

COLORADO DEPARTMENT OF HUMAN SERVICES  
DIVISION OF ACCOUNTING  
ACCOUNTING PROCEDURES MANUAL  
CHAPTER II SECTION 8  
ISSUE DATE 06/01/99 REVISED DATE 06/30/2004

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**FIXED ASSETS PROCEDURES**

**PURPOSE:** To set forth the accounting procedures involved with fixed assets. This includes the acquisition, recording and disposition of fixed assets as well as related issues such as depreciation, maintaining an inventory, etc. This Accounting Policy implements Department Policy Number V-1.

**PROCEDURES:**

- I. Responsibility for the operation of the COFRS Fixed Asset system for DHS resides in the Office of Operations - Division of Accounting.
  - A. The Central Accounting Unit within the Division of Accounting is designated as the coordinator for the operation of the system within DHS. Questions and problems with the operation of this system will be directed to them.
    1. Changes requested that impact statewide operations will be coordinated by the Central Accounting Unit with the State Controller's Office (SCO). Examples of such changes include: additions to the Asset Type Table, and the Asset Acquisition/Disposition Table.
    2. Changes to system tables, even if the tables are agency specific, will be coordinated with the Central Accounting Unit. These changes include, but are not limited to, Location Code Tables, and the Category Table.
    3. Central Accounting establishes and maintains entries each fiscal year in the ADNT Table. Note that the unique transaction prefixes in the Fixed Asset Module by agency IHA are for purchases made in IHA of assets intended for another custodian agency.
  - B. Day-to-day operations of the COFRS Fixed Asset System will be delegated to accountants located in the central office, district offices, and nursing facilities.
- II. The COFRS fixed asset system will be used to record each agency's capital property and controlled assets.
  - A. Capital property meeting capitalization policy requirements will be recorded in the system. See the DEFINITIONS section of this policy.

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- B. Controlled assets will be recorded based upon management's direction. The benefit of providing the control should be weighed against the additional work required to do it. See the DEFINITIONS section of this policy.
- C. Before recording any assets, the fixed asset accountant needs to be aware of implications to Medicaid/Medicare cost recovery rules. Ongoing communication with the Medicaid accountant is needed. See Appendix V for more information on this subject.

III. Governmental vs. Non-Governmental Funds

- A. Fixed assets acquired by governmental funds are recorded in the General Fixed Asset Account Group (GFAAG). The FA transaction will record entries in the GFAAG in the general ledger and Fixed Asset System module ledgers.
- B. Fixed assets acquired by non-governmental funds (Expendable Trust, Enterprise, and Internal Service Funds) are recorded in the individual fund in which they are purchased. The payment voucher (PV) is used to record non-governmental fixed assets in the general ledger by including the balance sheet account in the account code string. The FA will record the asset in the Fixed Asset System ledgers. **Note:** Non-governmental funds do not use the General Fixed Asset Account Group (Fund 471) to record assets.
- C. The Fixed Asset System determines whether a particular fund is governmental or non-governmental by using the "FUND TYPE" from the FUND table.

IV. Acquisition of Fixed Assets

- A. Methods of acquisition usually include purchase, donation, transfer, or construction. Valid codes are defined by the State Controller's Office (SCO) and located in the FADM table.
- B. The custodial agency will initiate the acquisition of the asset. It is the agency's responsibility to ascertain the following:
  - 1. There is statutory authority for the acquisition. For example: If an acquisition is by donation,, the agency is authorized to

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- accept donations and the asset acquired is within the asset classes the agency is authorized to acquire.
2. There is adequate funding for the purchase.
  3. The location for the asset is detailed enough to tie to a location in the location table.
  4. The custodian is identified. This may be the individual authorizing the acquisition.
  5. If the custodial agency does not provide information such as location, in a timely manner, the information for the custodial agency administrative office will be used.
- C. Receiving of fixed assets may occur at Procurement or field locations. In those cases where a fixed asset is delivered to a field location, an individual will be authorized by the custodial agency to perform the receiving function. The custodial agency must communicate asset receipt information to both Procurement and Accounting. Unless the invoice clearly identifies the asset being purchased, based on the guidelines outlined in IV D 1, a bill of lading or work order must be attached to the invoice before it is sent to Accounting for payment.
1. Bulky, heavy, and other physical characteristics may make direct delivery the preferred option.
  2. Sites that are physically removed from the Procurement function may be better served with direct shipments.
- D. Recording data in the COFRS FA transaction will be coordinated between Procurement and Accounting. Coordination between the receiver and Accounting in the recording process is very important. **Assets need to be entered in the Fixed Assets Module at least quarterly.**
1. Procurement will initiate the FA transaction and enter a portion of the data. Procurement may delegate the initiation of this data entry to Accounting, provided the appropriate information is provided by Procurement. Data entered will include the location code, serial number, and other non-accounting information. The initial assignment of the ID number will include the decision about whether the asset is an individual asset or betterment associated with another asset. The receiver should discuss this decision with the appropriate accountant. The ID number will be the same number as the tag number attached to the asset.

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2. Accounting will enter all accounting data and be responsible for the approval of the FA transaction. Accounting entries include, but are not limited to, PV document number, account code string, depreciation parameters, and group code.
  3. Whenever an asset is purchased using multiple sources and paid from several vouchers, it is **imperative** that all paperwork related to the same asset is kept together and gets processed at the same time, even if the cost is spread over several invoices. The asset is still considered one unit and needs to be treated as such when accounting for that asset.
- E. Tagging of fixed assets is the responsibility of the receiver.
1. Tags will be controlled by the Accounting offices or Procurement and may be distributed to the receiver. Accounting offices include the District Offices, Central Accounting Unit, and Nursing Homes. Tags may be distributed to major receiving points including remote locations.
  2. In some cases tags will not be attached to the asset; however, the tag number will be the ID number used in the Fixed Asset System. Tags may not be attached to betterment, buildings, land, construction-in-progress or some other assets. Tags will generally be attached to assets classified as equipment.
  3. Suggested tag locations for some equipment is located at the end of this document under Appendix V in the **MISCELLANEOUS** section.
- V. Disposition and Transfer of Fixed Assets
- A. Methods of disposition may include transfer to Surplus Property of the Department of Corrections, transfer to another DHS agency, sale, disappearance/theft, or exhaustion (see FADM table for valid codes).
  - B. The operating unit custodian of an asset is responsible for initiating the disposition process. They will make the decision that the asset is no longer needed in their operation or is in a condition that is no longer capable of providing a benefit to their operation.

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- C. Procurement will review and approve all non-computer-related dispositions in coordination with Accounting. Considerations include:
    - 1. There is authority to dispose of the asset. For example: demolition of buildings requires legislative authority.
    - 2. Agencies within the DHS that may have need of the asset are notified of its availability.
    - 3. State procedures are being followed. For example: Surplus Property receives surplus equipment, or there is a police report filed for stolen property.
  
  - D. Information Technology Services (ITS) has final disposition authority for computers and related equipment.
  
  - E. Accounting will record the transaction for disposition and transfer.
    - 1. Transfers within DHS are of three types.
      - a. Transfers between custodians within the same agency and fund will entail only the change of location code. This is accomplished by changing the location code on the FAS1 table by using a FC transaction or by direct entry in the FAS1 table. Note: This event does not have an accounting impact.
      - b. Transfers between fund types (Governmental and Non-Governmental) will be accomplished with a disposition and reacquisition. Note that this event does have an accounting impact and results in accounting entries within the general ledger. The transfer is an inter fund - intra department transaction
    - 2. Dispositions will be recorded by Accounting with a FD document.
- VI. Changes to Fixed Asset Records  
(generally for corrections of a clerical nature to data elements within a previously recorded asset)
- A. Transfers between custodians within the same agency (see above) are made directly to the FAS1 as a change. FAS1 is not used for transfers with an accounting impact.
  
  - B. Changes that result in an accounting impact, such as changes in useful life, are made using the FC transaction.

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- C. Any FC transactions that change depreciation method require the approval by the DHS Controller in writing. Accounting or Procurement staff with Level 2 and 3 approval can approve FC transactions that change data other than the depreciation method.

VII. Transfer of Assets from CIP after Construction Project is Complete

- A. At the end of each fiscal year, costs which have been incurred in the construction fund (Fund 461) and are deemed to be of a capital nature, are moved into the Construction in Progress (CIP) account (BS 1860) in Fund 471.
- B. Once a capital construction project has been completed, the costs that have been accumulated in the Fund 471 CIP account need to be moved from BS account 1860 to the appropriate BS account, depending on the asset being recorded. To accomplish this, the asset is entered into the Fixed Asset Module. Since the Fixed Asset Module was set up to credit an expenditure whenever an asset is recorded, and no new version of the Fixed Asset Module is planned, a journal voucher entry (JV) is necessary. This entry credits the BS 1860 CIP account and debits back the object code that had been credited.
- C. Many construction projects add value to assets, especially buildings, that have been fully depreciated. Those assets are to be treated as betterments to the asset, following the proper naming conventions of betterments. Rather than re-evaluating the basis of depreciation of the asset in question, those betterments are recorded with their own separate depreciation.
- D. For more detailed information about determining which costs stemming from Capital Construction Projects are to be capitalized, refer to the Capital Construction Accounting Guidelines issued by the State Controller's Office.

VIII. Inventory of fixed assets

- A. The operating unit custodian of the asset bears responsibility for control of the asset. Any change in the asset condition, location, or use must be promptly communicated to the Office of Operations - Central

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Accounting Unit. This will be accomplished by communication with the accountant assigned the duties related to fixed asset accounting.

- B. The Central Accounting Unit will coordinate the development of inventory cycles for fixed assets for DHS. This will ensure compliance with various requirements established in federal regulations and state fiscal rules, and in obtaining necessary waivers from the State Controller.
- C. The inventory cycle for fixed assets is as follows:
  - 1. Custodians will receive a turnaround report of assets listed as under their control **as of March 31** from the Central Accounting Unit by April 25 of each year.
  - 2. Custodians will indicate changes in assets that are not reflected on the report such as dispositions, new assets, idle assets, asset condition, and any other relevant information. Custodians will verify the accuracy of the report and indicate acceptance of responsibility for the listed assets.

IX. Depreciation of Fixed Assets.

- A. The DHS will record depreciation of fixed assets in accordance with Governmental Generally Accepted Accounting Principles (GGAAP) and relevant regulations.
  - 1. GGAAP requires the recording of depreciation in Non-Governmental funds and with the implementation of GASB34 depreciation is also required for Governmental funds.
  - 2. The accountant responsible for fixed asset accounting will coordinate with accountants the recording of depreciation for other reporting purposes.
    - a. Relevant program regulations will be reviewed to ascertain reporting requirements.
    - b. Management reporting needs will be reviewed to determine that those needs are met.
- B. For all assets recorded in the Fixed Asset Module, depreciation records automatically in COFRS each **Tuesday before a fiscal period close**. DP type documents are created and scheduled in the SUSF file on COFRS. The fixed asset accountant reviews those documents on

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SUSF on Wednesday morning to check for rejected documents and make any necessary corrections.

- C. If an asset was entered into the Fixed Asset Module as a controlled asset (usually for Medicaid/Medicare cost recovery purposes), depreciation runs but is not recorded on the books.
- X. Capital Leases:
- A. When GASB 34 was implemented, Capital Leases became part of the Fixed Assets Group. Since accounting for Capital Leases involves many intricate calculations over and beyond what the Fixed Asset Module was set up to handle, Capital Leases are not entered into the Fixed Asset Module; acquisition, depreciation, and disposal entries are accomplished through manual JVs. See the DEFINITIONS Section of this policy.
  - B. For more detailed information about accounting for Capital Leases, contact the Central Accounting Fixed Asset Accountant, as procedures are under revision at the time of this writing.
- XI. Other Fixed Asset Issues at DHS
- A. The DHS operates as a centralized department and as such the appropriation for fixed asset acquisition may not be made directly to the agency receiving the asset. Purchases of fixed assets made in one agency and intended for the use/custody of another agency are handled as follows:
    - 1. The purchase expenditure will be recorded in the agency which has the appropriation made to DHS.
    - 2. The custodial agency enters the FA document, using the custodial agency code and asset tag number. The coding on the purchasing document is recorded on the FA document. This records the fixed asset in the custodial agency's Fixed Asset Module and is a reconciling item between agencies. The PV agency and number must be entered on the FA document to assist in performing the reconciliation.

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XII. Fixed Asset System Assurance.

- A. The COFRS Fixed Asset System does not have an automated method to verify the balancing of the detail records to the balance in the general ledger control account. The fixed asset accountants perform this reconciliation manually.
1. The Fixed Asset System does not operate on the same accounting cycle as the general ledger system. This is the case for both Governmental and Non-Governmental funds.
    - a. The Fixed Asset System operates and generates reports on a calendar month end period. It is insensitive to fiscal month and year end.
    - b. The general ledger system operates on a fiscal period. The actual period close is a number of days after the calendar period end.
    - c. Two independent transactions are required to maintain a balance between the Fixed Asset System and the general ledger.
    - d. Timing differences between the creation of the two transactions can cause out-of-balance conditions. To avoid this, no entries are to be made into the FA module for the new fiscal year until Period 13 of the prior year has been closed.
  2. On a quarterly basis the accountant responsible for fixed assets will reconcile the Fixed Asset Module to the General Ledger System. This reconciliation will include identifying timing differences between the systems, comparing additions to expenditures, and making the required adjusting entries.
    - a. Governmental funds record purchases of fixed assets as expenditures. The expenditures recorded in specific object codes of expenditure accounts should be reconciled to the year-to-date additions to the General Fixed Asset Account Group.
    - b. Governmental funds record additions to the General Fixed Asset Account Group and the Fixed Asset System through the used of the FA transaction. The General Fixed Asset Account Group should balance to the total of assets in the Fixed Asset System. However, there is no current system assurance report to verify

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- this balancing. The accountant must verify that the control account in the General Fixed Asset Account Group balances to the total of the individual asset records in the Fixed Asset Module.
- c. Non-Governmental funds record purchases as entries to the balance sheet account control account at the time the PV is processed. The addition to the Fixed Asset Module is accomplished through a FA transaction. The reconciliation is between the balance sheet account, control account, and the total of individual assets in the Fixed Asset Module.
3. On a quarterly basis all accountants responsible for fixed asset accounting will send the quarter-end reconciliation to the DHS Central Accounting Unit. The due date for the reconciliation is prior to the end of the month following quarter-end. For consistency purposes all accountants will use the same reconciliation form. See Appendix VI for a copy of the form.

XIII. COFRS Fixed Asset System Reports

- A. The reports that now exist and are available are:
1. FAA04R FIXED ASSET BY LOCATION REPORT
  2. FAA03 FIXED ASSET NET DIFFERENCE REPORT
  3. FAA07R1 FIXED ASSET DISPOSED ASSETS - MONTHLY
  4. FAA07R2 FIXED ASSET DISPOSED ASSETS - YTD
  5. FAA08R1 FIXED ASSET DISPOSITION ACTIVITY - MONTHLY
  6. FAA08R2 FIXED ASSET DISPOSITION ACTIVITY - YTD
  7. FAA10R1 FIXED ASSET DEPRECIATION/COST RECOVERY ACTIVITY BY COST ELEMENT - MONTHLY
  8. FAA10R2 FIXED ASSET DEPRECIATION/COST RECOVERY ACTIVITY BY COST ELEMENT - YTD
  9. FAA11R FIXED ASSET ACCUMULATED DEPRECIATION/COST RECOVERY BALANCES - INCEPTION TO DATE
- B. After the close of each accounting period, Fixed Asset data is downloaded from COFRS and is imported by the Fixed Asset Accountant at the Central Accounting Office into an Access database. Through queries of that data, lists of assets are made available to the Fixed Asset Accountants before the end of each fiscal year (and upon request at other times throughout the year) to facilitate the annual physical inventory.
- C. COFRS provided initial training in the use of the Fixed Asset System to accounting and procurement staff of DHS. Additional staff are

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trained by accounting staff familiar in the use of the Fixed Asset Module.

XIII. Other Considerations Related to the COFRS Fixed Asset System

- A. 1. The Location Code Table (FLOC) is agency-specific. However, there are department-wide considerations that need to be recognized in the creation of the table records. Multiple agencies may have assets in the same location. For example, DHS Agency IHA may be used by multiple agencies within the Department. The location codes used in these multiple agencies should be the same. Thus, coordination between agencies when new location codes are established is essential.
2. Location Name, in the Location Table, must be as descriptive as possible. Since the name may be used by several individuals for various purposes, it must be easily understood.
3. Statutory, regulatory, and contractual requirements should be reviewed in connection with the selection of a policy and its application to the asset. Depreciation/Cost recovery policies are established for the system and are located in the FAPC table.
4. Necessary additions to the security tables that function with the Fixed Asset System:
- a. Identify functions related to fixed assets, receiving, tagging, recording, inventorying and disposing.
  - b. Ensure that individuals responsible for identified functions are included in the security group update. The specific COFRS security group is FADE.
- B. Gain/Loss considerations:  
Disposition policy and the related recognition of gain/loss upon disposition should consider the impact upon cost reporting/reimbursement.
- C. Special handling for Enterprise Funds:  
When assets for Enterprise Funds are added to the FA Module, no entries to COFRS are generated automatically. A manual JV needs to be recorded on COFRS to debit the asset and credit the expenditure in the Enterprise Fund. Fund 471 is not a part of this equation.

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**DEFINITIONS**

Betterment	An asset that is capital property and meets the capitalization policy threshold. A betterment <b>loses</b> its unique identity purpose by incorporation with or addition to another fixed asset. However, a betterment <b>retains</b> its unique identify <b>within the accounting system</b> .
Capital Leases	To be classified as a capital lease, the lease terms must meet at least one of the four following criteria as established by FASB 13: <ul style="list-style-type: none"><li>• The lease transfers ownership of the property to the lessee by the end of the lease term</li><li>• The lease contains an option to purchase the leased property at a bargain price.</li><li>• The lease term is equal to or greater than 75 percent of the estimated economic life of the leased property.</li><li>• The present value of the rental and other minimum lease payments equals or exceeds 90 percent of the fair value of the leased property less any investment tax credit retained by the lessor.</li></ul>
Capitalization Policy	That threshold at which land, land improvements, buildings, equipment, capitalized leases, construction in progress, and motor vehicles are capitalized in the fixed asset records of the DHS. The threshold is cost of more than \$5,000 and a useful life of more than one year.
Capital Property	That property recorded in the DHS Fixed Asset System which includes: Land, Land Improvements, Buildings, Building Service Equipment, Infrastructure Assets, Equipment, Capitalized Leases, Motor Vehicles (not including fleet management vehicles), Construction in Progress and Leasehold Improvements.

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Controlled Asset	Equipment that is below the capitalization policy threshold that the agency management determines needs to be tracked by recording in the fixed asset system of the agency. Note: assets, other than equipment, will not be recorded as controlled assets. One reason for tracking assets below the Department's capitalization threshold is that Medicaid or Medicare recovery policies traditionally had a lower capitalization threshold. At the time of this procedure writing, however, Medicaid, Medicare and the Department's capitalization thresholds are all \$5,000.
Custodian	The individual identified by agency management who has responsibility for control of the asset. This individual is the one who assures the proper use of capital assets and is normally part of the agency's operating unit.
Equipment	Tangible personal <u>property which is not a permanent part</u> of a building and does not lose its identity through incorporation into a more complex unit.

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**APPENDIX I**

The status of the conversion to COFRS Fixed Asset system module is:

<b>Agency</b>	<b>ID</b>	<b>On COFRS</b>	<b>Other</b>
Dept of Human Services	IHA	All divisions	
Office of Health & Rehab	IIA	All	
CMHI Pueblo	IIB	All	
CMHI Ft Logan	IIC	All	
Grand Junction Regional Center	IJB	All	
Wheat Ridge Regional Center	IJC	All	
Pueblo Regional Center	IJD	All	
Division of Youth Corrections	IKA	All	
Trinidad State Nursing Home	ILA	All	
State Vet Center at Homelake	ILB	Does not use FA Module	
Vet Nursing Home at Florence	ILC	All	
Vet Nursing Home at Rifle	ILD	All	
Nursing Home Administration	ILF	All	
Fitzsimons Vet Nursing Home	ILG	All	

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**APPENDIX II**

**Capital Expenditure Object Codes:**

<b>Object Code</b>	<b>Description</b>
6110	Buildings-Direct Purchase
6120	Land-Direct Purchase
6130	Land Improvements-Dir Purch
6140	Leasehold Improv-Dir Purchase
6210	ADP Equipment-Dir Purch
6220	Furniture & Fixtures-Dir Purch
6230	Motor Veh/Boats/Planes-Dir Pur
6260	Laboratory Equipment-Dir Purch
6280	Other Capital Equipment-Dir Purch
6310	Buildings-Lease Purchase
6320	Land-Lease Purchase
6330	Land Improvements-Lease Purch
6410	ADP Equipment-Lease Purchase
6420	Furniture & Fixtures-Lease-Pur
6430	Motor Veh/Boats/Planes-Lease Purch
6460	Laboratory Equipment-Lease Pur
6480	Other Cap Equipment-Lease Pur

**Fixed Asset BS accounts recognized by the Fixed Asset Module:**

<b>FA BS account</b>	<b>Description</b>
1800	Land – Asset Type L
1810	Improvements to Land – Asset Type I
1820	Buildings – Asset Type B
1830	Leasehold Improvements – Asset Type H
1840	Furniture and Equipment – Asset Type E
1841	Vehicles – Asset Type E

**Fixed Asset BS accounts and related Accumulated Depreciation BS accounts:**

<b>Accumulated Depreciation BS account</b>	<b>FA BS account</b>	<b>Description</b>
N/A	1800	Land – Asset Type L
1811	1810	Improvements to Land – Asset Type I
1821	1820	Buildings – Asset Type B
1831	1830	Leasehold Improvements – Asset Type H
1849	1840	Furniture and Equipment – Asset Type E
1848	1841	Vehicles – Asset Type E
1849	1843	Leased Furniture and Equipment

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**Fixed Asset BS accounts and related Capital Expenditure Object Codes:**

<b>Object Code</b>	<b>FA BS account</b>	<b>Description</b>
6110	1820	Buildings – Asset Type B
6120	1800	Land – Asset Type L
6130	1810	Improvements to Land – Asset Type I
6140	1830	Leasehold Improvements – Asset Type H
6210	1840	Furniture and Equipment – Asset Type E
6211	1840	Furniture and Equipment – Asset Type E
6212	1840	Furniture and Equipment – Asset Type E
6213	1840	Furniture and Equipment – Asset Type E
6214	1840	Furniture and Equipment – Asset Type E
6220	1840	Furniture and Equipment – Asset Type e
6230	1841	Vehicles – Asset Type E
6260	1840	Furniture and Equipment – Asset Type E
6280	1840	Furniture and Equipment – Asset Type E
6310	1820	Buildings – Asset Type B
6320	1800	Land – Asset Type L
6330	1810	Improvements to Land – Asset Type I
6340	1830	Leasehold Improvements – Asset Type H
6410	1840	Furniture and Equipment – Asset Type E
6420	1840	Furniture and Equipment – Asset Type E
6430	1841	Vehicles – Asset Type E
6460	1840	Furniture and Equipment – Asset Type E
6480	1840	Furniture and Equipment – Asset Type E

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**APPENDIX III**

Depreciation policy alternatives are established statewide. The selection of the depreciation policy is made from the FAPC table. At the time this procedure is revised, the only policy code used is HHN. The other codes might still be encountered in the FA Module based on assets entered several years ago.

The possible entries from that table are:

POLICY CODE =====	POLICY DESCRIPTION -----
UAL	COST RECOVERY BASED ON USAGE.
DDN	DATE TO DATE - NO SURCHARGE
DDY	DATE TO DATE - WITH SURCHARGE
FZN	FULL 1ST/ZERO LAST NO SURCH.
FZY	FULL 1ST/ZERO LAST W/ SURCH..
HHN	HALF 1ST/HALF LAST NO SURCH.
HHY	HALF 1ST/HALF LAST W/ SURCH..
ZFN	ZERO 1ST/FULL LAST NO SURCH.
ZFY	ZERO 1ST/FULL LAST W/ SURCH..

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**APPENDIX IV**

As part of the Department's policy will be recommended locations for tags. The recommended locations are:

**Office Furniture & Equipment**

1. Desks--inside knee well on the right pedestal;
2. Tables--under top by right front leg;
3. Chair--back side under seat;
4. File--upper right hand corner by lock;
5. Cabinets--upper right hand corner;
6. Benches, sofas, etc.--under seat by right back leg;
7. Credenzas--under top right side or right end close to top;
8. Shelving Units--upper right hand corner (where practical);
9. Bookcase--upper right hand corner;
10. Display Cabinets--right corner of base;
11. Appliances--upper right corner on side;
12. Typewriters--on back in the center;
13. Calculator (desk top)--on back by manufacturer's I.D. plate or on bottom center;
14. Television--on back by manufacturer's I.D. plate;
15. Projectors--(movie)--by manufacturer's I.D. plate;
16. Tape and Cassette Recorders--by manufacturer's I.D. plate located either on back or underside;
17. Slide and Filmstrip Projectors--by manufacturer's I.D. plate located either on back or underside;
18. Cameras--on bottom (avoid covering tripod mount and rewind release);
19. Telescopes--on body right side middle;
20. Dictation Equipment--by manufacturer's I.D. plate on back or bottom;
21. Posting Machines--by manufacturer's I.D. plate on back center;
22. Check Signers and Protectors--by manufacturer's I.D. plate on back or bottom;
23. Microfilm Equipment--by manufacturer's I.D. plate on back or bottom.
24. Micro computers--face of processing unit
25. Micro computer printer-- upper right corner

**Operating & Maintenance Equipment**

1. Generators--by manufacturer's I.D. plate usually by controls;
2. Air Compressors-- by manufacturer's I.D. plate on side of base;
3. Welders Å Arc--upper right hand corner on front panel;
4. Welders Oxygen-Acetylene--on back of regulators;
5. Pumps--on base or by manufacturer's I.D. plate;

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6. Hoist, Cranes, Winches--by manufacturer's I.D. plate on hoist portion where accessible, where not, on main frame right side;
7. Pipe Threaders--by manufacturer's I.D. plate on side of unit;
8. Table Saws--by manufacturer's I.D. plate located on back side of base;
9. Radial Arm Saws--by manufacturer's I.D. plate located on back right side of column;
10. Drill Presses--by manufacturer's I.D. plate on side of head;
11. Lathes--by manufacturer's I.D. plate located on head;
12. Power Hand Tools--by manufacturer's I.D. plate (try to affix tag in a location that does not interfere with operation and does not receive heavy wear);
13. Paint Sprayers--by manufacturer's I.D. plate on compressor;
14. Spray Guns--on gun portion not exposed to heavy wear;
15. Band Saws--by manufacturer's I.D. plate on upper head;
16. Jointers--by manufacturer's I.D. plate or back of jointer table;
17. Shaper--by manufacturer's I.D. plate or back of base;
18. Planer--by manufacturer's I.D. plate;
19. Sanders--by manufacturer's I.D. plate usually on base by controls;
20. Workbenches--under top right side;
21. Radial Drills & Boring Machines--by manufacturer's I.D. plate located on drill head;
22. Vacuum Cleaners--by manufacturer's I.D. plate located on motor housing;
23. Buffers/Grinders--on motor by manufacturer's plate;
24. Floor Buffers/Scrubbers--by manufacturer's I.D. plate located on side of motor;
25. Drafting Machines--by manufacturer's I.D. plate located on table clamps;
26. Drafting Tables--by manufacturer's I.D. plate front panel of base or under side of top right corner;
27. Hydraulic & Mechanical Presses--by manufacturer's I.D. plate located on frame;
28. Steam Cleaners--by manufacturer's I.D. plate located by controls;
29. Metal Shears--by manufacturer's I.D. plate located on machine base back side;
30. Metal Formers--by manufacturer's I.D. plate on back side of machine;
31. Sand Blasters by manufacturer's I.D. plate on base of unit.

**Kitchen Equipment (Appliances)**

1. Mixers--by manufacturer's I.D. plate;
2. Ranges--upper right side of range;
3. Ovens--upper right side of oven;
4. Food Warmers--by manufacturer's I.D. plate or upper right corner;
5. Dishwashers--by manufacturer's I.D. plate or upper right corner;
6. Slices À Food--by manufacturer's I.D. plate or back side away from cutting blade;
7. Choppers--by manufacturer's I.D. plate;
8. Washing Machines--upper front corner of right panel;

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9. Dryers--upper front corner of right panel;
10. IO Serving Counters--upper right corner on serving side;
11. Refrigerators--upper front corner of right panel;
12. Carts--on frame right side.

**Laboratory & Test Equipment**

1. Stills--by manufacturer's I.D. plate;
2. Meters--on back panel;
3. Centrifuges--by manufacturer's I.D. plate located on base;
4. Spectrophotometers--by manufacturer's I.D. plate;
5. Hardness Testers--by manufacturer's I.D. plate located by controls;
6. Electronic Equipment--by manufacturer's I.D. plate located by controls;
7. Power Supplies--by manufacturer's I.D. plate located on back; if not accessible tag on face panel upper right corner;
8. Lab Ovens & Dryers--by manufacturer's I.D. plate located on lower front panel;
9. Sound Generators--by manufacturer's I.D. plate;
10. Oscilloscopes--by manufacturer's I.D. plate usually located on front panel.

**Automotive Service Equipment**

1. Wheel Balancers--by manufacturer's I.D. plate on base by controls;
2. Wheel Alignment Units--by manufacturer's I.D. plate located on major component (i.e., Hunter unit located on cabinet);
3. Parts Cleaner--by manufacturer's I.D. plate on right side exterior;
4. Power (Hydraulic, Electric or Pneumatic) Lifts--by manufacturer's I . D . plate located on pump unit;
5. Lubrication Equipment--by manufacturer's I.D. plate located on pump;
6. Brake Service Equipment--by manufacturer's I.D. plate located on face of unit;
7. Tire Changers--by manufacturer's I.D. plate located on base;
8. Service Jacks--by manufacturer's I.D. plate located on base or center column;
9. Valve refacers--by manufacturer's I.D. plate on unit;
10. Valve Seat Grinder Sets--by manufacturer's I.D. plate located on major unit;
11. Battery Chargers--by manufacturer's I.D. plate located on front or side panels;
12. Engine Analyzers--by manufacturer's I.D. plate located on main unit;
13. Distributor Tester--by manufacturer's I.D. plate located on back panel;
14. Generator, Regulator Tester--by manufacturer's I.D. plate located on back panel;
15. Dynamometers--by manufacturer's I.D. plate located on control;
16. Paint Spray Booths--by manufacturer's I.D. plate located on right side panel.

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**APPENDIX V**

**1. Medicaid/Medicare Material and info**

The Department utilizes tables from the Estimated Useful Lives of Depreciable Hospital Assets in determining appropriate useful lives for a wide variety of depreciable assets within the nursing facility environment. These tables are designed to comply with Medicare guidelines. The book is being revised and will be available for purchase in June, 2004, from the American Hospital Association, P.O. Box 92683, Chicago, IL 60675-2683. The cost for members of the AHA is \$32.00 plus \$6.95 shipping/handling. The cost for non-members is \$45.00 plus \$8.95 shipping/handling. The AHA can accept the Department's Procard, purchase order, or check as payment. The telephone number to place an order is 1-800-242-2626. The 1998 edition is superceded by this 2004 edition.

Additionally, the Department of Health Care Policy and Financing utilizes regulations contained in the manual commonly referred to as Volume 8 for guidance in preparing and auditing of Medicaid nursing facility Med-13 reports. Volume 8 narratives concerning depreciation requirements follow:

LONG TERM CARE – REIMBURSEMENT 8.448.5 – 8.448.53

DEFINITIONS – For purposes of this section concerning depreciation, the following definitions shall apply.

Rev.eff. 9/01/98 "MAI Appraiser" refers to the designation "Member, Appraisal Institute" awarded by the American Institute of Real Estate Appraisers.

"Straight Line Method of Depreciation" – Under this method of depreciation, the amount to be depreciated is first determined by subtracting the estimated salvage value of the asset from its cost (or fair market value in the case of donated assets). The amount to be depreciated is then distributed equally over the estimated useful Life of the asset.

**REQUIREMENTS FOR DEPRECIATION**

Except as specified in this manual, Medicare rules and regulations as delineated in The Medicare and Medicaid Guide, 1981, published by Commerce Clearing House, Paragraph 4501-4897P, shall be utilized in the treatment of depreciation costs for Purposes of reimbursement under Medicaid.

Depreciation on assets used to provide covered services to Medicaid recipients may be included as an allowable patient cost. Only the straight line method of computing depreciation may be utilized for purposes of Medicaid reimbursement. Depreciation costs must be identifiable as such, and must be recorded in the Provider's accounting records in accordance with "generally accepted accounting Principles."

**DEPRECIABLE ITEMS**

Rev.eff. Depreciable items must be capitalized and written off over the estimated useful life

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9/01/98 of the item using the straight line method of depreciation. With respect to expenditures during every facility fiscal year which begins on or after July 1, 1998, the following items must be depreciated:

Assets which, at the time of acquisition, had an estimated useful life of (2) years or more; and a historical cost of \$5,000 or more.

Betterments or improvements which extend the original estimated useful life of an asset by (2) years or more, or increase the productivity of an asset significantly; and cost \$5,000 or more.

Rev. eff.  
9/01/98

C. For the purpose of applying the \$5,000 threshold in Paragraphs A and B above, the costs of assets, betterments, and/or improvements shall be combined if the costs

1. are incurred within the same fiscal year of the nursing facility; and
2. are of the same type or relate to the same project. For example, renovations or improvements to a facility's kitchen, done in three phases costing \$3,000 each, must be combined.

D. Major repairs are repairs which:

Occur infrequently, involve significant amounts of money, and increase the economic usefulness of the asset in the future, because of either increased efficiency, greater productivity, or longer life; or

Added eff.  
8/01/82

2. Restore the original estimated useful life of an asset where without such repairs, the useful life of the asset would be reduced or immediately ended; these repairs occur infrequently and have a significant cost in relation to the asset being repaired.

If the composite method of depreciation is used, the time period over which The major repair must be depreciated is not necessarily the remaining life of The composite asset. For example, a major repair to a roof of a facility that Has a remaining useful life of thirty (30) years would not have to be Depreciated over thirty (30) years if the normal life of the roof is only fifteen (15) to twenty (20) years; the shorter period could be used.

The following are examples of major repairs and are not intended as a complete list: replacement or partial replacement of a roof, flooring, boiler, or electrical wiring.

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8.448.54 EXPENSED ITEMS

Rev. eff. 9/01/98 With respect to expenditures during every facility fiscal year which begins on or after July 1, 1998, items which are to be entirely expensed in the year of purchase, rather than depreciated, are as follows:

- A. All repair and maintenance costs, except major repairs.
- B. Assets which, at the time of acquisition, had an estimated useful life of less than two (2) years; or cost less than \$5,000.
- D. Betterments or improvements which do not extend the useful life of an Asset by two (2) years or more, or do not increase the productivity of an asset significantly; or cost less than \$5,000.
- D. For the purpose of applying the \$5,000 threshold in paragraphs B and C above, assets, betterments, and/or improvements which are purchased separately shall be combined if they meet the criteria described in section 8.448.3,C.

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THIS REVISION: NUMBER	VIII-98-4	LAST REVISION:	VIII-82-6	REVISION
Adopted:	7/10/98	Adopted:	6/04/82	1
Effective Date:	9/01/98	Effective Date:	8/01/82	

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**APPENDIX VI**

**1. Change of Fixed Asset Status Form**

The custodian will use the following form to communicate changes in fixed assets to the responsible accountant.

<b>DEPARTMENT OF HUMAN SERVICES CHANGE OF FIXED ASSET STATUS</b>	
CUSTODIAN NAME _____	PHONE NUMBER _____
FA TYPE: _____	FA NUMBER: _____
BETTERMENT NO: _____	TYPE OF CHANGE: LOCATION _____
CONDITION: _____	DISPOSITION: _____
NEW LOCATION (DESCRIPTION): _____	CODE: _____
CONDITION (INCLUDE IF KNOWN): _____	
DISPOSITION : _____	CODE: _____
PROCUREMENT REVIEW: _____	DATE: _____
ACCOUNTING REVIEW: _____	DATE: _____
The custodian of a fixed asset must initiate this form when a change becomes known to them.	

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1. Quarterly Fixed Asset Reconciliation Form

SFYXX															
PERIOD XX ENDING XX/XX/XXXX															
GNL02															
R															
GOVERNMENTAL FUND EXPENDITURES					FUND 471 EXPENDITURES				FUND 471 ASSETS						
AGY	FUND	ACCT TYPE	OBJECT	AMOUNT	AGY	ACCT TYPE	OBJECT	AMOUNT	B/S ACCT.	BEG BAL 07/01/XX	INCREASE DOC TYPE	INCREASE AMOUNT	DECREASE DOC TYPE	DECREASE AMOUNT	END BAL XX/XX/XXXX
			TOTAL	0.00			TOTAL	0.00	TOTAL	0.00		0.00		0.00	0.00

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2. Quarterly Fixed Asset Sample Reconciliation

SFYXX															
PERIOD XX ENDING XX/XX/XXXX															
GNL02															
R										<b>SAMPLE</b>					
GOVERNMENTAL FUND EXPENDITURES					FUND 471 EXPENDITURES				FUND 471 ASSETS						
AGY	FUND	ACCT TYPE	OBJECT	AMOUNT	AGY	ACCT TYPE	OBJECT	AMOUNT	B/S ACCT.	BEG BAL 07/01/XX	INCREASE DOC TYPE	INCREASE AMOUNT	DECREASE DOC TYPE	DECREASE AMOUNT	END BAL XX/XX/XXXX
IHA	100								1830	1,297,980.90					1,297,980.90
					IHA	24	4130	5,634.48	1831	(1,083,654.90)	DP	(5,634.48)			(1,089,289.38)
									1840	5,784,258.36					
IHA	100	22	6211		IHA	24	6211	(16,971.00)			FA - see attached				
											FA - A/P	16,971.00	FD	(52,798.15)	
IHA	100	22	6214	177,465.28	IHA	24	6214	(208,061.93)			FA - see attached	177,465.28	JVUFIX0x#x	(116,513.56)	
											FA - A/P	30,596.65			
IHA	100	22	6220	10,222.44	IHA	24	6220	(90,531.54)			FA - see attached	10,222.44			
											FA - A/P	80,309.10			
			Sub Total	187,687.72						Sub Total		187,687.72			
			A/P	127,876.75						A/P		127,876.75			
			TOTAL	315,564.47			TOTAL	(315,564.47)	TOTAL	5,784,258.36		315,564.47		(169,311.71)	5,930,511.12