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| UNIVERSITY OF COLORADO COLORADO SPRINGS |
| **Capital Equipment** |
| Standard Operating Procedures |
|  |
| **UCCS Property Accounting Staff** |
| **2/5/2019** |

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# Capitalization Rules

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RATIONALE: In compliance with applicable State, Federal, and University Regent laws, policies and regulations, this manual sets forth the Property guidelines and procedures for effective property control, management, and reporting consistent with Generally Accepted Accounting Principles (GAAP). It applies primarily to capital equipment and non-capital-controlled equipment owned by the University and/or the government.

The University of Colorado Colorado Springs has control over all equipment owned by or in the possession of UCCS. Each Department Chair, Director, Department Lab Manager and Fiscal Manager is responsible for the use, care and location of all equipment (either UCCS owned or federally owned) assigned to that department. It is the responsibility of each Chair or Director to designate an individual to verify and maintain control of capital equipment and coordinate with the Property Accountant of UCCS.

A capital asset is a non-financial resource with a useful life greater than one year and with costs exceeding $5,000 threshold. Capital assets includes the acquisition of capital equipment that is new, used donated, transferred in or received from a trade-in. Also included is land, improvements to land, buildings, leasehold improvements, equipment, library books, and other specific items.

The objective of this manual is to provide for optimum equipment utilization, maintenance, control, protection, and reporting at the University of Colorado Colorado Springs. Compliance with the guidelines and procedures in this manual will enable the University to ensure that equipment is properly safeguarded and accounted for when acquired, inventoried, and disposed of.

Equipment records are required for State, Federal, and other agencies; University financial reports; insurance purposes; budgets; and equipment control and utilization purposes.

The PeopleSoft Asset Management (PSAM) maintains equipment records for equipment owned and/or controlled by the University. The following items must be maintained and updated on a timely basis in the PSAM: all Federally owned equipment, University capital equipment, library holdings, art/film collections, and non-capital-controlled equipment if required by the granting agency or the University.

This system is maintained through biennial inventory updates, adjustments made as changes occur, and monthly additions of new acquisitions. It is the policy of Property Accounting (PA) that the accountable department is required to complete an inventory at least every two years. Spot checks and periodic verification of the inventory will be made by any of the following methods; department staff, PA, an independent third party, including the internal auditors as needed to ensure the inventory process integrity.

Regardless of how equipment is funded or acquired, title to all property rests with the University or research sponsors rather than with a department. This includes equipment received as a gift or donation; acquired as government surplus; or purchased from departments or research budgets, special appropriations, or allocations. With the exceptions of federally owned property which has a Federal tag and equipment which is rented from outside the University, each piece of capital equipment and non-capital-controlled equipment requires a CU tag number in the PSAM.

# REGULATIONS AND REQUIREMENTS

The University of Colorado is required to maintain up-to-date equipment records by the following regulations and requirements:

* OMB Uniform Guidance Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations
* Federal Acquisition Regulation (FAR) Part 45
* State of Colorado Standard #5
* State of Colorado Fiscal Procedures Manual Chapter 9: Section 1
* University of Colorado Fiscal Procedures 1-6

# RESPONSIBILITIES

Maintaining the accuracy of equipment records requires interdepartmental cooperation and shared efforts among the following:

* The Chair or Director of each University department shall be the official who is responsible for the use, care, and control of both University owned and federally owned equipment assigned to the department. It is the responsibility of each department head to designate an individual for each area to verify and maintain control of equipment for the University this is usually the Departmental Lab Manager (DLM).
* Departmental Lab Managers (DLM) are the individuals designated to verify and maintain control of equipment for the various academic and administrative units. Their responsibilities are to do the following:
	+ Ensure that capital and non-capital-controlled equipment bears a CU property control identification tag within 30 days of receipt.
	+ Process equipment purchases, transfers, and disposals in accordance with these guidelines and procedures.
	+ Reconcile equipment in their units against the master inventory report and complete their biennial physical inventory with the PA on time.
	+ Obtain approval from Office of Sponsored Programs and Research Integrity (OSPRI) prior to any disposals of University owned equipment acquired with Federal funding.
* Employees of the University are responsible for the safekeeping, proper care, and accurate maintenance of University equipment in their charge and notify the PA when received, moved or dispositioned.
* The Property Accountant (PA), under the UCCS Controller, has been delegated authority for accounting controls and capital equipment management of all capital equipment owned by, or under the control of, the University of Colorado Colorado Springs. The responsibilities of this position are to do the following:
* Assign CU tag numbers and initiate records of all newly purchased equipment acquired through the University procurement process. This equipment includes all capital equipment and, if required by the granting agency or the University, non-capital-controlled equipment.
* Update all PSAM transactions and ensure that each PSAM entry is prepared in accordance with the existing guidelines and procedures.
* Generate reports to DLM for conducting their inventory review. Schedule a meeting to conduct the physical inventory with the PA and DLM. Provide instructions and/or training workshop on record keeping, maintenance records and audit guidelines.
* Coordinate with Facilities Services’ Materials, Acquisition and Distribution Manager (M.A.D. Manager\Team) and Office of Sponsored Programs and Research Integrity, when applicable for Federal equipment, regarding capital equipment disposal.
* The Grants/Sponsored Programs Department is responsible for overseeing and reporting uses of grant funds in accordance with the requirements of the granting agency. The responsibilities include:
	+ Ensure that purchase requests for new capital equipment acquisitions are coded with proper expense account numbers and notifying the PA of all intents of purchases of capital equipment.
* Facilities Services’ MAD Team is delegated the responsibility for management of equipment disposal. This includes equipment acquired with grant funds after approval from OSPRI.

#### **Purchase of Surplus Property by University Employees**

UCCS/CU employees are welcome to purchase surplus equipment directly from the Public Auction sponsored by UCCS or Property Services of CU Boulder. UCCS\CU employees are also welcome to participate in CU Boulder live auctions and on-line auctions through web-sites such as [www.govdeals.com](http://www.govdeals.com), [www.labx.com](http://www.labx.com), and [www.publicsurplus.com](http://www.publicsurplus.com) which may sale UCCS equipment. UCCS\CU employees will be required to sign a non-conflict of interest certification stating that they were not involved with either the original procurement or the decision to dispose of the item(s) purchased at any CU’s public auctions.

Things to Remember:

A department:

* Cannot give/sell the item to faculty/staff. CU holds auctions to provide equal opportunity to purchase an item.
* Cannot give/sell directly to a company/person/charity. (see above)
* Cannot allow a transferring PI to take an item without permission from CU and acceptance of the item from the receiving institution. Legally, CU transfers the item to the receiving institution not the PI.

# Art & Museum Procurements

Art and museum tags are non-depreciable pieces purchased or donated to the university. Art and museum pieces shall be capitalized if the value is $5,000 or greater. If a collection of items is greater than $5,000 then it will be capitalized as a collection. If donated, follow the Gift-In-Kind (GIK) procedures set up by the [Office of University Controller](https://www.cu.edu/controller/procedures/accounting-handbook/gifts-kind).

Remember, GIK art is university property and does not belong to any one person.

Deaccession/Surplusing of Art and Museum assets Works of art may be removed from the Collection by recommendation from the Campus Collections Committee and in accordance with the Collection Procedures. While selective deaccession is an important part of collection building, care should be taken to error on the side of inclusion, rather than exclusion, of an individual object in the collection. Permanent removal and disposition of deaccessioned objects from the collection shall be done in a public, ethical, and legal manner. Funds received from the sale of any deaccessioned work of art will be used only for the accession and care of works of art. Procedures for such practices are necessary to maintain the strength of the Collection and to manage the cost of maintaining the Collection. An example of a process that could receive approval is; a museum is running out of space and wishes to auction off a collection that has seen little display time. Additional considerations would be to contact the donor or the donor’s family to see if they would like it back, if not, is there another non-profit/government institution that would want the collection, if not, then determine if an auction is appropriate.

### Following is a listing of capital art and museum account codes:

 Account Code Description

 810402 Art & Museum Trackings

 240604 Art & Museum Trackings Gifts

Please see the UCCS Campus Policy for the UCCS Art Collection

<https://www.uccs.edu/vcaf/sites/vcaf/files/inline-files/100-012.pdf>

# Moveable Equipment Acquisitions

The term "equipment" includes delivery equipment, office equipment, machinery, furniture and fixtures, factory equipment and similar fixed assets. An item must meet three specific criteria to qualify as a capital purchase. It must have

* An acquisition value of at least $5,000.00
* A useful life expectancy of one year or greater
* Not be permanently affixed to a building or other object in such a way as to lose its unique identity.

Upgrades are capitalized **when any one of the criteria listed below is met:**

* A substantial increase in the functionality of the equipment which allows it to function or perform tasks it was previously incapable of performing.
* A substantial increase in the efficiency of the equipment, that is, an increase in the level of service provided by the equipment without the ability to perform additional tasks.
* An extension of the estimated useful life of the equipment.

Service costs that can be capitalized with equipment purchases include:

* The cost of assembling the asset
* Cost of installation
* Freight
* In-transit Insurance
* Preparing the site and asset for its intended use
* Training

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

* Repair or replacement parts.
* An item or substance that has no shape or identity or loses that shape or identify upon detachment or removal from its original location.
* Maintenance and Warranty agreements

A trade-in of a capital tagged asset will be treated as a non-cash payment on the purchase. The asset traded in will be disposed of by removing the cost and depreciation from the GL with any remaining balance going to Gain/Loss account code 970300 within the “Invested In Plant” SpeedType. Once the organization and the purchasing department have determined that an existing asset will be traded in, and the asset has been picked up by the vendor, the organization will need to issue an Inventory Adjustment form to the PA for the asset traded in.

When issuing the Inventory Adjustment form, the box for other needs to be marked and Trade-in entered. A note needs to be included that will inform the Property Accounting Office of the purchase order from which the new asset is being purchased.

* PSAM will code all lines/asset IDs to 090400 and 355200.
* UCCS will decide whether or not they want to do a manual JE to move the 355200 cost to 970300 offsetting any Gain/Loss from the traded in asset. (Another account to consider is 325505 Trade In Revenue)

A trade-in of a non-capital, non-tagged asset allowance will be treated as a non-cash payment on the purchase.

# Equipment Fabrications or Assemblies:

In some instances, purchases of components can be capitalized together as one asset under moveable equipment, referred to hereafter as fabricated assets using account code 810700. Fabricated assets are defined as components that work together to perform one function. Each component is necessary for the system to function as a whole. Components should be designed to remain at one position in the fabrication and permanently integrated. They are not to be removed and replaced throughout the useful life of the fabrication. Removal of any one component would result in the system not operating at the required capacity or for its intended purpose.

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. Service Center bench fees are a good example of labor costs that can be added to a fabrication that are supportable. The fabricated asset will remain as construction in progress until the PA is notified that the asset is substantially complete and ready for its intended purpose. When the fabrication is completed the organization will inform the PA, so an asset tag may be issued. The University Property Accountant (PA) will assign the create date and Asset Profile code, at this point the asset will begin to depreciate.

Along with direct labor cost, travel cost directly related to the fabrication may be added. Charges necessary to bring the fabricated asset to its intended location and condition for use are also added, such as freight, handling, site preparation costs, installation and professional fees. If grant funded, verify allowable cost written in the provisions of the grant.

Annually the University Property Accounting Office will request that organizations review the status of active fabrications. This review is to ensure that any fabrications that should have been closed during the year are closed before the end of the fiscal year. This review will begin on May 1 of each fiscal year.

The term fabrication is not synonymous with a project nor should a fabrication extend for the life of a project. For example, a grant may be given to a researcher for completing a specific project that will require that several capital assets be fabricated. If it is a contract-deliverable item, it must be completed in time to meet the delivery schedule as outlined in the funding sponsored project.

An equipment fabrication must meet all the following criteria before a Fabrication Tag Number will be issued:

* Be a benefit for the University to fabricate rather than purchase directly from a vendor. The aggregate cost of materials, supplies, and components must be $5,000 or greater and is included as part of the acquisition cost for the completed asset
* Upon completion, have a useful life of more than one (1) year; or, if on a NASA contract, two (2) years.
* Labor can be a part of bench fees and/or service center’s charge for work on a component.

Fabricated Equipment can be distinguished by anyone of the following characteristics:

* Original Development. The fabrication construction creates a one-of-a-kind piece of equipment that is built (designed) and assembled from individual parts.
* 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 be equipment that can be used independent of the fabricated asset.

Electronic Systems should meet the following conditions:

* Physical attachment- the components are connected in a manner of dependency greater than a cable or wired connection. The term "piggyback" may be applicable to describe the situation. Ultimately, if the only means of attachment is a cable, we recommend the components be treated as individual assets.
* Lack of Interchangeability- the components cannot be disconnected from the system asset and used in a similar manner with another system.

The physical inventory should be a consideration when combining components to create system assets. For components over the $5,000 threshold, Property Accounting recommends these items to be created as individual assets. We feel this is more efficient and effective for physical inventory inspection.

Account codes to be used for expenses are 810700 for CU Titled Fabricated Assets and 810800 for Fed Titled Fabricated Assets.

Asset retirement for the trade-in of similar capital equipment

* The traded-in tag is disposed of in PSAM removing the cost, depreciation, and recording the gain/loss in the GL.
* The new asset cost includes either the stated value received from the traded-in asset plus the stated cost of the PO/Final Bill of Sale or
* If there is no stated value on the trade-in by the vendor, the new asset cost will be the net book value of the traded-in asset plus stated cost.

# Capital Equipment Gifts and Transfers to University

Gift in kind (GIK) arises when the university receives non-monetary gifts, including art, books, manuscripts, antiques, collections, equipment, software, or intellectual property (e.g., patents) to be used in operations. Services and labor are not addressed by the GIK Transaction policy because they are not recognized as such by the IRS. However, services and labor can be accepted as in-kind contributions to sponsored projects and is discussed later in this section.

In brief, the policy states that any GIK either

* Valued at over $5,000 *or*
* Attached to a written contract or agreement (this includes a tax receipt) or subject to additional external reporting requirements *or*
* That is an addition to an existing collection valued at over $5,000

***Requires***

* The completion of a GIK Acceptance Form *and*
* The approval of the campus Controller prior to taking custody *and*
* A statement of intent that the gift in kind will be used in the conduct of official university business for a minimum of three years, including if the gift in kind will be used for the benefit of any sponsored project.

Donations of GIK valued at less than $5,000 are not recorded in the Finance System (unless required by another university policy) but do require a [GIK Acceptance Form](https://www.cu.edu/controller/forms/downloads/Gift_In_Kind.xls) (except that a GIK of any value to Athletics is recognized). Contact the Office of University Treasurer about a receipt to support a tax deduction.

Remember, GIK assets are university property and do not belong to any one person.

A GIK valued at over $100,000 requires an appraisal paid for by the donor if the donor requests IRS Form 8283, Noncash Charitable Contributions. If Form 8283 is not requested, the campus controller may approve payment for an appraisal. For donor tax benefits, UCCS must use the gift for at least three years.

If your department receives an offer of a gift in kind, consult the [Accounting Handbook](https://www.cu.edu/controller/procedures/accounting-handbook) to be sure you are in compliance before accepting the gift or making any commitments. Direct any questions to the campus controller.

### Sponsored Projects & GIK

Some sponsored projects that include cost sharing meet their cost sharing obligation by the use of third party in-kind contributions. Often, these include labor or services which are purposely excluded from the Gift in Kind Transactions. If you have responsibility for a sponsored project that includes in-kind contributions, please contact the Sponsored Projects Accounting Office to work out the details.

Transfers-in of capital assets are those assets received from an external organization or government surplus. Transfers to the university must be accepted by the department and the Campus Controller with an additional acceptance Office of Sponsored Programs and Research Integrity if the asset is tied to an award. Copies of the documentation of the items being transferred-in must be turned into the PA with the fair market value noted. If provided, the asset will be booked at the original cost and depreciation status. If this info cannot be obtained, the receiving department will estimate the market value of the asset and remaining useful life for the PA.

## Computer Software

**For purchased software to qualify for capitalization purposes, it needs to meet the following requirements:**

* The acquisition cost is at least Five Thousand ($5,000).
* The software must have a useful life greater than one year.
* The department **has the ability to sell, transfer, license, or rent the asset** to another party OR the asset arises from a contractual or legal right.
* Department or campus negotiated site licenses that included up to XXX users that met the $5,000 threshold are capitalized if all additional conditions are met:
	+ There is not an annual renewal fee
	+ It is not a subscription service, the rights to use the software do not expire,
	+ The university retains rights to use data either purchased or created by users of the software.
* Individual user licenses purchased based upon quantity; e.g. 1,000 licenses at $75 each should not be capitalized even though the total reaches the $75,000 threshold because the 1,000 licenses retain their individuality within the marketplace and the individual price does not meet the threshold.

Costs that should be capitalized:The cost of the software, installation, data conversion (only insomuch to make the software operational), and testing costs should be capitalized.

Costs that should be expensed:Determine the need, making selections,training and travel costs associated with capital purchased software should be expensed. Data conversion should be considered an activity of the operating stage, therefore, expensed.

### Software developed by or for the university for internal use only, not to be sold.

The development costs should be broken into three phases; feasibility, development, and in-service. Development phase costs are eligible to be capitalized.

**Feasibility Phase** costs include and should be expensed:

* Conceptual formulation and evaluation of alternatives
* Determination of existence of needed technology
* Final selection of alternatives

**Development Phase** costs include and should be capitalized:

* Design
* Coding
* Installation of hardware
* Testing and parallel processing
* Data conversion, if necessary to make operational

**In-service Phase** costs include and should be expensed:

* Application training
* Software maintenance or customization that does not meet the cost threshold
* Data conversion, if not necessary to make operational

Modifications/Upgrades of Software: If a department creates, co-produces, or substantially modifies (cost exceed 25% of the acquisition costs) an acquired software product then the following guidelines should be followed.

Modifications to purchased software should be capitalized when the cost of the modification is at least Five Thousand ($5,000) AND any one of the following exists:

* A substantial increase in the functionality of the computer software allowing the program to perform tasks, it was previously incapable of performing.
* A substantial increase in the efficiency of the computer software, that is, an increase in the level of service provided by the computer software without the ability to perform additional tasks.
* An extension of the estimated useful life of the software. ([GASBS 51](https://gasb.org/jsp/GASB/Document_C/DocumentPage?cid=1176159972237&acceptedDisclaimer=true), Par. 15)

If the modification does not meet both the dollar threshold and one of the three other criteria, the modification should be considered maintenance and the associated costs for the modification should be expensed.

Maintenance:If purchased software includes maintenance and/or technical support these costs should be identified separately from the capitalized costs and expensed.

Inventory Requirements:Departments will be required, as part of their physical inventory, for inventory software to ensure that the software is still in use. Software will be listed on the inventory using a “Dummy Tag” beginning with a SOFTWARE# format which signifies that the asset does not have a physical tag on it. When the software is no longer in use the asset should be retired.

### Following is a listing of account codes for computer software:

* 090470 is the asset account code
* 092870 is the accumulated depreciation account code
* 810350 is for Software > $5,000 account code
* 811750 is the current depreciation account code
* Useful Life default is 5 years but can be adjusted based upon a reasonable estimate of useful life.
* 500400 is used for annual fee, licenses, or subscriptions (Annual renewals are not capitalized).

# Intangible Assets

An intangible asset ([GASB 51](https://gasb.org/jsp/GASB/Document_C/DocumentPage?cid=1176159972237&acceptedDisclaimer=true)) is an asset that possesses all the following characteristics:

* Lack of physical substance
* Nonfinancial nature
* Useful life of more than one year

Common types of intangible assets include right-of-way easements, easements for other purposes, patents, copyrights, trademarks, water rights, land use rights, licenses, permits, computer software (see software) and websites.

* The acquisition cost is at least Seventy-five Thousand ($75,000), Five Thousand ($5,000) for Software.
* The department can sell, transfer, license, or rent the asset to another party OR the asset arises from a contractual or legal right.
* Determining useful life follows the existing guidance of tangible assets except for intangible assets that have indefinite useful lives, these should not be amortized.
* A useful life that must be estimated does not mean it has an indefinite useful life; e.g. permanent right-of-way easement (has an indefinite useful life) vs. computer software (which can and should be estimated).
* Water rights/Ditch rights in Colorado have a market value that is tracked and typically have an indefinite useful life, so they would be capitalized but not amortized.

### Account Codes for Intangible Assets:

* 090480 is the asset account code
* 094xxx is the amortization range at this time, 094000 is set up for patents.
* 810xxx expense account code is not set-up for intangible assets currently
* 811xxx current amortization account code is not set-up currently.

# Library Books and Collections

All cataloged library acquisitions shall be capitalized. Library staff will maintain the details of purchases to be capitalized and another list detailing what items were dispositioned. The PA will enter the cost of additions as one new tag for the monthly amount and reduce the oldest tag in PSAM by the amount disposed for the year.

There is no capitalization threshold as to the total cost spent per unit. Capitalization criteria is based upon whether UCCS has perpetual access to the electronic resources content that was purchased versus a subscription service that requires regular fees to continue to use the resource.

UCCS combines Library Books and Depreciable Collections for reporting purposes.

### Library and Collections Account Codes:

* 090500 is the asset account code for Library Books and Materials/Depreciable Collections.
* 092900 is the accumulated depreciation account for Library Books and Materials/Depreciable Collections.
* Listing of library book capital expense account codes to be capitalized: 790100, 790101, 790102,790103, 790104, 790105, 790106, 790108, and 790109
* 811800 is the current depreciation expense account code
* 090555 is the asset account code for Non-Depreciable Collections and there are no depreciation account codes.
* 810402 is the expense code for Art and Non-depreciable Collections.

# Tagging Moveable Capital Equipment.

To comply with UCCS standards, as stated here, moveable capital equipment must be tagged using serialized tags.

Procedures for tagging moveable capital equipment:

* The CU tag number must be attached to the asset within thirty days (30) of receiving a capital asset or in-service date for fabrications, and the information updated in the PSAM.
* The tag should be placed on a flat surface in a visible, permanent location.
* If it is not possible to tag the item due to its delicate nature, artwork, size (i.e., etc.), then the Department Lab Manager must maintain a log with the tag, hard copies of the corresponding invoice, financial report and PO
* The assets that may not have a tag affixed are:
	+ - Too delicate/fragile to tag. For example: laser optics.
		- It would de-face/de-value the asset. For example: antique furniture or artwork.
		- It would make the asset un-usable. For example: the rotor used with a centrifuge/balance scale. It would throw off the balance to tag it.
		- The asset is non-accessible. For example: Components inside of other equipment or the satellite dish on top of a tower.
		- The size of the asset. For example: No surface flat enough or large enough for the size of the tag.
		- Surface conditions. Asset is attached to or surrounded by temperatures too hot, cold or wet. For example, a submersible pump.
		- The asset is impractical to scan. For example: Asset in radiation/magnetized areas. Modular furniture.
		- Out of reach. For example: roof mounted assets without stair access.

If you have an asset that can't be tagged that is not on the list above, please contact the PA for an exception to the standard.

When assets cannot be tagged because they are internal to an existing asset a note should be entered in the PSAM Comments Field indicating the tag number or asset number the internal asset was installed into.

Adjusting capital assets value in PSAM:

* + Any asset that adds to an existing system and cannot be used independently should be merged into the primary asset as an addition. Assets that were expensed incorrectly in a prior fiscal year are added to the asset database as "Adjustment to Inventory," as a non-cash current year transaction.
	+ If the error occurred in the current fiscal year the asset can be added as a “Purchased” transaction in PSAM dating the transaction to its date of purchase.
	+ Another possibility is that asset was retired in error. If this is the case, the retired asset will be “reinstated/Unretired” in PSAM.

### Tagging of federally owned equipment

Federally owned capital assets in which title is vested in the Federal Government must be tagged Equipment purchased with federal funds, i.e. grant award, remain the property of the Federal Government until the grant ends unless stated in the provisions of the grant. The Property Accountant is responsible for the tagging and conducting an annual inventorying of the assets until the title transfers to UCCS. Accounts to use for expenses are 810200 for equipment and 810800 for components to be purchased during a fabrication.

### Listing of movable capital asset equipment and expense account codes:

* + 090400 Is the asset account code for equipment
	+ 092800 Is the accumulated depreciation account code for equipment
	+ 811700 Is the current depreciation account code for equipment
	+ 810100 University Titled Equipment $5,000 or greater
	+ 810200 Federal Titled Equipment
	+ 810300 Private Titled and Fabricated Deliverables - (Costs are not recorded in GL)
	+ 810700 Fabricated Capital Equipment Components (University Titled) Costs are recorded in GL but components are not depreciated until fabrication is complete and placed into service.
	+ 810800 Federal Fabricated Capital Equipment Components (Federally Titled) Costs are recorded in GL but components are not depreciated until fabrication is complete and placed into service.
	+ 355200 Additions to Plant is credited when adding assets.
	+ 970300 Gain/Loss is where the remaining costs are coded from an asset disposal (cost – depreciation = Gain/Loss)

Charges within the 810XXX series must be a capital asset or directly related to a capital purchase, lease purchase, or fabrication. It is important for a couple of reasons:  the accounting must tie between capital and accrues pending at the end of the year and the 810xxx series is F&A exempt as capital purchases.

When a journal enter is created to move equipment to account code 810100, you must attach the invoice, the detail report showing where the expense posted to the general ledger. In the long description explain why the charge is being moved and include the PO number.

# Equipment Loan/Return (off premise)

RATIONALE: To maintain proper controls and define responsibilities for capital equipment removed from university premises and to comply with UCCS and Colorado Policy. State law prohibits the use of University equipment for personal reasons. This applies to both capital and non-capital assets.

Equipment residing at an official UCCS off-campus location does not require an [Off-Campus Use of University Equipment](https://www.uccs.edu/rmd/uccs-controllers-office/property-and-equipment-inventory) Document. An off-campus/off-site institutional location refers to any school or institution associated with UCCS, i.e., equipment located at the University Office Park, GOCA 121 downtown, or the National Cybersecurity Center. Equipment residing at a research location affiliated with UCCS is considered off-campus/off site. The off-campus/off-site address must be entered in the comment field within PSAM.

Should University equipment need to be used in a University employee’s home or elsewhere off-campus for University business, an official Off-Campus Use of University Equipment form with written authorization for off-campus use should be completed and maintained in the department office. The Off-Campus Use of University Equipment can be found by clicking [here](https://www.uccs.edu/rmd/uccs-controllers-office/property-and-equipment-inventory).

The departmental property manager is responsible for the following:

* For Capital assets verify that the equipment bears a CU tag number.
* For non-capital assets verify there is a “Property of University of Colorado Colorado Springs” sticker is affixed to it.
* Completion of the agreement form for off-campus use of all University equipment.
* During the department’s inventory, the department must verify that the responsible person has provided tangible proof that the item is still in their possession; e.g. the responsible person provides the serial number of the asset or a picture of the item with proof of date taken.

Initiation of the Off-Campus Use of University Equipment form is required when capital equipment is borrowed from UCCS (off premise) and the equipment resides at a location which is not directly associated with the university i.e., faculty or staff personal property. The Off-Campus document must be completed before the equipment is removed from the campus.

In accordance with UCCS policy, equipment may be loaned for a period of two years or less, and the Off-campus document must be completed within thirty days of the loan. If the equipment is not returned at the end of two years a new Off-Campus Use of University Equipment form must be processed to extend the loan.

The Off-Campus Use of University Equipment form allows organizations to issue loan documents for non-capital assets.

Asset Retirement-Equipment

ORIGINAL DATE OF ISSUE: November 2009

DATE OF LAST REVISION: July 2018

RATIONALE: To define retirement reasons for the disposal of capital assets and ensure assets are fully utilized within the university before disposal.

Departments are not authorized to donate, sell, or dispose of any equipment. The [M.A.D. Manager (Materials, Acquisition, and Distribution Manager)](https://www.uccs.edu/facsrvs/service-groups/materials-acquisitions-and-distribution) of Facilities Services is the only authorized delegate to donate, sell, or dispose of any equipment, otherwise it is considered a misappropriation of state property. Transfers of equipment to individuals or for-profit organizations are prohibited by state law. All surplus, obsolete, or damaged equipment not being utilized should be reported to the M.A.D. Team for disposition. The M.A.D. Manager can authorize in writing a department to sell an asset if it determines that it is in the best interests of the state to do so.

Prior to notification of M.A.D. Team, the requesting department should obtain an authorization from the Property Accountant for disposition of Federal and University property funded by outside contracts or grants often referred to as sponsor funded.

**Asset Disposal Highlights**

What it takes to dispose of University property:

* Department Chair or Director approval
* [Property Management Inventory Adjustment](https://www.uccs.edu/rmd/uccs-controllers-office/property-and-equipment-inventory) form be completed and sent to the Property Accountant
* [Facilities Work request](https://facserv.uccs.edu:444/home.html) submitted
* All disposals and sells of capital and non-capital equipment must go through Property Services.

All disposal of equipment must be handled in accordance with the procedures provided in this manual. Departments or employees are not authorized to give away, sell, or otherwise dispose of any equipment. The DLM must report in writing any instance of improper disposal of equipment to the Department Chair or Director and the PA. If the item is federally owned property, the DLM must immediately inform the PA.

When improper disposal has occurred, the Department Chair or Director must submit a written request to the PA to remove the equipment from PSAM. The request must explain how, why and when the improper disposal happened, and the explanation must be sufficient to satisfy an auditor’s examination. For equipment purchased with Federal grant funds, the Department Chair or Director must submit a written request to the PA to obtain the necessary authorization to remove the equipment from PSAM. Upon receipt of the request or of an approved request, the PA will initiate the entries required to remove the equipment from PSAM.

Facilities will inform the PA when a work request is placed to disposition a piece of capital equipment.   Why do we do all of this? Equipment records are required for State, Federal, and other agencies, University financial reports, insurance purposes, budgets and equipment control and utilization purposes.

### Stolen Property

The Departmental Lab Manager must immediately report any instance of stolen property in writing to the Department Chair or Director, the Campus Police and the PA. The police will send a theft report to the DLM and to the Risk Management Office. In addition, if the stolen item is federally owned property, the DLM must immediately inform the PA.

The PA will report stolen property with a unit cost of $5,000 or more as disposed equipment in PSAM in the year the equipment is reported stolen.

### Retirement Reasons

The following are retirement reasons and the procedures for each type of retirement:

* Sold / Discarded
	+ The Sold/retirement reason is used when the Surplus or Purchasing organization submits a work request for the sale of the equipment, or when an asset was sent to surplus and a Property Management Inventory Adjustment form is completed and sent to the PA within thirty days.
	+ A note must be added to the Inventory Adjustment form that denotes where the asset was transferred. The note should include the date the asset was sent to surplus. If it is not clear if the asset was sent to surplus, it should be retired as lost.
* Cannibalized: Use Cannibalized when an asset is dismantled and used for parts.
	+ The campus PA must be notified at the time an asset is no longer used for its designed purpose or prior to being used for parts within other assets.
	+ The cannibalized asset tag will be retired.
* External Transfer: The University will allow faculty members to transfer ownership of equipment purchased with grant or contract funds with proper approval from the [Office of Sponsored Programs and Research Integrity](https://www.uccs.edu/osp/). Equipment can only transfer to another public educational institution or nonprofit organization:
	+ If the grant or contract that purchased the equipment is being transferred to a new institution and
	+ If the funding agency and the Department Chair or Director approved the transfer.
	+ External Transfer will require the name of the institution and responsible person that will receive the asset.
	+ The receiving institution must accept the equipment and notify the PA once the equipment arrives and is inventoried.
	+ The asset will be retired from UCCS as an External Transfer to the new institution. The University must have approval from the funding agency to transfer the grant or contract before the equipment can leave UCCS.
* Gift: Must request approval from the M.A.D. Manager, submit a work request and request approval from the Property Accountant, surplus assets may be gifted to not-for profit and government organizations. The following conditions should be documented before gifting any assets:
	+ The asset has no utility for the university.
	+ The asset has no appreciable market value for resale
	+ Disclosure of any perceived or actual conflicts of interest between the gifting department and non-for-profit organization.
	+ Gifts will require the name of the institution and contact information for the person that will receive the asset. Once this person receives and inventories the asset(s), the signed [Property Management Inventory Adjustment](https://www.uccs.edu/rmd/uccs-controllers-office/property-and-equipment-inventory) form will be delivered to the Property Accountant.
* Lost: Lost assets are tagged items that could not be found during the biennial inventory. Assets should only be retired as lost after every effort has been made to locate the asset.
	+ A note should be added to the Inventory Adjustment form that provides details as to the search that was performed.
	+ Upon review, the Property Accountant may contact the organization for more information.
	+ If the asset is subsequently found, it will be reactivated within PSAM using unretired. PSAM will use the retirement date as the transaction date and allow depreciation to “catch-up” for the period the asset was considered Lost.
* Theft/Missing: When assets are stolen a report must be filed with the UCCS Police Department and the PA must be notified by email with the CUPD Report # and attach a completed Inventory Adjustment form. Assets reported as Missing, items cannot be found, but there has been no obvious break-in or evidence of theft, must be reported to the PA and the PA will determine if the CUPD should be notified.
* Trade-in: Once the department, Property Accounting, and Purchasing have determined that existing assets will be traded in on a purchase order, it is important the asset(s) given up in trade be retired. A completed and sign Inventory Adjustment form must be sent to the PA. The retirement should be processed when the equipment is turned over to the vendor. The timeliness of the retirement is important because this will affect the book value of the asset given in trade.

Disposal of Computers and Electronics

There may be sensitive information on the computer, therefore it needs to be wiped clean. Departments are not authorized to give away, sell, or dispose of any equipment without prior approval from the Materials, Acquisitions, & Distributions (MAD) Team at Facilities Services. Transfers of equipment to individuals or for-profit organizations are prohibited. All surplus, obsolete, or damaged equipment not being utilized should be reported by submitting a work request through Facilities Services Work Order System (WOS) for disposal. Please see <http://www.uccs.edu/facsrvs/physical-plant/work-requests.html/> for current (WOS). Prior to notification of Facilities Services, the requesting department should obtain an authorization from the PA for disposition of Federal and University property funded by Federal contracts or grants. If unsure where the funds came from to pay for the equipment, Refer to <http://www.uccs.edu/rmd/uccs-controllers-office/uccs-contacts.html> for current PA contact information.

The Facilities Services Department will be the central point of contact on campus for furniture and equipment disposals, transfers, and sales of both controlled, inventoried capital equipment and non-controlled equipment.

After a Work Order has been submitted the DPM will need to complete the UCCS Surplus, Storage or Disposal Property form (See appendix). A member of the MAD Team will be in contact with the Department regarding pick up time if a specific time is needed. This form is to be handed to the MAD Team when they arrive to pick up surplus property.

Please refer to the campus policy for Computer and Electronic Disposal:

[UCCS Campus Policy 700-006 Computer and Electronic Disposal](https://www.uccs.edu/vcaf/sites/vcaf/files/inline-files/700-006.pdf)

A department:

* Cannot give/sell a computer to faculty/staff. CU holds auctions to provide equal opportunity to purchase an item.
* Cannot give/sell a computer directly to a company/person/charity. (see above)
* Cannot allow a transferring PI to take a computer without permission from CU and acceptance of the item from the receiving institution. Legally, CU transfers the item to the receiving institution not the PI.

Please see section “Purchase of Surplus Property by University Employee” earlier in this document.

Internal sales, trades, or transfers of equipment between UCCS departments are not reported as disposals of equipment in the PSAM. The department should notify the PA by submitting an Inventory Adjustment form regarding the new department, responsible person, and location of the piece of equipment and make the proper accounting entries regarding the transfer of funds.

However, when the tagged item is funded by a 453/454xxx project(s), these types of transactions are treated as disposals of equipment from the sponsored project itself. Therefore, prior approval is required from [Sponsored Projects Accounting](https://www.uccs.edu/rmd/uccs-controllers-office/sponsored-projects-accounting) (SPA) for internal sales, trades, or transfers of equipment. This additional SPA approval is intended to prevent an improper sale/purchase from being made using sponsored project funds. For example, it is improper for a department to purchase equipment with sponsored project funds from a selling department that originally purchased the equipment using funds from a different sponsored project. For further information on obtaining SPA authorization, contact the PA at X3703.

Note: SPA does not have to be notified about equipment that is returned to the vendor (i.e. damaged item), that is incorrectly recorded in the PSAM because of an excess tag number, or that is part of another unit.

Any time an asset is retired within one year of purchase, a note must be added to the retirement document that explains why a new asset is being retired.

### PSAM’s retirement accounting:

* Credit the asset account 090400,
* Debit the accumulated depreciation account 092800,
* And if necessary, debit the Gain/Loss Expense account 970300 based upon the Net Book Value at the time of the retirement.
* The PA will credit the proper account in the 3255xx range if the tagged piece of equipment generates any salvage value. This revenue is linked with the 970300 to provide a net gain/loss amount.

### Retirement of IRS Form 8283 Gift Assets

CU must report information to the IRS about dispositions of charitable donation property made within three years after the donor contributed the property. When a gift asset is retired within three years of the creation date an IRS Form 8282 Donee Information Return must be processed. Any gift assets retired within three years where the donor requested an IRS Form 8283 will be reported to CU Treasurer’s Office. Upon notification, CU Treasurer’s Office will complete the IRS Form 8282, send a copy to the IRS and to the donor.

# Physical Inventories

RATIONALE: Physical inventories are completed to:

• Secure university assets,

• Verify location for compliance with OMB Uniform Guidance, and

• Assist organizations with effective management of capital equipment.

"A physical inventory of equipment shall be taken, and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records must be investigated to determine the causes of the difference." ([2CFR 200.313.(d)(2)](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=1&SID=f059216b567174e59027fc2a43d439d8&ty=HTML&h=L&mc=true&n=pt2.1.200&r=PART#se2.1.200_1313)) The PA along with the DLM will conduct the inventory and sign the inventory schedule once completed. Each organization is responsible for the inventory under their departmental code in the PeopleSoft Asset Management (PSAM).

Inventory Scheduling Departmental inventories are spread out over eight quarters covering the biennial period. The PA will contact the Departmental Lab Manager (DLM) and provide him/her with a list of tagged assets within PSAM. The DLM will use the list to validate the location of each item. Please note the changes needed to be made and certify that the information provided is accurate. The DLM will schedule a time with the PA the conduct the physical inventory together. Upon all items being located by both the PA and the DLM the Inventory Schedule will be signed to certify all items on the list have been physically verified. The DLM will be held accountable for accuracy of the inventory in the event of an audit.

### Untagged Assets not on Equipment List:

If an untagged asset with a value of $5,000 or more is found, and is not on the equipment list, the DLM should report the item to the PA. The PA will need to know how the equipment was acquired by the organization (i.e., Gift, Transfer-in or UCCS Purchase).

### Loaned and/or Off-Campus Equipment

All capital assets on loan or off-Campus should have a current Equipment Loan/Off-Campus Document in the Department Administers Office. During the inventory, the DLM is required to verify the location and condition of the equipment. For remote locations, an email from the Responsible Person using the equipment is required verifying the location and condition of equipment.

### Capital Asset Performance

There are three periods of an assets life cycle; (1) Maximum Performance, (2) Reduced Productivity, and (3) Final Disposition. These periods are used to measure the total cost of ownership (TCO). This is accomplished by determining the impact, such as actual time used, routine maintenance, calibration, full cost of repairs, down time when out of service and the cost to replace. As the cost of maintenance increase and time between repair intervals increase the assets moves to the second period, Reduced Productivity. During the Reduced Productivity Period the decision to replace the asset needs to be made. The [Asset Log](https://www.uccs.edu/rmd/uccs-controllers-office/property-and-equipment-inventory) will assist you in making a well inform decision. For each asset enter the name of the asset across the top of the page, then please print a few pages for each asset and place them close to the asset. Ask everyone who touches the asset to please log their time. In the comments column please note if the equipment needs repair, calibrated, out of service, …. For broken equipment note on the next line when it was placed back in service, who repaired, hours spent repairing, or cost of repairs… This information will be used to begin building a cost benefit analysis to assist with creating budgets for repair or replacement. This information will also be used if an insurance claim is needed, therefore the asset should be covered. If the asset was purchased with federal funds this information is required.

# Leases

Types of leases: Capital or Operating.

A lease is a contractual agreement conveying the right to use property, plant or equipment for a specified 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 property, plant or equipment for a specified period of time in return for periodic payments. There are two types of leases; an operating lease and a capital lease. ([GASB 87](https://www.gasb.org/cs/ContentServer?c=Pronouncement_C&cid=1176169177502&d=&pagename=GASB%2FPronouncement_C%2FGASBSummaryPage))

An operating lease includes a lessor who collects rent, and a lessee who uses the property, plant or equipment and pays periodic payments for such use. The lessee merely uses the equipment. There is no risk or benefit of ownership. Payments for an operating lease are charged to expense.

A capital lease transfers substantially all the benefits and risk inherent in ownership to the lessee. The lessee accounts for this type of lease as an acquisition of both an asset and related liability. If an asset is determined to be a capital lease, assets will be created regardless of the University's $5,000 capitalization threshold.

### Generally Accepted Accounting Principles (GAAP) Capital Lease Criteria.

[Per FAS 13](https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1218220124481&acceptedDisclaimer=true), "If substantially all of the benefits and risk of ownership have been transferred to the University, the lease should be accounted for as a capital lease. Substantially all of the benefits and risk of ownership have been transferred when one of the following four criteria has been met."

* + The lease transfers ownership to the lessee by the end of the lease term.
	+ The lease contains a bargain purchase option. Exercise of the option must appear reasonably assured at the inception of the lease.
	+ The lease term is equal to 75% or more of the estimated economic life of the property, and the beginning of the lease term does not fall within the last 25% of the total economic life of the leased property.
	+ The present value of the minimum lease payments at the beginning of the lease term is 90% or more of the fair value of the leased property. The interest rate, used to compute the PV, should be the incremental borrowing rate of the lessee unless the implicit rate is available and lower.

If none of the above are met, the lease should be classified as an operating lease.

Review Each Capital Lease Criterion.

The lease transfers ownership to the lessee by the end of the lease term.

* Within the title section of the lease will be wording that will communicate if title will transfer such as, "Lessee shall have title to the equipment immediately upon delivery and shall be deemed the owner of the equipment." If any wording such as this is present, then this criterion has been met and the lease agreement should be accounted for as a capital lease.

The lease contains a bargain purchase option. Exercise of the option must appear reasonably assured at the inception of the lease.

* The lessee might see wording similar to the following, "Provided the lessee is not in default, upon expiration of the scheduled term, the lessee shall have the option to purchase the equipment for $1.00." If any wording such as this is in the lease and it is reasonably assured that the bargain purchase option will be exercised by the lessee, then this criterion has been met and the lease should be accounted for as a capital lease.

The lease term is equal to 75% or more of the estimated economic life of the property, and the beginning of the lease term does not fall within the last 25% of the total economic life of the leased property. The estimated economic lives used at UCCS are taken from the Department of Defense and UC experience. Example:

* Lease term of 4 years /Useful life of 5 years =80%, criterion met.
* Lease term of 3 years /Useful life of 5 years =60%, criterion NOT met.

Please note: the above assumptions are made based upon the lease of new equipment. If the lease is for used equipment, purchasing will be required to determine the remaining life of the equipment being leased. If the remaining life of the leased equipment is in the last 25% of its useful life, this criterion will not be met.

The present value of the minimum lease payments at the beginning of the lease term is 90% or more of the fair value of the leased property. The interest rate, used to compute the PV, should be the incremental borrowing rate of the lessee unless the implicit rate is available and lower.

The fair market value is the amount the lessee would have paid for the property if it was purchased. It is the responsibility of Purchasing to determine the fair market value used in this calculation.

An amortization schedule for the lease agreement will need to be obtained from the vendor. The amortization schedule should include the monthly payment, principal, interest, number of payments and the interest rate used. On a quarterly basis, Treasury will supply the UCCS Controller’s Office with the incremental borrowing rate for UCCS. The quarterly rate will be forwarded to Purchasing to be used in the PV calculation.

In the following example the present value of the minimum lease payments is $6,500.96 which is greater than 90% of the FMV of $5,400. In the second example the present value of the minimum lease payments is $6,500.96 which does not exceed 90% of the FMV of $6,750.

Due to the complexity of this calculation, a GAAP Capital Lease Test spreadsheet is available. Please contact the UCCS Controller’s Office for assistance with this calculation.

Amortization Schedule

The amortization schedule should clearly identify the purchase order number, interest rate, payment number, payment due date, monthly payment amount, principal, interest and the running balance.

Lease Account Codes

Lease purchase payments must be broken down by the principal portion and interest portion according to an amortization schedule provided by the vendor.

* Use expense account number 810500 for principal payments and
* Expense account number 810600 for interest payments.

Monthly, the Property Accountant will reconcile each payment to the amortization schedules to ensure the correct amount has been applied toward principal and interest.

At fiscal year-end, all balances of capital lease debt will be reported in the Schedule I-2 For Bonds and Notes Payable.

Land Leases: If the terms of the lease indicate a transfer of title or contain a bargain purchase option, the University should account for the lease as a capital asset. If the terms of the lease agreement do not transfer ownership or contain a bargain purchase option, the university should account for the lease as operating.

### Leases involving land and buildings:

If the terms of the lease indicate a transfer of title or contain a bargain purchase option, the University should account for the lease by separating the land and building and capitalize separately. The land and building should be separated based on the fair market value at the time of lease inception.

If the term of the lease does not indicate a transfer of title or a bargain purchase option, the materiality of the land must be determined in relation to the total. If the fair value of the land is less than 25% of the total fair value of the leased property, then the land is considered immaterial.

Example 1:

Real Estate FMV Percentage

Land 80,000 20% Land is immaterial

Building 320,000 80%

Total 400,000 100%

Example 2:

Land 150,000 37% Land is material

Building 250,000 63%

Total 400,000 100%

If the land is immaterial to the lease should be accounted for as a single building lease.

If the land is material, the land and the building components should be separated. The portion of the lease involving the land should be accounted for as operating. The building portion will be capitalized if one of the following are met:

* The term of the lease is 75% or more of the economic useful life of the building.
* The present value of the minimum lease payments equals 90% or more of the fair value of the leased real estate.

Leases involving real estate and equipment. If a lease agreement involves both real estate and equipment, the equipment and real estate should be accounted for separately.

Leases involving only part of a building. If the fair market value of the leased portion can be determined, the University should account for the lease as described in "Leases involving land and buildings." If the fair market value of the leased portion cannot be determined, the University will account for the lease as operating.

DEFINITIONS: Bargain purchase option: A provision allowing the lessee the option of purchasing the leased property for an amount, exclusive of leased payments, which is sufficiently lower than the expected fair value of the property at the date the option becomes exercisable. Exercise of the option must appear reasonably assured at the inception of the lease.

Implicit rate: The interest rate that, when applied to the minimum lease payments, causes the aggregate present value to be equal to the fair value of the leased property to the lessor.

Incremental borrowing rate: The rate that, at the inception of the lease, the lessee would have incurred to borrow over a similar term the funds necessary to purchase the leased asset.

Fair value of leased property, plant and equipment: The property's selling price in an arm's length transaction between related parties. The selling price is considered the cash option to purchase.

Lease: A contractual agreement conveying the right to use property, plant or equipment for a stated period of time.

Minimum lease payments for the lessee: The payments that the lessee is required to make according to the lease terms. If the lease contains a bargain purchase option, only the minimum rental payments over the lease term and the bargain purchase are included in the minimum lease payments.

**Asset Depreciation**

PSAM will calculate and post depreciation expense monthly using the straight-line method for the calculation. Each asset will be depreciated from the capitalization date (assigned when the Property Accounting Office officially recognizes the asset) and depreciated over the asset's useful life. Every asset in PSAM is assigned an Asset Profile that has an associated useful life.

DEFINITIONS: 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 Profile code and are estimates of the useful life of the asset.

# Accounting for the Impairment of Capital Assets

SUBJECT: Accounting for the Impairment of Capital Assets GASB Statement No. 42 Accounting and Financial Reporting for Impairment of Capital Assets SOURCE: GASB Statement No. 42 Accounting and Financial Reporting for Impairment of Capital Assets

RATIONALE: To provide reporting and accounting guidelines for the impairment of capital assets.

**[GASB Statement No. 42](https://www.gasb.org/st/summary/gstsm42.html)** requires CU to evaluate events or changes in circumstances affecting capital assets to determine whether impairment has occurred. Impairment is a significant, unexpected decline in the service utility of a capital asset. The event or change in circumstances that lead to the impairment are not normal and ordinary and would not have been expected to occur during the life of the capital asset.

Impairment is indicated when events or changes in circumstances suggest that the service utility of the capital asset may have significant and unexpected declined. CU has defined significant in this context as one million dollars or more. This threshold includes the total cost to renovate, rebuild or replace the impaired asset.

### Indicators of impairment include:

Evidence of physical damage when the level of damage is such that restoration efforts are needed to restore the service utility. Examples could include:

• Building with contamination such as mold or asbestos.

• Building with structural damage.

• Building with fire or flood damage.

• Machinery with fire, water or electrical damage.

• Art or Museum tracking with fire or water damage.

• Vandalism to a building or piece of machinery.

• Vandalism to an Art or Museum tracking.

Enactment or approval of laws, regulations or other changes in environmental factors. Examples could include:

• New water quality standards that a water treatment plant does not meet.

• Underground storage tanks for fuel, water or sewer.

• Smoke emissions.

• Technological development or evidence of obsolescence. Examples could include:

* Equipment that is rarely used because newer equipment is more accurate.
* Underutilized mainframe computer.
* Underutilized magnetic resonance imaging (MRI) machine.
* Underutilized electric distribution systems.

A change in the manner or expected duration of usage of a capital asset. Examples could include:

• Closure of a lab prior to the end of its useful life.

• Use of a building changed from academics to storage.

• Construction stoppage. Examples could include:

* Stoppage of construction of a building due to lack of funding.
* Stoppage of construction of a building due to a lawsuit.

Please note the above indicators of impairment could also be subject to accounting treatment, according to [GASB Statement No. 49](https://www.gasb.org/st/summary/gstsm49.html), Accounting and Financial Reporting for Pollution Remediation Obligations. This could include a building with mold or asbestos contamination or the enactment of laws, regulations or other changes in environmental factors.

### Impairment Test

A capital asset identified with an indicator of impairment, as described above, should be tested for impairment by determining whether both of the following factors are present. If both are not present, an impairment has not occurred.

• The decline in service utility is significant. The expenses associated with continued operations and maintenance or costs associated with restoration of the capital asset are significant in relationship to the current service utility.

• The decline in service utility is unexpected. The restoration cost or other impairment circumstance is not a part of the normal life cycle of the capital asset. Management does not expect the asset to fulfill its useful life.

### Measurement of Impairment

If both impairment tests have been met as described above and the capital asset will continue to be used by the University, the impairment, or the portion of the historical cost that should be written off, should be measured by the method below, depending upon the impairment indicator that was met. This process will be completed by UCCS Controller’s Office. Departments do not need to calculate the amount of the impairment.

* Impairments resulting from physical damage should be measured using the restoration cost approach. Under this approach, the amount of the impairment is the estimated cost to restore the asset to serviceability. The estimated cost will be converted to historical cost or will be calculated by restating the cost using an appropriate cost index such as the Consumer Price Index. The formula used to determine the estimated cost is:
	+ - (Restoration Cost/Replacement Cost) x Book Value of the Capital Asset
* Impairments resulting from enactment or approval of laws or regulations or other changes in environmental factors or from technological development or obsolescence generally should be measured using a service units approach. The service units approach separates out the historical cost of the asset that cannot be used due to the impairment event or change in circumstance. The amount of impairment is determined by evaluating the service provided by the capital asset before and after the event or change in circumstances.

• Impairments identified from a change in manner or duration of use generally should be measured using deflated depreciation replacement cost or using a service units approach. For the deflated depreciation approach, a replacement cost for the asset is estimated. This estimated cost is depreciated to reflect the fact that the capital asset is not new, and then is decreased to convert it to historical cost.

• Capital assets impaired from construction stoppage should be reported at the lower of carrying value or fair value.

Impaired capital assets that will no longer be used by the government should be reported at the lower of carrying value or fair value.

Impairment Insurance Recoveries: The impairment loss will be reported net of the insurance recovery when the recovery and loss occur in the same fiscal year. Insurance recoveries reported in subsequent fiscal years should be reported as program revenue, non-operating revenue, or extraordinary item.

# Definition of Terms

**CAPITAL CRITERIA:** The dollar threshold for defining an item as capital equipment. The capital dollar threshold for equipment and software is $5,000.

**CAPITAL EQUIPMENT:** Equipment has a useful life of more than one year and a unit cost of $5,000 or more. Capital equipment must be capitalized and inventoried.

Additions to the asset in subsequent fiscal years must continue to meet the capitalization threshold of $5,000 or more AND meet one of the following capitalization tests:

1. The useful life of the asset must be increased.
2. The quantity of units produced from the asset must be increased.
3. The quality of the units produced must be enhanced.

Routine maintenance and repairs are not capitalized.  Repairs include changes that maintain or restore an asset to its normal operating efficiency.  However, if a component requires replacement, it would only be capitalized if the cumulative costs meet the $5,000 threshold and one of the above capitalization criteria. If equipment is affixed to the building and is not moveable without significant deinstallation, the equipment is considered to fixed equipment and is capitalized as part of the building.

**CAPITALIZED:** The value of equipment added to the asset account and reported in the Investment in Plant Fund (Fund 74).

**COLLECTIONS:** Items collected and stored or displayed, such as museum items, antiques, paintings, art objects, and film collections.

**CONTROLLED EQUIPMENT:** Equipment to be tagged and inventoried in PSAM.

**DEPRECIATION**: Recognizes 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 Profile code and are estimates of the useful life of the asset.

**DISPOSITION:** The process of moving a capital asset out of the department to be traded-in, surplused, sold, transferred, scrapped, salvaged or etc.

**DLM:** Department Lab Manager

**EQUIPMENT:** Tangible personal property which is not permanently fastened to a building and does not lose its identity. In this manual, the terms “equipment” and “property” are used interchangeably.

**FABRICATED EQUIPMENT:** Equipment internally fabricated or constructed by University employees or shops.

**FEDERALLY OWNED EQUIPMENT:** Property purchased by the University where ownership rests with the Federal Government (another term for this can be Federally titled property), OR property provided to the University by the Federal Government where ownership rests with the Federal Government (another term for this can be Government Furnished Equipment or GFE).

**FIXED EQUIPMENT:** Property that is built into or permanently fastened to the walls, ceilings, and floors of a building.

**FMV:** Fair Market Value

**GIFTS:** An item donated not purchased from and individual, corporation, government agency, or etc.

**GROUP OR MASS PURCHASE:** The purchase of many or several items, which individually are less than the capitalization threshold of $5,000, are not capitalized.

**INTERNAL SERVICE UNIT (ISU) EQUIPMENT:** Capital equipment used by an Internal Service Unit, which is an organization unit that provides specific types of goods or services to other departments.

**INVENTORIED:** Property that is entered in PSAM and for which the responsible department is accountable.

**LIBRARY HOLDINGS:** reference materials normally found in libraries, including books, documents, microfilm, telephone records, audio tapes, photographic films, video tapes, electronic media and maps.

**MAD Team:** Materials, Acquisition and Distribution Team of Facilities Services

**MOVABLE CAPITAL EQUIPMENT:** Property, other than real property, collections and library holdings, having an expected life of one year or more and a unit cost of $5,000 or more. Moveable equipment for purposes of this manual is property not built into or permanently fastened to the walls, ceiling, and floors of the building. If items are secured only for purposes of stability, they are considered movable.

**MAINTENANCE EXPENSE:** Any cost that neither add to the quality or quantity of the output nor extend the life of the original equipment are maintenance expense; they should not be capitalized regardless of cost.

**NON-CAPITAL EQUIPMENT:** Property, other than real property and standard furniture, having an expected useful life of one year or more and a unit cost of less than $5,000.

**NON-CAPITAL CONTROLLED EQUIPMENT:** Property having a unit cost of less than $5,000 but required to be inventoried in PSAM to satisfy the requirements from contractual agreements or the granting agency. Such equipment is acquired with Restricted Sponsored funds with account numbers 537601 and 810900. In addition, non-capital equipment can be required to be inventoried in PSAM by the University or may be maintained in PSAM at the department head’s discretion for departmental internal control purposes.

**OSPIR:** Office of Sponsored Programs and Research Integrity

**PA:** Property Accountant

**PSAM:** PeopleSoft Asset Management, which is the official record of the University of Colorado.

**PERSONAL PROPERTY:** Property other than real property.

**PRIVATELY OWNED PROPERTY:** Property owned by University employees and organizations other than the University and the government

**PROPERTY:** Tangible personal property which is not permanently fastened to a building and does not lose its identity. In this manual, the terms “equipment” and “property” are used interchangeably.

**REAL PROPERTY:** Land, land improvements, structures, and attachments, excluding movable equipment and furniture.

**STANDARD FURNITURE:** Office and classroom furniture, household furniture, and storage equipment with a cost of less than $5,000 per unit.

**UNIVERSITY OWNED EQUIPMENT:** Property whose ownership rests with the University of Colorado Colorado Springs. Another term for this is University titled.

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# Uniform Guidance – Code Federal Regulations

* <https://www.ecfr.gov>
	+ Title 2—Subtitle A—Chapter II—Part 200

[Property Standards](https://www.ecfr.gov/cgi-bin/text-idx?SID=7ecc3fd11e168a02e425b0c74f5702fc&mc=true&node=sg2.1.200_1309.sg2&rgn=div7)

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| * + [§200.310](https://www.ecfr.gov/cgi-bin/text-idx?SID=7ecc3fd11e168a02e425b0c74f5702fc&mc=true&node=se2.1.200_1310&rgn=div8)
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| * + Insurance coverage.
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| * + [§200.311](https://www.ecfr.gov/cgi-bin/text-idx?SID=7ecc3fd11e168a02e425b0c74f5702fc&mc=true&node=se2.1.200_1311&rgn=div8)
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| * + Real property.
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| * + [§200.312](https://www.ecfr.gov/cgi-bin/text-idx?SID=7ecc3fd11e168a02e425b0c74f5702fc&mc=true&node=se2.1.200_1312&rgn=div8)
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| * + Federally-owned and exempt property.
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| * + [§200.313](https://www.ecfr.gov/cgi-bin/text-idx?SID=7ecc3fd11e168a02e425b0c74f5702fc&mc=true&node=se2.1.200_1313&rgn=div8)
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| * + Equipment.
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| * + [§200.314](https://www.ecfr.gov/cgi-bin/text-idx?SID=7ecc3fd11e168a02e425b0c74f5702fc&mc=true&node=se2.1.200_1314&rgn=div8)
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| * + Supplies.
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| * + [§200.315](https://www.ecfr.gov/cgi-bin/text-idx?SID=7ecc3fd11e168a02e425b0c74f5702fc&mc=true&node=se2.1.200_1315&rgn=div8)
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| * + Intangible property.
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| * + [§200.316](https://www.ecfr.gov/cgi-bin/text-idx?SID=7ecc3fd11e168a02e425b0c74f5702fc&mc=true&node=se2.1.200_1316&rgn=div8)
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| * + Property trust relationship.
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Subpart A - Acronyms and Definitions

 [§200.2](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=1&SID=f059216b567174e59027fc2a43d439d8&ty=HTML&h=L&mc=true&n=pt2.1.200&r=PART#se2.1.200_1313)  Acquisition cost

Acquisition cost means the cost of the asset including the cost to ready the asset for its intended use. Acquisition cost for equipment, for example, means the net invoice price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. Acquisition costs for software includes those development costs capitalized in accordance with generally accepted accounting principles (GAAP). Ancillary charges, such as taxes, duty, protective in transit insurance, freight, and installation may be included in or excluded from the acquisition cost in accordance with the non-Federal entity's regular accounting practices.

 §200.12  Capital assets

Capital assets means tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with GAAP. Capital assets include:

(a) Land, buildings (facilities), equipment, and intellectual property (including software) whether acquired by purchase, construction, manufacture, lease-purchase, exchange, or through capital leases; and

(b) Additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations or alterations to capital assets that materially increase their value or useful life (not ordinary repairs and maintenance).

[§200.20](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=1&SID=f059216b567174e59027fc2a43d439d8&ty=HTML&h=L&mc=true&n=pt2.1.200&r=PART#se2.1.200_1313) Computing devices.

Computing devices means machines used to acquire, store, analyze, process, and publish data and other information electronically, including accessories (or “peripherals”) for printing, transmitting and receiving, or storing electronic information. See also §§200.94 Supplies and 200.58 Information technology systems.

[§200.33](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=1&SID=f059216b567174e59027fc2a43d439d8&ty=HTML&h=L&mc=true&n=pt2.1.200&r=PART#se2.1.200_1313)    Equipment.

Equipment means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or $5,000. See also §§200.12 Capital assets, 200.20 Computing devices, 200.48 General purpose equipment, 200.58 Information technology systems, 200.89 Special purpose equipment, and 200.94 Supplies.

[§200.59](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=1&SID=f059216b567174e59027fc2a43d439d8&ty=HTML&h=L&mc=true&n=pt2.1.200&r=PART" \l "se2.1.200_1313)    Intangible property.

Intangible property means property having no physical existence, such as trademarks, copyrights, patents and patent applications and property, such as loans, notes and other debt instruments, lease agreements, stock and other instruments of property ownership (whether the property is tangible or intangible).

[§200.94](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=1&SID=f059216b567174e59027fc2a43d439d8&ty=HTML&h=L&mc=true&n=pt2.1.200&r=PART#se2.1.200_1313)    Supplies.

Supplies means all tangible personal property other than those described in §200.33 Equipment. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the non-Federal entity for financial statement purposes or $5,000, regardless of the length of its useful life. See also §§200.20 Computing devices and 200.33 Equipment.