Capital Asset Reporting

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Property Manager’s Perspective

• Overview of the Process

• Items to Complete / Review

• Helpful Hints

• Common Challenges
Annual Financial Report (AFR) Schedules

- N-2 (Note 2) Schedule built from FFX entries
  - FFX uploads to FRS nightly
- N-2 FN (Footnote) details how the Capital Asset activity is reported on operating statement
- N-2 SYSTR and N-2 SYST2 schedules used to verify intra-system transfers
  - Helps isolate intra-system transfers with non-TAMUS agencies
- Goal is to not make manual adjustments in the AFR module (exception for non-FAMIS users, TEEX and WTAMU)

AFR Schedules affected by Note 2

- Schedule IV-Fund
  - Operating Expenses
  - Non-operating Revenue & Expenses
  - Other Revenue & Expenses
  - Expended for Plant & Facilities
- Schedule III-Fund
  - Non-Current Assets
  - Net Position
- Schedule IV-5-A
  - Investment In Plant
- Exhibit III
  - Non-Current Assets
- Exhibit IV
  - Non-operating Revenue & Expenses
  - Transfers
Capital Assets and Financial Reporting

- Capitalized Assets reported by asset category (Buildings, Equipment) on the Statement of Net Position
- Driven by the GL account linked to the FFX Class Code
- FFX Screen 581 (maintained by System Office)

Acquisition / Disposal Codes

- Selecting the correct FFX acquisition/disposal code is critical for financial reporting
- FFX screen 583 (maintained by System Office)
- Each code is mapped to an account control which drives where the activity is reported on the operating statement, and the column on the capital asset schedule/note
Acquisition / Disposal Codes

Capital Asset Reminders

- Note 2-Capital Assets Schedule is built from FFX entries
- FFX uploads to FRS nightly
- Year-end timing issues
  - When capital purchases are made, the corresponding FFX entry must be completed
  - FFX entries may be posted in Month 13 for August purchases
  - Schedule IV Fund 'Expended for Plant Facilities' row must net to zero across columns after entries are completed (current year column, page 4) (check TBAR010)
  - FFX entry to add asset using acquisition method 'PO' will create an offsetting entry in the Investment in Plant column
Capital Asset Reminders

- Year-end FAMIS job YR217 converts encumbrances to payables, important to review entries, and add assets
- PBYR239 is generated
- Purchasing card allocations must be considered
- FFX Acquisition/Disposal Methods (Screen 583) impact how the activity flows, which columns it is placed on in N-2

Library Books

Year-End Entry to adjust value for disposed Library Books

- Remove from oldest asset
- Determine value to remove based on average cost per volume in asset being reduced
- Reverse depreciation if necessary
  - FFX screen 512 default code is 5650 (Depreciation), manually change to 5410 (Other NonOperating Expense)
- Goal is for removal of Library books and related Depreciation to both be reported in Deletions column
Capital Asset Transfers

- Intra-System Transfers

  - Must match between System Members
    - Acquisition / Disposal method corresponds to Campus Code
    - GL sub accounts 47xx (from) and 57xx (to)
    - “N-2 SYSTR” report should match the
    - Interagency Transaction columns on the Note 2
    - Capital asset business objects query useful to verify amounts
    - Monthly Transfer report sent out from my office
  - Eliminated on TAMUS Combined AFR

Capital Asset Transfers

- Transfers with Non-TAMUS State Agencies

  - Internal Agency uses SPA (TXDot), requires SPA entry
  - External Agency does not use SPA (UT)
  - Both agencies must agree and book the same value and depreciation and asset type (vehicle, equipment, etc.)
  - External Agencies Transfers In and Out Excel State template
  - Eliminated on State CAFR
Transfer Documentation

- Documentation required for asset transfers to/from Non-TAMUS agencies
  - Printout from SPA showing asset transfer (Internal)
  - Transfer Worksheet signed by other Agency (External)
  - CAAB 106 & 107 report (not required but helpful)
- Submitted with AFR package (Sept/Oct)
- During desk review, documentation verified to transfer totals reported in financial statements
- Intra-System Transfers verified during mid-September
  - Financial reporting team completes schedule and submits to System Office

System-Wide Transfer Worksheet

- Completed by System Office
  - Members should not submit the “External to External transfer worksheet” to SPA
  - System Office prepares System-wide transfer summary based on business objects query, using the transfer documentation provided by members
  - Any cash paid or received related to asset transfers is included on the transfer schedule
  - Submitted to Comptroller with Combined AFR package
System-Wide Transfer Worksheet

- Required data elements
  - Agency Number
  - USAS GL Account (Equipment, Vehicle, etc.)
  - Description
  - Transfer Type (Internal, External, Intra-System)
  - Transfer To/From Agency
  - Transfer Date
  - Historical Cost
  - Accumulated Depreciation (much match agency amount)
  - Cash Paid/Received

Gift Report

- During desk review, compare total gifts reported on the 4th quarter gift report to gift total per the financial statements
- Non-monetary gifts reflected on the gift report should be recognized as gift revenue
- Capital Gifts
  - Added in FFX using acquisition method ‘GF’
  - Value is the estimated fair value at date of gift
Gift Report (cont’d)

- Non-Capital Gifts (below capitalization threshold)
- Gift revenue is recorded using a journal entry
  - Journal entry will vary depending on type of asset
- Typical Journal Entry
  - Debit SL expense code (similar to code used if the donated asset were purchased such as supplies)
  - Credit SL Gift Revenue 0295, Non-Monetary Gifts
- Communicate with gift receipting to identify assets that need to be recorded

Reconciliations

- FBMAR095 – Expenses to Assets
- TBAR010 – FRS to FFX
- FBMR003 – Assets to General Ledger
- Land – System Real Estate Office to FAMIS Fixed Assets
State Requirements

- Note 2 submitted via CANSS
- CANSS-Capital Asset Note Submission System web application, need to have security to this system through USAS Security Coordinator
- Deadline October 20th
  - (enter prior to Oct 20th to allow for errors & it takes over night for the USAS entries to post)
- Reconcile to AFR Schedule N-2 by row (asset type) and column (activity)
- Asset balances must be posted in USAS in Fund 7999-Local as Business Type Activities in order to certify

Note 2 CANSS Columns

<table>
<thead>
<tr>
<th>Column</th>
<th>What to review</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning balance</td>
<td>Populated from USAS, should match PY published N-2 schedule</td>
</tr>
<tr>
<td>Adjustments</td>
<td>If column does not net to zero, reported as a restatement, consider materiality</td>
</tr>
<tr>
<td>Completed CIP</td>
<td>Must net to zero</td>
</tr>
<tr>
<td>Interagency Transactions</td>
<td>Includes intra-system transfers and transfers with other state agencies</td>
</tr>
<tr>
<td>Additions</td>
<td>Verify Depreciation / Amortization matches operating statement</td>
</tr>
<tr>
<td>Deletions</td>
<td>Includes gain / loss on sale or disposal of assets</td>
</tr>
<tr>
<td>Ending Balance</td>
<td>Must match USAS balance to certify</td>
</tr>
</tbody>
</table>
Consolidated CANSS

- The System will review CANSS for all members
- Send out notices if we are getting close to the October 20th deadline
  - Important all members complete this early
  - Even if the AFR is not submitted, certification of CANSS is required
- System Office must run a Note 2 out of FAMIS, post elimination entries in Campus Code 00 then rerun Note 2
- Post entries for Agency 014-Research Foundation Note 2, fund 7999
- Post entries in Agency 798 for the Note 2 after the elimination entries and certify by November 1st

Some N-2 Review Points

- If adjustment column does not net to zero, the amount must be reported as a restatement or prior period adjustment on the AFR
  - Review transactions for materiality
  - If not material reclassify to flow through the addition or deletion columns
- Review CIP row
  - Verify the balance changed
  - Shouldn’t have activity in deletions column related to CIP
- Review fully depreciated assets
  - In use Or should be removed
  - Operating Statement (Schedule IV-Fund
    - Expended for Plant Facilities must net to zero
Importance to Facilities and Administrative Cost Rate

- US Department of Health and Human Services (DHHS) is our cognizant agency and approves the F&A rate calculation and sets the rate to be applied to future sponsored agreements that are awarded to each Member
- Assets are a major factor in the rate calculation
- Assets are pulled from FFX and balanced to FRS
- Asset location is very important
- Funding is also important, assets purchased with Federal funds are excluded
Audit Documentation

• Nagel Hall
  • 1909  Budget $65,000
  • 1956  $67,000
  • 1966  $210,000
  • 1976  $231,000
  • 1985  $860,000 end of paper ledger
  • 1991  $864,000 Added in FAMIS
  • 2022  $10,700,000
• Point – Note 2 has big dollars
• Point – Auditors want verification

Questions

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