CITY OF SAN ANTONIO

Administrative Directive	**AD 8.7 Financial Management of Capital Assets and Tracked Property**
Procedural Guidelines	Guidelines to ensure consistent City wide procedures for the acquisition, disposition and management of Capital Assets and Tracked Property.
Department/Division	Finance Department, Accounting Division
Effective Date	January 31, 2011
Project Managers	Melanie Seale, Controller Jay Blackwell, Financial Reporting Manager

Purpose

The purpose of this administrative directive (AD) is to establish policies and procedures for use by departments in the financial management of capital assets and tracked property. This AD will outline the duties and responsibilities of departments who have capital assets or tracked property for the acquisition, disposition, management and accounting of those items.

Policy

As required by Generally Accepted Accounting Principles (GAAP), it is the policy of the City of San Antonio (City) to properly account for all components of the process from the acquisition to the disposition of capital assets and tracked property. This includes providing control and accountability over capital assets and tracked property and to maintain the information required for the preparation of financial statements.

This AD applies to each department that purchases, has control over, or disposes of capital assets and/or tracked property.

Policy Applies To

This administrative directive applies to all employees who are responsible for performing fiscal operations described herein. This may include, but is not limited to, staff who request, purchase, receive, monitor or dispose of capital assets and tracked property; lead departmental fiscal staff; management of the Finance Department; and other departmental staff deemed necessary by the lead fiscal staff.

Definitions

ASSET CLASS	Classification of assets that categorize similar assets for tracking and depreciation purposes.
ASSET IMPAIRMENT	A significant, unexpected decline in the service utility of a capital asset. Examples of which may cause an asset to lose service utility are physical damage, change in legal or environmental factors, technological developments, obsolescence, and change in duration of usage, and construction stoppage.
BARGAIN PURCHASE OPTION	Lease purchase option when the lessee can exercise a provision of the lease and buy the property sometime during the term of the lease at an amount substantially less than the estimated fair value of the property.

BOOK VALUE	Value based on the original cost of the asset less any depreciation, amortization or impairment costs made against the asset.
BUILDINGS	Structure that is permanently attached to land, has a roof, is partially or completely enclosed by walls, and is not intended to be transported or moved. Buildings that are ancillary to or part of a highway network, such as rest area facilities and toll buildings, are reported as infrastructure rather than buildings.
CAPITAL ASSET	Land, buildings, infrastructure, improvements, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives longer than one year and meet the City's capitalization threshold. Capital assets are generally acquired through procurement, construction, lease purchase agreements and donations.
CAPITAL ASSET CUSTODIAN	The individual assigned to safeguard and control capital assets and/or tracked property and to perform inventories on a periodic basis.
CAPITALIZATION THRESHOLD	The minimum dollar amount that the City elects to capitalize costs as assets. This amount varies depending on the asset class.
CAPITALIZED INTEREST	Interest costs incurred throughout the construction period of a capital asset that should be capitalized as part of the asset under construction. This extends from the time the initial construction activities commence until the asset is ready to be placed into service. Capitalized interest is calculated for the City's proprietary funds only.
COMPLETED PROJECT	Capital project that has been substantially completed such that all costs associated with project have been recorded and the finished capital asset has been placed into service.
CONSTRUCTION IN PROGRESS	Capital asset class which identifies the amount of accumulated costs incurred for capital projects currently in process which have not yet been completed.
DEPRECIATION	Process of recovering the cost of a capital asset over its assigned useful life, rather than recording as expense in the year the asset was acquired. Most capital assets depreciate and are generally replaced once the end of their useful life is reached.
ESTIMATED USEFUL LIFE	The number of years that a capital asset will be used for the purpose for which it was acquired.
FAIR VALUE	Used as an estimate of the market value of a capital asset for which a market price cannot be determined. Fair Value is the amount at which the asset could be bought or sold in a current transaction between willing parties not under duress or transferred to willing parties not under duress and is typically used to determine the cost for donated assets.
FURNITURE AND OFFICE EQUIPMENT	Moveable assets such as office furniture, computers, computer hardware, camera equipment, printers, etc.
IMPROVEMENTS (OTHER THAN BUILDINGS)	Additions and/or reductions made to pre-existing assets that 1) ready the asset for its intended use, 2) materially extend the useful life of the asset, or 3) increase the previous value of the asset.
INFRASTRUCTURE	Long-lived capital asset that normally is stationary in nature and can be preserved for significantly more years than most capital assets. These assets are often linear and continuous, i.e. streets, drainage, bridges, etc.
LAND	A topographically or functionally distinct tract of real property.
MACHINERY AND EQUIPMENT	Moveable asset such as vehicles, rolling equipment that are not attached to land, buildings or improvements.

MASTER DATA	Basic structures in SAP, such as asset numbers, asset shells, serial numbers, cost centers, and internal orders, which are used to capture asset information and account for the acquisition, depreciation and disposition of capital assets.
TRACKED PROPERTY	Tangible assets that meet the definition of capital assets but are not capitalized since they do not meet the City's capitalization threshold.
SALVAGE VALUE	Residual value of a capital asset after it has been fully depreciated, which is typically the resale value at the end of its useful life.

Policy Guidelines

I. ASSET CLASS AND DEPRECIATION

1. **Asset Class** – Capital asset acquisitions shall be classified as Land, Construction in Progress, Buildings, Improvements (Other than Buildings), Machinery and Equipment, Furniture and Office Equipment and Infrastructure. Works of art, animals (i.e. police dogs and horses) and historical treasures are not capitalized, but will be recorded as tracked property. See Appendix A for a listing of assets classes and uses and their corresponding useful lives.

2. **Depreciable Assets** – Buildings, Improvements (Other than Buildings), Infrastructure, Machinery and Equipment, and Furniture and Office Equipment, are classified as depreciable assets, which are depreciated over their respective useful lives.

3. **Non-depreciable Assets** – Land and Construction in Progress are classified as non-depreciable assets, which are NOT depreciated over their useful lives.

4. **Salvage Values** – The City may elect to assign a salvage value to a capital asset. Assets shall not be depreciated below the established salvage value.

5. **Tracked Property** – Assets that would otherwise have been capitalized except for the fact that its cost was below the City's cost threshold will be considered tracked property. Such items are vehicles, rolling equipment, electronic devices, computer equipment and software, general equipment, furniture and fixtures, medical equipment, etc.

I. ASSET CLASS AND DEPRECIATION (continued)

6. **Depreciation Methodology** – The City shall use the straight-line method of depreciation for capital assets. This method calculates depreciation expense equally for each year/month over the useful life of the asset. An illustration is shown below:

Cost of Asset	$ 150,000
Less: Salvage Value	30,000
Depreciable Basis	$ 120,000
Estimated Life (years)	20
Estimated Life (months)	240
Annual Depreciation Expense	$ 6,000
Monthly Depreciation Expense	$ 500

a) Asset depreciation will begin in the month immediately after the month in which the asset was acquired and placed into service.

II. CAPITALIZATION THRESHOLDS AND ESTIMATED USEFUL LIVES

1. **Land (GL 1230110)** – Acquisitions and donations of land are always capitalized, regardless of cost.

2. **Thresholds and Useful Lives** – Individual acquisitions must meet the minimum capitalization threshold in order to be capitalized. For example, a single computer which costs $10,000 would be capitalized and depreciated over its estimated useful life, whereas, five laptop computers purchased for $10,000 would not, as their individual cost does not meet the minimum threshold ($2,000 each). The five laptops would be recorded as tracked property. Thresholds and useful lives have been established for each asset class as summarized in the table below:

Asset Class	GL Account	Useful Life (Years)	Capitalization Threshold
Buildings	1230120	15-40	$ 100,000
Improvements	1230130	20-40	100,000
Infrastructure	1230140	15-100	100,000
Computer Equipment	1230150	5-10	5,000
Machinery & Equipment	1230160	2-20	5,000
Automotive Equipment	1230190	2-10	5,000
Computer Software	1230185	5-10	5,000

III. ASSET ACQUISITION

1. **Approval** – All capital asset acquisitions must be approved by the Office of Management and Budget either during the fiscal year in connection with a Request for Council Action item or through the annual budget process.

2. **Cost Basis** – The City shall capitalize assets at the cost to place such capital assets into service. Such costs include the vendor's invoice, less any trade-in allowance, plus installation costs, and any accessories or apparatus required to have asset placed into service for its intended use.

3. **Procurement** – The City shall use SAP to procure capital assets. City departments shall gain approval for all capital asset and tracked property acquisitions (capital outlay) from the Office of Management and Budget. Expenditures that are $50,000 or less are processed through the Purchasing Department on Purchase Requisitions and Purchase Orders. Expenditures over $50,000 are required to be submitted to City Council for approval in the form of an ordinance.

4. **Donated Assets** - The City shall abide by the requirements in Administrative Directive 8.8 when receiving donated assets. These assets shall be recorded at their fair value on the date of acquisition.

5. **Lease Purchase** – The City shall adhere to the requirements of Financial Accounting Standard (FAS) 13 to determine if a lease agreement should be capitalized. Leased property should be capitalized if the lease agreement meets any of the following criteria:

   a) The lease transfers ownership of the property to the lessee by the end of the lease term.
   b) The lease contains a bargain purchase option.
   c) The lease term is equivalent to 75% or more of the estimated economic life of the leased property.
   d) The present value of the minimum lease payments at the inception of the lease, excluding executory costs, equals at least 90% of the fair value of the leased property.

   If a lease does not satisfy any of the four criteria for capitalization, the lease agreement is classified as an operating lease and is not capitalized.

III. ASSET ACQUISITION (continued)	6. **Exchanged Assets** – Assets that are acquired via exchange must be classified as either similar or dissimilar. a) Similar Assets – Use the book value as the basis for asset surrendered when 1) assets are exchanged and no monetary consideration is paid or received, the cost of the asset acquired is recorded at the book value of the asset surrendered or, 2) monetary consideration is paid, the new asset must be recorded at the sum of cash paid plus the book value of the asset surrendered. b) Dissimilar Assets – Use the fair value method by recording the fair value of the asset being traded and the resulting transaction for acquiring the new asset. If an asset is being purchased with cash, record the transaction of the new assets as cash paid plus the fair value of the asset surrendered. 7. **Capital Projects**– Completed projects that meet the established capitalization threshold are to be recorded as a capital asset in the month in which they were completed and depreciated based on their useful lives. The City shall adhere to the requirement in Administrative Directive 8.9, Financial Management of Capital Projects, for completed projects. 8. **Capitalized Interest (proprietary funds only)** – Interest paid on debt proceeds used for the construction of capital assets shall be capitalized during the period in which construction of the asset occurs for proprietary fund types only. A calculation shall be performed on an annual basis. 9. **Capital Assets held in trust** – Capital assets held in trust are those assets that the City holds on behalf of another party, controls temporarily and does not use in operations. Capital Assets held in trust are to be capitalized on the City's balance sheet, but are not subject to depreciation. 10. **Capital Assets held for resale** - Capital assets held for resale are those assets the City no longer requires for operating purposes and intends to sell. These capital assets should be recorded at cost on the balance sheet.

IV. MANAGEMENT OF ASSETS	1. **Periodic Inventories** – The City shall maintain accountability for its capital assets and tracked property by conducting physical inventories on a recurring basis. a) **Physical Counts** – Listing of capital assets and tracked property to be inventoried shall be provided by Finance Department as a basis for taking physical counts. b) **Lost or Stolen Property** – When a capital asset or tracked property is identified as lost or stolen, the department shall file a police report and notify the Finance Department and provide the appropriate asset information (number, location, etc.). c) **Cycle of Inventory** – Inventory of capital assets and tracked property are to be taken by departments no less than every two fiscal years. The Finance Department will determine if the cycle of inventories will need to be performed more frequently based on funding requirements (e.g. grant, local), department reorganizations, results of prior inventories, etc. d) **Reconciling/recording adjustments** – The Finance Department will make the appropriate adjustments to SAP as a result of periodic inventories for items that are lost or stolen. 2. **Safeguarding Assets** – The City shall provide reasonable assurance that its capital assets and tracked property are adequately safeguarded and that the unauthorized acquisition, use or disposition is detected in a timely manner. 3. **Asset Location** – Asset locations in SAP shall be updated so that the current location for each capital asset and tracked property is accurately recorded.
V. ACCOUNTING AND REPORTING	1. **SAP Fixed Asset Module** – The SAP Fixed Asset (FA) Module is the City's system of record for tracking all capital assets. The City shall use the Fixed Asset module of SAP to account for its capital assets and tracked property. Certain City departments may require the use of specialized systems to store unique capital assets data that is not available in SAP. The use of such systems will require the prior written approval from the Chief Financial Officer and the Chief Information Officer prior to acquisition or development. These systems unique to a department's operations will be required to interface with SAP. All financial reporting will be generated from SAP. Subsystems used by departments are to be reconciled to SAP on a quarterly basis. 2. **Grant Reporting** – Capital assets acquired in whole or in part with grant funds shall be controlled and accounted for in accordance with Federal Government Office of Management and Budget (OMB) Circular A-102 (revised), A-87, Cost Principles for Grants to State and Local Governments, as well as requirements outlined in the Uniform Requirements for Grants and Cooperative Agreements with State and Local Governments (Common Regulations) as published in the Code of Federal Regulations (CFR), subject to the specific requirements of the individual grantor agencies. 3. **Fund Designations** - Asset detail are to be recorded by fund and reconciled to general ledger detail by fund on a monthly basis.

VI. ASSET DISPOSITION

1. **Asset Disposition**
   a. **Sales** - Proceeds from the sale of capital assets are to be deposited in the appropriate fund and revenue account. All sales of grant funded assets are required to be approved by the grantor prior to the sale, with proceeds recorded in accordance with grantor regulations (e.g. repay grantor, redirection of future reimbursement requirements, etc.).

   b) **Gain/Loss calculation** – Upon the disposition of a capital asset, a calculation of gain or loss is to be performed. Gain/loss shall be calculated by deducting the book value of the asset at the time of sale from the proceeds/trade received.

   c) **Sale of Capital Assets and Tracked Property** – This function shall be executed at the department level in coordination with the Purchasing & General Services department so a standardized methodology to dispose of unneeded capital assets and tracked property can be accessible for all City departments.
      (i) The potential sale of capital assets and tracked property (primarily land), which have been acquired with general obligation bonds, revenue bonds, certificates of obligation, and/or tax notes, shall be coordinated with the Finance Department beforehand.

2. **Transfers** – Requests to transfer assets between departments and/or across funds, shall be submitted to the Finance Department prior to the transfer, and SAP adjusted accordingly. Transfers of grant-funded assets cannot be made until grantor approval has been obtained by the originating department.

3. **Asset Impairment** - The City shall adhere to the Governmental Accounting Standards Board (GASB) Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries." When an asset is considered to be impaired, the amount of impairment loss shall be determined by using one of the following measurement approaches:
   a) **Cost of restoration** – used to measure impairment losses from physical damage.

   b) **Service units approach** – used to measure impairment losses from environmental factors, technological advances, and obsolescence.

   c) **Deflated depreciation** – used to measure impairment losses from changes in manner or duration of use.

   Asset impairment losses should be recorded net of any insurance recovery when the recovery is realizable in the same fiscal year as the impairment loss.

See ***Attachments B*** and ***C*** for asset disposal and transfer forms.

Roles & Responsibilities	
Employees	**1.** Each City employee must execute and submit as directed as Employee Acknowledgement Form for Administrative Directive 8.7; a blank of which is attached as **Attachment D**.
Department Procurement and Fiscal Staff	**1.** Make request to the Finance Department, via SAP workflow for asset shells to be created when acquiring a capital asset or tracked property. **2.** Update serial number and vehicle identification number (VIN) information on asset shell after acquiring capital asset or tracked property. **3.** Perform periodic inventory for capital assets and tracked property as directed by the Finance Department. **4.** Maintain asset location codes in SAP for capital assets and tracked property. **5.** Consult with appropriate department, and grantor, if applicable, for appropriate disposal method of assets no longer needed or used. **6.** Report lost or stolen property to the Finance Department and file a police report. **7.** Notify the Finance Department of capital assets that have become impaired. **8.** Submit AD 8.9, ***Attachment D*** for completed project information to the Finance Department within five business days after month in which project was complete.
Capital Asset Custodian	**1.** Maintain and protect City capital assets and tracked property in his/her control. **2.** Report lost or stolen property to the department fiscal manager or designee and assist in filing a police report. **3.** Consult with department fiscal manager or designee for appropriate disposal method of assets no longer needed or used.

Finance Department	**1.** Act as the top-level control and oversight for all capital assets and tracked property. **2.** Create asset shells no later than 72 hours after requested by department fiscal staff. **3.** Accurately report the value of all capital assets in the City's CAFR. **4.** Calculate and post all depreciation and periodic processing. **5.** Provide direction to City departments regarding the use of asset class and lives. **6.** Create and maintain master data for all capital assets and tracked property. **7.** Make entries in SAP to capitalize project costs to construction in progress accounts on a monthly basis. **8.** Provide a calculation of potential capitalized interest on an annual basis. **9.** Provide calculation of gain or loss on the disposition of capital assets. **10.** Make entries in SAP to transfer or retire assets and tracked property. **11.** Reconcile asset detail to general ledger amounts, on a monthly basis, fund by fund. **12.** Schedule, coordinate and review inventories to be taken by City Departments. **13.** Retain administrative responsibility for this Administrative Directive.
Purchasing and General Services	**1.** Assists City departments with the sale and disposition of surplus capital assets and tracked property (excluding vehicles, seized property, and electronic equipment).
Office of Management and Budget	**1.** Approve the acquisition of all capital assets and tracked property.

Attachments/Appendices

Appendix A	Asset Class with Useful Lives
Attachment B	Capital Asset and Tracked Property Disposal Form
Attachment C	Capital Asset and Tracked Property Transfer Form
Attachment D	Acknowledgment Form

This supersedes all previous correspondence on this subject to include AD 2.2, Request for Capital Outlay.

Information and/or clarification may be obtained by contacting the Finance Department, Accounting Division at 207-5734.

CITY OF SAN ANTONIO
FINANCIAL MANAGEMENT OF CAPITAL ASSETS AND TRACKED PROPERTY
LISTING OF ASSET CLASSES AND USEFUL LIVES

Asset Class	SAP Class	Description	Useful Life
Land	CA1000	Land	N/A
Land	CA1500	Land Improvements	N/A
Buildings	CA2010	Buildings - 10 Yr	10
Buildings	CA2020	Buildings - 20 Yr	20
Buildings	CA2025	Buildings - 25 Yr	25
Buildings	CA2030	Buildings - 30 Yr	30
Buildings	CA2040	Buildings - 40 Yr	40
Buildings	CA2500	Building Improvement	40
Improvements	CA3010	Improvements - 10 Yr	10
Improvements	CA3015	Improvements - 15 Yr	20
Improvements	CA3020	Improvements - 20 Yr	25
Improvements	CA3025	Improvements - 25 Yr	30
Improvements	CA3040	Improvements - 40 Yr	40
Infrastructure	CA4015	Streets/Roadways- 15	15
Infrastructure	CA4020	Streets/Roadways- 20	20
Infrastructure	CA4025	Streets/Roadways- 25	25
Infrastructure	CA4030	Streets/Roadways- 30	30
Infrastructure	CA4035	Streets/Roadways- 35	45
Infrastructure	CA4040	Streets/Roadways- 40	40
Infrastructure	CA4120	Bridges - 20 Year	20
Infrastructure	CA4125	Bridges - 25 Year	25
Infrastructure	CA4130	Bridges - 30 Year	30
Infrastructure	CA4140	Bridges - 40 Year	40
Infrastructure	CA4200	Dams	40
Infrastructure	CA4315	Taxiways & Ramps- 15	15
Infrastructure	CA4325	Taxiways & Ramps- 25	25
Infrastructure	CA4340	Taxiways & Ramps- 40	40
Infrastructure	CA4410	Lightings - 10 Year	10
Infrastructure	CA4440	Lightings - 40 Year	40
Infrastructure	CA4515	Sidewalks - 15 Year	15
Infrastructure	CA4520	Sidewalks - 20 Year	20
Infrastructure	CA4525	Sidewalks - 25 Year	25
Infrastructure	CA4530	Sidewalks - 30 Year	30
Infrastructure	CA4535	Sidewalks - 35 Year	35
Infrastructure	CA4540	Sidewalks - 40 Year	40
Infrastructure	CA4600	Storm Drainage - 100	100
Infrastructure	CA4615	Storm Drainage - 15	15
Infrastructure	CA4640	Storm Drainage - 40	40
Computer Equipment	CA5200	Computer & Equipment	5
Computer Software (Full)	CA5230	Enterprise Res Proj	30
Computer Software (Full)	CA5250	Computer Software	5
Machinery & Equipment	CA5000	Furniture & Fixtures	5
Machinery & Equipment	CA5300	Machinery & Equipt.	5
Machinery & Equipment	CA5406	Rolling Equip - 6 Yr	6
Machinery & Equipment	CA5408	Rolling Equip - 8 Yr	8
Machinery & Equipment	CA5410	Rolling Equip -10 Yr	10
Machinery & Equipment	CA5416	Rolling Equip -16 Yr	16
Machinery & Equipment	CA5418	Rolling Equip -18 Yr	18
Machinery & Equipment	CA5420	Rolling Equip -20 Yr	20
Machinery & Equipment	CA5500	Boats	5
Machinery & Equipment	CA5900	Aircraft	10
Auto - Machinery & Equipment	CA5600	Police Sedans	2
Auto - Machinery & Equipment	CA5700	Admin Sedans	5
Auto - Machinery & Equipment	CA5800	Trucks	6
Auto - Machinery & Equipment	CA5805	Auto - M & E 5 Year	5
Auto - Machinery & Equipment	CA5806	Auto - M & E 6 Year	6
Auto - Machinery & Equipment	CA5808	Auto - M & E 8 Year	8
Auto - Machinery & Equipment	CA5810	Auto - M & E 10 Year	10
Auto - Machinery & Equipment	CA5816	Auto - M & E 16 Year	16
Auto - Machinery & Equipment	CA5818	Auto - M & E 18 Year	18
Auto - Machinery & Equipment	CA5820	Auto - M & E 20 Year	20
Construction in Progress	CA6000	Construction in Progress	N/A
Project Recoverables	CA7000	Project Recoverables	N/A
Tracked Property	TP8000	TP > 1500	N/A
Tracked Property	TP9000	Tracked Property	N/A

CITY OF SAN ANTONIO

Finance Department

CAPITAL ASSET AND TRACKED PROPERTY DISPOSAL FORM

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Disposition Method*	Asset Number	Description	Fund	Cost Center	Internal Order	WBS Element	Date

*Retirement, Sale, Impairment, or Exchange

Departmental Authorized Signature:

Name/Title

Date

Received by Finance:

Name/Title

Date

SAP Adjusted:

Name/Title

Date

Finance/AD 8.7
(As of January 31, 2011)
Attachment B

CITY OF SAN ANTONIO

Finance Department

CAPITAL ASSET AND TRACKED PROPERTY DISPOSAL FORM

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Disposition Method*	Asset Number	Description	Fund	Cost Center	Internal Order	WBS Element	Date

CITY OF SAN ANTONIO

Finance Department

CAPITAL ASSET AND TRACKED PROPERTY TRANSFER FORM

Page___ of ___

Existing Asset Number	Description	Transfer From - Fund/Business Area	Transfer To - Fund/Business Area	Transfer to Cost Center	Transfer to Internal Order	Date Transferred	New Asset Number

Sending Departmental Authorized Signature:

Name/Title

Date

Receiving Departmental Authorized Signature:

Name/Title

Date

Received by Finance/SAP Adjusted:

Name/Title

Date

Finance/AD 8.7
(As of January 31, 2011)
Attachment C

CITY OF SAN ANTONIO

Finance Department

CAPITAL ASSET AND TRACKED PROPERTY TRANSFER FORM

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Existing Asset Number	Description	Transfer From - Fund/Business Area	Transfer To - Fund/Business Area	Transfer to Cost Center	Transfer to Internal Order	Date Transferred	New Asset Number

CITY OF SAN ANTONIO

EMPLOYEE ACKNOWLEDGMENT FORM
FOR

ADMINISTRATIVE DIRECTIVE 8.7
Financial Management for Capital Assets and Tracked Property

Employee:

I acknowledge that on _____, 20___, I received a copy of Administrative Directive 8.7, Financial Management for Capital Assets and Tracked Property. I understand if I should have any questions I should contact my Human Resources Generalist.

_____	_____
Employee Name (Print)	Department
_____	_____
Employee Signature	SAP Employee ID Number