

STATE OF SOUTH CAROLINA OFFICE OF THE COMPTROLLER GENERAL		
GAAP CLOSING PROCEDURES MANUAL		
CAPITAL ASSETS ADDITIONS CLOSING PACKAGE	REFERENCE	3.10
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PURPOSE AND OBJECTIVES

Generally Accepted Accounting Principles (GAAP) require that the State's Comprehensive Annual Financial Report (CAFR) include information on both capital asset additions and capital asset expenditures.

A reconciliation between these two items each fiscal year helps to ensure that figures in the financial statements are consistent. Auditors require such a reconciliation.

AGENCY ACTION REQUIRED

- Read the Capital Assets Overview Closing Package (Section 3.8) before you read this closing package.
- Complete this closing package only after completing all required Capital Assets Summary Forms (GAAP Form 3.9.1). (See Section 3.9.)
- You must complete this closing package if you charged any amounts to expenditure object codes 06xx or 07xx during the current year, even if all entries are zero in the Additions column of the Capital Assets Summary Form(s). You must reconcile current year STARS expenditures that did not result in capital asset additions for the current year.
- If you did not charge any amounts to expenditure object codes 06xx or 07xx during the current year, you are still required to complete this closing package if you received capital assets during the current year from parties outside State government in ways that did not require STARS expenditures (for example, by donation or through capital lease).
- When working on this closing package, refer to Section 3.9 as needed.
- If your agency's Governmental funds had capital assets, we **strongly recommend** that you complete the Governmental Funds Additions Reconciliation by Individual Fund Form (GAAP Form 3.10.2) first, then enter amounts from the total column into the Capital Assets Additions Reconciliation Form (GAAP Form 3.10.1).
- Return the completed Capital Assets Additions Reconciliation Form (GAAP Form 3.10.1) to the Comptroller General's Office no later than September 30 or earlier if possible. Retain the Governmental Funds Additions Reconciliation by Individual Fund Form (GAAP Form 3.10.2) in your agency's working papers.

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KEY TERMS

Please refer to Key Terms in Section 3.9 for definitions of Book Value, Capital Assets, Capital Asset Additions, Capital Lease, Capitalization Criteria, Contract Retentions, Fair Market Value, and Historical Cost. You will need to understand these definitions in order to complete this package.

ACCOUNTING PRINCIPLES AND POLICIES

Each fiscal year, the Comptroller General's Office will prepare a schedule to reconcile capital asset expenditures with capital asset additions. The Comptroller General's Office will enter certain capital asset amounts from this reconciliation into the State's financial statements and present this reconciliation to auditors of the State's financial statements.

WORKING PAPERS

All working papers may be subject to audit. The agency should keep:

- o A copy of the completed Capital Assets Additions Reconciliation Form (GAAP Form 3.10.1) and the completed Governmental Funds Additions Reconciliation by Individual Fund Form (GAAP Form 3.10.2), if applicable.
- o Working papers to support each number on the Capital Assets Additions Reconciliation Form (GAAP Form 3.10.1).
- o Documentation for each capital asset acquired during the year to support:
 - The asset's book value.
 - Date your agency received the asset.
 - Date your agency paid for the asset.
 - The paying subfund(s).

This documentation may include:

- Invoices.
- Sales contracts.
- Lease agreements.
- Receiving reports.

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- STARS vouchers.
- SPIRS forms.
- Appraisals or other documentation of fair market value of donated assets.
- o Any other related documents.

If you do not normally file these documents together, you may want to make copies for a capital asset additions file.

GENERAL INSTRUCTIONS--CAPITAL ASSETS ADDITIONS RECONCILIATION FORM
(GAAP FORM 3.10.1)

- o Every agency that had 06xx or 07xx object code expenditures or received capital assets during the current fiscal year from parties outside State government in ways that did not require STARS expenditures (for example, by donation or through capital lease) must complete the Capital Assets Additions Reconciliation Form (GAAP Form 3.10.1).
- o The Form should reconcile your agency's current year 06xx and 07xx object code expenditures to reported capital asset additions for the current year.
- o Round all dollar amounts to the nearest whole dollar.
- o Indicate negative numbers by parentheses--for example, (\$1,256).
- o There are two major sections to the Capital Assets Additions Reconciliation Form (GAAP Form 3.10.1):
 - Computed Capital Assets Additions (with Parts A, B, and C).
 - Total Asset Additions from Capital Assets Summary Forms (GAAP Form 3.9.1).

The totals for the two sections must be equal.

- o To aid you in properly computing the amounts in the Governmental Funds column on the Additions Reconciliation Form (GAAP Form 3.10.1), we **strongly recommend** that you complete the Governmental Funds Additions Reconciliation by Individual Fund Form (GAAP Form 3.10.2). The rows of data on GAAP Form 3.10.2 mirror those on GAAP Form 3.10.1, but GAAP Form 3.10.2 allows you to reconcile each individual Governmental fund separately. You will transfer the totals from GAAP Form 3.10.2 to the first column of GAAP Form 3.10.1. Reconciling each Governmental fund

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separately may aid you in identifying and properly recording the reconciling items. The instructions for completing GAAP Form 3.10.2 are the same as the instructions for completing GAAP Form 3.10.1. However, do **not** submit GAAP Form 3.10.2 to the Comptroller General's Office.

Note: The Governmental Funds Additions Reconciliation by Individual Fund Form (GAAP Form 3.10.2) contains only four columns to report four different Governmental funds. If you need to add additional individual Governmental fund columns to the Form, insert additional columns between the third and fourth columns on the existing Form. This will ensure that your Form will correctly sum the amounts across each row. You will need to copy the formulas for the "Subtotals-Part B," "Subtotals-Part C," and "Total Computed Capital Asset Additions (Subparts A,B, and C)" to the newly inserted columns in order for the Form to correctly sum each column.

- o Return the completed Capital Assets Additions Reconciliation Form (GAAP Form 3.10.1) to the Comptroller General's Office no later than September 30. If you can return it earlier, please do so. Retain the completed Governmental Funds Additions Reconciliation by Individual Fund Form (GAAP Form 3.10.2), if applicable, with your agency's working papers; do **not** submit it to the Comptroller General's Office.
- o The person who completes and signs the Capital Assets Additions Reconciliation Form (GAAP Form 3.10.1) should keep a copy. The Comptroller General's Office will telephone this person if there are any questions.
- o Exhibit 3.10 (A) shows a sample completed two-page Capital Assets Additions Reconciliation Form (GAAP Form 3.10.1). Exhibit 3.10 (B) shows a sample completed two-page Governmental Funds Additions Reconciliation by Individual Fund Form (GAAP Form 3.10.2). Detailed instructions for completing the Forms follow the Exhibits.

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STATE OF SOUTH CAROLINA
CAPITAL ASSETS ADDITIONS RECONCILIATION FORM
For the Fiscal Year Ended June 30, 2002 (1)

EXHIBIT
3.10 (A)
Page 1 of 2

Agency: (2)	<u> A99 </u>	<u> Sample Agency </u>		
	Code	Name		
Prepared: (3)	<u> 09/18/02 </u>	<u> J.P. Junior </u>	<u> Accountant </u>	<u> 734-1234 </u>
	Date	Employee Name	Title	Phone
Approved: (3)	<u> 09/19/02 </u>	<u> I.M. Senior </u>	<u> Director of Accounting </u>	<u> 734-2345 </u>
	Date	Employee Name	Title	Phone

Description	Governmental Funds	Enterprise, Internal Service, and Trust Funds			
		GAAP Fund Code	GAAP Fund Code	GAAP Fund Code	GAAP Fund Code
		(4) <u> 2107 </u>	(4) _____	(4) _____	(4) _____
COMPUTED CAPITAL ASSET ADDITIONS					
A. Total capital asset expenditures on STARS for this fiscal year (STARS object codes 06xx and 07xx, FM 01 - FM 13).	(5)	\$ <u> 725,000 </u>	\$ <u> 800,000 </u>	\$ _____	\$ _____
B. Capital asset additions for this fiscal year that did not result in STARS 06xx and 07xx object code expenditures during this fiscal year:					
1. Capitalizable equipment and capital outlay amounts from all Accounts Payable Summary Forms (or the amounts that would have been reported on those forms if total expenditures had exceeded \$5 million).	(6)	<u> 20,000 </u>	<u> 0 </u>	_____	_____
2. Book value of capital assets acquired this year through installment purchase agreements or capital leases that will be charged to STARS expenditure object codes 06xx in future years.	(7)	<u> 0 </u>	<u> 75,000 </u>	_____	_____
3. Fair market value of donated capital assets received this year from non-State parties.	(8)	<u> 0 </u>	<u> 8,500 </u>	_____	_____
4. Total <u>new</u> contract retentions for capitalizable projects.	(9)	<u> 40,000 </u>	<u> 25,000 </u>	_____	_____
5. Reversal amounts in C5 on last year's form meeting the State's capitalization criteria.	(10)	<u> 0 </u>	<u> 0 </u>	_____	_____
6. _____	(11)	<u> 0 </u>	<u> 0 </u>	_____	_____
_____	(11)	<u> 0 </u>	<u> 0 </u>	_____	_____
_____	(11)	<u> 0 </u>	<u> 0 </u>	_____	_____
_____	(11)	<u> 0 </u>	<u> 0 </u>	_____	_____
_____	(11)	<u> 0 </u>	<u> 0 </u>	_____	_____
_____	(11)	<u> 0 </u>	<u> 0 </u>	_____	_____
_____	(11)	<u> 0 </u>	<u> 0 </u>	_____	_____
SUBTOTALS--PART B (ADDITIONS)		\$ <u> 60,000 </u>	\$ <u> 108,500 </u>	\$ <u> 0 </u>	\$ <u> 0 </u>

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CAPITAL ASSETS ADDITIONS RECONCILIATION FORM
For the Fiscal Year Ended June 30, 2002 (1)

EXHIBIT
3.10 (A)
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Agency: (2) A99 Sample Agency
Code Name

Description	Governmental Funds	Enterprise, Internal Service, and Trust Funds			
		GAAP Fund Code	GAAP Fund Code	GAAP Fund Code	GAAP Fund Code
		(4) 2107	(4)	(4)	(4)
C. Expenditures charged to STARS object codes 06xx and 07xx during this fiscal year that do not represent additions to capital assets in the current fiscal year:					
1. STARS 06xx and 07xx expenditures not meeting the State's capitalization criteria (e.g., short-lived assets and those costing less than a certain amount). (12)	(65,000)	(85,000)			
2. STARS 06xx and 07xx expenditures that represent purchased or constructed capital assets received last fiscal year (amount must agree with B1 last year's form). (13)	(35,000)	0			
3. Capital lease payments and installment purchases charged to STARS object code 06xx and 07xx in the current fiscal year. (14)	(14,500)	0			
4. Amount of contract retentions your agency paid out this fiscal year for:					
a. Capitalizable projects. (15)	(20,000)	0			
b. Non-capitalizable projects (i.e., repair and maintenance projects). (15)	(35,000)	(15,000)			
5. If your agency answered "yes" to Question 20 of the Closing Package Control Checklist, enter amounts for capitalizable equipment and capital outlay (even if less than \$75,000). (16)	0	0			
6. Noncapitalizable permanent improvement project expenditures (i.e., repair and maintenance expenses). (17)	(165,500)	(133,500)			
7. (18)	0	0			
(18)	0	0			
(18)	0	0			
(18)	0	0			
(18)	0	0			
(18)	0	0			
SUBTOTALS--PART C (SUBTRACTIONS)	(335,000)	(233,500)	0	0	0
TOTAL COMPUTED CAPITAL ASSET ADDITIONS (SUBPARTS A, B & C) (19) (20)	\$ 450,000	\$ 675,000	\$ 0	\$ 0	\$ 0
TOTAL ASSET ADDITIONS FROM CAPITAL ASSETS SUMMARY FORM (S) (20)	\$ 450,000	\$ 675,000	\$	\$	\$

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STATE OF SOUTH CAROLINA
GOVERNMENTAL FUNDS ADDITIONS RECONCILIATION BY INDIVIDUAL FUND FORM
FOR THE FISCAL YEAR ENDED JUNE 30, 2002 (1)

EXHIBIT
3.10 (B)
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		GAAP FUND CODE 1001	GAAP FUND CODE 2005	GAAP FUND CODE 4005	GAAP FUND CODE	TOTAL GOVERN- MENTAL FUNDS
COMPUTED CAPITAL ASSET ADDITIONS						
A. Total capital asset expenditures on STARS for this fiscal year (STARS object codes 06xx and 07xx, FM 01-FM 13).	(5)	<u>300,000</u>	<u>250,000</u>	<u>175,000</u>		<u>725,000</u>
B. Capital asset additions for this fiscal year that did not result in STARS 06xx and 07xx object code expenditures during this fiscal year:						
1. Capitalizable equipment and capital outlay amounts from all Accts. Payable Summary Forms (or the amounts that would have been reported on those forms if total expenditures had exceeded \$5 million).	(6)	10,000	10,000	0		20,000
2. Book value of capital assets acquired this year through installment purchase agreements or capital leases that will be charged to STARS expenditure object codes 06xx in future years.	(7)	0	0	0		0
3. Fair market value of donated capital assets received this year from non-State parties.	(8)	0	0	0		0
4. Total new contract retentions for capitalizable projects.	(9)	25,000	0	15,000		40,000
5. Reversal amounts in C5 on last year's form meeting the State's capitalization criteria.	(10)	0	0	0		0
6. _____	(11)	0	0	0		0
_____	(11)	0	0	0		0
_____	(11)	0	0	0		0
_____	(11)	0	0	0		0
_____	(11)	0	0	0		0
_____	(11)	0	0	0		0
SUBTOTALS - PART B (ADDITIONS)		<u>35,000</u>	<u>10,000</u>	<u>15,000</u>	<u>0</u>	<u>60,000</u>

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		<u>GAAP FUND CODE 1001</u>	<u>GAAP FUND CODE 2005</u>	<u>GAAP FUND CODE 4005</u>	<u>GAAP FUND CODE</u>	<u>TOTAL GOVERN- MENTAL FUNDS</u>
C. Expenditures charged to STARS object codes 06xx and 07xx during this fiscal year that do not represent additions to capital assets in the current fiscal year:						
1. STARS 06xx and 07xx expenditures not meeting the State's capitalization criteria (e.g., short-lived assets and those costing less than a certain amount).	(12)	(30,000)	(20,000)	(15,000)		(65,000)
2. STARS 06xx and 07xx expenditures that represent purchased or constructed assets received last fiscal year (amount must agree with B1 on last year's form).	(13)	(20,000)	0	(15,000)		(35,000)
3. Capital lease payments and installment purchases charged to STARS object code 06xx and 07xx in the current fiscal year.	(14)	(14,500)	0	0		(14,500)
4. Amount of contract retentions your agency paid out this fiscal year for:						
a. Capitalizable projects.	(15)	(10,000)	0	(10,000)		(20,000)
b. Non-capitalizable projects (i.e., repair and maintenance projects).	(15)	(15,000)	0	(20,000)		(35,000)
5. If your agency checked yes on Question 20 of the Closing Package Control Checklist, enter amounts for capitalizable equipment and capital outlay (even if less than \$75,000).	(16)	0	0	0		0
6. Non-capitalizable permanent improvement project expenditures (i.e., repair and maintenance expenses).	(17)	(125,000)	0	(40,500)		(165,500)
7. _____	(18)	0	0	0		0
_____	(18)	0	0	0		0
_____	(18)	0	0	0		0
SUBTOTALS - PART C (SUBTRACTIONS)		<u>(214,500)</u>	<u>(20,000)</u>	<u>(100,500)</u>	<u>0</u>	<u>(335,000)</u>
TOTAL COMPUTED CAPITAL ASSET ADDITIONS (SUBPARTS A, B & C)	(19)	<u>115,500</u>	<u>245,000</u>	<u>89,500</u>	<u>0</u>	<u>450,000</u>

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COMPLETING THE CAPITAL ASSETS ADDITIONS RECONCILIATION FORM
(GAAP FORM 3.10.1) AND/OR THE GOVERNMENTAL FUNDS ADDITIONS
RECONCILIATION BY INDIVIDUAL FUND FORM (GAAP FORM 3.10.2)

REF	EXPLANATION
(1)	Enter the fiscal year for which this Form applies.
(2)	Enter the agency name and three-character STARS agency code.
(3)	Complete all information regarding preparation of this Form. The Finance Director or Executive Director should approve the Form before sending it to the Comptroller General's Office.
(4)	Enter the appropriate four-digit GAAP fund code for each of your agency's Enterprise, Internal Service, and Trust funds (if applicable). (See Appendix A.)

Enter items 5 through 11 as *positive* numbers.

- (5) Enter your agency's equipment and capital outlay expenditures. The Comptroller General's Office reported these amounts to you on Report CSA614, which was mailed to your agency in early August. Enter the subtotal for all Governmental funds in the first column. (The Comptroller General's Office has reported equipment and capital outlay expenditure amounts for each individual Governmental fund to you for purposes of completing the Governmental Funds Additions Reconciliation by Individual Fund Form, GAAP Form 3.10.2.) Enter the amounts in a separate column for each different Enterprise, Internal Service, and Trust fund.

- (6) Enter the sum of the "Capitalizable equipment and capital outlay" amounts from the Accounts Payable Summary Forms (GAAP Forms 3.12.1 and 3.12.2) (or the total that you would have reported on those forms if you had been required to prepare them). Accounts payable amounts represent additions to capital assets that did not result in current year STARS expenditures.

Note: Do not include contract retention amounts here. See (9) and (15) below for reporting contract retentions.

- (7) Enter the book value of capital assets acquired this year through installment purchase agreements or capital leases. See Accounting Principles and Policies in Section 3.9 for more information on capital leases.

During the fiscal year that your agency receives a capital leased asset, you should record the book value of the asset at the lower of the fair market value of the leased asset or the present value of the minimum lease payments. This represents an addition to capital assets that did not result in a current year STARS expenditure.

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EXPLANATION

- (8) Enter the fair market value on the date of donation for donated capital assets received from parties outside State government. Donated assets represent capital asset additions that did not result in current year STARS expenditures.
- (9) Enter the total new contract retentions for the current fiscal year for capitalizable permanent improvement projects. For Governmental funds, capitalizable projects are assigned GAAP Fund Code 2060. For Enterprise, Internal Service, and Trust funds (GAAP Fund Codes x075-x210), you must determine based on the description of the project whether or not it is capitalizable. See Appendix F to determine which projects are in GAAP Fund Code 2060 (Governmental) and which are in Enterprise, Internal Service, and Trust funds.

The contract retentions amount you enter on this line does not appear on an Accounts Payable Summary Form (GAAP Forms 3.12.1 and 3.12.2). You must enter on this line the total contract retentions that your agency withheld from contractor payments during the current fiscal year for capitalizable projects. These withheld amounts represent capital asset additions that did not result in current year STARS expenditures. The following example illustrates the amount that you should enter on this line:

Assume that your agency signs a contract on January 1, 2002, for a project to construct a small building estimated to cost \$200,000. Further assume that your agency will withhold 10% in contract retentions from every payment. As of June 30, 2002, your agency has paid the contractor \$36,000 and has charged that amount to a STARS 07xx object code. Although your agency paid only \$36,000 in cash during FY 02, it actually incurred \$40,000 of costs on the project (the \$4,000 difference represents the 10% withheld for contract retentions). The Construction In Progress account at June 30 must include all costs incurred as of June 30 for projects that were not completed by June 30. That means that your agency should report \$40,000 in Construction in Progress for this particular project at June 30, 2002. On the Additions Reconciliation Form, the \$36,000 is included in the total 06xx and 07xx STARS expenditures that you recorded on Line A. You need to add \$4,000 on Line B4 to bring the balance in the Construction in Progress account to \$40,000. [Note that in FY 02 you should NOT report on Line B4 the total contract retentions (\$20,000) that you will withhold over the life of the contract; your agency has incurred only \$4,000 of that total \$20,000 amount as of June 30, 2002.]

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EXPLANATION

Another thing to consider is whether you reported on Line B1 any Accounts Payable at June 30 for construction costs. If so, you will also need to add the contract retentions related to that Accounts Payable amount on Line B4.

- (10) If you reported any amounts on Line C5 last year that meet the State's capitalization criteria, please enter those amounts on this line. These capital asset additions were charged to STARS expenditure object codes in the prior fiscal year, not the current fiscal year, and therefore must be added to the amount reported on Line A.
- (11) Use this line to explain any other capital asset additions for the current fiscal year (a) that did not result in STARS 06xx and 07xx expenditures during the current fiscal year *and* (b) that did not fit into the categories above.

Enter items 12 through 18 as *negative* numbers.

- (12) Enter the amount of current year STARS 06xx and 07xx expenditures that do not meet the State's capitalization criteria. For example, the purchase of a storage building that has a cost of \$25,000 would have been charged to STARS object code 0702 but should not be capitalized because the capitalization threshold for Buildings is \$100,000.
- (13) Enter the amount of current year STARS 06xx and 07xx expenditures that represent assets purchased or constructed *last* fiscal year. These amounts should have been reported as Accounts Payable at June 30 of last fiscal year; therefore, the amount you enter on this line must agree with the amount you recorded on Line B1 on last year's form.
- (14) Enter the amount of capital lease payments and installment purchase payments charged to STARS 06xx and 07xx object codes in the current year. Remember that in the year you acquire assets under capital leases, you record the book value of the assets on Line B2. In any year when your agency has processed lease or installment payments, the payment amounts are included in the total 06xx and 07xx expenditures on Line A. Therefore, you must back those payments out on this line to avoid "doubling up" costs for these assets.

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- (15) Enter the total contract retention payments you made during the current fiscal year. Report payments for capitalizable projects separately from payments for non-capitalizable projects. For Governmental funds, capitalizable projects are assigned GAAP Fund Code 2060, and non-capitalizable projects are assigned GAAP Fund Code 2005. For Enterprise, Internal Service, and Trust funds (GAAP Fund Codes x075-x210), you must determine based on the description of the project whether or not it is capitalizable. See Appendix F to determine which projects are in GAAP Fund Code 2060 (Governmental), which projects are in GAAP Fund Code 2005 (Governmental), and which are in Enterprise, Internal Service, and Trust funds.

The amounts you enter on these two lines do not appear on an Accounts Payable Summary Form (GAAP Forms 3.12.1 and 3.12.2). You must enter on this line the total payments you made during the current year for contract retentions that your agency withheld from contractor payments in the past. These payments of previously withheld contract retentions represent current year STARS expenditures that do not result in capital asset additions for the current year. The following example is a continuation of the example in (9) above and illustrates the amount that should be entered on this line:

Assume that over the life of the \$200,000 contract, your agency has withheld \$20,000 (10%) in contract retentions and has included this amount on Line B4 in prior fiscal years. During the current fiscal year, the contract is satisfactorily completed, so your agency pays the \$20,000 it has previously withheld from the contractor payments. The \$20,000 is a current year STARS expenditure that is included in the total 06xx and 07xx expenditures on Line A. You must back the \$20,000 in contract retention payments out on Line C4 to avoid recording this amount in Construction in Progress twice.

- (16) If your agency answered "yes" to Question 20 of the Closing Package Control Checklist, enter amounts for capitalizable equipment and capital outlay on this line. These amounts should be recorded as capital asset additions next fiscal year.

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EXPLANATION

- (17) Enter the total current-year expenditures for permanent improvement projects that are not construction in progress projects (for example, projects that will not be capitalized because they are for repairs or maintenance). Do not, however, include capitalizable equipment expenditures in this amount. For Governmental funds, non-capitalizable projects are assigned GAAP Fund Code 2005. For Enterprise, Internal Service, and Trust funds (GAAP Fund Codes x075-x210), you must determine based on the description of the project whether or not it is capitalizable. See Appendix F to determine which projects are in GAAP Fund Code 2005 (Governmental) and which are in Enterprise, Internal Service, and Trust funds.
- (18) Use this line to explain any other reconciling amounts for current year STARS 06xx and 07xx expenditures (a) that did not result in current-year capital asset additions and (b) that do not fit into the categories above.
- (19) Enter the total of:
- o Part A.
 - o Subtotal--Part B.
 - o Subtotal--Part C (a negative number).
- (20) These two totals must be equal. If not, review all amounts you used to compute capital asset additions and capital asset expenditures for the year. Find and correct any errors.