

STATE OF SOUTH CAROLINA
OFFICE OF THE COMPTROLLER GENERAL

GAAP CLOSING PROCEDURES MANUAL

CAPITAL ASSETS INTRA-STATE TRANSFERS CLOSING PACKAGE	REFERENCE	3.11
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PURPOSE AND OBJECTIVES

An intra-State transfer of capital assets occurs when an agency *donates* capital assets to another fund within its agency or to another agency within State government. For example, an agency may:

- o Transfer capital assets from its Governmental funds to one of its Enterprise, Internal Service, or Trust funds or from one of its Enterprise, Internal Service, or Trust funds to its Governmental funds.
- o Transfer capital assets from one of its Enterprise, Internal Service, or Trust Funds to another of its Enterprise, Internal Service or Trust funds.
- o Donate capital assets to another agency.
- o Receive donated capital assets from another agency.
- o Transfer capital assets to the Surplus Property Section of General Services *for donation* to another agency.

Intra-State transfers of assets do not include:

- o Transfers to the Surplus Property section of General Services *for resale*.
- o *Sales* to or purchases from other State agencies or funds.

These transactions are capital asset retirements or additions.

Transfers of capital assets from one of your agency's Governmental funds to another of your agency's Governmental funds do not need to be reported on this closing package.

It is important that the State record each intra-State transfer in the receiving and donating agencies/funds during the same fiscal year. It is also important that both agencies/funds follow uniform policies for accounting for transferred assets. This closing package will help to be sure that the State's financial statements properly reflect intra-State transfers of capital assets.

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AGENCY ACTION REQUIRED

- o Read the Capital Assets Overview Closing Package before you read this closing package. (See Section 3.8.)
- o Complete this closing package only after you complete the Capital Assets Summary Form(s) (GAAP Form 3.9.1) and the Accumulated Depreciation Summary Form(s) (GAAP Form 3.9.2). (See Section 3.9.)
- o Do not complete this package if all entries are zero in the "Intra-State Transfers" column of the Capital Assets Summary Form(s) (GAAP Form 3.9.1).
- o When working on this closing package, refer to Section 3.9 as needed.
- o Return the completed Capital Assets Intra-State Transfers Reconciliation Form (GAAP Form 3.11.1) to the Comptroller General's Office no later than September 30. If you can return it earlier, please do so.

KEY TERMS

See also Key Terms in the Capital Assets and Accumulated Depreciation Closing Package in Section 3.9.

Capital Assets of Governmental Funds. Capital assets of Governmental funds are capital assets used in governmental activities and include all capital assets not accounted for in Enterprise, Internal Service, or Trust funds. Governmental funds have GAAP fund codes x001-x074. (See Appendix A).

Capital Assets of Enterprise, Internal Service, and Trust Funds. Capital Assets of Enterprise, Internal Service, and Trust funds are capital assets that Enterprise, Internal Service, and Trust funds use in their operations. Enterprise, Internal Service, and Trust funds have GAAP fund codes x075-x210. (See Appendix A).

Intra-State Transfers of Capital Assets. An intra-State transfer occurs when an agency *donates* fixed assets to another State agency or fund. Agencies and funds that receive donated capital assets from other agencies or funds record Intra-State Transfers In. Agencies and

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funds that donate capital assets to other agencies or funds record Intra-State Transfers Out. For example, an agency may:

- o Transfer capital assets from its Governmental funds to one of its Enterprise, Internal Service, or Trust funds or from one of its Enterprise, Internal Service, or Trust funds to its Governmental funds.
- o Transfer capital assets from one of its Enterprise, Internal Service, or Trust funds to another of its Enterprise, Internal Service, or Trust funds.
- o Donate capital assets to another agency.
- o Receive *donated* capital assets from another agency.
- o Transfer capital assets to the Surplus Property Section of General Services for *donation* to another agency.

Intra-State transfers do not include:

- o Transfers to the Surplus Property Section of General Services for resale.
- o Sales to or purchases from other State agencies or funds.

Report these transactions as capital asset retirements or additions.

Transfers of capital assets from one of your agency's Governmental funds to another of your agency's Governmental funds do not need to be reported on this closing package.

ACCOUNTING PRINCIPLES AND POLICIES

Question #101 of the GASB's publication, *Guide to Implementation of GASB Statement 34 and Related Pronouncements* (GASB Product Code GQA34B, published in 2001) provides guidance regarding the recording of transfers of capital assets between and among a government's various funds. That guidance specifically requires that the State report a transfer of capital assets from a Governmental fund (GAAP Fund Codes x001 through x074) to an Enterprise fund (GAAP Fund Codes x075 through x099) as an inflow of resources in the "capital contributions" section of the Enterprise fund's financial statements and as a transfer in and out in the government-wide statement of activities.

See also Accounting Principles and Policies in Section 3.9.

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It is important that:

- o The State records each intra-State transfer in the receiving and donating agencies/funds during the same fiscal year.
- o Both agencies/funds follow uniform policies for recording historical cost and accumulated depreciation of transferred assets.

It is the State's policy to prepare a reconciliation of intra-State transfers each fiscal year. This reconciliation will not appear in the State's financial statements. The Comptroller General's Office, however, will use the data to be sure that the financial statements properly reflect intra-State transfers.

As stated in the Capital Assets and Accumulated Depreciation Closing Package (Section 3.9), the State's general policy is to record a full year of depreciation in the first year a capital asset is in service and to record no depreciation in the final year of the asset's useful life. To be consistent with this depreciation policy as it relates to intra-State transfers, agencies should record no depreciation on a capital asset during the year that it is transferred out to another agency or fund. You should record depreciation during the current year for capital assets that are transferred in from another agency or fund during the current year. (An exception to this policy may occur if your agency calculates depreciation monthly.)

The most important part of accounting for transfers between agencies is making sure the dollar amounts for book value and accumulated depreciation being added to the receiving agency are the same dollar amounts being removed from the transferring agency. Communication between agencies is extremely important when accounting for intra-State transfers.

The examples below show the proper accounting treatment for various situations involving intra-State transfers:

Capital Assets Received from Another Agency

Situation: One of your agency's Governmental, Enterprise, Internal Service, or Trust funds receives donated capital assets from another agency.

Procedure: Add to your capital assets ledger the historical cost and accumulated depreciation the transferring agency had recorded for the asset. Record current year depreciation expense for this asset.

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Capital Assets Donated to Another Agency

Situation: One of your agency's Governmental, Enterprise, Internal Service, or Trust funds donates capital assets to another agency.

Procedure: Subtract the asset's historical cost and accumulated depreciation from your capital assets ledger. Do not record current year depreciation expense for this asset.

Capital Assets Transferred Between Funds Within Your Agency

Situation 1: Your agency's Governmental funds receive donated capital assets from one of your agency's Enterprise, Internal Service, or Trust funds.

Situation 2: One of your agency's Enterprise, Internal Service, or Trust funds receives donated capital assets from your agency's Governmental funds.

Situation 3: One of your agency's Enterprise, Internal Service, or Trust funds receives donated capital assets from another of your agency's Enterprise, Internal Service, or Trust funds.

Procedure: Remove the asset's historical cost and accumulated depreciation from the transferring fund's capital assets ledger and add the asset's historical cost and accumulated depreciation to the fund to which the asset is being transferred. The transferring fund will not record current year depreciation expense for the asset, but the fund to which the asset is being transferred will record current year depreciation expense for the asset. Remember that the capital assets of your agency's Governmental funds are combined together and reported on a single Capital Assets Summary Form. Therefore, you only need to complete an Intra-State Transfers Form if transferring assets between your agency's Governmental funds and an Enterprise, Internal Service, or Trust fund or between two different Enterprise, Internal Service, or Trust funds.

WORKING PAPERS

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

- o A copy of the completed Capital Assets Intra-State Transfers Reconciliation Form (GAAP Form 3.11.1).

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- o Working papers to support each number on the Capital Assets Intra-State Transfers Reconciliation Form (GAAP Form 3.11.1).
- o Full documentation for each intra-State transfer that occurred during the year.

Documents relating to an Intra-State Transfer In may include:

- o Correspondence from the donor fund showing:
 - Historical cost and accumulated depreciation that the donor had recorded on its capital assets ledger.
 - Transfer date.
 - Transferring agency and/or fund name.
 - Any other related data.
- o Other related documents.

Documents relating to an Intra-State Transfer Out may include:

- o Correspondence to the receiving fund showing:
 - Historical cost and accumulated depreciation that your agency had recorded on its capital assets ledger.
 - Transfer date.
 - Your agency and fund name.
 - Any other related data.
- o Other related documents.

If you do not normally file these documents together, you may want to make copies for a capital assets intra-State transfers file.

GENERAL INSTRUCTIONS—CAPITAL ASSETS INTRA-STATE TRANSFERS
RECONCILIATION FORM (GAAP FORM 3.11.1)

- o Every agency that has intra-State transfers during the fiscal year should complete the Capital Assets Intra-State Transfers Reconciliation Form (GAAP Form 3.11.1).
- o The Form reports cost and accumulated depreciation as of the date of the transfer.

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- o Round all dollar amounts to the nearest whole dollar.
 - o Enter all Transfers *Out* as *negative* numbers.
 - o Indicate negative numbers by parentheses--for example, (\$1,256).
 - o Subtract any amounts enclosed by parentheses when computing column or row totals.
 - o The Capital Assets Intra-State Transfers Reconciliation Form (GAAP Form 3.11.1) has two major sections:
 - Transfers By Agency and Fund.
 - Transfers Summary.
- The totals for the two sections must be equal.
- o Return the Form to the Comptroller General's Office no later than September 30. If you can return it earlier, please do so.
 - o The person who completes and signs the Capital Assets Intra-State Transfers Reconciliation Form (GAAP Form 3.11.1) should keep a copy. The Comptroller General's Office will telephone this person if there are any questions.
 - o Exhibit 3.11 (A) shows a sample completed two-page Capital Assets Intra-State Transfers Reconciliation Form (GAAP Form 3.11.1). Detailed instructions for completing the Form follow the Exhibit.

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

EXHIBIT
3.11 (A)
Page 1 of 2

Agency: (2) A99 Sample Agency
Code Name

Prepared: (3) 09/18/02 By: J.P. Junior Title: Accountant Phone: 734-1234
Date Employee Name

Approved: (3) 09/18/02 By: I.M. Senior Title: Director of Accounting Phone: 734-2345
Date Employee Name

(4) Agency and GAAP Fund Name	Intra-State Transfers In		Intra-State Transfers Out		Net Intra-State Transfers	
	(5) Asset Value You Added	(6) Accumulated Depreciation You Added	(7) Asset Value You Subtracted	(8) Accumulated Depreciation You Subtracted	Net Change In Asset Value	Net Change In Accumulated Depreciation
(1) From: <u> Governmental Funds </u> To: <u> Sample Agency #2 </u>	\$ _____	\$ _____	\$ <u> (20,000) </u>	\$ <u> (12,000) </u>		
(2) From: <u> Sample Agency #3 </u> To: <u> Governmental Funds </u>	<u> 15,000 </u>	<u> 6,000 </u>	_____	_____		
(3) From: <u> Sample Agency #4 </u> To: <u> 2107 - Motor Pool Fund </u>	<u> 6,500 </u>	<u> 1,300 </u>	_____	_____		
(4) From: _____ To: _____	_____	_____	_____	_____		
(5) From: _____ To: _____	_____	_____	_____	_____		
Totals	\$ <u> 21,500 </u> (9)	\$ <u> 7,300 </u> (9)	\$ <u> (20,000) </u> (9)	\$ <u> (12,000) </u> (9)	\$ <u> 1,500 </u> (10)	\$ <u> (4,700) </u> (11)

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For the Fiscal Year Ended June 30, 2002 (1)

EXHIBIT
3.11 (A)
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Agency: A99 Sample Agency
Code Name

TRANSFERS SUMMARY	Net Intra-State Transfers	
	(13) Net Change In Asset Value	(14) Net Change In Accumulated Depreciation
Capital Assets and Accumulated Depreciation Summary Forms - Governmental Funds.....	\$ <u>(5,000)</u>	\$ <u>(6,000)</u>
Capital Assets and Accumulated Depreciation Summary Forms - Enterprise, Internal Service, and Trust Funds:		
(1) GAAP Fund Code: <u> 2107 </u> GAAP Fund Name: <u>Motor Pool Fund - Earmarked</u> (12)	<u> 6,500 </u>	<u> 1,300 </u>
(2) GAAP Fund Code: <u> </u> GAAP Fund Name: <u> </u> (12)	<u> </u>	<u> </u>
(3) GAAP Fund Code: <u> </u> GAAP Fund Name: <u> </u> (12)	<u> </u>	<u> </u>
Totals.....	\$ <u> 1,500 </u> (15)	\$ <u> (4,700) </u> (15)

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COMPLETING THE CAPITAL ASSETS INTRA-STATE TRANSFERS RECONCILIATION
FORM (GAAP FORM 3.11.1)

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.

TRANSFERS BY AGENCY AND FUND.

- (4) For transfers during the year, enter the names of the donating and receiving agencies/funds. Use the "FROM" line to name the donor agency/fund. Use the "TO" line to name the receiving agency/fund. (For the Transfer In of multiple capital assets from a single agency/fund, report on a single row the grand total of assets transferred in from that agency/fund. For the Transfer Out of multiple capital assets to a single agency/fund, report on a single row the grand total of assets transferred out to that agency/fund.)
- (5) Enter the amount you added to your capital asset ledger for Intra-State Transfers In from each agency/fund.
- (6) Enter the amount you added to your accumulated depreciation ledger for Intra-State Transfers In from each agency/fund. (This reflects the amount the other agency/fund is removing from its books. This does not include current year depreciation that your agency calculates and reports for the asset(s).)
- (7) Enter the amount you subtracted from your capital asset ledger for Intra-State Transfers Out to each agency/fund.
- (8) Enter the amount you subtracted from your accumulated depreciation ledger for Intra-State Transfers Out to each agency/fund. (Remember that you do not record depreciation in the year you transfer an asset out to another agency/fund. Therefore, this reflects the amount of accumulated depreciation as of the end of the previous fiscal year.)

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EXPLANATION

-
- (9) Sum the amounts in this column and enter the totals.
 - (10) Add the two "Asset Value" column totals and enter the result.
 - (11) Add the two "Accumulated Depreciation" column totals and enter the result.

TRANSFERS SUMMARY.

- (12) For Enterprise, Internal Service, and Trust funds only, enter the GAAP fund codes and names from the Capital Assets Summary Form(s) (GAAP Form 3.9.1) and the Accumulated Depreciation Summary Form(s) (GAAP Form 3.9.2).
- (13) Enter the total from the Net Intra-State Transfers column from each Capital Assets Summary Form (GAAP Form 3.9.1).
- (14) Enter the total from the Net Intra-State Transfers column from each Accumulated Depreciation Summary Form (GAAP Form 3.9.2).
- (15) Sum the amounts in this column and enter the totals. These totals must equal the amounts from steps (10) and (11) above. If not, review all amounts and computations. Find and correct any errors.