

UNIVERSITY OF COLORADO BOULDER

Capital Equipment

PAO Standard Operating Procedures

UCB Property Accounting Office

February 2026

<http://colorado.edu/property>

Standard Operating Procedures for capital equipment acquisition, inventorying, depreciating, and surplusing.

Table of Contents

Property Management = Property Control	3
System of Record for Capital Investment in Plant (IIP) & Equipment PeopleSoft Asset Management (PSAM)	5
Departmental Role and Defining Role of Departmental Property Manager (DPM)	5
Art & Museum Procurements (Specifics within Campus Art Policy)	7
Acquisitions	7
Disposing/Surplusing	7
Capital Equipment Acquisitions	7
Criteria for Capitalizing Upgrades	8
Service costs that can be capitalized	8
The following are not considered capital equipment regardless of cost or useful life:	8
Maintenance of Capital Equipment.....	8
A trade-in of a capital, tagged asset	9
A trade-in of a non-capital, non-tagged asset	9
Equipment Fabrications or Assemblies:.....	9
Fabrication Process.....	10
Fabricated Test Equipment	11
Fabricated Deliverables.....	11
Electronic Systems	12
Discovery Science Fabrications	12
Capital Equipment Gifts and Transfers to University.....	13
Gift in kind (GIK).....	13
A GIK valued at over \$100,000.....	13
Sponsored Projects & GIK	14
Transfers-in of capital assets.....	14
Mid-Year Adjustment Transactions.....	14
Listing of moveable equipment capital asset and expense account codes:	14
Computer Software	15
Software developed by or for the University for Internal Use only, not to be sold.....	16

Modifications/Upgrades of Software:	17
Following is a listing of account codes for computer software:.....	17
Intangible Assets.....	17
Common types of intangible assets	18
Account Codes for Intangible Assets:.....	18
Library Books and Collections	18
Library and Collections Account Codes:	18
Tagging Moveable Capital Equipment.....	19
Tagging of federally owned equipment.....	19
Equipment Loan/Return (off premise).....	20
Asset Retirement-Equipment.....	21
Retirement Reasons.....	21
Internal sales, trades, or transfers of equipment	23
PSAM's retirement accounting:	24
Retirement of IRS Form 8283 Gift Assets	24
Physical Inventories	24
Inventory Scheduling	25
PAO Audit of Inventory Results:.....	25
Untagged Assets not on Equipment List:.....	25
Loaned and/or Off-Campus Equipment	25
Lease Purchases.....	25
Amortization Schedule.....	26
Lease Account Codes	27
Asset Depreciation:	27
Accounting for the Impairment of Capital Assets.....	27
GASB Statement No. 42	28
Impairment is indicated	28
Glossary of Property Terms	29

Property Management = Property Control

Procedure Purpose and Effect: This document sets forth the policies and responsibilities for establishing and maintaining control over property owned by the University of Colorado Boulder and its subcontractors, property owned by the federal government, and property owned by non-federal sponsors of research projects to ensure compliance with general government requirements. Whereas, this document covers capital equipment specifically, it is understood that departments will use these guidelines to protect non-capital assets under its control. All capital and non-capital assets purchased with University and/or sponsor funds are considered University of Colorado Boulder titled unless specifically contracted by a sponsor to hold title. When title is in doubt, departments must seek guidance from the Campus Controller's Office Property Accounting Team at Property@Colorado.edu.

Application of Procedure: Certain property control processes, data records, and values are required for the state and university financial statements (GAAP/GASB Standards), insurance coverage, budgeting, equipment control, utilization, and federal and non-federal research contracts, awards, or grants.

- The federal government requires the university to procure, use, and control property in accordance with federal laws, executive orders, instructions from the federal sponsoring agency and any special instructions contained in the specific grant or contract. It is government policy, however, to rely upon the university's internal written procedures, subject to evaluation and approval.
- The Federal Acquisition Rules (FAR) have the most stringent requirements of a property system. The university has set up the property management policy and standards to meet the FAR rules. The applicable policies and procedures apply to the university and its subcontractors and are intended to ensure compliance with general government requirements.
- The University Property Control System is subject to annual review and evaluation by state hired outside auditors and periodic review from federal auditors.

Exemptions: Specific agencies and specific contracts may impose special conditions beyond general agency requirements. In such cases, the special conditions and procedures so prescribed supersede the outlined procedures.

Property Management (Written Procedures). The University Controller's Property Accounting Office (PAO) establishes university policy and procedures for control and reporting of property in accordance with applicable state and federal policy and procedures. Close communication is required between PAO, Departments, University Advancement, Procurement, Office of Sponsored Programs, and Surplus Property. The PAO staff appreciates the contributions of all campus staff and in particular, Debra Ellison from Colorado State University for assistance in putting these procedures together.

The objective of this manual is to provide for optimum equipment utilization, maintenance, control, protection, and reporting at the University of Colorado Boulder. For information regarding the management of property purchased with sponsored research funding, please reference the Sponsored Projects Property Control manual as well at <https://www.colorado.edu/ocg/manage-awards/property-and-equipment>. 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.

The PAO is responsible for the initial recording of all property acquired by the university and for maintaining a current and accurate property system in order to comply with federal, state, and university regulations. Property Management has been assigned the responsibility for property recordkeeping, reporting of property acquisitions, inventory accounting records, verifying department property management practices by conducting periodic inventories held in cooperation with the Departmental Property Manager (DPM), assigning property decals (tags) to equipment, and ensuring the timeliness and accuracy of updates to the capital asset management system within the PeopleSoft Financial System. In addition to maintaining the property database, the PAO is responsible for the financial reporting of the capital assets on the university and state financial statements and providing equipment reports for federal and non-federal contracts, agreements, and grants.

Inventory issues are coordinated between the PAO and DPM. The functional responsibilities of the DPM role may be distributed among several individuals within a department. The distribution of duties may vary depending on the size and complexity of the property management needs of the department or sponsored project. DPM's carry out the day-to-day responsibilities within their department and provide guidance to department personnel concerning property matters such as acquisition, coordination of transfers, equipment at sub-recipient locations, maintenance, physical inventory (with the cooperation of the PAO), and disposal.

Deans, directors, department chairs, department heads, and other university officers are assigned property for custody and responsibility. This includes property assigned for individual use or as part of a common area. They are accountable for the control, maintenance, use, care, and protection of such property.

The Principal Investigator also shares part of the responsibility for equipment. This shared responsibility includes notifying the appropriate DPM of any acquisition, movement, or disposal of property; exercising reasonable care in use to prevent damage or destruction and maintain good condition of the equipment; exercising reasonable security measures to prevent loss, theft, or misuse; and for reporting lost, stolen, damaged, or otherwise impaired property to appropriate parties, including but not limited to, a direct supervisor, building proctor, or lab manager.

In addition, library books, art, scientific and museum collections are the responsibility of the respective dean, director, department chair, or department head.

System of Record for Capital Investment in Plant (IIP) & Equipment PeopleSoft Asset Management (PSAM)

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 PSAM: all federally owned property, 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, surplusing of equipment, transfers, donations, and monthly additions of new acquisitions. It is the policy of CU that the accountable department is required to complete an inventory of capital equipment at least every two years to be supervised by the CCO Property Accounting Office (PAO). Spot checks and periodic verification of the inventory will be made by any of the following methods; department staff, campus property accounting staff, an independent third party, including the internal auditors as needed to ensure the inventory process integrity. Depending on the number of capital items, the type and number of transactions, and funding sources the PAO will recommend that a department designate a staff person be assigned property responsibilities within their position description.

Regardless of how property is funded or acquired, title to all property rests with the University and State of Colorado, or to the research sponsors rather than with a department or its staff. This includes equipment received as a gift or donation; acquired as government surplus; or purchased from department or research budgets, special appropriations, or allocations. All capital equipment or non-capital controlled equipment must be tagged with a CU-assigned tag number, identifying the equipment as either CU-titled or Government-titled. The tags will include a machine readable bar code.

Departmental Role and Defining Role of Departmental Property Manager (DPM)

The department is responsible for the capital piece of equipment during its entire life cycle while under university control. The departmental staff ensure compliance with policies related to the purchase, use, maintenance, inventorying, and surplusing of all their capital equipment. Departments may assign these tasks to multiple staff; e.g.

- one person may handle the purchasing of items (finance person),
- another may be responsible for the maintenance (lab manager), and

- a third person for inventorying the department's capital assets (DPM).

The CCO-PAO recommends that departments overseeing the following thresholds of capital items develop a formal plan for the management of those assets which includes a percentage of time needed for the completion of duties in the position description of staff involved.

Typical departmental duties:

1. Receiving requests to purchase a capital piece of equipment (\$10,000+).
2. Purchasing the item using the correct account codes and following any guidelines associated with the funds.
3. Answering any questions from the CCO-PAO Acquisitions Accountant (AA) and/or the OCG Property Compliance Specialist related to the purchase. The CCO-PAO AA queries the capital account codes and most common expense codes for potential capital purchases. She applies Generally Accepted Accounting Principles (GAAP) and State/Campus Policies to determine if the item purchased should be capitalized. The OCG person reviews the purchase based upon the sponsor funded agreement.
4. The department receives the equipment and is required to place the capital tag sent to the DPM and email back to the PAO the location, end user, serial number, and picture of tagged item. If the department has fallen behind in their tagging, the PAO will ask for an appointment to assist the department in catching up with their tagging of equipment. It is important for equipment to get tagged within 30 days of receiving it. Items move around and off of our campus quickly, statistically a third of our tagged equipment moves between biennial inventories. Often, that move happens within 30 days of receiving the item.
5. The department monitors the movement of assets, maintenance issues, and end users.
6. The department does an inventory every two years for CU titled equipment and every year for Federal Tags with OCG's Property Team, the tags have a blue band at the top, note Fed Titled, and start with 0Fxxxx. The inventory process can consume a lot of time when locations are not kept up to date and PIs refuse access to their labs without their presence. It is recommended that the DPM be trained by the PIs to a level of comfort that allows the DPM to complete the inventory efficiently and accurately within the 30 day window.
7. The department is responsible for initially authorizing the transfer of items from CU Boulder to another government or non-profit entity along with the PI to continue the research. There is an automated form that once filled out will forward for proper authorizations. Once the Dean or Chair agree the request is forwarded to OCG Property (if purchased with sponsor funds) and/or the PAO. Finally, Property Services will approve the release of the items. This moves fast once the automated form is filled out. The important goal is to get an accurate list of items being taken so that the PAO Property Accountant can verify with the receiving entity that all items were received.
8. Once the department has determined an item is no longer of use, the DPM should fill out a disposal request which is also an automated form that will route to the appropriate staff for authorization and pick up.

With Sponsor, Federal & General Funded Purchases

1. Up to 49 tags. 10/20 hours per year, 1%
2. 50-99 tags. 40/64 hours per year, 2%

With General Funded Purchases Only

1. 5/10 hours per year NEC
2. 10/20 hours per year 1%

3. 100-199 tags. 55/95 hours per year, 3%	40/64 hours per year 2% (Athl, Rec Ctr)
4. 200-299 tags. 80/120 hrs per year, 4% (IPHY, INSTARR BioFrontier)	N/A
5. 300-599 tags. 100/160 hrs per year, 5% (Mech & Elec Eng, MCDB)	

Art & Museum Procurements (Specifics within Campus Art Policy)

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 \$10,000 or greater. If a collection of items are greater than \$10,000 then it will be capitalized as a collection. If donated, staff should follow the Gift In Kind (GIK) procedures set up by the Guide. A department should not accept or purchase capital artwork on its own, contact property@colorado.edu and we will guide you through the acceptance process.

Acquisitions (Accession to Campus Collections) should follow the guidelines laid out by the CU Art Museum (see appendix A) or guidelines established by the Campus Landscape Architect's Office for Public Outdoor Art (see appendix B).

Disposing/Surplusing (Deaccession) of Art and Museum assets should go through a process that has been approved by the campus' CU Art Museum (see appendix A). An example that could receive approval is; a department has a piece of art that has been damaged beyond repair. It is important that our agreement with the donor has been respected.

- The curator contacts the department most likely to have the appropriate expertise to form a committee to evaluate the collection for historical significance,
- determine if CU is still the best choice for hosting the collection, and
- determine a value (or get an appraisal if appropriate) if the decision is to surplus the collection.
- 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 nonprofit/government institution that would want the collection,
- if not, then determine if the auction is appropriate.

If your department is contacted by a potential donor of artwork, please contact property@colorado.edu and we will guide you through the process.

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

Account Code	Description
810402	Art & Museum Purchases (debit)
240604	Art & Museum Gifts (credit)

Capital Equipment Acquisitions

The term "equipment" includes delivery devices/vehicles, office items, vehicles, machinery, some furniture and fixtures, factory equipment and electronics. An item must meet three specific criteria in order to qualify as a capital purchase. It must have:

- An acquisition value of at least \$10,000
- A useful life expectancy of greater than one year, and
- Not be permanently affixed to a building or another object in such a way as to lose its unique identity.

Criteria for Capitalizing Upgrades

According to GAAP and Federal regulations 2 CFR 200.452, upgrades are capitalized **when any one of the criteria listed below is met in addition to the requirements listed above for capital equipment**

- 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:

- Cost of assembling the asset
- Cost of installation
- Freight
- In-transit Insurance
- Preparing the site and asset for its intended use
- Emergency Maintenance and Warranty Agreements. Emergency repair/replacement agreement that provides an immediate service (within 24 hours) that is required to maintain an experiment's viability or utility's purpose, that without the service, would remove the need the equipment in the first place.

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

- Repair or replacement parts.
- Standard/Extended Maintenance and Warranty Agreements

Maintenance of Capital Equipment. Federal Acquisition Regulation (FAR) part 52.245-1, "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.

- Principal Investigators are primarily responsible for ensuring maintenance is being performed on any government property in their custody. Maintenance is performed to the degree necessary to maximize the useful life of property and/or as specified in the manufacturers' instructions.
- Maintenance shall be preventative in nature, providing lubrication, cleaning, calibration, and inspection on a regular schedule.

- Records of the maintenance program shall provide the description and date of maintenance actions performed, details of inspection, and deficiencies discovered or corrected.
- The CAM Database can be used to record any performed maintenance on assets.
- Biannually a system-generated email from the Property Management Office will be sent to the Principal Investigator (or the custodian listed as the responsible person on the capital asset record) and the Department Property Contact (DPC) for Federal, Sponsor, and Conditional titled assets within CAM. This system-generated email will send both people a report showing the assets that may need to have maintenance records updated or entered. Maintenance is generally not required for items in the disposal process.

A trade-in of a capital, tagged asset will be treated as a non-cash payment on the purchase. A department wishing to trade in tagged equipment must go through the same approval process as disposing equipment. If the equipment is capital contact the PAO and they will walk you through the process. Final approval will come from Property Services. The department is asked to consider giving or selling the item to another department first. The State of Colorado requires that equipment be used to its highest and fullest potential within state agencies before releasing title outside of the state control.

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 970300. Once the organization and purchasing department have determined that an existing asset will be traded in, the organization will need to issue an asset retirement request for the asset traded in, and once approved the asset can be picked up by the vendor. Please notify the PAO when the item's is picked up.

When issuing the asset retirement request, the correct retirement reason code to use is #2 for Trade-in in PSAM. 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.

The purchased item will receive two PSAM asset IDs.

- One will be for the cash portion (more if the cash comes from multiple speed types) and the other one for the non-cash portion. The multiple lines will assist with end of the year reporting requiring a breakdown between cash purchases and non-cash purchases.
- PSAM will code all lines/asset IDs to 090400 and 355200.
- Each campus can 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:

Fabrications can range from basic accounting to complex tracking processes that require a skilled accountant to complete accurately and consistently. The Controller's Office PAO Team along with the Office of Contract & Grants Property Compliance Team (if sponsor funding is involved) will determine the required accounting at the start of a fabrication. It will be the responsibility of the department to provide adequate accounting support to ensure the fabrication can pass a close out audit by either the campus and/or sponsor auditor.

Please remember, an audit finding can be extrapolated across all projects funded by the sponsor and impact future funding.

In some instances, purchases of components can be capitalized together as one asset under moveable equipment, referred to hereafter as fabricated assets. 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. 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.

- a. 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 (lab manager not the Principle Investigator).
- b. 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.
- c. Only supplies, materials, and equipment necessary for performance shall be acquired and used, purchases at the end of the award will be given additional scrutiny for appropriateness.
- d. Prior approval for altering an item of government equipment shall be obtained from the cognizant government's contracting officer. This approval will be coordinated through the OCG.

The fabricated asset will remain as construction in progress (account code 090601) until the PAO is notified that the asset is substantially complete and ready for its intended purpose. Fabrications should be closed when the asset is placed into service. At this point the asset will begin to depreciate.

The University Property Accounting Office (PAO) will assign the Inservice Date and Asset Profile code from information received by the department. Please provide an estimated useful life for the asset.

Fabrication Process

The department begins the process by either contacting the PAO to ask if a project qualifies to be a fabrication or goes to Property Central and fills out the Fabrication Request Form. The PAO Acquisitions Accountant (AA) issues a Fabrication Tag Number and requests a new fabrication subclass SpeedType tied to the project number. Once these are in place, it is the department's responsibility to note the tag# and use the Subclass SpeedType for all costs associated with the fabrication.

Annually CU-Boulder's Property Accounting Office will request that departments review the status of active fabrications that were estimated to be complete by then. 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 February 1 of each fiscal year.

After the fabrication is completed and put into service, a physical tag will be affixed to the fabricated piece of equipment. If additional charges accrue after completion because of an enhancement or functional upgrade and these charges meet the capitalization requirements, the AA will use the same tag# but a different PSAM ID# for the additional charges. This is because the upgrade to the fabrication will have a different acquisition date and may/may not change the depreciation of the original fabrication.

When the department requests a fabrication SpeedType for an upgrade to an existing fabrication, the requestor should indicate the tag number of the original fabrication. The description can be the same and we can add "Phase Two" or another suggested description.

An equipment fabrication must meet all of the following criteria before a Fabrication subclass speedtype 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 \$10,000 or greater.
- Upon completion, have a useful life of more than one (1) year; or, if on a NASA contract, two (2) years.
- Not be permanently affixed to a building or another object in such a way as to lose its unique identity.

Fabricated Equipment can be distinguished by any one 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 still be used independent of the fabricated asset.
- Customized Fixed Asset. A fixed asset is acquired and then modified to meet unique research needs (one-of-a-kind customization to a piece of equipment).

Fabricated Test Equipment

Fabricated Test Equipment is defined as a fabrication that has no useful life once it is completed and is not capitalized to the General Ledger. At this time, test equipment coding should be pre-authorized by the PAO and OCG. It is important because your budget may not be able to handle an in-service review that determines what you thought was capital/permanent equipment is identified as test equipment and recoded to an expense account triggering F&A charges. Test equipment has some of these attributes:

- It is built to test a concept or another item but does not have an intended purpose beyond the test.
- It is typically cannibalized (disassembled) and the components are reused in another item or separately.
- It is stored for a possible future use.

Fabricated Deliverables

Fabricated Deliverables are defined as fabrications built to be titled for an outside entity. Deliverables are not held by CU and therefore are not capitalized. At this time, fabricated deliverable coding should be pre-authorized by the PAO and OCG. Fabricated deliverables have some of these attributes:

- CU will not receive title/ownership of the finished piece of equipment.
- It may be a pass through purchase; i.e. outside entity to CU to Final Owner.
- There is usually a discussion on how to ship and insure the item while in transit to the owner.

Electronic Systems should meet the following conditions:

- Physical attachment- the components are connected in a manner of dependent relationship to perform a task that cannot be done individually. A typical example of an electronic system is a series of computers connected in such a way to provide additional computing power. Other examples include the high speed network and VOIP wiring that runs through buildings to servers which are connected to OIT's central hub.
- An example of an exception to physical attachment is UCB's campus-wide Wi-Fi. Many of the components are not physically connected to each other but the components are only used for single purpose of maintaining a campus-wide Wi-Fi system.
- Lack of Interchangeability- the components cannot be disconnected from the system asset and used in a similar manner with another system; e.g. a person cannot walk up and use one of the computers linked together to super-compute as a personal workstation, even temporarily. When reasonable, components that are linked, not built into each other, should be tagged 1 of x, 2 of x, etc. to ensure proper tracking.

The biennial physical inventory should be a consideration when combining components to create system assets. For components over the \$10,000 threshold, PAO recommends these items be created as individual assets. We feel this is more efficient and effective for physical inventory inspection.

Another reason for tagging individual components comes when you are done with the fabrication and want to either cannibalize components for another purpose or auction off a portion of it. Having the components

individually tagged makes this process easier because the costs for those tagged components are tracked individually.

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

Discovery Science Fabrications will not be capitalized but can be exempted from F&A. They should meet the following conditions:

- Are not intended to be put into service, not intended to do a repeatable activity, and do not have a useful life > 1 year (no useful life).
- The intended purpose is to obtain a scientific outcome; e.g. a more accurate measurement of time; that once achieved, the equipment is modified to push to the next boundary.
- A patent maybe issued for an achieved outcome, for a machine designed to do a repeatable activity, but the machine in the lab, within CU's possession, is modified to push to the next boundary.

The department will request a fabrication sub-class speedtype and note in the description box that the fabrication is probably a Discovery Science Fabrication. The PAO will make a final determination based upon GAAP/GASB guidelines and the campus guidelines stated above. Ideally, the fabrication will be coded to 500xxx expense account code that is either exempted from F&A or not based upon the agreement with the sponsor.

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 *Gift In Kind 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 \$10,000 *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 \$10,000

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. The Guide: Chapter 15 Pages 41-42
<http://www.colorado.edu/controller/sites/default/files/attached-files/ch15.pdf>

Donations of GIK valued at less than \$10,000 and not accompanied by a bilaterally executed written agreement are not recorded in the Finance System (unless required by another university policy) and do not require a [GIK Acceptance Form](#) (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.

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, CU must use the gift for at least three years.

If your department receives an offer of a gift in kind, consult the APS and FPS to be sure you are in compliance *before* accepting the gift or making any commitments. Direct any questions to the campus controller property@colorado.edu.

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* APS. If you have responsibility for a sponsored project that includes in-kind contributions please contact OCG's Compliance Team to work out the details.

Transfers-in of capital assets are those assets received from an external organization (usually another university) or government surplus. Transfers to the university must be accepted by the department and Campus Property Accountant with an additional acceptance by OCG's Property Officer if an award is tied to the assets.

- 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 Campus Property Accountant.

Mid-Year Adjustment Transactions are accounting actions taken to record activity beyond the typical purchase, fabrication, and/or retirement of a capital asset.

- Additional purchases/payments to a previously capitalized asset can be added to the tagged asset within a 90 day window, after that window the cost must be \$10,000+ to be added. Less than \$10k is expensed. Use the ADJUSTMENT tool instead of the ADD tool.
- Reductions to tagged assets that do not lower the total cost below \$10k can be entered as an ADJUSTMENT down on the tagged asset.

- Assets that were not found during an inventory in a prior year that were found in the current year will be Reinstated in PSAM.
- Another possibility is that asset was retired in error. If this is the case, the retired asset will be “Re-instated/Unretired” in PSAM.

Listing of moveable equipment capital asset 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 \$10,000 or greater
- 810200 Government Titled Equipment
- 810300 Private Titled and Fabricated Deliverables tag id begins with 0W- (Costs do not flow into 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 Fabricated Capital Equipment Components (Government Titled) Costs are recorded in GL but components are not depreciated until fabrication is complete and placed into service.
- 810900 Equipment less than \$10,000 exempted from F&A charges because of an unexpected discount that netted the final cost slightly below \$10,000. Items are not capitalized. Use of this account code requires OCG approval.
- 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)

Computer Software

Capital Software Guidelines:

- The acquisition cost is at least \$10,000 Cost Threshold.
- Individual user licenses must meet cost threshold even when purchased based upon quantity; e.g. 1,000 licenses at \$75 each should not be capitalized even though the total reaches above the \$10,000 threshold because the 1,000 licenses retain their individuality within the marketplace and the individual price does not meet threshold.
- If multiple licenses are purchased; e.g. 1st License is \$6,700 and the 2nd is discounted to \$3,800 totaling \$10,500. CU will take the total capital eligible cost with this purchase and divide by the number of licenses purchased to determine the cost per license. If the per license cost reaches the threshold CU will capitalize, if not it is expensed or in the above case referred to 810900 not capital due to a discount.

- The software must have a useful life greater than one year.
- The department owns the software and has the ability to sell, transfer, license, or rent the asset to another party OR the asset arises from a contractual or legal right. Annual subscriptions or service agreements are considered “renting of the software” and should be expensed.
- Department or campus negotiated site licenses that include multiple users (not multiple licenses) that met the requirements above are capitalized if some additional conditions are met:
 - University rights to use the software do not expire.
 - University rights to use data either purchased or created by users of the software do not expire.

Costs that should be capitalized: The cost of the software and installation costs should be capitalized.

Costs that should be expensed: Training and travel costs associated with capital purchased software should be expensed.

Modifications/Upgrades of Software:

Modifications to purchased software should be capitalized when the cost of the modification is at least \$10,000 AND any one of the following exists:

- There is a substantial increase in the functionality of the computer software allowing the program to perform tasks it was previously incapable of performing;
- There is 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; or
- There is an extension of the estimated useful life of the software. (GASBS51, 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/licensed 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, to 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 0Dxxxx 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.

If you are planning to develop a software product internally, please contact Greg.Roers@Colorado.edu to discuss whether or not it qualifies to be capital software. If you have questions regarding software or other property, contact property@colorado.edu or visit <https://www.colorado.edu/property>

Software developed by or for the University for Internal Use only, not to be sold.

Revised: February 2020

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 to 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 an acquired software product then the following guidelines should be followed.

Modifications to purchased/licensed software should be capitalized when the cost of the modification is at least \$10,000 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. (GASBS51, Par. 15)

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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 the expense 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.

Intangible Assets

An intangible asset (according to GASB 51 and 2 CFR 200.59) is an asset that possesses all of the following characteristics:

- Lack of physical substance
- Nonfinancial nature
- Initial useful life greater than 1 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).
- 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.
- Determining useful life follows existing guidance of tangible assets with the exception of 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 at this time
- 811xxx current amortization account code is not set-up at this time.

Library Books and Collections

All cataloged library acquisitions shall be capitalized. Library staff will provide a detailed listing of purchases to be capitalized and another list detailing what items were surplused. With the department maintaining the detail, property accounting will enter the additions as one new tag for the annual amount and reduce the oldest tag in PSAM by the amount surplused for the year.

There is no capitalization threshold as to the total cost spent per unit. Capitalization criteria is based upon whether or not CU has perpetual access to the content that was purchased versus a subscription service that requires regular fees to continue to use the resource.

UCB 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 our campus standards, as stated here, moveable capital equipment must be tagged using human and machine readable (barcoded) tags.

Procedures for tagging moveable capital equipment:

- The CU tag number should be attached to the asset within thirty days (30) of asset purchase 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, or size, then a zero D “0Dxxxx” should be placed in the tag number field of the Asset Tagging screen in PSAM to indicate that the asset cannot be tagged.
- The assets that might have a “0Dxxxx” for the tag are:
 - Too delicate/fragile to tag. For example: laser optics.
 - It would de-face/de-value the asset. For example: antique furniture or art work.
 - It would make the asset un-useable. 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.
 - Asset is Impractical to scan. For example: Asset in radiation/magnetized areas.
 - 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 campus Property Accounting Office at Property@Colorado.edu for an exception to 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.

Tagging of federally owned equipment.

Federally owned capital assets in which title is vested in the Federal Government must be tagged with a Federal Government tag “0Fxxxx” with the word Gov’t noted on the tag. The OCG Property Officer is responsible for the tagging and annual inventorying of the assets. The department works with the OCG Property Officer to ensure all compliance processes are followed.

A related circumstance is when the sponsor “conditionally titles” the asset. A “CTxxxx” tag is then used.

Equipment Loan/Return (off premise)

SOURCE: Property Accounting, CCO

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

Equipment residing at a CU Boulder off-campus/off site location does not require an Equipment Loan/Return Document. An off-campus/off-site institutional location refers to any school or institution

associated with CU, i.e., equipment located at the Distribution Center. Equipment residing at a research location affiliated with CU is also considered off-campus/off site. The off-campus/off-site address will be entered into PSAM by the Asset Accountant.

Should University equipment need to be used at a University employee's home or elsewhere off-campus for University business, an official agreement with written authorization for off-campus use should be completed and maintained in the department  office. The Agreement Form for Off-Campus Use of University Equipment is at Property Central. For less than 30 day removals, the department should set up a simple way of logging equipment out and back onto campus along with a CU Tag that can be affixed to non-capital equipment. The department can request a batch of CU Tags from PAO as needed. Equipment exempted from the log in,

The departmental property manager is responsible for the following:

- Verification that the equipment bears a CU tag number. Request a CU Tag if it does not already have a non-capital departmental tag on it.
- Completion of the agreement form for off-campus use of University equipment. www.colorado.edu/property has the form.
- Notifying PAO and/or OCG of donated or loaned equipment received by the department
- 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 Equipment Loan/Return Document is required when capital equipment is borrowed from CU (off premise) for more than thirty days, and the equipment resides at a location which is not directly associated with the university i.e., faculty or staff personal property, research sites. If the equipment is being sent to a non-CU entity, a Bailment Agreement is needed regardless of the time it will be off-campus. (See Section 2.3.4 of [the Sponsored Projects Property Control Manual](#) for more details). The loan document must be completed before the equipment is removed from the campus. For assistance, contact either Property@Colorado.EDU or your unit's OCG representative OCGProperty@Colorado.edu who is listed as being responsible for Bailment Agreements in the "Directory" located on the OCG web site.

In accordance with CU policy, equipment may be loaned for a period of two years or less, and the loan document must be completed within thirty 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 offsite tagged items must be inventoried along with the department's biennial inventory. The department must show evidence of the item from its location. Typically, this is done by either pictures

with a current newspaper or providing information that is typically known by seeing it on the equipment. All offsite equipment will be on the inventory, capital and non-capital.

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 PSAM.

Asset Retirement-Equipment

ORIGINAL DATE OF ISSUE: November, 2009

DATE OF LAST REVISION: February 2020

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 without prior written approval from the Property Accounting Office (PAO). Not receiving prior written approval is considered 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 PAO for disposal. Property Services can authorize 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 Property Services, the requesting department should obtain an authorization from OCG for disposition of Federal, and University property funded by outside contracts or grants often referred to as sponsor funded. Go to our website Property Central to start the process of disposal.

Please note that in recent years, sponsors are placing conditional title on purchases within their contracts that extend beyond the award.

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 arranges the sale of the equipment, or when an asset was sent to surplus and an Asset Transfer Document was not issued within thirty days.
 - A note must be added to the retirement document that denotes that an asset transfer document was not issued. The note should include an approximate 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.
 - CAMPUS PAO 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: (should relationships b/w parties be disclosed) The University may allow transferring faculty members to take equipment purchased with grant or contract funds. In order for faculty to transfer their equipment to another public educational institution or nonprofit organization, OCG and the OVCR will need to review and approve the transfer request. 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
 - The funding agency and the department head 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 Property Accounting once the equipment arrives and is inventoried.
 - The asset will be retired from CU 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 CU.
- Gift: With approval from Department Heads and the PAO for the campus, surplus assets may be gifted to not-for profit and government organizations. Final approval is with Property Services but they want to know that the department and PAO are on board. 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.
 - Gift 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 off form will be delivered to Property Accounting. Form can be found at Property Central.
- 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 retirement document that provides details as to the search that was performed. Form can be found at Property Central.
 - Upon review, the University Property Accounting Office 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: When assets are stolen a report must be filed with the CU Police Department and the PAO must be notified by email with the CUPD Report #.
- Trade-in: Once the department, Property Services, 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. 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.
 - 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 on 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.

Internal sales, trades, or transfers of equipment between CU Boulder departments are not reported as disposals of equipment in the PSAM. The department can notify PAO by email regarding the new department, responsible person, and location for the piece of equipment and make the proper accounting entries regarding the transfer of funds. If you have something you can go to <https://BuffSurplus.colorado.edu> Its a campus website dedicated to finding new homes for equipment and supplies not needed anymore by the posting department.

However, when the **tagged item is funded by a 153/154/155/xxxx project(s)**, these types of transactions are treated as disposals of equipment from the sponsored project itself. Therefore, prior approval is required from the OCG Property Officer for internal sales, trades, or transfers of equipment. This additional OCG approval is intended to prevent an improper sale/purchase from being made using sponsored project funds, where the sponsor still retains title and requires their permission to transfer the item. 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 assistance, contact your [unit's OCG representative](#) who is listed as being responsible for Property in the “Directory” located on the OCG web site.

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.

- Property Services 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.
- If an asset ID was entered by mistake, after retiring the asset in PSAM, the PAO accountant should do a manual JE to move the 970300 cost to 355200.

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 Donor Information Return must be processed. Each quarter the University Property Accounting Office will run an asset retirement report to analyze retirements. 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.

For information on how to retire an asset please refer to the asset retirement training document at the following URL: <http://property.colorado.edu>

Physical Inventories

SUBJECT: Physical Inventories

SOURCE: Property Accounting, CAMPUS

ORIGINAL DATE OF ISSUE: February 2004

DATE OF LAST REVISION: February 2020

RATIONALE: Physical inventories are completed to:

- secure university assets,
- verify location for compliance with 2 CFR 200, and
- assist organizations with effective management of capital equipment.

"A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years." (2 CFR 200.313.(d)(2))The department will conduct the inventory and submit their results to CAMPUS PAO within the allotted timeframe. The PAO will then select a sample of assets based upon the total number to physically review with the department staff.

Each organization is responsible for inventorying those assets capitalized 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 Property Accounting Office will contact the Departmental Property Manager (DPM) and provide him/her with a list of tagged assets within PSAM. The DPM will use the list to check-off items with no changes, note the changes needed to be made, and certify that the information provided is accurate. The DPM will be held accountable for accuracy of the inventory in the event of an audit.

PAO Audit of Inventory Results: Once the list is returned to CAMPUS, the Property Accountant will select a % of assets to be audited by her for accuracy. The % will be based upon the total number of assets within the department.

Untagged Assets not on Equipment List:

If an untagged asset with a value of \$10,000 or more is found, and is not on the equipment list, the DPM should report the item to the Campus Property Accounting Office. The Campus Property Accounting Office will need to know how the equipment was acquired by the organization (i.e., Gift, Transfer-in or CU 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 Property Accounting Office. During the inventory, the DPM 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 location and condition of equipment.

Lease Purchases

GASB 87 has eliminated the distinction between capital and operational leases that are expected to last beyond 12 months. You can pay monthly with no obligation to continue but if it is reasonable to assume you would continue beyond 12 months, the campus needs to capitalize that lease.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include building, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in the Statement. GASB 87

LEASE TERM

The lease term is defined as the period during which a lessee has a noncancelable right to use an underlying asset, plus the following periods, if applicable:

1. Periods covered by a lessee's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessee will exercise that option

2. Periods covered by a lessee's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessee will not exercise that option
3. Periods covered by a lessor's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessor will exercise that option
4. Periods covered by a lessor's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessor will not exercise that option.

A fiscal funding or cancellation clause should affect the lease term only when it is reasonably certain that the clause will be exercised.

Lessees and lessors should reassess the lease term only if one or more of the following occur:

1. The lessee or lessor elects to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would not exercise that option.
2. The lessee or lessor elects not to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would exercise that option.
3. An event specified in the lease contract that requires an extension or termination of the lease takes place.

SHORT-TERM LEASES

A short-term lease is defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract.

REVENUE LEASES

Departments are also asked to consider transactions where the department is the lessor, receiving payment for equipment leased to another entity. Please contact the PAO if this is happening.

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 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.
(Do we want something here for the asset/liability accounts?)

Monthly, the Property Accountant for the University Property Accounting Office 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.

Asset Depreciation: The PSAM Software will calculate and post depreciation expense monthly. The straight-line method is used for the calculation. Each asset will be depreciated from the capitalization date (assigned when the Property Accounting Office officially recognizes the asset as received) and depreciated over the asset's useful life. Every asset in PSAM is assigned an Asset Profile that has an associated useful life. CU records government titled assets' costs and depreciation on the GL per Office of University Controller guidelines. All assets in PSAM have unique identifiers allowing CU to remove any ineligible depreciation prior to our F&A negotiations.

DEFINITIONS: 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 Profile code, and are estimates of the useful life of the asset. The Campus Controller's Office runs periodic reviews of our campus' historical experience with equipment within the defined Profiles to determine if a Profile needs to be adjusted upward or downward.

Depreciation is run on each individual asset monthly and capital equipment uses the speedtype 17411282.

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 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 equipment may have significantly and unexpectedly declined. For example, a computer/server was purchased to run multiple operations/software products for your lab and/or department. Over time, it becomes obsolete except for its ability to run one software product using an older operating system. This server is now no longer performing its intended designed use as a server. The server is impaired at this point and should be retired as a capital asset. The department and/or lab can continue to use it.

Glossary of Property Terms

Definitions:

- A. **Accountable Property Officer (APO):** Department heads/chairs (or equivalent position titles) and directors (or equivalent position titles) who are entrusted with fiscal responsibility for the assigned organizational units, including the management of property and equipment.
- B. **Asset Custodian:** A person's name entered on the property record who is a current user of an asset and responsible for the equipment location.
- C. **Capital Asset Management (CAM):** CAM is a module of the university PeopleSoft Asset Management system. This is the system of record for capital assets within the PeopleSoft Financial System.
- D. **Departmental Property Manager (DPM):** Designated user can view capital assets. People need to apply for the DPM Processor role. If granted, the CAM Processor Role can edit, loan, transfer, and retire capital assets; as well as enter non-capital assets into Kuali.
- E. **Contracting Officer:** The authorized individual (OCG) delegated by the appropriate authority to enter into a contract and thereafter administer the contract on behalf of the federal government.
- F. **Contractor Acquired Government Property:** Property acquired, fabricated, or otherwise provided by the university for the performance of a contract or grant. Title is vested in the government in accordance with contract or grant terms and conditions.
- G. **Custodial Department:** The university department or unit having physical control of property.
- H. **Custodian:** The individual in physical possession or control of university property located on campus or at an off campus or non-CU facility.
- I. **Custody:** Custody occurs when the university becomes responsible for the safeguarding and maintenance of a capital asset.
- J. **Dean:** A person who is in charge of one or the parts of a university (such as a college or school).
- K. **Department Head/Chair (or equivalent position titles):** Principal administrators of the school or college's departments and are accountable to the deans.

- L. Department Property Manager (DPM):** A person or persons assigned by the director or department head/chair to coordinate all matters involving property. DPM's carry out the day-to-day responsibilities within their department and provide guidance to department personnel concerning property matters such as acquisitions, coordination of transfers, equipment at sub-recipient locations, maintenance, physical inventories, and disposals.
- M. Development Officer:** Is responsible for tracking and reporting to the Division of Advancement any donations of equipment gifted directly to the department.
- N. Director (or equivalent position titles):** Principal administrators of organizational units, such as institutes, centers, and administrative departments and are accountable to an officer of the administration (or other fiscal principal).
- O. Federal Acquisition Regulation (FAR):** FAR is the governing body for contracts.
- P. Federally Funded:** Federally funded capital equipment requisitions are those that 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.
- Q. Fiscal Officer/Officer of the Administration (or other Fiscal Principal):** A person responsible for maintaining day to day financial, accounting, administrative and personnel services in order to meet fiduciary requirements.
- R. Government Furnished Property/Equipment (GFE):** Property in the possession of, or directly acquired by the government and subsequently delivered to or otherwise made available to the university for use under specified contracts and grants.
- S. Government Property:** All property owned or leased by the government. Such property acquired under contracts with the university include government furnished property and contractor acquired government property.
- T. Government Property Administrator:** The (OCG) individual designated as an authorized representative of the contracting officer to administer the contract requirements and obligations relative to government property in possession of a contractor.
- U. Office of Management and Budget (OMB):** The governing body for grants.

V. Organizational Unit: A subset of university operations. An organizational unit may be a department or any other distinct operational activity with the following characteristics: organizational permanency, programmatic autonomy, and an annual operating budget that is fiscally independent.

W. 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.

X. Principal Investigator: The manager of any contracts with sponsor agencies and responsible for reporting all moveable capital assets associated with the project.

Y. Property Control: Property Accounting Office (PAO) has been assigned the responsibility of recording all property in the custody of the university, and for verifying periodic department inventories except library books, publications, and educational media, which are the responsibility of the dean/director/department head. Each department head is responsible for the control and maintenance of equipment assigned to the department.

Z. Sponsor or Other Owned: Property owned by a sponsor or other entity.

AA. Title: Title to acquired property can be dependent upon the contractual obligations in predefined agreements. For Contract or Grant acquisitions, the Office of Contracts and Grants (OCG) provides title information. Title to donated property or property purchased with university funds rests with the university rather than with a department. Departments that are assigned property for custody and use are held accountable for such property.

BB. Transfer: Transfer of property to or from other universities or organizations. These occur primarily due to a transfer of faculty and/or the transfer of a sponsored project from one university or organization to another. OCG manages the obtainment of property purchased by the University or furnished by the Federal government to which the Government retains title is considered Government Furnished Equipment (GFE) when it is transferred to an ongoing federally sponsored contract or grant.