**Internal Sales Organizations Capital Assets/ Depreciation Reconciliation**

**Purpose:** Assist units in verifying capital assets and in determining depreciation expense

**Run Reports**

1. Run the report **Account Budget Status for Current Non-Sponsored Funds** in Reporting Center (Finance > Budget/Actual Management > Account Level Balance Review)
   
   a. Enter the current **Fiscal Year** and **Accounting Period** and Click **submit**
   b. Enter 5 digit recharge center **DeptID** only and Click **submit**
   c. After the data has rendered, group the report by 1: **Fund** (from drop down menu)
   d. Click the **check box** Include Plant and Agency Funds (on the far right side)
   e. Group report by 2: **Program, FinEmplID and/or CF2** (from drop down menu)

   Results: Report renders balances for Operating and Plant Fund by account and the ChartField Strings associated with the recharge center.

2. Select the reports – **Asset Management Depreciation Schedule”** and **Asset Management Depreciation Expense** in the Reporting Center (Finance > Capital Asset Management)
   
   a. Select **Non-Sponsored Data Only**
   b. Select **040 – Equipment**
   c. Click the **check box** “Include all Asset Statuses” – if not selected, the report includes “In Service” assets only. Click **submit**
   d. Enter 5 digit **Dept ID** of the recharge center
   e. Enter Fund **7201 Plant Fund**, and Click **submit**
   f. Group report by 1: **Program, FinEmplID and/or CF2** (from drop down menu)

   Result: Report renders a list of all assets in the Plant Fund 7201 by asset ID number and Chartfield String for the recharge center

**Reconcile**

1. Compare the asset list with the list that was included in the ISO rate development
2. If the list is the same go to step 3. If the list is different figure out which assets need to be transferred to the plant fund. Go to the procedure called **Capital Equipment Administration: Transfers** (LINK), follow the procedure and complete the asset transfer form 1556 (LINK).
3. Prepare the journal entry to transfer depreciation by debiting the operating fund using 610310 (Non-Mandatory Transfer out) and crediting the plant fund by using 600310 – (Non-Mandatory Transfer in). This entry should equal the amount of the unrecorded capital asset depreciation for the current period. The entry should agree to the capital asset depreciation report if all assets are purchased on the plant fund.
4. After the depreciation journal entry has posted and the **Account Budget Status for Current Non-Sponsored Funds** report includes the depreciation journal entry, the “Ending Balance” in the plant fund 7201 should equal the net book value (capitalized value less accumulated depreciation) of the ISO capital assets at the end of the current fiscal period.

NOTE: This does not include pending capital asset transfers or purchases of non-capital equipment assets in the plant fund. These are examples of reconciling items.

The net book value is the amount in the “Total” column on the **Asset Management Depreciation Schedule** is the “Current Net Book Value”.

NOTE: The Asset Management Depreciation reports are updated monthly after General Ledger close.

**Timing of Depreciation Entry Best Practice**
- Monthly after the close of the general ledger for the previous month. The Asset Management reports are current for the prior month at this time.
- Record an estimate of depreciation expense in Period 12 based on Period 11 report.
- Compare and adjust as necessary in Period 913 once Period 12 Asset Management reports are available.

**Acceptable Practices**
- Quarterly after the close of the general ledger for each quarter. The Asset Management reports are current for each year to date time period.
- Record an estimate of depreciation expense in Period 12 based on prior quarters.
- Compare and adjust as necessary in Period 913 once Period 12 Asset Management reports are available.

**Other situations to consider**
- If applicable allocate depreciation expense to other funds (i.e. external sales fund)
- Only capital equipment purchases are to be recorded in the plant fund (i.e. non capital equipment or supplies are to be recorded in the operating fund). Units should monitor this account.