PURPOSE AND OBJECTIVES

Generally Accepted Accounting Principles (GAAP) require the State to record capital assets in the State's financial statements. GAAP also require the State to record the related depreciation and accumulated depreciation for depreciable capital assets of all fund types: Governmental, Enterprise, Internal Service, and Trust funds.

This closing package will gather information from State agencies regarding capital assets and depreciation. The information will allow the State to record capital assets and depreciation properly in its financial statements and notes.

AGENCY ACTION REQUIRED

- o Read the Capital Assets Overview Closing Package (Section 3.8) before you read this closing package.
- o Complete one Capital Assets Summary Form (GAAP Form 3.9.1) for all of your agency's Governmental funds combined. Complete a separate Capital Assets Summary Form for each of your agency's Enterprise, Internal Service, and Trust GAAP funds.
- o Complete one Accumulated Depreciation Summary Form (GAAP Form 3.9.2) for all of your agency's Governmental funds combined. Complete a separate Accumulated Depreciation Summary Form for each of your agency's Enterprise, Internal Service, and Trust GAAP funds.
- o Return the Forms to the Comptroller General's Office no later than September 30. If you can return the Forms earlier, please do so.

KEY TERMS

Accumulated Depreciation. The sum of all yearly depreciation expenses (including the current year). (Also see Depreciation.)

Book Value. Book value is the dollar amount of a capital asset that appears on the agency's (and the State's) financial statements and ledgers. A capital asset's book value equals its historical cost if purchased or constructed or its fair market value at the date of donation if donated. *Net* book value is book value at the acquisition date less accumulated depreciation.

Buildings and Improvements. Buildings are permanent structures housing persons or personal property. Building improvements are subsequent additions to, or renovations to, existing buildings that meet any *one* of the following three criteria:

- The improvement adds square footage to the existing building.
- The improvement is a major renovation that prepares an existing building for a new use.
- The improvement extends the useful life of the existing building.

Ordinary repairs and maintenance, such as a roof replacement, are not building improvements, even though they could cost a significant amount.

When a building is improved, the improvement should be capitalized as a separate asset from the original building. You should assign a building improvement its own useful life for depreciation purposes. This useful life may or may not be the same as the original building's useful life.

Capital Assets. Capital assets are defined as land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period (GASB Codification Section 1400.103). Capital assets also include assets purchased with Federal funds in which the Federal government retains a reversionary interest. In order to be considered capital assets, the assets must meet the established capitalization criteria (see below).

Capital Asset Additions. State agencies may purchase and construct new capital assets and may receive donated capital assets from parties outside State government during the year. These are capital asset additions. Assets that other State agencies or funds donate to your agency are intra-State transfers rather than additions. (See Section 3.11 of this manual.)

Capital Asset Retirements. Retired capital assets are capital assets no longer actively used by the State. Sold, scrapped, destroyed, and stolen capital assets are examples of retirements. Capital asset retirements include transfers to the Surplus Property Section of General Services for resale. Capital assets donated to other State agencies or funds, however, are intra-State transfers rather than retirements. (See Section 3.11 of this manual.)

Capital Lease. A capital lease is a lease that transfers substantially all the benefits and risks of asset ownership to the State. Agencies should report capital leased assets as capital assets. See Accounting Principles and Policies for more information on capitalization and depreciation of capital leased assets.

Capitalization Criteria. Short-lived assets and those costing small amounts are not capital assets. "Capitalization criteria" are policies regarding the minimum useful life and minimum dollar value of capital assets.

The State's capitalization policy ***requires*** agencies to capitalize assets that meet both the minimum dollar value and minimum useful life requirements described below:

ASSET CATEGORY	ITEMS TO CAPITALIZE
Land	All, regardless of cost
Non-Depreciable Land Improvements	All, regardless of cost
Depreciable Land Improvements	Any costing more than $100,000
Buildings and Building Improvements	Any costing more than $100,000
Vehicles	Any costing more than $5,000
Machinery and Equipment	Any costing more than $5,000
Breeding Livestock	Any costing more than $5,000
Works of Art and Historical Treasures*	Any costing more than $5,000
Intangible Assets	Any costing more than $100,000

* GAAP requirements regarding capitalization and depreciation of *individual* works of art and historical treasures differ from the requirements for *collections* of such items. See the definition of Works of Art and Historical Treasures in this section for explanation of requirements.

Do ***not*** capitalize any assets with a cost below the thresholds described above.

The State's policy is to apply the above capitalization thresholds to *individual items* rather than to groups. This means that if you purchase several items of the same type at one time (for example, 5 computer workstations, 25 library books, or 15 pieces of modular furniture (cubicles)), you must examine the cost of each individual item to determine if it should be capitalized.

USEFUL LIFE	STATE POLICY
If less than 1 year	Do ***not*** capitalize
If 1 year or greater but less than 2 years	Capitalize only if your *agency's* policy requires capitalization
If 2 years or greater	Capitalization is ***required***

Assets on the books at July 1, 2001, that do not meet the capitalization criteria described above must be removed from the books. See the Accounting Principles and Policies section for more information on implementation of a change in capitalization criteria.

Construction in Progress. The balance reported in Construction in Progress represents costs incurred through June 30 for construction of capital assets that are not yet substantially complete as of June 30. Do not depreciate Construction in Progress. When construction is substantially complete and the capital asset(s) is/are placed into service, you must reclassify Construction in Progress to the appropriate capital asset categories. Construction in Progress most likely will differ from open projects in the Statewide Permanent Improvements Reporting System (SPIRS). For example, SPIRS may include repair and maintenance projects and projects that are substantially complete. These projects, however, do not qualify as Construction in Progress. Appendix F lists all of your agency's open projects that have STARS project numbers, with GAAP fund codes for each.

Contract Retentions. On some construction project contracts (or other long-term project contracts, such as systems projects), your agency may withhold part of each payment from the contractor until the project is complete. The amounts you withhold are contract retentions.

Depreciable Land Improvements. Depreciable land improvements are those land improvements that are considered part of a structure or that deteriorate with use or with the passage of time. Examples include fencing, landscaping, lighting, parking lots, paving, and signs.

Depreciation. To compute depreciation of a capital asset, accountants first determine its estimated useful life. They then prorate the cost of the asset among the fiscal years of its estimated useful life. There are several methods for prorating the cost. (See definition of Straight-Line Depreciation Method below.) Depreciation for a fiscal year is the portion of the asset's cost that the accountant records as an expense in that year.

Easements. An easement gives one party (party *A*) the right to go onto, and/or to use, another party's (party *B*'s) property for specified purposes without disturbing party *B*'s ownership of, or ability to use, the property for other purposes. For example, a conservation easement is a legal agreement a property owner makes to restrict the type and amount of development that may take place on his or her property. The easement spells out the rights the landowner retains and the restrictions on use of the property. Each of these rights and restrictions is negotiated between the landowner and the State agency that holds the easement. Agencies should report easements as part of the Land category. (Also see Land and Non-Depreciable Land Improvements below.)

Exhaustible Work of Art or Historical Treasure. A work or treasure is considered exhaustible if its useful life is expected to be diminished by its display or by its educational or research uses.

Fair Market Value. Fair market value is the price at which an asset would change hands if both buyer and seller:

- Are willing parties.
- Have knowledge of all related facts.

Information helpful in determining fair market value includes:

- Independent appraisals.
- Market quotations.
- Data regarding actual sales of similar assets in an appropriate time frame.

Historical Cost. Capital assets that are purchased or constructed must be recorded at historical cost. Historical cost equals the original cost of the asset, including all charges necessary to place the asset into service. For example, taxes, freight charges, site preparation costs, and professional fees are included in the historical cost of a capital asset. If actual cost records are not available, agencies should estimate the cost as of the date acquired. If the agency estimates the cost, it should fully document its estimate and the estimation methods it used. In the case of a donated capital asset, the asset should be recorded at its fair market value on the date of donation.

Infrastructure. GASB Codification Section 1400.103 defines infrastructure as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems. The State of South Carolina's primary government will report only the Department of Transportation's roads and bridges as Infrastructure in the State's financial statements. The Department of Transportation submits audited financial statements (rather than closing packages) to the Office of the Comptroller General. Therefore, the capital assets closing package forms do not include the Infrastructure category. If State agencies that prepare closing packages have assets that *appear* to meet the definition of infrastructure, they should report those assets as Depreciable Land Improvements or as Buildings and Improvements if their cost exceeds the applicable capitalization limit of $100,000. Agencies should choose the Buildings and Improvements category if the asset is associated with a particular building or group of buildings. In contrast, agencies should use the Depreciable Land Improvements category if the asset would continue to retain its usefulness without the presence of any existing building.

Intangible Assets. Intangible assets generally lack a physical existence. This category includes such items as computer software, trademarks, and patents. (Note that although computer software exists as a sequence of electrical/magnetic signals stored on a physical medium such as a CD-ROM or diskette, the software itself—i.e., a set of instructions to be run on a computer—lacks physical existence.)

State agencies, with the exception of colleges and universities, are required to capitalize purchased software only—not software developed solely with internal resources. If your agency is paying a consultant to develop software for your agency's internal use, you should capitalize only the external direct costs of materials acquired and services received in developing the software, such as fees paid to the consultants for developing, installing, and testing code. You should not capitalize the following costs: (1) preliminary costs such as evaluating alternatives and determining technology needs, (2) costs associated with internal resources such as payroll costs or travel costs for the agency's data processing employees, (3) training costs, and (4) data conversion costs.

Agencies should view the purchase of a single software program as the purchase of a single intangible asset subject to the $100,000 capitalization threshold, regardless of the number of licensed seats the agency purchases. (The Comptroller General's Office views the seats as components of the cost of a single piece of intellectual property rather than viewing each seat as a separate capital asset.) If your agency purchases additional seats after initial capitalization, you should not capitalize the cost of the additional seats unless their cost exceeds $100,000 in total. (The Comptroller General's Office would consider seat costs totaling more than $100,000 as representing a substantial addition to the initial software purchase that should be capitalized.

State agencies sometimes purchase software modules that are attached to a base software program owned by their own agency or another State agency. Because the base software can operate without the module, and because the module increases the capabilities of the base software, the module should be accounted for as an asset separate from the base software. Agencies should capitalize a software module if its cost exceeds the $100,000 capitalization threshold.

Agencies should capitalize software upgrades that exceed $100,000 only if the upgrades increase the software's functionality.

Agreements to use software that expire each year and are renewed on a year-to-year basis are not capitalizable.

Most intangible assets are depreciable, but an intangible asset may be non-depreciable if it is considered to have an infinite useful life.

Intra-State Transfers of Capital Assets. An intra-State transfer 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:

- 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.

- 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 State 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 and additions.

Land and Non-Depreciable Land Improvements. Agencies should report parcels of real estate that they own as Land. They should also report rights-of-way and easements in Land. Non-depreciable land improvements are improvements that produce *permanent* benefits, primarily related to preparing land for its intended use. Examples include filling and grading costs.

Leasehold Improvements. Leasehold improvements include capitalizable improvements to a leased building rather than to an owned building. Agencies must report leasehold improvements in the Buildings and Improvements category. The depreciation period for leasehold improvements may be limited by the lease term. If renewal of the lease is likely, and the useful life of the leasehold improvement extends beyond the lease term, the depreciation period should include all or part of the renewal period. If renewal of the lease is uncertain, the depreciation period is limited to the remaining lease term, and the salvage value is the amount, if any, that the lessor will pay to the lessee at the end of the lease term.

Machinery and Equipment. Machinery and Equipment consists of all movable tangible assets used for operations. Examples include furniture and fixtures, office equipment, and other miscellaneous movable equipment. Equipment that becomes a permanent fixture of a building and is not easily separable from the building should be recorded in Buildings and Improvements; otherwise, it should be recorded in Machinery and Equipment. Also report breeding livestock in Machinery and Equipment. The State’s policy is to report its Vehicles separately from other types of Machinery and Equipment.

Net Book Value. Net book value is book value at the acquisition date less accumulated depreciation. (Also see Book Value.)

Non-Depreciable Capital Assets. Accountants do not record depreciation for capital assets that are considered to have an infinite useful life. Such capital assets are said to be *non-depreciable*.

Reclassifications of Capital Assets. Reclassifications of capital assets should occur only between Construction in Progress and other capital asset categories. Agencies should move Construction in Progress costs to other capital asset categories when construction projects are substantially complete.

Rights-of-Way. A right-of-way is land, property, or interest therein, often in a strip, acquired for infrastructure such as a highway, rail bed, pipeline, electric power lines, or telephone facilities. State agencies should report rights-of-way within the Land category.

Salvage Value. The salvage value of a depreciable asset is its estimated market value at the end of its useful life. A policy of the State is that salvage value should not be considered in the calculation of depreciation unless it is substantial.

Straight-Line Depreciation Method. This is a method of determining the amount of depreciation to record in a specific year for a particular capital asset. To use this method:

- Determine the asset's estimated useful life in years. (See Exhibit 3.9 (A) for useful lives of various types of capital assets.)
- Determine the difference between:
  - The asset's book value at acquisition.
  - The asset's expected salvage value (only if substantial) at the end of its useful life.
- Divide this difference by the years of estimated useful life. Record this amount of depreciation during each fiscal year of the asset's estimated useful life.

See Accounting Principles and Policies for more information on use of the straight-line method of depreciation.

Vehicles. The Vehicles category includes all cars, trucks, vans, buses, aircraft, boats, trailers, and other vehicles used for operations.

Works of Art and Historical Treasures. The requirements of Generally

Accepted Accounting Principles regarding capitalization and depreciation of *individual* works of art and historical treasures differ from the requirements for *collections* of such items.

Agencies must capitalize individual works of art or historical treasures that exceed $5,000. Agencies must record depreciation on exhaustible individual works or treasures. A work or treasure is considered exhaustible if its useful life is expected to be diminished by its display or by its educational or research uses.

Agencies must continue to capitalize collections of works of art or historical treasures that exceed $5,000 if those collections were capitalized as of June 30, 1999. Agencies should apply the $5,000 capitalization threshold to a collection as a whole only if the individual cost of collection items cannot be easily determined. When adding an asset to a capitalized collection, agencies should apply the $5,000 threshold to the individual collection item. A collection not capitalized as of June 30, 1999, is not required to be capitalized if it meets all three of the following conditions:

- The collection is held for public exhibition, education, or research in furtherance of public service, rather than for financial gain.
- The collection is protected, kept unencumbered, cared for, and preserved.
- The collection is subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

Agencies must record depreciation on exhaustible collections.

EXHIBIT
3.9 (A)
Page 1 of 2

USEFUL LIVES FOR DEPRECIATION OF CAPITAL ASSETS[1]

Depreciable Land Improvements:

Fencing	10-20 years
Landscaping	5-15 years
Lighting	15-20 years
Parking Lots	15-20 years
Paving (Access Roadways and Walks)	10-15 years
Signs	10-15 years
Ports Authority Wando River Channel Dredging Project	50 years
Other Land Improvements (drainage systems, water/sewer systems, power lines, etc.)	3-60 years

Buildings and Improvements:

Hospitals	Determine individually
Maintenance Facilities/Garages/Machine Shops	20-40 years
Military Facilities (Armories)	Determine individually
Office Buildings	40-50 years
Prison Facilities	Determine individually
Recreational Buildings	Determine individually
Residential Buildings	20-30 years
Schools and Libraries	Determine individually
Storage Facilities/Warehouses:	
Wooden Sheds/Metal Buildings	10-20 years
Concrete/Masonry Buildings	20-40 years
Other Buildings	5-50 years
Hydro-Electric Utility Plants	55 years
Other Utility Plants	22-37 years

Building Improvements:

See Buildings and Improvements under Key Terms for definition of capitalizable building improvements. Useful life is to be determined individually.

Vehicles:

Airplanes and Helicopters	15-20 years
Automobiles	3-6 years
Light General Purpose Trucks and Vans	4-8 years
Heavy General Purpose Trucks and Vans	6-15 years
Tractors	4-10 years
Trailers	6-10 years
Boats	5-10 years

EXHIBIT
3.9 (A)
Page 2 of 2

USEFUL LIVES FOR DEPRECIATION OF CAPITAL ASSETS[1]

Machinery and Equipment:

Computer Equipment (Hardware)	3-7 years
Office Equipment (Copiers, Fax Machines, Paper Shredders, Filing Systems, etc.)	3-10 years
Office Furniture (Desks, Chairs, Bookcases, Cabinets, Credenzas, Tables, etc.)	10-20 years
Other Furnishings and Equipment	2-25 years
Hospital Equipment	Determine individually
Breeding Livestock	Determine individually
Assets for Storage of Petroleum Products	10-20 years
Assets Used in Manufacture of Fabricated Metal Products	5-15 years
Assets Used in Manufacture or Repair of Furniture	5-15 years
Assets Used in Printing Activities	5-15 years
Nurseries, Greenhouses, Related Equipment	10-15 years

Works of Art and Historical Treasures:

To be determined individually if required to be capitalized and depreciated. See definition of Works of Art and Historical Treasures under Key Terms.

Patriots Point Naval Museum Exhibits	10-25 years

Intangible Assets:

Computer Software:	
Externally Acquired	3 years
Internally Generated	NOT CAPITALIZED

Other intangible assets to be determined individually based on type of intangible asset or life of related contract.

---

[1]Sources for useful lives include the American Hospital Association's *Estimated Useful Lives of Depreciable Hospital Assets, Revised 1998 Edition*; the Internal Revenue Service's *Publication 946, How to Depreciate Property*; and professional judgment.

ACCOUNTING PRINCIPLES AND POLICIES

Generally Accepted Accounting Principles (GAAP) for capital assets and depreciation of capital assets are defined in:

- GASB Codification Sections 1400.101 through .143, 1100.105 through .107, 2300.106a(7), 2300.106k, 2300.106l, and 2300.111 through 2300.113.

- Financial Accounting Standards Board (FASB) Statement 13 on Capital Leases (as updated and interpreted).

Accordingly, the State has adopted the following policies and procedures for recording capital assets on the State's financial statements.

Historical Cost vs. Estimates

Use actual historical cost records to establish book values for capital assets. If actual cost records are not available, agencies should estimate the cost as of the date acquired. If the agency estimates the cost, it should fully document its estimate and the estimation methods it used.

Historical Cost of Purchased or Constructed Capital Assets

The historical cost of a purchased or constructed capital asset includes:

- The invoice or contract price.

- Sales taxes.

- Delivery and installation costs.

- Site preparation costs.

- Professional fees (legal fees, title costs, surveying fees, engineering fees, architectural fees, etc.).

- Costs of easements and rights-of-way (see Key Terms).

- Component equipment costs.

- Insurance premiums paid during construction.

- Interest paid on construction debt (except as noted below) during construction.

Historical cost does <u>not</u> include:

- o Financing costs (such as interest on capital leases or installment purchases).
- o Ordinary repair costs to keep capital assets in operating condition.
- o Interest paid during construction on assets of Governmental funds or on assets financed through Capital Improvement Bonds.

<u>Book Value of Assets Acquired by Forfeiture or Condemnation</u>

The book value at acquisition of an asset acquired by forfeiture or condemnation is the <u>lesser</u> of:

- o The asset's fair market value.
- o The amount the former owner owes plus amounts the State pays to obtain the forfeiture and put the asset into use.

Record depreciation for a depreciable asset acquired by forfeiture or condemnation using its estimated remaining useful life at the date of forfeiture or condemnation.

<u>Book Value of Assets Received from a Non-State Donor</u>

The book value at acquisition of an asset given to a State agency by a non-State party is the asset's fair market value at the date of receipt. Record depreciation for a depreciable donated asset using its estimated remaining useful life at the date of donation.

<u>Book Value of Assets Received Through Intra-State Transfers</u>

An agency may receive capital assets through an intra-State transfer from another agency or fund. The receiving agency should record the capital asset and accumulated depreciation at the same amount the transferring agency or fund removes from its books. See the Capital Assets Intra-State Transfers Closing Package (Section 3.11) for additional information.

<u>Book Value of Assets Acquired Through Trade-in</u>

The book value of an asset acquired through trade-in is:

- The invoice or contract price of the new asset.

- Less the trade-in value of the old asset.

- Plus the net book value of the old asset.

Record depreciation for a depreciable asset acquired through trade-in using its estimated remaining useful life at the date acquired.

Capital Asset Additions

The State adds the book value of a purchased or donated capital asset to its financial statements in the fiscal year the State receives it. Except for capital lease and installment purchase situations, this usually is the year when the agency records the expenditure in STARS for the asset. However, agencies may need to record capital asset additions based on accounts payable amounts reported on the Accounts Payable Closing Package (Section 3.12). See the Capital Assets Additions Closing Package (Section 3.10) for more information.

The State adds the cost of constructed capital assets, including contract retentions, to Construction in Progress during construction. (See Key Terms for definition of Contract Retentions.) When construction is substantially complete, the State:

- Subtracts all project costs from Construction in Progress.

- Adds all project costs to the appropriate capital asset category.

This reclassification of Construction in Progress is reported in a separate column on the Capital Assets Summary Form.

Capital Asset Retirements

The State removes the book value and accumulated depreciation of a capital asset from its financial statements in the fiscal year of the retirement.

Capitalization Criteria and Implementation of a Change in Threshold or Minimum Useful Life

Each State agency must follow the capitalization criteria explained under Key Terms.

Upon implementation of a change in capitalization criteria, you must remove all existing assets that do not cost in excess of the new capitalization thresholds or have a minimum useful life that meets the new requirements from your agency's books. Generally Accepted Accounting Principles (Footnote 3, GASB Codification Section 1600; page 241, *Governmental Accounting, Auditing, and Financial Reporting* published in 2001 by the Government Finance Officers Association) require that this change in policy be reported retroactively as a change in principle (i.e., as adjustments to the beginning balances of capital assets). If your agency has depreciated an asset that is being removed from the capital assets ledger, the associated accumulated depreciation also must be removed. Separate columns to report the effects of the capitalization criteria changes have been provided on the Capital Assets Summary Form and the Accumulated Depreciation Summary Form.

In the year of transition to *GASB 34* (i.e., the fiscal year ended June 30, 2002), agencies should implement any change in capitalization criteria <u>before</u> implementing the provisions of *GASB 34*, which require calculation of depreciation on capital assets owned by Governmental funds. Agencies are required to adopt a capitalization threshold of $5,000 for movable personal property and $100,000 for depreciable land improvements, buildings and improvements, and intangible assets, as of July 1, 2001. Agencies must write off their books all assets that do not meet these capitalization levels. Agencies should first write off the assets that do not meet the new capitalization levels and then calculate a beginning accumulated depreciation balance only on the items that remained capitalized after the capitalization changes are implemented.

<u>Capital Assets Acquired by Capital Leases</u>

Assets acquired by capital leases are capital assets of the State, even if the State does not legally own them. Agencies should include these assets in the amounts they report on the Capital Assets Summary Form (GAAP Form 3.9.1). A <u>capital lease</u> transfers substantially all the benefits and risks of asset ownership to the State. A lease is probably a capital lease if:

- o The State will own the asset at the end of the lease term.
- o The lease allows the State to purchase the asset at quite a bit less than fair market value.
- o The lease term is almost as long as the estimated useful life of the leased asset.
- o The cost to lease the asset is almost as great as the cost to buy

it on the installment plan.

Determining whether a lease is a capital lease requires judgment. Complete a Lease Register (see Section 3.19 of this manual) and/or consult Financial Accounting Standards Board (FASB) Statement 13 (as updated and interpreted) for more guidance. Alternatively, contact the State Treasurer's Office for questions regarding classification of specific leases.

The book value of a capital asset acquired by a capital lease is the lower of:

- o The fair market value of the leased asset.
- o The present value of the minimum lease payments.

Depreciation of capital leased assets depends on which of the four criteria listed above was used to determine that the lease is capital. If the lease was determined to be a capital lease because of the first or second criteria listed above, the asset should be depreciated over the asset’s useful life. If the lease was determined to be a capital lease because of the third or fourth criteria listed above, the asset should be depreciated over the lease term.

Straight-Line Method of Depreciation

The State will record depreciation for its depreciable capital assets using the straight-line method over the asset’s useful life. (See Key Terms for definition of the Straight-Line Depreciation Method.) We recommend when using the straight-line method that a full year of depreciation be taken the year the asset is placed in service; therefore, no depreciation will be taken in the last year of the asset’s useful life. If an asset is retired before it is fully depreciated, no depreciation should be taken in the year of disposition. Agencies must use straight-line depreciation, but may apply a convention other than the full-year convention previously described or choose a useful life based on months rather than whole years if it has a valid reason to do so and the policies are applied consistently. Salvage value should not be considered in the calculation of depreciation unless it is substantial.

Selection of Useful Life For Depreciation Purposes

The useful life you choose should fall within the range provided in Exhibit 3.9 (A) for the particular type of asset and should be expressed in a whole number of years. If you disagree with the range of useful lives for a particular type of asset as listed on the useful lives schedule, please contact the Comptroller General's Office so that we may agree on an appropriate useful life.

If your agency owns a type of asset not listed on the useful lives schedule, please select a useful life that falls within the range provided for the broad category of capital assets under which the asset in question will be reported. For example, if the type of asset in question belongs in Machinery and Equipment but is not listed on the schedule, choose a useful life that falls within the range of 2 to 25 years (i.e., the range from the shortest to the longest useful life allowable for Machinery and Equipment). *Please restrict the use of this procedure, however, to situations where the type of asset is not listed on the useful lives schedule.* Also, when using this procedure, you should prepare and maintain documentation of the reasoning for your specific useful life decision (for example, a statement that, in your agency's experience, the type of asset in question generally lasts for *X* years as well as any other documentation you may have to support this statement).

<u>Re-Evaluation of Asset's Useful Life</u>

At some point in time after an agency has placed a capital asset into service, the agency may realize that the asset will not last for the remaining assigned useful life. Many factors may contribute to an asset not meeting its originally estimated useful life, including damage to the asset or failure to perform periodic maintenance. It is important for the useful life of an asset to approximate its true service life because the purpose of depreciation is to spread an asset's cost over the period of time in which it is used. Agencies are required to re-evaluate the useful lives of their reported assets annually and to adjust them downward if necessary to reflect the remaining service life.

A change in the estimated useful life of a capital asset is considered a change in accounting estimate, which must be accounted for prospectively (i.e., the change in estimate is accounted for and reported in current and future periods). The following example demonstrates the proper way to account for a change in the estimated useful life of a capital asset:

> Assume you purchased equipment for $50,000 in FY 99 and assigned it a useful life of 10 years. Depreciation expense would be $5,000 per year ($50,000 divided by 10 years). At June 30, 2002, the asset has a net book value of $30,000, calculated as follows:

Original cost	$50,000
Less: Accumulated depreciation ($5,000/year x 4 years)	(20,000)
Net book value ($50,000 - $20,000)	$30,000

During FY 03, you realize that the asset's usefulness will end during FY 06 (total useful life is expected to be only 7 years instead of the original estimate of 10 years). Depreciation expense for FY 03 and later years is calculated as follows:

$$\frac{\text{Book value at beginning of FY 03 (\$30,000)}}{\text{Remaining life based on new estimate (3 years)}} = \$10{,}000/\text{yr}$$

By recognizing depreciation expense of $10,000 per year for the remainder of the asset's useful life, the accumulated depreciation will reach $50,000 in FY 05. (Remember that because we took a full year of depreciation in the year of acquisition, we do not take depreciation in the year of disposition.) The asset will be fully depreciated after 7 years instead of the original estimate of 10 years.

Tagging of Capital Assets

Agencies should firmly attach a property tag to each piece of movable machinery and equipment. Number the tags consecutively.

Tags help:

- o Agencies to control their assets.
- o Auditors to locate assets during an audit.

WORKING PAPERS

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

- o The completed Capital Assets Summary Form(s) (GAAP Form 3.9.1).
- o The completed Accumulated Depreciation Summary Form(s) (GAAP Form 3.9.2).

In addition, the agency should keep:

- o Working papers to support each number on these forms.
- o A detailed listing of all capital assets as of June 30.

The detailed listing should:

- o Clearly distinguish capital assets from any other items on the listing, such as non-capitalizable assets tracked as part of your agency’s internal control procedures. The Comptroller General’s Office requires agencies to tag all movable assets between $1,000 and $5,000, and to maintain a listing of these assets for internal control purposes only. However, we recommend a *separate* listing for these non-capitalizable assets.
- o Include totals for all dollar fields.

For each asset, the listing should show:

- o Property tag number if applicable.
- o Serial number or other unique identifying information when applicable.
- o Enough information about the asset's location so an auditor can find it.
- o Date when the State received the asset or when the asset became available for State use.
- o Book value. (See Accounting Principles and Policies and Key Terms.)
- o Any information needed to locate documents that support the asset's book value. For example, this may include:
  - -- Invoices.
  - -- Contracts.
  - -- Receiving documents.
  - -- SPIRS forms.
  - -- Appraisals.

Exhibit 3.9 (B) shows a sample capital asset listing that includes these items.

STATE OF SOUTH CAROLINA
SAMPLE AGENCY (AGENCY CODE A99)
CAPITAL ASSETS LISTING

EXHIBIT
3.9 (B)

For fiscal year ended June 30, 2002

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)	(P)	(Q)	(R)	(S)
										Calculated Values								
										Original Acquisition Cost					**Accumulated Depreciation**			
Tag #	Description	Physical Location	Acquired w/ Gov't Funds? (Y or N)	Statewide GAAP Fund Code (If Not Gov't)	Fiscal Year of Acquisition	Fiscal Year of Disposition	Original Acquisition Cost	Estimated Salvage Value	Estimated Useful Life (Yrs)	Balance at Beginning of Fiscal Year	Current Year Additions	Current Year Retirements	Balance at End of Fiscal Year	Depreciable Cost	Balance at Beginning of Fiscal Year	Current Year Additions	Current Year Retirements	Balance at End of Fiscal Year
BUILDINGS AND IMPROVEMENTS:																		
Governmental Funds:																		
None	Headquarters Building #1	Columbia	Y	N/A	1970	2002	$250,000.00	$0.00	40	$250,000.00	$0.00	$250,000.00	$0.00	$250,000.00	$200,000.00	$0.00	$200,000.00	$0.00
None	Headquarters Building #2	Columbia	Y	N/A	1990		$175,000.00	$0.00	40	$175,000.00	$0.00	$0.00	$175,000.00	$175,000.00	$52,500.00	$4,375.00	$0.00	$56,875.00
None	Storage Building	Columbia	Y	N/A	1985		$125,000.00	$0.00	20	$125,000.00	$0.00	$0.00	$125,000.00	$125,000.00	$106,250.00	$6,250.00	$0.00	$112,500.00
None	Addition to Headquarters Bldg #2	Columbia	Y	N/A	2002		$200,000.00	$0.00	28	$0.00	$200,000.00	$0.00	$200,000.00	$200,000.00	$0.00	$7,142.86	$0.00	$7,142.86
	Totals - Governmental									$550,000.00	$200,000.00	$250,000.00	$500,000.00		$358,750.00	$17,767.86	$200,000.00	$176,517.86
Internal Service Fund - 2107:																		
None	Garage	Columbia	N	2107	1977		$500,000.00	$0.00	40	$500,000.00	$0.00	$0.00	$500,000.00	$500,000.00	$312,500.00	$12,500.00	$0.00	$325,000.00
None	Machine Shop	Columbia	N	2107	2001		$125,000.00	$0.00	40	$125,000.00	$0.00	$0.00	$125,000.00	$125,000.00	$3,125.00	$3,125.00	$0.00	$6,250.00
	Totals - Fund 2107									$625,000.00	$0.00	$0.00	$625,000.00		$315,625.00	$15,625.00	$0.00	$331,250.00

NOTE: This exhibit shows only the Buildings and Improvements page of the capital assets listing for Sample Agency. Sample Agency, however, maintains similar listings for other categories of capital assets that it owns.

Agencies should maintain full documentation for capital asset:

- o Additions.
- o Retirements.
- o Reclassifications.
- o Corrections of beginning of the year balances.
- o Intra-State transfers.

Documentation requirements for most of these transactions appear in other closing packages.

For retirements, documentation should show:

- o Tag number and/or enough information to identify the asset on last year's capital asset listing.
- o Date of retirement.
- o Book value and accumulated depreciation of retired asset.
- o Reason for retirement. Some common reasons include:
  - -- Sold (either outside State government or within State government).
  - -- Retired to General Services' Surplus Property warehouse for resale.
  - -- Junked.
  - -- Lost in a fire or other disaster.
  - -- Stolen.
  - -- Disappeared mysteriously or without explanation.
  - -- Disassembled into parts.
  - -- Obsolete--no longer in use.
- o Receipts, insurance records, reports of investigations, or other support documentation as appropriate.

- Correspondence relating to transfers out showing:
  - -- Book value and accumulated depreciation transferred out.
  - -- Transfer date.
  - -- Receiving agency or fund name.
  - -- Any other related information.

One way to document an asset retirement is to:

- Complete the form shown in Exhibit 3.9 (C).
- Attach all related documents to that form.

EXHIBIT
3.9 (C)

SAMPLE AGENCY
CAPITAL ASSET RETIREMENT FORM

Asset Description: ______________________________

Tag Number: ______________________________

Retirement Date: ______________________________

Cost: ______________________________

Accumulated Depreciation
at Retirement: ______________________________

Reason for Retirement: ______________________________

Attachments: ______________________________

Approved by: ______________________________

(THIS PAGE INTENTIONALLY LEFT BLANK.)

GENERAL INSTRUCTIONS--CAPITAL ASSETS SUMMARY FORM (GAAP FORM 3.9.1)

- Every agency that has capital assets should complete one or more Capital Assets Summary Forms (GAAP Form 3.9.1).

- Complete a single combined Form for all Governmental funds that have capital assets. Complete a separate Form for each separate Enterprise, Internal Service, and Trust fund that has capital assets. (See Appendix A for information on GAAP funds.)

- The Form should report book values (historical cost or fair market value if donated) of capital assets as of June 30.

- Round all dollar amounts to the nearest whole dollar.

- Indicate negative numbers by parentheses--for example, ($1,256).

- Return the completed Form(s) to the Comptroller General's Office no later than September 30. If you can return it/them earlier, please do so.

- The person who completes and signs the Capital Assets Summary Form(s) (GAAP Form 3.9.1) should keep a copy. The Comptroller General's Office will call this person if there are questions.

- Exhibits 3.9 (D) and 3.9 (E) show two sample completed Capital Assets Summary Forms (GAAP Form 3.9.1), one for Governmental funds and one for an Internal Service Fund. [Note that these exhibits reflect the amounts of Buildings and Improvements shown in Exhibit 3.9 (B).] Detailed instructions for completing the Form follow the Exhibits.

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

EXHIBIT
3.9 (D)

Agency: **(2)** A99 (Code) Sample Agency (Name)

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

Approved: **(3)** 09/19/02 (Date) I.M. Senior (Employee Name) Title: Director of Accounting Phone: 734-2345

GAAP Fund Type* (Governmental, Enterprise, Internal Service, or Trust): Governmental **(4)**

If Enterprise, Internal Service, or Trust: GAAP Fund Code: ________ **(5)** GAAP Fund Name: ________ **(6)**

GAAP Account Code	Description	(7) Start-of-Year Balance** (July 1)	(8) Assets Removed Due to Capitalization Criteria Change	(9) Reclassification of Remaining Beg. Balances to New Asset Categories	(10) Net Other Corrections to Beginning Balances	(11) Additions	(12) Retirements	(13) Net Reclassifications of CIP	(14) Net Intra-State Transfers	(15) End-of-Year Balance (June 30)
NON-DEPRECIABLE ASSETS:										
0-xxxx-0-1500	Land & Non-Deprec. Improvements	$ 350,000	$ 0	$ (125,000)	$ 0	$ 50,000	$ 0	$ 0	$ 0	$ 275,000
0-xxxx-0-1505	Construction in Progress	125,000	0	0	0	75,000	0	(200,000)	0	0
0-xxxx-0-1510	Works of Art & Historical Treasures	0	0	0	25,000	0	0	0	0	25,000
0-xxxx-0-1515	Intangible Assets	0	0	0	0	0	0	0	0	0
TOTAL NON-DEPRECIABLE ASSETS		475,000	0	(125,000)	25,000	125,000	0	(200,000)	0	300,000
DEPRECIABLE ASSETS:										
0-xxxx-0-1525	Depreciable Land Improvements	0	0	125,000	0	150,000	0	0	0	275,000
0-xxxx-0-1530	Buildings and Improvements	600,000	(50,000)	0	0	0	(250,000)	200,000	0	500,000
0-xxxx-0-1540	Vehicles	0	0	50,000	0	15,000	(10,000)	0	(20,000)	35,000
0-xxxx-0-1545	Machinery and Equipment	500,000	(200,000)	(50,000)	0	10,000	(15,000)	0	15,000	260,000
0-xxxx-0-1550	Works of Art & Historical Treasures	0	0	0	0	0	0	0	0	0
0-xxxx-0-1555	Intangible Assets	0	0	0	0	150,000	0	0	0	150,000
TOTAL DEPRECIABLE ASSETS		1,100,000	(250,000)	125,000	0	325,000	(275,000)	200,000	(5,000)	1,220,000
GAAP FUND TOTALS		$ 1,575,000	$ (250,000)	$ 0	$ 25,000	$ 450,000	$ (275,000)	$ 0	$ (5,000)	$ 1,520,000
		(16)	**(16)**	**(16)**	**(16)**	**(16)**	**(16)**	**(16)**	**(16)**	**(16) (17)**

* Prepare one summary form for all Governmental funds combined. Prepare a separate summary form for each Enterprise, Internal Service, and Trust fund.
** Show amounts exactly as they appeared on last year's form (6/30/01 ending balances). Ignore new asset categories in "Start-of-Year" column. Use third column to reclass balances to new asset categories.

GAAP Form 3.9.1, Rev. 6/30/02

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

EXHIBIT
3.9 (E)

Agency: **(2)** *A99* (Code) *Sample Agency* (Name)

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

Approved: **(3)** *09/19/02* (Date) By: *I.M. Senior* (Employee Name) Title: *Director of Accounting* Phone: *734-2345*

GAAP Fund Type* (Governmental, Enterprise, Internal Service, or Trust): *Internal Service* **(4)**

If Enterprise, Internal Service, or Trust: GAAP Fund Code: *2107* **(5)** GAAP Fund Name: *Motor Pool Fund - Earmarked* **(6)**

GAAP Account Code	Description	(7) Start-of-Year Balance** (July 1)	(8) Assets Removed Due to Capitalization Criteria Change	(9) Reclassification of Remaining Beg. Balances to New Asset Categories	(10) Net Other Corrections to Beginning Balances	(11) Additions	(12) Retirements	(13) Net Reclassifi-cations of CIP	(14) Net Intra-State Transfers	(15) End-of-Year Balance (June 30)
NON-DEPRECIABLE ASSETS:										
0-xxxx-0-1500	Land & Non-Deprec. Improvements	$ 250,000	$ 0	$ 0	$ 0	$ 200,000	$ 0	$ 0	$ 0	$ 450,000
0-xxxx-0-1505	Construction in Progress	0	0	0	0	175,000	0	0	0	175,000
0-xxxx-0-1510	Works of Art & Historical Treasures	0	0	0	0	0	0	0	0	0
0-xxxx-0-1515	Intangible Assets	0	0	0	0	0	0	0	0	0
TOTAL NON-DEPRECIABLE ASSETS		250,000	0	0	0	375,000	0	0	0	625,000
DEPRECIABLE ASSETS:										
0-xxxx-0-1525	Depreciable Land Improvements	0	0	0	0	0	0	0	0	0
0-xxxx-0-1530	Buildings and Improvements	500,000	0	0	125,000	0	0	0	0	625,000
0-xxxx-0-1540	Vehicles	0	0	1,500,000	0	250,000	0	0	0	1,750,000
0-xxxx-0-1545	Machinery and Equipment	1,950,000	(300,000)	(1,500,000)	0	50,000	(25,000)	0	6,500	181,500
0-xxxx-0-1550	Works of Art & Historical Treasures	0	0	0	0	0	0	0	0	0
0-xxxx-0-1555	Intangible Assets	0	0	0	0	0	0	0	0	0
TOTAL DEPRECIABLE ASSETS		2,450,000	(300,000)	0	125,000	300,000	(25,000)	0	6,500	2,556,500
GAAP FUND TOTALS		$ 2,700,000	$ (300,000)	$ 0	$ 125,000	$ 675,000	$ (25,000)	$ 0	$ 6,500	$ 3,181,500
		(16)	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(16) (17)

* Prepare one summary form for all Governmental funds combined. Prepare a separate summary form for each Enterprise, Internal Service, and Trust fund.

** Show amounts exactly as they appeared on last year's form (6/30/01 ending balances). Ignore new asset categories in "Start-of-Year" column. Use third column to reclass balances to new asset categories.

GAAP Form 3.9.1, Rev. 6/30/02

COMPLETING THE CAPITAL ASSETS SUMMARY FORM (GAAP FORM 3.9.1)

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.
(4)	Enter the GAAP Fund Type. (See Appendix A.) You must complete one single Form that combines the capital assets of all your agency's Governmental fund types. You must complete a separate Form for each of your agency's Enterprise, Internal Service, and Trust funds.
(5)	If you are completing this Form for an Enterprise, Internal Service, or Trust fund, enter the four-digit GAAP fund code. (See Appendix A.)
(6)	If you are completing this Form for an Enterprise, Internal Service, or Trust fund, enter the name of the GAAP fund. (See Appendix A.)
(7)	Enter the start-of-year (July 1) balances. These balances must be the same as the "End-of-Year (June 30) Balances" on last year's Form. Ignore new asset categories in "Start-of-Year Balances" column. You must use the third column, "Reclassification of Remaining Beginning Balances to New Asset Categories" for the reclassification to the new categories required beginning July 1, 2001.
(8)	Enter the dollar amounts of assets you removed from your agency's capital assets ledger due to the increase in the capitalization thresholds or change in the policy for minimum useful life for capitalization. Enter these amounts as *negative* numbers.
(9)	Use this column to reclassify capital asset balances remaining after the capitalization criteria changes to the new asset categories required beginning July 1, 2001. Show net reclassification additions as *positive* numbers and net deductions as *negative* numbers. Because these are reclassifications, the column total must be *zero*.

REF	EXPLANATION
(10)	If there were any errors made on last year's Form that have caused the beginning balances of capital assets to be incorrect, enter the net corrections in this column. Also use this column if you are reporting an asset (such as works of art and historical treasures) on this Form for the first time because the type of asset was not required to be capitalized prior to July 1, 2001. Enter net additions as *positive* numbers and net deductions as *negative* numbers.
(11)	Enter capital assets *additions* for the fiscal year. See Accounting Principles and Policies for information on computing these amounts. Enter these amounts as *positive* numbers.
(12)	Enter capital asset *retirements* for the fiscal year. See Key Terms and Accounting Principles and Policies for information on computing these amounts. Enter these amounts as *negative* numbers.
(13)	Enter capital asset reclassifications for the fiscal year. See Key Terms and Accounting Principles and Policies for information on computing these amounts. Show net reclassification additions as *positive* numbers and net deductions as *negative* numbers. Because these are reclassifications, the column total must be *zero*. This column should only be used to reclassify Construction in Progress balances to other asset categories upon completion of the projects.
(14)	Enter intra-State transfers-in minus intra-State transfers-out. See Key Terms and Accounting Principles and Policies for information on computing these amounts. Show net transfers-in as positive numbers and net transfers-out as negative numbers.
(15)	Add items (7) through (14) across the row and enter the sum here. If you entered (7) through (14) according to instructions, the resulting amounts should be the end-of-year (June 30) balances.
(16)	Add amounts down each column.
(17)	Check to be sure that the total across this row is the same as the total down this column. Enter the total amount.

GENERAL INSTRUCTIONS--ACCUMULATED DEPRECIATION SUMMARY FORM (GAAP FORM 3.9.2)

- Every agency that has depreciable capital assets should complete one or more Accumulated Depreciation Summary Forms (GAAP Form 3.9.2).

NOTE FOR FISCAL YEAR ENDED JUNE 30, 2002. Agencies are required to make the capitalization criteria changes *before* implementing *GASB 34*, which requires depreciation of capital assets of governmental funds. Each agency is required to complete a Capital Assets Summary Form for its Governmental funds if the agency reported capital asset balances for General Fixed Assets at June 30, 2001. However, if all of your agency's general fixed assets reported at June 30, 2001, in an asset category that is depreciable under GASB 34, are required to be removed from your agency's books because they do not meet the new capitalization thresholds, your agency is not required to complete an Accumulated Depreciation Summary Form for the fiscal year ended June 30, 2002.

- Complete a single combined Form for all Governmental funds that have depreciable capital assets. Complete a separate Form for each separate Enterprise, Internal Service, and Trust fund that has depreciable capital assets. (See Appendix A for information on GAAP funds.)

- The Form should report accumulated depreciation balances of depreciable capital assets as of June 30.

- Round all dollar amounts to the nearest whole dollar.

- Indicate negative numbers by parentheses--for example, ($1,256).

- Return the completed Form(s) to the Comptroller General's Office no later than September 30. If you can return it/them earlier, please do so.

- The person who completes and signs the Accumulated Depreciation Summary Form(s) (GAAP Form 3.9.2) should keep a copy. The Comptroller General's Office will call this person if there are questions.

- Exhibits 3.9 (F) and 3.9 (G) show two sample completed Accumulated Depreciation Summary Forms (GAAP Form 3.9.2), one for Governmental funds and another for an Internal Service Fund. [Note that these exhibits reflect the amounts of accumulated depreciation for Buildings and Improvements that were shown in Exhibit 3.9 (B).] Detailed instructions for completing the Form follow the Exhibits.

STATE OF SOUTH CAROLINA
ACCUMULATED DEPRECIATION SUMMARY FORM
For the Fiscal Year Ended June 30, 2002 (1)

EXHIBIT
3.9 (F)

Agency: (2) A99 (Code) Sample Agency (Name)

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

Approved: (3 09/19/02 (Date) I.M. Senior (Employee Name) Title: Director of Accounting Phone: 734-2345

GAAP Fund Type* (Governmental, Enterprise, Internal Service, or Trus Governmental (4)

If Enterprise, Internal Service, or Trust: GAAP Fund Code: ______ (5) GAAP Fund Name: ______ (6)

GAAP Account Code	Description	(7) Start-of-Year Balance** (July 1)	(8) Accumulated Depreciation Removed Due to Capitalization Criteria Change	(9) Reclassification of Remaining Beg. Balances to New Asset Categories	(10) Net Other Corrections to Beginning Balances	(11) Current Year Depreciation	(12) Accumulated Depreciation on Asset Retirements	(13) Net Accumulated Depreciation on Intra-State Transfers	(14) End-of-Year Balance (June 30)
0-xxxx-0-1565	Depreciable Land Improvements	$ 0	$ 0	$ 0	$ 62,500	$ 27,500	$ 0	$ 0	$ 90,000
0-xxxx-0-1570	Buildings and Improvements	0	0	0	358,750	17,768	(200,000)	0	176,518
0-xxxx-0-1580	Vehicles	0	0	0	20,000	7,000	(6,000)	(12,000)	9,000
0-xxxx-0-1585	Machinery and Equipment	0	0	0	192,860	33,570	(15,000)	6,000	217,430
0-xxxx-0-1590	Works of Art & Historical Treasures	0	0	0	0	0	0	0	0
0-xxxx-0-1595	Intangible Assets	0	0	0	0	50,000	0	0	50,000
GAAP FUND TOTALS		$ 0 (15)	$ 0 (15)	$ 0 (15)	$ 634,110 (15)	$ 135,838 (15)	$ (221,000) (15)	$ (6,000) (15)	$ 542,948 (15) (16)

* Prepare one summary form for all Governmental funds combined. Prepare a separate summary form for each Enterprise, Internal Service, and Trust fund.
** Show amounts exactly as they appeared on last year's form (6/30/01 ending balances). Ignore new asset categories in "Start-of-Year" column. Use third column to reclass balances to new asset categories.

GAAP Form 3.9.2, Rev. 6/30/02

STATE OF SOUTH CAROLINA
ACCUMULATED DEPRECIATION SUMMARY FORM
For the Fiscal Year Ended June 30, 2002 (1)

EXHIBIT
3.9 (G)

Agency: (2) A99 (Code) Sample Agency (Name)

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

Approved: (3) 09/19/02 (Date) By: I.M. Senior (Employee Name) Title: Director of Accounting Phone: 734-2345

GAAP Fund Type* (Governmental, Enterprise, Internal Service, or Trust) Internal Service (4)

If Enterprise, Internal Service, or Trust: GAAP Fund Code: 2107 (5) GAAP Fund Name: Motor Pool Fund - Earmarked (6)

GAAP Account Code	Description	(7) Start-of-Year Balance** (July 1)	(8) Accumulated Depreciation Removed Due to Capitalization Criteria Change	(9) Reclassification of Remaining Beg. Balances to New Asset Categories	(10) Net Other Corrections to Beginning Balances	(11) Current Year Depreciation	(12) Accumulated Depreciation on Asset Retirements	(13) Net Accumulated Depreciation on Intra-State Transfers	(14) End-of-Year Balance (June 30)
0-xxxx-0-1565	Depreciable Land Improvements	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
0-xxxx-0-1570	Buildings and Improvements	312,500	0	0	3,125	15,625	0	0	331,250
0-xxxx-0-1580	Vehicles	0	0	600,000	0	350,000	0	0	950,000
0-xxxx-0-1585	Machinery and Equipment	780,000	(120,000)	(600,000)	0	35,000	(5,000)	1,300	91,300
0-xxxx-0-1590	Works of Art & Historical Treasures	0	0	0	0	0	0	0	0
0-xxxx-0-1595	Intangible Assets	0	0	0	0	0	0	0	0
GAAP FUND TOTALS		$ 1,092,500 (15)	$ (120,000) (15)	$ 0 (15)	$ 3,125 (15)	$ 400,625 (15)	$ (5,000) (15)	$ 1,300 (15)	$ 1,372,550 (15) (16)

* Prepare one summary form for all Governmental funds combined. Prepare a separate summary form for each Enterprise, Internal Service, and Trust fund.
** Show amounts exactly as they appeared on last year's form (6/30/01 ending balances). Ignore new asset categories in "Start-of-Year" column. Use third column to reclass balances to new asset categories.

GAAP Form 3.9.2, Rev. 6/30/02

COMPLETING ACCUMULATED DEPRECIATION SUMMARY FORM (GAAP FORM 3.9.2)

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 GAAP Fund Type. (See Appendix A.) You must complete one single Form that combines the depreciation balances of all your agency's Governmental fund types. You must complete a separate Form for each of your agency's Enterprise, Internal Service, and Trust funds.
(5)	If you are completing this Form for an Enterprise, Internal Service, or Trust fund, enter the four-digit GAAP fund code. (See Appendix A.)
(6)	If you are completing this Form for an Enterprise, Internal Service, or Trust fund, enter the GAAP fund name. (See Appendix A.)
(7)	Enter the start-of-year (July 1) balances. These balances must be the same as the "End-of-Year (June 30) Balances" on last year's Form. Ignore new asset categories in "Start-of-Year Balances" column. You must use the third column, "Reclassification of Remaining Beginning Balances to New Asset Categories" for the reclassification to the new categories required beginning July 1, 2001.
(8)	Enter the dollar amounts of accumulated depreciation you removed due to removing assets that did not meet the new capitalization thresholds or minimum useful lives. Enter these amounts as *negative* numbers.
(9)	Use this column to reclassify accumulated depreciation balances remaining after the capitalization criteria changes to the new categories required beginning July 1, 2001. Show net reclassification additions as *positive* numbers and net deductions as *negative* numbers. Because these are reclassifications, the column total must be *zero*.

REF	EXPLANATION
(10)	If there were any errors made on last year's Form that have caused the beginning balances of accumulated depreciation to be incorrect, enter the net corrections in this column. For Governmental funds only, also use this column to report accumulated depreciation balances at July 1, 2001, which were not reported prior to implementing GASB 34. Enter net additions as *positive* numbers and net deductions as *negative* numbers.
(11)	Enter the depreciation expense for this fiscal year. See Key Terms (Straight-Line Depreciation Method) and Accounting Principles and Policies for information on computing depreciation expense. Enter these amounts as *positive* numbers.
(12)	Enter the accumulated depreciation of all assets retired during the year. Enter these amounts as *negative* numbers.
(13)	Enter the net accumulated depreciation for intra-State transfers of capital assets. Show accumulated depreciation on net transfers-in as *positive* numbers and accumulated depreciation on net transfers-out as *negative* numbers.
(14)	Add amounts (7) through (13) across the row and enter the sum here. If you entered (7) through (13) according to instructions, the resulting amounts should be the end-of-year (June 30) balances.
(15)	Add amounts down each column and enter the sum.
(16)	Check to be sure that the total across this row is the same as the total down this column. Enter the total amount.