is reviewed to determine which items meet the capitalization criteria, and the appropriate assets are created. The Advancement Office will require the donor to provide an appraisal if they determine the amount to be $5,000 or greater. The organization in receipt of the gift(s) may be contacted to get any necessary information to create the asset(s). The Asset Processor will assign a Gift-In-Kind number by using a G and the last 6 digits of the gift number. This will be referenced in the PO# field. A copy of the donation sheet is given to an accountant in FRA. See above for entry and asset addition information where 4101 gain object code is used and assigned an asset type code of G.

### *Gifts given to an organization directly - Donation*

If an organization receives a gift directly, CSU requires the organization to contact the Property Management Office to obtain the Information needed for Equipment Transferred In or Furnished by an outside Agency form or print the form directly from the Property Management website located at the following URL <http://busfin.colostate.edu/prp.aspx> under the Forms heading. See above for entry and asset addition information where 4419 gain object code is used and assigned an acquisition type code of T.

### *Retirement of Gift Assets*

CSU must report information to the IRS about dispositions of charitable deduction property made within three years after the donor contributed the property. When a gift asset is retired within three years of the creation date, IRS Form 8282, Donee Information Return, must be processed. CSU does not allow the retirement of a gifted asset within three years after the donor contributed the property. If an asset must be retired then the Tax/AP department within BFS is notified and the proper IRS forms are filled.

## **Loaned Equipment**

Loaned equipment are assets which are owned by some organization or person other than CSU which have granted use of the equipment to CSU for a period of time. Some equipment may be on loan from a sponsor or the Federal government or the equipment might be on loan to a contract, grant, or agreement. Either way, the asset(s) will be recorded with an acquisition type of “S” for Loaned Equipment Federally/Other Owned. Since these assets are on loan to CSU their value is not recorded in the general ledger. Instead these assets are booked to object code 8247 in CAM which is the object code for Capital Equipment Loaned. The organization or The Office of Sponsored Programs (OSP) is responsible for providing the loan agreement or dates of the loan period to the Property Management Office. The loan end date will be entered into the Component tab on the asset record and the Asset Processor will follow up with the equipment disposition or extension of the loan period upon termination of the current loan period.

### *Loaned assets given to an organization directly*

If a piece of equipment is loaned directly to an organization or department on campus then CSU requires the organization to contact the Property Management Office to obtain the Information needed for Equipment Transferred In or Furnished by an outside Agency form or print the form directly from the Property Management website located at the following URL <http://busfin.colostate.edu/prp.aspx> under the Forms heading. The asset(s) is brought into the system under the Education+General Plant-Investment In Plant account number 7720000 via the *add asset document*.

### *Loaned assets to a research account*

If the equipment is on loan to a contract, grant, or agreement then OSP will notify the Property Management Office of the equipment. The asset(s) is brought into the system under the 53 account via the *add asset document*.

## **Transfer-in Capital Assets**

Transfer-in capital assets are those received from an external organization (usually another university) or government surplus. For example, a professor transferring to Colorado State University may bring equipment from Harvard University. Whether an organization receives equipment through a transfer or from government surplus, the equipment list should be sent to the Property Management Office via Information needed for Equipment Transferred In or Furnished by an outside Agency form. This form can be located at the following URL <http://busfin.colostate.edu/prp.aspx> under the Forms heading. A letter of acceptance signed by the CSU department head and a letter of release from the releasing agency are required documentation to go with the form. Those assets that meet the capitalization criteria will be added to the university asset database via the *add asset document*. The asset will be recorded with an acquisition type of “T” for transfer-in.

When equipment purchased on a grant account is transferred to CSU it can be considered loaned equipment. Please see the above section on Loaned Equipment. If the transferred-in asset(s) was not purchased on a contract and/or grant account then the Education+General Plant-Investment In Plant account number 7720000 should be used. Equipment transfers for federally-funded assets should be recorded in object code 8240, and object code 8245 is used for federally owned.

If the add asset global document uses 7720000-8240 then the following general ledger entries will be automatically generated:

| **Account Number** | **Object Code** | **Debit** | **Credit** |
| --- | --- | --- | --- |
| 7720000 | 1821 | $acquisition value |  |
| 7720000 | 8240 | $acquisition value |  |
| 7720000 | 4419 |  | $acquisition value |
| 7720000 | 9011 |  | $acquisition value |

If the add asset global document uses 7720000-8245 then the following general ledger entries will be automatically generated:

| **Account Number** | **Object Code** | **Debit** | **Credit** |
| --- | --- | --- | --- |
| 7720000 | 1844 | $acquisition value |  |
| 7720000 | 8245 | $acquisition value |  |
| 7720000 | 4419 |  | $acquisition value |
| 7720000 | 9011 |  | $acquisition value |

Object codes: 1821=Equipment – Univ Title

 1844=Fed Owned Equipment

 8240=Federal Funded Equipment

 8245=Capital Equipment Fed Owned

 4419=Gain Capital Assets

 9011=Equip Acquisitions

### *Creating a Transferred in Asset*

Information the Property Management Office will need to create the assets:

* 1. account number
	2. quantity
	3. vendor
	4. manufacturer
	5. description
	6. serial number
	7. original acquisition date, original cost, and fair market value
	8. date equipment was received by CSU
	9. campus, building and room
	10. responsible person

# NON-CAPITAL ASSETS

Non-capital assets may be added to CAM using the *Asset Global (Add) document*. These transactions do not create accounting entries. Non-capital assets are identified in the university asset database using the Asset Status Code of “N” for non-capital active or “O” for non-capital retired. Non-capital assets do not have the same data requirements as capital equipment. Any item costing less than the capital asset threshold may be added as non-capital equipment.

Individual departments on campus may choose to use CAM to keep track of any of their non-capital assets. They can do so by obtaining decals for the assets from the designated non-capital range 9xxxxx, and by creating asset records for them in CAM. For example, many high-theft items will cost less than $5,000 and therefore not be tracked as a capital asset in CAM. But the departments may still want to monitor such assets since they are smaller in size and may be checked out by various members of the dept. The edit, loan, merge, and separate functions are available on non-capital assets.

**FABRICATIONS**

Equipment and models are frequently fabricated by CSU, and the majority of these are funded by research grants in a 53 account. We also see Software projects that are developed in-house, that will fall under this umbrella. A new work-in-process account in the WIP sub-fund group will be set up to record expenses for these projects. The WIP accounts are a Project-To-Date account which means you can track revenues and expenses across multiple years. Once the equipment or model is completed, the total costs will be transferred into the appropriate 8xxx equipment object code on the funding account. This generates the capitalization entry and creates the asset record, and depreciation will begin.

* Since the purchase of equipment or models is not subject to F&A costs, fabrication is also exempt from these charges.
* The equipment/ model being fabricated must still meet the requirements of capital equipment to be capitalized; total expected cost > $5,000 and useful life > 1 year. If it has a useful life < 1 year, it can still run in an 88 WIP account, but will not be prorating to 1823 Equipment in Process.

There are restrictions on the costs that can and cannot be charged to a WIP account.

Costs that can be charged to a WIP account include:

* Materials needed for the fabrication
* Services needed for the fabrication
* Salaries of technicians performing the fabrication
* Any other costs that can be specifically identified as directly related to the fabrication

Costs that cannot be charged on a WIP account include:

* Salaries of principal investigators or administrative personnel. Salaries should be recorded in the funding account directly.
* Travel expenses
* Indirect costs
* Facilities rental
* Capital equipment (over $5,000)
* Any other costs that cannot be specifically identified as directly related to the fabrication, such as postage

If the project is funded by a 53 research grant, the 88 account will be set up through the Office of Sponsored Programs, along with the AJV to book expenses to 1823 on a monthly basis.

If the project is funded by any general University moneys, the account request will be sent to the Plant Accountant for review, and an 89 account will be set up. The Plant Accountant will select an existing 89 account to copy, as similar to the new project being requested as possible (same type of project or department). AJV entries will also be created that will book the monthly expenses in the 89 project account to 7720000-1823 and offset the expenses that occur in the 89.

When the fabrication is complete, the accumulated expenses in 1823 will be moved to the appropriate 18xx asset object code, and depreciation will begin. This entry is made by OSP for research funded projects, and by the Plant Accountant for all others.

**FEDERAL OR OTHER OWNED**

Federally owned and other owned assets are created in the university’s asset database for inventory tracking purposes. When the title to equipment remains vested in the Federal Government, State of Colorado, or other external sponsor or organization, the equipment is considered federal or other owned.

Federal assets are depreciated and included on the university’s financial statements while other owned or loaned assets are not. These assets may later be capitalized and subject to depreciation if title to the equipment or software is subsequently transferred to the university.

The Property Management Office reviews new purchases to ensure the correct object codes are assigned. When a 53 research account is being used the Asset Processor will review the Research Project Status (RPS) Report to see if there is an equipment budget and if so who has title to the equipment. The Office of Sponsored Programs maintains the RPS page and is responsible for recording the accurate property title for capital assets on sponsored projects. The Property Management Office is then responsible for recording asset ownership in the asset record. Federal Acquisition Regulation (FAR) part 52.451-1, “Government Property,” requires stewards of federal property to have a property maintenance program in place to enable the identification, disclosure, and performance of normal and routine preventative maintenance and repair of federal property. Departmental custodians are responsible for ensuring maintenance is performed on their capital assets and for recording that maintenance in the Capital Asset Management (CAM) Database. Quarterly a system generated email from the Property Management Office will be sent to the custodian listed as the responsible person on the capital asset record and the Department Property Contact (DPC) for both Federal and Conditional titled assets within CAM. This system generated email will send both people a report showing the assets that need to have maintenance records updated or entered. The Property Management Office has campus wide trainings twice a year and the maintenance tab on the asset record is a topic that is taught during those trainings.

At the termination of the award, grant, or contract, Property Management will contact the granting agency with a final letter to inquire if the title will transfer to CSU, or if the equipment will be returned to the Federal Agency, The State, or other external institution.

***Transfer Title from Federal or Other Owned***

**Procedures:**

1. **Equipment returned to Federal Agency, The State, or other external institutions.**
2. **Transfer Title from federally owned, and other owned to CSU.**
3. **Equipment returned to Federal Agency, The State, or other external institutions.**

If title is not relinquished to the university, the granting agency or owner of the asset will forward a letter designating where the equipment is to be shipped. This information is sent to the university organization holding the equipment. The organization has the responsibility of shipping the equipment to its new destination, and initiating an Asset Retirement Document.

1. Once the equipment has left the university the organization must initiate an Asset Retirement Document using the retirement reason of “External Transfer”.
2. The Asset Retirement Document will require the name of the institution or non-profit agency the equipment will be returned to when the award, grant or contract is terminated as well as a letter of release signed by the CSU department head and a letter of acceptance singed by the accepting party.

For document instructions on how to process an External Transfer Asset Retirement document contact the Property Management Office.

1. **Transfer Title from federally owned or other owned to CSU.**

To record the relinquishment of title in CAM the federal or other owned asset will need to have a GEC and an asset edit completed. The GEC will need to re-class the asset to an object code that reflects CSU owned and the asset edit will need to change the ownership field to reflect CSU. If the asset was on loan to CSU and title has relinquished to CSU then the asset will need to be retired from CAM and a new asset will need to be created now that the asset belongs to CSU.

# TAGGING CAPITAL EQUIPMENT

## **Tagging movable capital equipment**

To comply with state and federal standards movable capital equipment must be tagged. (Reference U.S. Office of Management and Budget: Circular A110)

Movable capital equipment in the custody of CSU must meet two specific criteria in order to qualify as a capital purchase. It must have (1) an acquisition value of at least $5,000.00 and (2) a useful life expectancy of one year or greater.

Procedures for tagging movable capital equipment:

1. An Inventory Specialist will attempt to tag new equipment within 2 weeks of payment being made. If the asset cannot be tagged within thirty days (30) a note should be made on the decal worksheet indicating why the asset can’t be tagged and the approximate tagging date.
2. The tag should be placed on a flat surface near the manufacturer’s logo unless it is attached to a removable component or is inaccessible for inventory purposes. In either case, the tag should be placed in a visible, permanent location since it will be scanned.
3. If it is not possible to tag the item due to its size, number of components, or delicate nature (i.e. microscope objectives, etc.), then in capital letters “ND” should be placed at the end of the assets description to indicate that the asset cannot be tagged. When assets cannot be tagged because they are internal to an existing asset a note should be entered in the Org Text Line indicating the tag number or asset number the internal asset was installed into.
4. Any asset that adds to an existing system and cannot be used independently should be merged into the primary asset once all conditions for an asset merge have been checked.
5. Capital assets are created based upon information from the requisition. In some instances, the requisition information may not provide a clear indication that there is more than one asset being purchased. This usually occurs when purchases are made in ‘bundles” as is the case with mass purchases of computer equipment. Physical inspection of the asset(s) upon tagging will confirm the need to separate it into the correct number of assets. The Property Management Office will issue an asset separate to create the correct number of assets.
6. Reviewing a capital asset for tagging should include verifying its description in CAM to make sure the asset can be correctly identified.

### *Tagging of federally owned and capital leased equipment*

Federally owned and capital leased equipment will still be tagged with a CSU decal. The 6xxxxx range has been designated for Federal owned equipment in our possession. The 8xxxxx range has been designated for capital leased equipment. Under both circumstances, the equipment will still show up on a department’s inventory report and will be tracked like any other CSU property.

## **Tagging of movable non-capital equipment**

Movable non-capital equipment in the custody of CSU must have an acquisition value of less than $5,000. Movable non-capital equipment may be tagged at the discretion of the organization. However, the Property Management Office does not require that movable non-capital equipment be tagged.

# PHYSICAL INVENTORIES

Movable capital assets are transportable equipment in the custody of CSU having an acquisition value of $5,000 or more and a useful life expectancy of one year or more. Physical inventories are completed to secure university assets, and assist organizations with effective management of capital equipment. The inventory process is an essential part of ensuring compliance with federal requirements, including the mandate to perform an inventory once every two years or more frequently. Circumstances which may warrant more frequent inventories include:

* Award close-out or termination
* Terms and conditions of a sponsored project
* Results of a prior inventory
* Changes in level of departmental compliance
* Large organizational changes
* Emergency response or support

A physical inventory is performed in accordance with University policy and Sponsor compliance requirements. The federal government’s Office of Management and Budget governs CSU. Its official documents entitled, Circulars A110, and A-21 can be found at: <http://www.whitehouse.gov/OMB/circulars/index.html>.

To ensure separation of duties, the primary inventory verification is performed by the Property Management Office with reconciliation of exceptions done by departments. Kuali Capital Asset Management (CAM) is the Property Management database that is used as the data source and system of record for equipment from physical inventory activity. CSU has two Inventory Specialists and each organization/department has been assigned one of these two Inventory Specialists who is responsible for conducting a physical inventory of those assets capitalized under each organization code in CAM. The inventory is completed using a handheld computer with a scanner used to scan the CSU tag number affixed to capital movable equipment. At a minimum, the process includes a physical sighting or other approved method of verification to confirm the existence, location, department, project accountability, and use status of equipment.

In general, inventory results are indicators of the overall effectiveness and “level of compliance” with property management processes and controls. Inventory results confirm the accuracy of the property records and are used as the basis for financial, stewardship, and compliance reporting. Results confirm what may be considered as a best practice or may be used to identify areas of potential improvements. Asset accountability is at the department level, with additional stewardship responsibilities at the custodian or user level. Departments are required to meet an inventory performance goal of 98% (100% for sponsor or other owned) which conforms to the current property management industry standard for the percentage of assets located during an inventory cycle.  When the desired level is not reached the Property Management Office has a formal process which consists of holding a closeout meeting where recommendations are suggested to the department and a timetable is established for the department to correct any deficiencies.  Departments that do not meet the inventory performance goal will be required to submit a corrective action plan to the Property Management Office. This corrective action plan should outline in detail the steps the department will take to improve performance in subsequent cycles going forward. The results of all physical inventories will be sent to the Associate Vice President at the end of each fiscal year for distribution as he/she sees fit.

**Procedure:**

The Property Management Office is responsible for the development and implementation of the biennial inventory schedule. Prior to each inventory an Inventory Specialist will contact the organization’s Department Property Contact (DPC) to schedule an inventory kick off meeting and deliver the inventory list. During the inventory process the Inventory Specialist will look for untagged equipment that does not appear on the inventory list. An untagged asset not appearing on the list could mean that the asset does not currently exist in the university asset database.

## **Untagged Assets not on Equipment List:**

1. If an untagged asset having a value of $5,000 or more is found, and is **not** on the departmental equipment list, then the Inventory Specialist will need to know how the equipment was acquired by the department (i.e., Gift, Transfer-in, Purchase, etc.)
2. Gifts of capital assets occur either by a gift in kind through the Advancement Office or by a direct donation to an organization. The Property Management Office creates gift assets from reports received from the Advancement Office. If a gift asset is not currently on the departmental inventory it must be determined whether the gift has been reported to Advancement.
3. Transferred-in capital assets are those assets received from an external organization (unusually another university) or government surplus. The following information is required by Property Management to create the assets:
4. Account Number (owner account)
5. Source of Acquisition
6. Manufacturer
7. Description
8. Location (campus, building, room)
9. Fair Market Value
10. Payment Account Number ( this account will have income/expense posted to it)
11. If the equipment was purchased through the CSU procurement system the purchase order number must be provided in order to research the item. It is possible that the equipment was expensed incorrectly when purchased. Another possibility is that asset was retired in error. If this is the case, the retired asset will be added to the reinstate list for manual upload into CAM.

## **Untagged Asset on Equipment List:**

1. If an asset is missing the CSU decal number, a new decal sticker will need to be printed and affixed to the equipment.

Once the completed inventory report has been uploaded into KFS, two reports may be generated:

* 1. **Bar-code Error Document** – identifies problems encountered during the scan. When uploading the inventory file, any records that do not pass validity checks against the asset database are sent to an inventory error document.
	2. **Organization Equipment Report “Not-Founds”** – lists equipment not found during the initial scan. Inventory reconciliation is the process of completing a physical inventory by resolving assets not scanned, or unable to be scanned by the Inventory Specialist.

Each organization must locate all unfound items and have them verified by an Inventory Specialists as well as return the signed inventory certificate to the Property Management Office prior to June 30th.

# Recognition of Depreciation Expense

CAM calculates and posts depreciation expense on a monthly basis. The straight line method using a half year convention is the basis for the calculation and the “sponsor owned” or “loaned” portion of an asset is excluded from the calculation. In addition, no depreciation is recorded on art & museum objects or land. In the first year of an assets’ useful life the asset will depreciate beginning January 1 of the current fiscal year in order to obtain six months of depreciation. If the asset was purchased after January 1 then the first month of depreciation will catch up any months from the create date back to January 1. In the last year of that same assets’ useful life the asset will depreciate from July 1-Dec 31 of that fiscal year. Each asset is depreciated from the asset create date (assigned when the Property Management Office creates the asset). Every Asset in CAM is assigned an asset type that has an associated useful life for the depreciation calculation. The depreciation entry will debit depreciation expense, and credit the appropriate accumulated depreciation object code based on the object code sub type. Depreciation expense has no effect on cash and is posted to the 7720000 and 7730000 plant fund accounts using object code 6679.

**Example:** Account 13xxxxx purchases a printer for $9,000 in October using object code 8210. Object

code 8210 has a financial object sub type code of “CM;” therefore, the asset will be capitalized

using object code 1821. Because a movable capital item is being purchased the capitalization process posts entries to the organization plant fund account number, 7720000.

The following entries are then created:

Actual Purchase from Purchase Order:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **ACCOUNT** | **OBJECT CODE** |  **DESCRIPTION** | **DEBIT** | **CREDIT** |
| 13xxxxx | 8210 | CAPITAL EQUIPMENT | $acquisition value |   |
| 13xxxxx | 2100 | ACCOUNTS PAYABLE  |  | $acquisition value |

Capitalization process (system generated):

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **ACCOUNT** | **OBJECT CODE** |  **DESCRIPTION** | **DEBIT** | **CREDIT** |
| 7720000 | 1821 | EQUIPMENT UNIV TITLE | $acquisition value |   |
| 7720000 | 9011 | CAPITAL EXPENSE ELIMINATION |  | $acquisition value |

Printers have a depreciable life of 5 years, so depreciation in January is calculated and posted as follows:

Depreciation Expense = (Depreciable Base x (Number of Months to Depreciate / (Useful Life in Years x 12 Months per Year)))

$150 = ($9,000.00 X (1/ (5 X 12)))

Month 1 depreciation entry (system generated)

| **ACCOUNT** | **OBJECT CODE** |  **DESCRIPTION** | **DEBIT** | **CREDIT** |
| --- | --- | --- | --- | --- |
| 7720000 | 6679 | DEPRECIATION EXPENSE  | 150.00 |   |
| 7720000 | 1830 | ACCUM DEPR EQUIP  |  | 150.00 |

Note that depreciation expense was posted to the same account number that recorded the capitalization of the asset. This will always be a 77 plant fund account.

# Determining the Object Code Used for Capitalization

The proper balance sheet object code is determined by an attribute of the financial object code. This attribute is called the financial object code sub type and links the capital expenditure object codes (8XXX) to the balance sheet object codes. For example, object code 8210 has an object code sub type of “CM” (which stands for capital equipment movable). All object codes with a sub type of “CM” are capitalized on the balance sheet as object code 1821 (entry shown above).

**Note:** Assets are created in CAM for “sponsor owned” and “loaned” items and will appear on inventory listings; however, no payments are capitalized or depreciated. If an object code sub type does not have a Depreciation Expense or Accumulated Depreciation object code, it is because we do not depreciate that type of asset.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Object Sub-Type Code** | **Description** | **Expenditure Obj Code** | **Capitalization Obj Code** | **Accum Depr Obj Code** | **Depr Exp Obj Code** | **Active Indicator** |
| AM | Art/Museum | 8280 | 1854 |   |   | Yes |
| BD | Building | 8530, 8550 | 1810 | 1812 | 6679 | Yes |
| BF | Building Federal Funded | 8540 | 1810 | 1812 | 6679 | Yes |
| BI | Reserved for CAM |   | 1815 |   |   | Yes |
| BL | Building Lease | 8570 | 1809 | 1814 | 6679 | Yes |
| BX | Building Improvement-Fed Funded | 8560 | 1810 | 1812 | 6679 | Yes |
| C1 | Cap Lease => Cap Threshold | 8312 | 1841 | 1830 | 6679 | Yes |
| C2 | Cap Lease < Cap Threshold | 8315 | 1838 |   |   | Yes |
| C3 | Vehicle Capital Lease | 8317 | 1833 | 1832 | 6679 | Yes |
| CF | Cap Equipment-Federal Funded | 8240 | 1821 | 1830 | 6679 | Yes |
| CL | Capital Lease Purchases/Payments | 8300, 8310, 8320, 8920 | 2841 |   |   | Yes |
| CM | Capital Moveable Equipment | 8210, 8220, 8230, 8270, 8910 | 1821 | 1830 | 6679 | Yes |
| CN | Construction in Process |   |  1860 |   |   | Yes |
| CO | Cap Equipment-Fed Owned | 8245 | 1844 | 1830 | 6679 | Yes |
| CS | Capital Sponsor | 8235 |   |   |   | Yes |
| CT | Capital Loaned | 8247 |   |   |   | Yes |
| CV | Vehicles  | 8250, 8915 | 1825 | 1832 | 6679 | Yes |
| LA | Land | 8341 | 1801 |   |   | Yes |
| LE | Leasehold Improvements | 8330 | 1811 | 1813 | 6679 | Yes |
| LF | Library Acquisition-Fed Funded | 8291 | 1850 | 1852 | 6679 | Yes |
| LI | Library Acquisitions | 8290 | 1850 | 1852 | 6679 | Yes |
| LL | Leasehold Land Investment | 8340 | 1806 | 1807 | 6679 | Yes |
| LN | Non-Depr Land Improvements | 8345 | 1808 |   |   | Yes |
| LR | Land Improvements | 8344 | 1805 | 1804 | 6679 | Yes |
| SF | Software-Federal | 8265 | 1826 | 1831 | 6679 | Yes |
| SO | Software  | 8260, 8930 | 1826 | 1831 | 6679 | Yes |
| UC | University Constructed | 8500  | 1823 |   |   | Yes |
| UF | Univ Constructed-Fed Funded | 8510  | 1828 |   |   | Yes |
| VF | Vehicle-Federal Funded | 8255 | 1825 | 1832 | 6679 | Yes |

# Kuali Documents

## **PREPARATION OF REQUISTION FOR CAPITAL EQUIPMENT**

***Capital Asset tab***

When movable equipment costing $5,000 or more is purchased, CAM requires information regarding the capital asset category or the type of addition (new/payment.) This info will be entered on the Purchase Requisition document under the Capital Asset tab. Information is collected on how line items should be added together to create system assets, which along with other general info on the requisition, will be used as the basis for the Asset Record.

***Capital Asset System Type***

Listed below are the three types of acquisitions for capital purchases followed by the required information for each:

* + 1. ***Individual Assets*.** When the capital line items on a purchase order will create individual assets the initiator will click on the “Individual Asset” button.
		2. ***Multiple Systems.*** If any of the line items are added together to create multiple system assets, the user selects the “Multiple System” button. The user is then prompted to enter information that communicates how the line items should be grouped to create system assets. This option should also be chosen when some lines will be combined, while other line items will create individual assets. Another reason to choose this option is when line items on this PO need to be combined with line items from another PO.
		3. ***One System.*** For the initial purchase of a system the user may record line items as capital if the items work together to perform one function and the total cost of the system meets the capitalization requirements. Each of the line items must be necessary for the system to function. If all of the line items will be added together to create a system asset, the user will select the “One System” option.

***Capital Asset System State - New***

Select the "Capital Asset System Type" of **New** when you are purchasing a new capital asset. The transaction type of **New** will indicate to CAM that the invoices should create new asset(s) in the university asset database. When line items are added together to create a system asset, these line items should also be assigned the **New** CAMS Tran Type.

***Capital Asset System State - Modify Existing***

The transaction type of “Modify Existing” is used to communicate that the line item purchased is a component of an existing asset. An existing asset is an asset that was previously created from another invoice, or purchase order and exists in the university asset database. The best test to determine whether “Modify Existing”is required is to question whether a line item will be added to another PO or invoice that has already been posted to the general ledger.

Business Rules for Modify Existing:

* + - 1. When components are added to an existing asset, the asset becomes a system. **System assets** are defined as components that work together to perform one function. These components must be necessary for the system to function as a whole. Removal of any one component would result in the system not operating at the required capacity or for the intended purpose.
			2. When a component of a system is $5,000 or more and the life of the component differs from that of the existing asset the component should be created as its own asset. Use CAMS Transaction Type of "New".
			3. The existing asset should be reviewed to ensure the asset category (i.e., movable, fabrication) matches that of the purchased component to be applied.

When selecting “Modify Existing,” the user will be expected to provide the asset number(s) to which the line items should be added. Use the “asset number” field to enter the asset number to which the line item cost should be added. If the quantity is greater than one, you can use the “Add Asset” button to insert more asset number lines.

***Capital Asset Transaction Types for Services***

Purchasing, Accounts Payable, and CAM have collaborated to develop the procurement system to allow for the capitalization of services without requiring a quantity. Normally, services are paid in increments and are not assigned a quantity; however, the CAMS asset creation module does require a quantity. For this reason, new transaction types were added that identify services that can be capitalized. When these services appear on the requisition, selecting the appropriate “CAMS Tran Type” will allow the service to be coded as capital without requiring a quantity. This will allow for incremental invoicing on the service line item.

Listed below are the “Capital Asset Transaction Types”

1. Cost of assembling the asset
2. Fabrication
3. Cost of installation
4. Capital Lease
5. Modify Existing
6. New
7. Other Service
8. Preparing the site and asset
9. In-transit Insurance

Freight, and Shipping and Handling charges do not have a “CAMS Tran Type;” however, they can and should be capitalized as part of the cost to acquire the asset.

Capital assets at CSU are held as equipment in process and do not begin depreciation until they are placed into service as fully operational assets. The Property Management Office has identified 3 conditions in which capital assets are held as equipment in process. If any one of the conditions is met the "**Not expected to be received in current FY**" should be checked.

1. **The equipment will not be received within the current fiscal year, even if the payment is made prior to fiscal year end.**

Capital assets may be purchased and invoiced in the current fiscal year but shipment does not take place until the next fiscal year. The best practice for identifying procurement orders not expected to be received in the current fiscal year is to determine the delivery date. The vendor should be able to provide an anticipated delivery date. If the vendor indicates your procurement order will not be received at CSU until after June 30th of the current fiscal year your procurement order is not expected to be received in the current fiscal year and will be capitalized as equipment in process.

1. **Partial payments (down payments) issued for the equipment.**

Capital assets may be purchased and invoiced with a partial payment more commonly known as a down payment. The partial payment can be made at the time the purchase order is approved and before the capital asset is shipped. Partial payments can also be made over specified intervals before the capital asset is shipped. If a partial payment is made before the asset can be received the partial payment will cause the asset to be created as equipment in process until the asset is received and is fully operational.

1. **Equipment has been received, but will not be placed into service.**

Equipment that has been received, but will not be placed in service as a fully operational asset during the current fiscal year should be capitalized as equipment in process. This could occur when a piece of equipment is delivered at CSU but cannot be installed in its current location due to the need for building modifications to allow for the appropriate use of the equipment. The equipment could be purchased under a warranty agreement in which the vendor has to install the equipment before the warranty is valid.

If for any reason your capital asset remains idle and not placed into service as a fully operational asset upon receipt at CSU the asset should be created as equipment in process.

The “Not expected to be received in current FY” should be checked on the document if your purchased asset qualifies for any of the above conditions.

Checking this flag and clicking on the “update view” button will assign asset type code 10001N. Asset type code 10001N identifies the capital asset as “non-depreciable” until the asset has been received and is fully operational. When the capital asset is received and tagged the Property Management Office will change the in service date and assign the appropriate asset type code for that type of equipment at which time the asset will begin depreciating. The asset in service date assigned will be the date that the asset was tagged.

* + - 1. The asset type code is required if "Not expected to be received in current FY” is unchecked. The asset type code assigns the useful life of the asset for depreciation purposes. For this reason, it is important that the most appropriate code is selected. A complete listing of asset type codes can be generated by clicking on the search button next to the field for Asset Type.
			2. If "Manufacturer is same as Vendor" is set to "Yes," the system will assign the manufacture. If "no" is the correct response, the processor must enter the manufacturer.

The following information should be entered in the “Capital Asset Note Text” when “Multiple System” is used:

1. The total number of systems to be created on this purchase order.
2. Indicate each of the line items added together to create a system.
3. Include a description for the system assets, location, asset type codes, and the number of system assets you expect to be created.
4. If this purchase order should be combined with line items from another purchase order(s) please indicate the corresponding purchase order numbers.

## **RE-CLASSIFY AN EXPENSE TO CAPITAL**

On the occasion that an item is expensed incorrectly in the current fiscal year, the *General Error Correction (GEC) document* can be used to reclassify the expense to capital. In the case of movable equipment object codes, it must first be determined whether the transaction will create a new asset or modify an existing one. If the option to “Modify an Asset” is selected, a separate *GEC document* must be processed for each asset. Each transaction must apply to the account/object code amount for a given asset.

It is important to remember that CAM houses many asset categories (i.e. art, buildings, land, leasehold improvements, library books and movable equipment.) These groups are further defined into non-movable and movable assets. Art, buildings, land, leasehold improvements, and library books are considered non-movable assets.

Due to the limitations of CAM, each financial document (i.e., *general error correction*, *distribution of income/expense*, *cash receipt*, *service billing*, *internal billing*, and the *procurement card documents*) processed can affect only one asset. Further versions of CAM will allow for multiple assets on each document, revisions to this document will be added as necessary.

***A. Create an Asset***

1. Enter the appropriate 8xxx equipment object code on the *GEC document in the Accounting Lines tab*.
2. Use the “Create New Assets” field and enter the required information on the Capital Edit tab:

Asset Quantity

Asset Type

Vendor Name

Manufacturer

Asset Description

Click on Add

**This brings up another row of required information:**

Campus Code

Building Code

Room Number

Any other available information should be entered at this time as well, such as Model or Serial Number.

***B. Retrieve Asset to be Updated***

After determining the number of assets affected by the financial transaction the user will know how many documents must be processed.

1. Enter the CSU asset number that needs updated in the Asset Number field. If you don’t know that asset number but do know the decal number you can go to the capital asset lookup screen by clicking on the search button.

When a financial document is used to move expenses between asset categories, the transaction must be processed in a manner that will allow Property Management to record the transaction correctly in CAM.

## **RE-CLASSIFY A CAPITAL ITEM TO AN EXPENSE**

Sometimes an item will be coded as capital at the time the requisition is submitted and for a number of different circumstances the item may come in with a value that is below the threshold for capitalization.

On the occasion that an item is capitalized incorrectly in the current fiscal year, the *General Error Correction*

*(GEC) document* can be used to reclassify the expense as non-capital. A separate *GEC document* must be processed for each asset at this time. Each transaction must apply to the account/object code amount for a given asset. This action will credit the movable equipment asset to zero it out for later retirement. This action should never create a new asset.

***Retrieve Asset to be Updated***

After determining the number of assets affected by the financial transaction the user will know how many documents must be processed.

1. Enter the appropriate 8xxx equipment object code on the GEC document in the Accounting Lines tab.
2. Enter the CSU asset number that needs updated in the Asset Number field. If you don’t know that asset number but do know the decal number you can go to the capital asset lookup screen by clicking on the search button.

## **MERGE AN ASSET**

The merge an asset function is used to combine assets that work together as a system. The merged asset(s) are retired with a retirement reason of “M” for merged, and the payments added to the target asset. If an asset can be used independently it should not be merged.

If it is determined upon physical inspection that two or more assets have been created that should be combined (merged) into one asset, the Inventory Specialists will process the merge.

For example, a microscope is often purchased as different line items on the purchase order. When a line item is invoiced separately it is created as an asset unless communicated differently on the requisition. The procedure for merging assets is as follows:

**The following conditions must be met before the assets can be merged.**

1. The merged asset must result in a true system and meet the university capitalization threshold for movable equipment.
2. Only assets with the same depreciable life can be merged.
3. Only assets that were created within the **same** fiscal year can be merged unless both assets are fully depreciated.
4. The assets must have the same ownership/title.
5. The target asset, or the asset to be merged, may have pending transactions. An asset merge should not be issued until all pending transactions for both the target asset or the asset to be merged has been approved.
6. The owner account on the asset to be merged should match the owner account of the target asset. If they do not match, an *asset edit document* must be processed on the asset to be merged, to match the owner account of the target asset. Once the asset edit is fully approved, the asset can be merged.
7. The target asset must be an active capital asset in CAM.

## **ASSET TRANSFER**

**Internal Asset Transfer** – including to Surplus Property

The *asset edit document* is used to change the ownership and inventory responsibility of an asset. Once the document is finalized the owner account on the asset record is changed to the receiving organization and the responsible party is updated.

1. After the transfer has been agreed upon by both organizations, then either organization may process the asset edit document. The current owner will retain responsibility until the receiving organization’s fiscal officer approves the asset edit document. We suggest that the transferring organization contact the receiving organization to ensure that the item is transferred into the appropriate account.
2. To complete the edit, the department will need to fill in the default organization owner account number in the Organization Owner Account Number field for the department that is receiving the asset. The campus code, the building code, and the room number of the new location will also need to be completed as well as the new asset representative.
3. When there is an *interdepartmental sale of equipment*, Surplus Property must be notified and approve the “sale” in addition to an *asset edit document*. The *transfer of funds* document can be used to move the monies. The *asset edit document* will move the asset to the new owner department.

Approvals of both the account manager for the transferring account and the receiving account are required.

Note: Processing a general error correction document does not change the owner account of an asset. Changes to funding are reflected on the payment records. To change an asset’s owner account, an asset edit document must be processed.

For additional information on the treatment and disposal of property please see the Surplus Property web page at http://cr.colostate.edu/main\_surplus.aspx.

Organizations must use an asset edit document whenever equipment is taken to Surplus or needs to be picked up by Surplus. It is important to know what assets your department has and when to let go of them. Be sure to send unused equipment to Surplus. No capital equipment may be disposed of by placing it in the trash. All equipment should be transferred to Surplus for disposal. If the equipment cannot be resold, it will be treated as recycling and disposed of properly by Surplus. Once an asset has been transferred to Surplus, Surplus will submit the retirement document once the asset has been disposed of.

Sale by CSU Surplus:

Proceeds from the sale of assets, minus a handling fee, will be deposited into an account designated

by the originating department.

**External Asset Transfer- to an outside agency from CSU.**

The Asset Retirement Document is used for the transfer of an asset to another agency outside of Colorado State University. Choose the asset retirement reason code of “9”, External Transfer.

1. The CSU Department Head must sign a letter stating release of the asset. The accepting Agency must also supply a letter accepting the asset. Both letters should be attached to the retirement document. If the asset belongs to an active Grant, Contract or Award for research, a letter of approval must also be signed by OSP and attached to the retirement document.

The transfer of property from CSU must also be approved by Surplus Property. The asset retirement document will route through Surplus Property for approval.

## **ASSET RETIREMENT**

The *asset retirement document* is used for assets that have been permanently removed from the university. Once the equipment leaves the university it is important that the retirement transaction be performed in a timely manner. When an asset is retired it is removed from the financial records. For this reason it is important to verify that the correct asset number is being retired.

**Note:** For environmental reasons computer equipment cannot be disposed of by placing it in the trash. Computer equipment should be sent (transferred) via *asset edit document* to surplus for proper disposal.

Procedures:

1. The fiscal officer and the Property Management Office must approve the retirement document.
2. The campus CSUPD case number is required when using the retirement reason of “theft”.
3. CSU allows faculty members to transfer capital assets to another university or non-profit organization with the proper approvals. Research equipment that costs $5,000 or more and is purchased from external funds is often given special consideration due to the uniqueness of the project director’s research. Therefore, the university will allow facility members leaving the university to take equipment purchased from research funds awarded to them, so long as they are transferring to another educational institution or nonprofit organization, and so long as they receive approval from their department chairperson, and dean of the school. Title to the equipment will be transferred to the new institution. The external institution name is required when using retirement code 9 – external transfer.
4. The name of the individual or institution making the purchase is required in addition to the selling price when using the retirement reason of “sold.”
5. When selling equipment at auction the buyer’s name and the sale price must be provided.

### *Retirement Reasons:*

| **Code** | **Reason**  | **Description** |
| --- | --- | --- |
| 1 | Sold  | University-owned equipment may be offered for sale by the campus Surplus Department, or the organization may sell the equipment with the permission of their campus Surplus Department. Surplus will still need to submit the retirement doc. The name of the buyer and selling price is required on the asset retirement document. |
| 2 | Trade-in  | The organization retires equipment that was traded in on a new purchase. The retirement should be issued when the vendor takes the equipment. A note should be included on the retirement document identifying the purchase order number for the new equipment. |
| 3 | Lost | Equipment should only be retired using this code after every effort has been made to locate the equipment. The department should include a note on the document summarizing the efforts made to locate the asset and what will be done to ensure asset are not lost in the future. The department head will need to approve this retirement.  |
| 4 | Recycled | Once sensitive data has been removed, Surplus will retire an asset that is being recycled as scrap. |
| 5 | Cannibalized | Parts of the equipment have been used to upgrade or repair other equipment. Surplus will still need to submit the retirement doc. The asset must first be transferred to Surplus via an asset edit doc.  |
| 6 | Gift | Equipment given to an external institution or organization. Authorization from the campus Surplus Department must be obtained before making a gift of equipment. |
| 7 | Theft | Theft of capital equipment must be immediately reported to the campus Police Department. The police case number is required on the *asset retirement document*.  |
| 8 | Destroyed | Equipment that is damaged beyond repair and has been disposed of by the organization. Surplus or the Property Management department will need to submit the retirement doc.  |
| 9 | External Transfer | Retirement documents must be processed for equipment going to another university or nonprofit organization.  |

***Additional retirement reasons used exclusively by the Property Management Office***

| **Code** | **Reason**  | **Description** |
| --- | --- | --- |
| 0 | Credit  | The University Capital Asset Office must retire equipment returned to the vendor, which results in the organization receiving a credit or refund.  |
| C | Check Canceled  | This retirement reason identifies assets that were created but were cancelled later.  |
| E | Asset Created in Error | This retirement reason is used exclusively by the Property Management Office to retire assets created in error.  |
| H | Retirement of Control Assets | This retirement reason is used exclusively by the Property Management Office to retire control assets. |
| J | General Error Correction | The Property Management Office uses this code exclusively to indicate those assets retired by a general error correction process. |
| M | Merged | The retirement reason used to identify assets that were merged into another asset. |
| P | Plant Fund Retirement | The retirement reason used by the plant fund accountant to retire library books and capital-lease assets that are under the capitalization threshold. These are the only capital assets in the university asset database that are retired once they are fully depreciated.  |
| R | Razed | The retirement reason used by the plant fund accountant to retire a building that has been razed.  |
| S | Asset Separated Retirement | Assets with 10 or more payments must be manually separated by the University Capital Asset Office. This retirement is used to identify manually separated assets. |

## **EQUIPMENT LOAN/RETURN**

Initiation of the Equipment Loan/Return Document is ***required*** when capital equipment is borrowed from CSU for more than thirty-one (31) days, and the equipment resides at a location which is not directly associated with the university. The document must be completed ***before*** the equipment is removed from the campus.

In accordance with CSU policy, equipment may be loaned for a period of two years or less, and the loan document must be completed within thirty (30) days of the loan. If the equipment is not returned at the end of two years a new Equipment Loan/Return Document must be processed to extend the loan.

The Equipment Loan/Return Document allows organizations to issue loan documents for non-capital assets. However this requires that the organization has created the non-capital asset within the Capital Asset Management System.

**Procedures for Processing an Equipment Loan/Return Document:**

### Initiating the Equipment Loan/Return Document:

On the Equipment Loan/Return Document once the asset number has been entered or retrieved the system will require the following:

* **Borrower id**
1. The borrower id entered on the loan document must be active in KFS. Normally this will be the faculty or staff member in possession of the equipment.
2. If the borrower is not an active KFS user add their name to the Notes and Attachments tab

* **Expected Return Date**

The Expected Return Date must not exceed two years.

* **Borrower’s address**

The system will require the user to enter the borrower’s address (personal residence).

If the equipment is located at the borrower’s personal residence the user will only need to complete the borrower’s address. If the equipment is not located at the borrower’s personal residence then the second address (stored at address) should also be completed.

### Initiating a new Equipment Loan/Return Document to extend a loan (Renew):

1. To extend a loan, a new Equipment Loan/Return Document must be processed. After entering an asset or decal number from the Capital Asset Lookup Screen notice that the action titled renew is underlined.
2. By clicking on the renew link a new Equipment Loan/Return document will open. A new document number will be assigned by the system, thus creating the renew document.
3. Enter a new Expected Return Date (cannot be longer than 2 years).
4. Submit the document to route through workflow.

### Initiating a new Equipment Loan/Return Document to return the equipment to the university:

* 1. When the equipment is returned to CSU, a new Equipment Loan/Return Document must be initiated to signify the equipment is no longer “on loan” and has been returned to the university. After entering an asset or decal number form the Capital Asset Lookup Screen notice that the action titled return is underlined.
	2. By clicking on the return link a new Equipment Loan/Return document will open. A new document number will be assigned by the system, thus creating the return document.
	3. In this case the user will only need to verify the return date as the system defaults the Loan Return Date to the day the document is created.
	4. Submit the document to route through workflow.

**Responsibilities:**

**The organization making the equipment loan will be responsible for:**

1. Initiating the Equipment Loan/Return Documents.
2. Keeping accurate inventory records of equipment on loan for a period less than thirty-one (31) days.

**The borrower will be responsible for:**

1. The timely return of equipment or the completion of an Equipment Loan/Return Document to extend the loan for an additional two years.
2. Upon request the borrower may be required to return the equipment to the organization for inventory or audit purposes.

**Insurance Coverage:**

University equipment is covered by Risk Management with a $1,000 deductible. This includes equipment off campus. Any concerns regarding insurance should be directed to Risk Management.

# PLANT FUND ACCOUNTING

## **ASSIGNING AN ACCOUNT FOR A NEW PROJECT**

Facilities Management oversees the actual construction projects, from conception to completion. This includes getting the appropriate approvals, filing any necessary documents with the State, tracking the designated funding, assigning a Project Manager, and creating purchase requisitions. When the project is substantially complete, Facilities Management will notify the Plant Accountant (and Bond Accountant if bond-funding was involved) so the capitalization entry can be made in KFS.

Once a project has received the appropriate approvals, Facilities Mgmt will submit a New Account Request to the Plant Accountant. It will be reviewed to determine the funding source and whether it meets the capitalization criteria. These two items determine what sub-fund the account will be in.

## **CAPITALIZATION CRITERIA**

Each new building project will need to be reviewed to determine if it will be capitalized or not, based on whether it meets both of the following criteria:

* 1. Expected total costs of $50,000 or more
	2. Provides economic enhancement or increases the useful life of the building

Economic enhancement or useful life would be evident in the following examples:

-increased square footage

-change in utility (convert classroom into lab space)

-adapt space to accommodate startup for new faculty member (even if no actual “change in utility”)

-replace critical building system past its useful life, such as HVAC, condensate or steam line replacement, fire suppression system and roofing.

Examples of projects that will not be capitalized

- remodels or renovations to update

- cyclical maintenance: painting, floor coverings, etc.

- changes to conform to code, asbestos removal, handicap access

 **Capital Operating**

 **Type of Expenditure Asset Expense**

1. Cost of repairs, maintenance and upkeep

occurring annually or on a regular basis

regardless of cost: X

 Furnace Repair

 Paint, Repair swimming pool

 Replace broken window

 Repair Leaking Roof

 Interior Wall Repainting-general upkeep

 Lawn maintenance

 Repaint Parking Lot

1. Major items or repairs, maintenance and

 renovating (remodeling) not required annually

 nor on a regular basis and not meeting X

 capitalization requirements

Major Remodel

 Building rewiring

 Conforming to Building code standards:

 Asbestos removal, handicap access, etc.

1. Additions or improvement to buildings costing $50,000

 or more & meet capital criteria of New Addition or

 Betterment which enhances the value of the building

 Or extends the useful life: X

 New Roof Replacement

 New Addition to existing Building

 New HVAC system where none existed previously

 New Fire Suppression System

 Increased square footage

1. Replacement or renovation of furniture and equipment:

Costing $5,000 or more each X

Costing less than $5,000 each X

1. New or additional furniture and equipment

 Each costing $5,000 or more: X

 New movable Dish Washer cost $5,000

 New server costing more than $5,000

1. New or additional furniture and equipment each costing

 less than $5,000: X

Treadmills costing $3000 each

100 Mattresses at $500 each, total $50,000

1. General Supplies:

 Baking supplies- table service X

Vaccinations inventory supply

1. Change in Use of Space costing more than $50,000:

 An Office into a Lab X

 Trade out 1 retail business for another X

 A Closet into an Office X

Adapt space to accommodate startup for

 a new faculty member X

1. Remodel of entrance hall to change door location X

 cost $30,000.

## **PLANT SUB-FUNDS**

There are several sub-fund groups available for Plant Fund Accounts. The determination on the appropriate group is based on the funding source of the project and whether or not it will be capitalized.

KFS sub-fund groups for project accounts:

CPLB Capital Projects, Long Bill 771-range

CPAD Capital Projects, Auxil/Debt 772-range

CPOTH Capital Projects, Institutional 773-range

CPRR Capital Projects, Renew & Replace 774-range

Examples:

CPLB – any project that is funded with money directly from the State, and is included on the Long Bill; these projects have certain other restrictions, covered in the COFRS section

CPAD – any project that is funded by an auxiliary or with a bond issuance; there are specific ranges within the 772 accounts for each auxiliary and a new range is set up for each bond issuance

 7722000 – 7722500 Housing & Dining Services

 7724000 – 7724490 Lory Student Center

 7724500 – 7724990 Health Center

 7725000 – 7725250 Rec Center

 7725500 – 7725990 Parking Services

 7738000 – 7738990 Telecom

CPOTH – projects that will be capitalized and are funded by any funds not bonded or auxiliary

CPRR – any remodel or repair project that will not be capitalized; we still track these projects in a plant fund as they are related to capital assets; there are ranges for the Auxiliaries as well

 7742000 – 7742500 Housing & Dining Services

 7744000 – 7744490 Lory Student Center

 7744500 – 7744990 Health Center

 7745000 – 7745250 Rec Center

 7745500 – 7745990 Parking Services

KFS sub-fund groups for asset accounts:

CAPAUX Capital Assets, Auxiliary

CAPGEN Capital Assets, General

These sub-funds contain the account numbers for the actual building assets. These are mainly used to track Construction-in-Progress. Once the project is complete, it will be capitalized to account 7730000, which is a CAPGEN sub-fund account.

There are two other important designations on the project accounts, which are the Campus Services Code and the Auxiliary Statement Code fields. The Campus Services Code is broken out by different colleges within the University; ex. Business, Engineering, Senior VP Admin Services. This information will be noted on the account request. The Auxiliary Statement Code field designates which Auxiliary is funding the project, so it will show up on their reports.

If the new project account is within the CPLB subfund (771-range), the “COFRS Cap Rpt Categ Code” and “COFRS Cap Approp Code” fields should also be completed. For CPLB accounts, the Capital Construction information should also be completed, including percentage, account type, and account number.

The Plant Fund Accountant will determine the new account number that will be assigned to the project and the account number to copy from. This information will be given to Facilities Management, who will then submit the Account Create document in KFS. Notation should be made on the account create document as to the determination to capitalize or not, and the New Project Account Request form is filed. The new account is also added the current fiscal year Excel spreadsheet to track all new accounts for that year. In addition, at the end of every month, the Plant Fund Accountant will provide a list to the Bursar’s Office of the accounts to which interest should be allocated for each new project account created during the month.

Forms:

 Campus will fill out a Facilities Needs Request Form:

<http://www.facilities.colostate.edu/files/forms/fac_needs_request.pdf>

Facilities will fill out a New Project Request Form:

<http://busfin.colostate.edu/forms/fmNewAcctRequestForm.doc>

## **PRORATES FOR CONSTRUCTION-IN-PROGRESS (automated journal vouchers)**

If the project will be capitalized, the expenses will need to be tracked as CIP. CIP is recorded in object code 1860 on the building asset account, or 7730000 for Land Improvements. Once the new project account is active, an Automated Journal Voucher will need to be set up in KFS. This entry will look at the expenses that booked on the project that month, and record them in 1860, using object code 977x as the offset on the project account. Here are the two entries that book for this:

Dr. Asset acct-1860

 Cr. Project acct-977x

Dr. Project acct-9012

 Cr. Asset acct-9012

The second entry is to offset the cash movement that occurs in the first entry.

## **PLANT FUND TRANSFERS**

Once the new account has been created, funds can be transferred into the project account, via a Transfer of Funds document. This document will be usually be submitted by either Facilities or the dept that is funding the project. The lines on the document will be:

From: Funding acct-9905

 To: Plant fund acct-9904

This records a transfer expense on the funding account and a transfer income on the plant fund account, and moves cash between the two. If possible, the Org Ref ID should be the account number from the opposite line.

The Plant Fund Accountant should review the document for reasonability, i.e. does it make sense for those department funds to be moved to that particular plant fund. Also review any attached documentation to make sure the correct amount and accounts were entered on the document, and any other correspondence that may be relevant.

The other transaction that will be made using the Transfer of Funds doc is returning funds from a Plant Fund account back to the original source. This entry will use the following lines:

From: Plant fund acct-9904

 To: Funding acct-9905

This leaves the net balances in 9905 and 9904 equal to what was ultimately used by the plant fund.

## **75 RESERVE FUND TRANSFERS**

A special type of plant fund transfer involves transfers to/from a 75 reserve account. This occurs when a department wants to transfer operating funds into the reserve account, to be used for a specific project later on, or when they need to transfer funds out of the reserve account into a project account.

The departments will normally be originating this transfer with Campus Services, but the Plant Fund Accountant is also an approver and occasionally transfer requests will come directly to them.

The reserve accounts should not be used as temporary holding accounts. They are not swept at year-end, and interest is not allocated out to a central account – it stays in the 75 account. Therefore, transfers in and out of these accounts are strictly monitored so the funds are being used for their intended purpose. Transfers into a reserve account need to have a specific purpose, which is not expected to occur for at least another year. Transfers out of the reserve account will be reviewed to make sure they are being used as originally intended. Any transfer involving a reserve account requires a request form attached with the VP of Budgets/Finance and others’ approval signatures. This form should originate with the department requesting the funds transfer, but it is located on the Business and Financial website as well. The transfer request should route from the department to Campus Services to the Plant Fund Accountant, who then submits it to the VP’s office for final approval. Once it has been signed by all parties, the Plant Fund Accountant will create the Transfer of Funds doc in Kuali and attach the request form along with any additional backup.

## **CAPITALIZATION ENTRY**

Capitalization entries are made on a quarterly basis. CSU uses a half-year convention, so we will only recognize 6 months of depreciation regardless of when the capitalization entry is made in KFS.

Facilities Management will send over a Capitalization Worksheet when a project has been determined to be “Substantially Complete”. This is established when the building is occupied for its intended purpose. Often times, there are still open encumbrances on the projects, as we wait for contractors to finish up work and create final billing. We include these amounts when calculating the project expenses to be capitalized. This leaves a negative balance in CIP, until those invoices are received and the actual expense books to the project account, which then prorates to CIP.

Occasionally, the open encumbrances at the time the project is substantially complete will be too high to capitalize the project. If open encumbrances are more than 10% of expected total costs, the capitalization entry will not be made at that time. The Plant Fund Accountant will print the Account Statement from Jasper, which shows the open encumbrance amount and projected total expenses, as documentation. The project will be reviewed for the following quarter’s capitalization batch, to see if those encumbrances have been paid out and are low enough to capitalize.

The capitalization entry is made on the Distribution of Income document in KFS. The Account Statement report from Jasper is used to show total project expenses to be capitalized, including open encumbrances. Backup showing the current balance in 1860 CIP is also needed, and can be pulled from a General Ledger Balance lookup in KFS, or the Excel CIP spreadsheet can be used if there are multiple projects booking the same asset account. The third piece of backup is the Capitalization Worksheet and short report received from Facilities. The 8xxx object code used in the capitalization entry is based on the type of project (new building or improvement, or land improvement, or land) and funding (non-federal or federal).

The entry made on the DI doc is:

Dr. 7730000-8xxx

 Cr. Asset acct–1860

Dr. Asset acct-9012

 Cr. 7730000-9012

This moves the balance in 1860 into CAM, via 8xxx. The movement into CAM also creates a Generated Capitalization entry that automatically posts to the GL:

Dr. 7730000-1810

 Cr. 7730000-9011

The use of the 8xxx requires info to be entered on the Capital Edit tab, which will be used to create the asset record in CAM. Once the DI doc is Final, it will route to Capital Asset Builder GL Transactions in KFS. The Plant Fund accountant will need to process the transaction here, which creates the actual asset record and posts the payment into CAM.

## **EXPENSES THAT POST TO CIP AFTER CAPITALIZATION ENTRY HAS BEEN MADE**

Often times with construction projects, there will be expenses that are billed after the capitalization entry has been made in KFS, and that were not included as part of Open Encumbrances in that entry. The CIP prorate on the project account is kept active until the account it is closed, so the expenses will book to 1860 CIP as well. Periodically, a review of the CIP spreadsheet is conducted, and any final expenses on capitalized projects will need to either be adjusted on the capitalized amount, or cleared from CIP and left as an expense on the project account. This is also checked when an account closure document is created in KFS. Before it can be approved, we need to make sure that there aren’t any costs sitting in CIP that will end up being left as expense on the account.

The threshold for determining how these expenses will be handled is whether they are > 5% of total project costs. If they do account for more than 5% of total costs, the amount capitalized will need to be adjusted to include them. If they are less than 5%, the CIP prorate entries will be reversed, which includes the 977x offset. This leaves the expenses as just that on the project account.

Entry to adjust amount capitalized to include final expenses:

Dr. 7730000-8xxx

 Cr. 77xxxxx-1860

Dr. 77xxxxx-9012

 Cr. 7730000-9012

NOTE: Will need to include the Asset Number from the original capitalization entry on the Capital Edit tab, so this “payment” will be added to that record.

Entry to reverse CIP prorate, leaving amount as expense on project account:

Dr. Project acct-977x

 Cr. Asset acct-1860

Dr. Asset acct-9012

 Cr. Project acct-9012

## **COFRS CAPITAL CONSTRUCTION**

There is a weekly interface feed from KFS to COFRS for any activity on 771- accounts. The State requires that projects funded with money from the State be tracked in COFRS on fund 461, instead of lumped together in the general 320 fund. A member of Financial Reporting & Analysis will submit the feed request, along with a weekly PO feed for these accounts. The batch detail will be used to create a weekly draw entry in COFRS, and corresponding entry in KFS if necessary.

There are several annual projects associated with Capital Construction appropriations in COFRS. The State will generate $0 AP docs for any active appropriation codes in COFRS in early June, for the coming FY. These documents act as a place holder basically, to keep the spending authority open for the appropriations. The Plant Fund Accountant will create a listing of the AP doc numbers and which project they are for, delete any AP docs for appropriations that will not be active in the coming FY, and print the two page doc for all the rest. This is given to a level 5 approver.

In the spring, the State emails two lists – Expiring and Continuing projects. If the spending authority is expiring for a project, the remaining balance will need to be either reverted or carried-forward, based on any remaining encumbrances. If the project is continuing, the spending authority balance will need to be carried-forward. This activity is recorded on an AP document in COFRS. No activity needed in KFS. The AP document numbers will need to be included on the appropriate project list, which will need to be sent back to the State around July/August. The actual due date is noted when the lists are initially sent out.

When funding is received for any new construction or controlled maintenance projects from the State, the spending authority will need to be set up in COFRS. The Long Bill will be emailed to CSU with appropriation coding noted on it. Once the State has activated the appropriation code in COFRS, an AP document can be created by the Plant Fund Accountant for it, and a corresponding account created in KFS.

Encumbrances and expenses are tracked for each appropriation. Encumbrances are affected by the weekly PO batch feed, and expenses are posted according to the JV batch feed. The total of encumbrances, expenses, and uncommitted in COFRS will equal spending authority. Therefore if a PO tries to post for an amount greater than the uncommitted amount, it will reject in COFRS. Also, if an expense on a JV tries to post for greater than the uncommitted amount, it too will reject. Further research will need to be done in KFS and with Facilities to determine why it has gone over. When an expense is paid in KFS, a PO doc should feed to COFRS to decrease that encumbrance amount, and the expense will feed on the JV batch.

**Year-End Processes**

## Plant Fund:

1. Capitalize all substantially complete projects (Ginger provides the documentation)

2. Check Control Account 7730000 – Cash object code 1100, and object code 9012 must be zero

3. Finish CIP- Make sure project start and stop dates are entered

4. Neg CIP amounts should be accrued to liabilities

5. Reconcile Plant to COFRS, including COP Year-end entries

6. State Reporting on Spending Authority for Expiring and Continuation Capital Projects.

7. Gift $ for construction Project Reconciliation between June1 and June 2 close. (Ginger will provide information)

8. Exhibit/Plant Footnotes

9. Send Building cap file to Hirons. Enter Hirons componentization when returned.

10. Update lease schedules.

11. Library Capitalization Entry

## Property:

1. CAB is fully posted by June 30th.

2. Monthly Equipment Reconciliation

3. Accrue the partial paid capital equipment. (Can have entry partially finished after A/P close, and then just add few last transactions after June 1 close)

4. Reverse cap’s 8910 entries and reverse out of 1860/1874

5. Record Gifts of Equipment Received prior to June 30th

6. Retirements approved before June 30th

7. Hold Invoices in CAB for FY13

8. Before June Depreciation

 Confirm no assets exist with an FY 13 create date

 Review moveable asset not in service – have not create date

 Depreciation confirmed

9. Before Final Depreciation review FY retired documents for assets with remaining book value. They will need to be added to year-end depreciation. Add assets capitalized since last depreciation.

**REPORTS**

Most Property Management reports are available in the JasperServer. Users can run reports and retrieve information in a variety of formats (such as PDF or spreadsheets). JasperServer is not available to most campus users.

## **Inventory Reports**

Organization Equipment Reports, which show a departments or organizations equipment to be tracked and inventoried, can be run from the Property Management website (<http://busfin.colostate.edu/prp.aspx>) under the Reports heading.

## **Contract Equipment Report**

The Contract Equipment Report is used to show which assets are associated with certain 53 accounts. This is the report that is reconciled to the RPS page when a contract, grant, or agreement final letter is sent.

## **Equipment Loans Due**

The Equipment Loans Due Report is used to consolidate any assets that are currently located at an off campus location and are due back to CSU where the Equipment Loan/Return doc has not been submitted to renew or return the asset. A system generated email goes out to each Department Property Contact (DPC) who has an upcoming or expired loan doc on the 2nd of every month.

## **Groups and Roles**

The Groups and Roles Report is used to see who within an organization or department has the CAM Processor Role. Any Kuali user is able to view asset records, but only CAM Processors are able to make changes to asset records and submit CAM documents.

## **Inventory Certificate**

The Inventory Certificate Report is used to generate an organizations physical inventory certificate and inventory status which will later be signed by the Dean or Department Head during the inventory close out meeting.

## **Inventory Status**

The Inventory Status Report is used to group departments or organizations to get a total capital asset count of tags found based on selection of an inventory date.

## **Organization Equipment**

The Organization Equipment Report is a listing of capital assets listed as found and not found for a selected date.

## **Plant Fund Expense**

This report shows current month expenses, FY expenses, Project-to-Date expenses, and Open Encumbrances for all accounts within a sub-fund group. It also shows the corresponding 977x and 9012 offset. The 977x and 9012 should equal each other if both lines of the CIP prorate ran correctly.

## **Prorate Verify**

This is used for the monthly CIP recon. It compares monthly 8800-8955 expenses on project accounts in a specific sub-fund with the related 977x offset. The expenses noted on this report are used to populate the CIP Rollforward schedule.

## **Property Worksheet**

The Property Worksheet is an assets tag details.

## **Received Assets**

TheReceived Assets Report lists the create date, tagged date, and received date for capital assets.

## **Surplus Transfers Excel**

The Surplus Transfer Excel Report lists all the transfers waiting for action by the Surplus group.

## **WIP Expense & Revenue**

This report shows all expenses and 4800 revenue for active WIP sub-fund accounts. (89xxxxx) The expenses and 4800 revenue should equal if the monthly prorates are running correctly.

# APPENDIX

## **OPERATING DEFINITIONS**

***Betterment***

An Expenditure in connection with an existing asset which significantly extends it useful life, increases its utility or efficiency or otherwise adds to the benefits it can yield.

***Buildings and Improvements to Buildings***. Buildings include all structural elements of buildings, including the shells and components such as heating, air-conditioning, and elevators. Equipment which is merely attached or fastened to the building should be classified as equipment to the extent feasible. Structural remodeling and additions costing in excess of $50,000 completed subsequent to the original building construction should be included under buildings as improvements to buildings.

***Capital Asset***

The term Capital Asset is used in place of fixed asset and denotes that the capitalization process and the characteristics of the item qualify it for inclusion in the university plant fund.

***Capital Asset Maintenance (CAM)***

CAM is a module of the university Kuali Financial System (KFS).

***Capital Lease-purchase Agreement***

Lease-purchase agreements must meet any one of the following criteria:

* 1. The lease transfers ownership of the property to the university by the end of the lease term.
	2. The lease contains a written bargain purchase option.
	3. The lease term is equal to 75% or more of the remaining estimated economic life of the property at the beginning of the lease term.
	4. The present value of the minimum lease payments at the inception of the lease is 90% or more of the fair market value of the leased asset.

***Capitalization***

Capitalization acknowledges that a transaction meets all criteria necessary to be a fixed asset of the university. Capitalization does not necessarily mean that the university will be responsible for tracking the individual asset or that the individual asset is subject to depreciation or amortization. Library books will not be tracked individually in the CAM System; however, the accumulated cost of these kinds of assets will be maintained in CAM to coincide with the University General Ledger.

***Construction*** or ***Construction Project*** or ***Renovation***: Any construction, alteration, repair, demolition, or improvement of any land, building, structure, facility, road, highway, bridge, or other public improvement for use by or for the University, and maintenance of such facilities. This includes, without limitation:

(1) Purchase of land, regardless of the value thereof;

(2) Purchase, construction, remodeling, renovation, or demolition of buildings or other physical facilities, including utilities, to make physical changes for any reason, including, but not limited to, making programmatic changes, to meet standards required by applicable codes, to correct other conditions hazardous to the health and safety of persons which are not covered by codes, to effect conservation of energy resources, to effect cost savings for staffing, operations, or maintenance of the facility, or to improve appearance;

(3) Site improvement or development;

(4) Purchase and installation of the fixed and movable equipment necessary for the operation of new, remodeled, or renovated buildings and other physical facilities and for the conduct of programs initially housed therein upon completion of the new construction, remodeling, or renovation;

(5) Contracting for or performance of building trades and services, including, but not limited to, electrical, plumbing, painting, flooring, installation or removal of mechanical systems, paving, concrete work; and

(6) Purchase of the services of architects, engineers, land surveyors, industrial hygienists, landscape architects, and other consultants to prepare plans, program documents, life-cycle cost studies, energy analyses, and other studies associated with any construction project, and/or to supervise construction or execution of such capital construction projects.

***Control Asset***

A control asset is used to post transactions that will be reclassified to a more appropriate object code.

***Custody***

Custody occurs when the university becomes responsible for the safeguarding and maintenance of a capital asset.

***Depreciation***

Depreciation is recognizing the diminishing service capacity of utility; the lost usefulness; the wasting away of a tangible asset during the periods of service life. Asset lives are linked to the asset type code, and are estimates of the useful life of the asset.

***Equipment.***

 Equipment includes items which are not considered an integral part of a University building, are non-expendable, do not lose their identity through incorporation into a more complex unit, having a useful life of more than one year, and having an acquisition cost of greater than $5,000 or other threshold

amounts as set by contract agreement or grant. An item is non-expendable if it is characteristically restored to service by replacement of lost, worn or damaged parts. Examples are machinery (which is not a part of a building's mechanical system); furniture and furnishings; instructional and research equipment; athletic

and recreational equipment; household, hospital and library equipment, vehicles, aircraft and watercraft.

***External Asset Transfer***

An asset transferred to an individual or external institution. The Asset Retirement Document should be used for external asset transfers.

***Fabrication***

Fabrication occurs when the university assembles pieces to construct a capital asset.

***Federally funded***

Federally funded capital equipment requisitions are those which will encumber funds provided by a federal sponsoring agency, the full amount of the purchase or any portion thereof. This includes non-federal agencies providing federal-pass-through funds.

***Infrastructure***

Infrastructure includes improvements related to land, but not associated to buildings. These items have a life exclusive of a building.

***Intangible Assets***

Intangible assets are capital assets having no physical existence. Their value is limited by the rights and expected benefits that possession confers to the university.

***Internal Asset Transfer***

An asset transferred within the campus to another CSU department. This includes transferring a capital asset to the Surplus Property department for disposal***.***

***Land***

Land is real property and is not subject to depreciation.

***Land Improvements***

The initial installations of sidewalks, outside lighting, telecommunications, drainage, etc., are considered land improvements.

***Lease Purchase***

Lease-purchase is the act of acquiring assets by making periodic payments, which generally consist of principle and interest. Interest is an operation expense, whereas the principle payments reduce the balance of the long term liability. As the liability is reduced, the equity in the asset increases.

***Leasehold Improvements***

Leasehold improvements include betterments and additions made by the university to leased real estate. The improvements become the property of the landlord upon expiration of the lease.

***Materiality***

Materiality is the relative importance of the dollar amount of a transaction as the transaction affects and asset classification. There are different materiality dollar limits depending upon the classification groups of types of assets. Movable equipment must cost at least $5,000 to warrant consideration for capitalization.

***Ownership***

Ownership of an asset occurs when the university holds legal title of an asset. Most generally, university funds are disbursed to acquire the asset; however, the title may also be transferred to the university by gift or donation. The asset will be presented individually or in a lump sum total on the financial statements of the university as an addition to the respective campus plant fund when the university has acknowledged ownership of the asset.

***Physical inventories***

Physical inventories of capital assets occur when the Property Management Office visually inspects and verifies the existence and condition of assets “owned” and in the custody of the organization.

***Systems***

System assets are defined as components that work together to perform one function. These components must be necessary for the system to function as a whole. Removal of any one component would result in the system not operating at the required capacity or for the intended purpose.

***Retirement***

Retirement is the action of taking an asset out of service by selling, cannibalization, or transferring the asset to another institution. The asset must be taken off of university premises.

1. *Intermediate Accounting,* Kieso & Weygandt Ninth Edition, p. 512 [↑](#footnote-ref-1)
2. *Intermediate Accounting*, Kieso & Weygandt Ninth Edition, p. 511 [↑](#footnote-ref-2)