

# CITY OF SAN ANTONIO



<b>Administrative Directive</b>	<b>AD 8.7 Financial Management of Capital Assets and Tracked Property</b>
<b>Procedural Guidelines</b>	Guidelines to ensure consistent City wide procedures for the acquisition, disposition, and management of Capital Assets and Tracked Property.
<b>Department/Division</b>	Finance Department - Accounting Division & Office of Risk Management
<b>Effective Date</b>	January 31, 2011
<b>Revised Date</b>	January 31, 2018
<b>Project Managers</b>	Controller, Finance Department & Claims Administrator, Office of Risk Management

## 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 outlines 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 reported in the City's Comprehensive Annual Financial Report (CAFR).

## Policy Applies To

<input type="checkbox"/> External & Internal Applicants	<input checked="" type="checkbox"/> Current Temporary Employees
<input checked="" type="checkbox"/> Current Full-Time Employees	<input checked="" type="checkbox"/> Current Volunteers
<input checked="" type="checkbox"/> Current Part-Time Employees	<input checked="" type="checkbox"/> Current Grant-Funded Employees
<input checked="" type="checkbox"/> Current Paid and Unpaid Interns	<input checked="" type="checkbox"/> Police and Fire Academy Trainees
<input checked="" type="checkbox"/> Uniformed Employees Under Collective Bargaining Agreements	

## Definitions

<b><u>ASSET CLASS</u></b>	Classification that categorizes similar assets for tracking and depreciation purposes.
<b><u>ASSET IMPAIRMENT</u></b>	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.
<b><u>AUTOMOTIVE EQUIPMENT</u></b>	Capital asset class associated with vehicles with the primary purpose of transporting employees.

<b><u>BARGAIN PURCHASE OPTION</u></b>	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.
<b><u>BOOK VALUE</u></b>	Value based on the original cost of the asset less any depreciation, amortization or impairment costs made against the asset.
<b><u>BUILDINGS</u></b>	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.
<b><u>CAPITAL ASSET</u></b>	Land, buildings, infrastructure, improvements, computer equipment, computer software, machinery and equipment, automotive equipment, and all other tangible or intangible assets that are used in operations, have useful lives extending beyond a single reporting period, and meet the City's capitalization threshold. Capital assets are generally acquired through procurement, construction, lease purchase agreements, and donations. <i>Attachment C</i>
<b><u>CAPITAL ASSET/TRACKED PROPERTY CUSTODIAN</u></b>	The individual assigned by each department to safeguard and control capital assets and/or tracked property and to perform inventories on a periodic basis based on the department's own policies.
<b><u>CAPITALIZATION THRESHOLD</u></b>	The minimum dollar amount the City elects to capitalize costs as capital assets. This amount varies depending on the asset class.
<b><u>CAPITALIZED INTEREST</u></b>	Interest costs incurred throughout the construction period of a capital asset that are 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.
<b><u>COMPLETED PROJECT</u></b>	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.
<b><u>COMMODITIES</u></b>	Expendable items that are consumable or have a short life span for example Solid Waste toters or library books. These items are not included in tracked property.
<b><u>COMPUTER EQUIPMENT</u></b>	Asset class associated with equipment related to computer processing and electronic communication such as servers, laptops, monitors, phones, printers, and desktop computers. Purchase of computer equipment is generally coordinated and tracked through ITSD.
<b><u>COMPUTER SOFTWARE</u></b>	Asset class associated with written electronic files (programs) that instruct computer equipment how to operate and process data.
<b><u>CONSTRUCTION IN PROGRESS</u></b>	Asset class associated with the amount of accumulated costs incurred for capital projects currently in process and not in service. These capital project costs will be capitalized upon placing them in service.
<b><u>DEPRECIATION</u></b>	Process of expensing 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.
<b><u>ESTIMATED USEFUL LIFE</u></b>	The number of years that a capital asset is used for the purpose for which it was acquired.
<b><u>FAIR VALUE</u></b>	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.

<b><u>IMPROVEMENTS (OTHER THAN BUILDINGS)</u></b>	Asset class associated with the 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.
<b><u>INFRASTRUCTURE</u></b>	Asset class associated with a 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, lighting systems, etc.
<b><u>INTANGIBLE</u></b>	Asset class associated with an asset that is identifiable with the following characteristics: lack of physical substance, nonfinancial nature, and initial useful life extending beyond a single reporting period. Examples include easements, land use rights, patents, trademarks, copyrights, and computer software. Intangible assets can be depreciable or non-depreciable in nature.
<b><u>LAND AND LAND IMPROVEMENTS</u></b>	Capital asset class associated with a topographically or functionally distinct tract of real property.
<b><u>MACHINERY AND EQUIPMENT</u></b>	Asset class associated with moveable asset such as furniture, office equipment, maintenance equipment, and rolling equipment that are not attached to land, buildings, or improvements.
<b><u>MASTER DATA</u></b>	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.
<b><u>PHYSICAL PROPERTY</u></b>	City owned/leased buildings or structures and mobile equipment such as vehicles, drones, aircraft, etc.
<b><u>PROPERTY INSURANCE</u></b>	Insurance purchased for City owned or leased buildings, structures, and contents.
<b><u>STATEMENT OF VALUE (SOV)</u></b>	A listing of City property owned and/or leased by the City, that is submitted by City departments, and is considered for insurance coverage.
<b><u>TRACKED PROPERTY - MANDATORY</u></b>	Assets that do not meet the City's capitalization thresholds. These assets are tracked by their respective department to maintain the records necessary to make an insurance claim in the event of a natural disaster or theft. At minimum departments will track items over \$500 but under \$5,000 such as furniture, fixtures, cameras, and small electronics. Anything else will be at the discretion of the department. <i>Attachment C</i>
<b><u>TRACKED PROPERTY – DESIGNATED BY DEPARTMENT</u></b>	Assets that do not meet the City's capitalization thresholds and are valued under \$500. These assets are tracked at the discretion of their respective department.
<b><u>SALVAGE VALUE</u></b>	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.

# Capital Asset Policy Guidelines

## I. ASSET CLASS AND DEPRECIATION

### Asset Classes

Capital asset acquisitions are classified as Land and Land Improvements, Construction in Progress, Buildings, Improvements (Other than Buildings), Infrastructure, Computer Equipment, Computer Software, Machinery and Equipment, Automotive Equipment, or Intangibles.

### Depreciation Overview

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

**Non-depreciable Assets** – Land, Construction in Progress, and Non-depreciable Intangibles are classified as non-depreciable assets, which are NOT depreciated.

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

**Tracked Property** – Tracked property is not capitalized or depreciated. It is expensed in the year of occurrence.

**Depreciation Methodology** – The City uses 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	<u>30,000</u>
Depreciable Basis	\$ 120,000
Estimated Life (years)	20
Estimated Life (months)	240
Annual Depreciation Expense	\$ 6,000
Monthly Depreciation Expense	\$ 500

Asset depreciation begins in the month immediately after the month in which the asset was acquired and placed into service.

**II.**  
**CAPITALIZATION**  
**THRESHOLDS**  
**AND ESTIMATED**  
**USEFUL LIVES**

**Depreciable Assets**

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 a total of \$10,000 would not, as their individual cost of \$2,000 does not meet the capitalization threshold. 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:

<b>Asset Class</b>	<b>Useful Life (Years)</b>	<b>Capitalization Threshold</b>
Buildings	10-40	\$ 100,000
Improvements	10-40	100,000
Infrastructure	10-100	100,000
Computer Equipment	5-10	5,000
Machinery & Equipment	5-20	5,000
Computer Software	5-10	5,000
Automotive Equipment	5-10	5,000
Depreciable Intangible	5- 40	100,000

**Non-Depreciable Assets**

Acquisitions and donations of land, including permanent easements, are capitalized, regardless of cost. If the land is identified under GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets" and considered non-depreciable it is capitalized as non-depreciable intangible asset at the assessed value.

Construction in progress begins to depreciate at the time the asset is placed into service and transferred to a depreciable asset class. The thresholds and useful lives follow the table above.

**Separation of Capital Assets within a Capital Project**

It is incumbent for departments to properly segregate furniture, fixtures, and equipment or any movable assets in the capital projects in order to properly capitalize in accordance with AD 8.9.

**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 capitalizes assets for their value and for any cost to place such capital assets into service. Such costs include the vendor’s invoice, less any trade-in allowance, plus freight, installation costs, and any accessories or apparatus required to have asset placed into service for its intended use.
3. **Procurement** – The City adheres to the requirements in Administrative Directive 1.6, Purchasing Procedures. City departments gain approval for all capital asset and tracked property acquisitions (capital outlay) from the Office of Management and Budget. City Council approval is required for any procurement of expenditures over \$50,000 prior to the purchase. SAP is used to procure the City’s assets. Upon approval, the procurement process may be initiated by the department through a Purchase Requisition/Shopping Cart. The General Ledger Asset Accountant will assist the department with creating and attaching the new asset shell to the shopping cart.
4. **Donated Assets** - The City abides by the requirements in Administrative Directive 8.8, Donations/Contributions when receiving donated assets. These assets are measured at acquisition value (price at the time of acquiring the item) as required by Governmental Accounting Standards Board GASB Statement No. 72, “Fair Value Measurement and Application”.
5. **Lease Purchase** – The City adheres to the requirements of Financial Accounting Standard (FAS) 13 to determine if a lease agreement is capitalized. Leased property is 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.

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.

<p><b><u>III.</u></b> <b><u>ASSET</u></b> <b><u>ACQUISITION</u></b> <b><u>(continued)</u></b></p>	<p>7. <b>Capital Projects</b> – Completed projects that meet the established capitalization threshold are to be recorded as capital assets in the month in which it was completed and depreciated based on their useful lives. The City adheres to the requirement in Administrative Directive 8.9, Financial Management of Capital Projects, for completed projects.</p> <p>8. <b>Capitalized Interest (proprietary funds only)</b> – Interest paid on debt proceeds used for the construction of capital assets is capitalized during the period in which construction of the asset occurs for proprietary fund types only. The calculation is performed on an annual basis by Central Finance.</p> <p>9. <b>Capital Assets Held in Trust</b> – 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.</p> <p>10. <b>Capital Assets Held for Sale</b> - Capital assets held for sale are those assets the City no longer requires for operating purposes and intends to sell. These capital assets are recorded at cost on the balance sheet, but are not subject to depreciation.</p>
<p><b><u>IV.</u></b> <b><u>MANAGEMENT</u></b> <b><u>OF CAPITAL</u></b> <b><u>ASSETS</u></b></p>	<p>1. <b>Periodic Inventories</b> – The City maintains accountability for its capital assets by conducting physical inventories on a recurring basis.</p> <p>a) <b>Physical Counts</b> – A SAP listing of capital assets to be inventoried by departments is provided by Central Finance as a basis for taking physical counts during the respective inventory cycle. All capital assets must be accounted for individually and reconciled to SAP. Any data missing from SAP, e.g. location or license plate, must be reported to Central Finance with the final inventory sign off. All capital assets are required to have an asset tag unless the physical attributes make it impossible to affix an asset tag to it (e.g. buildings).</p> <p>b) <b>Segregation of Duties</b> – A Department’s operating division is required to perform the physical count of the capital assets. The Department Fiscal Administrator will review the inventoried list, return back to operations for follow up questions, and update changes before providing to a member of the Department’s Executive Team for review approval. Final physical inventory counts must be approved by the respective Executive Team member and submitted to the Finance Department. The listing noted above in Physical Counts must be attached to department’s memo.</p> <p>c) <b>Cycle of Inventory</b> – Inventory of capital assets are to be taken by departments no less than once every two fiscal years. The Finance Department determines if the cycle of inventories needs to be performed more frequently based on funding requirements (e.g. grant), department reorganizations, major location changes, results of prior inventories, etc.</p> <p>d) <b>ITSD</b> - ITSD is required to complete a physical inventory of all assets each year according to the Federal Information System Controls Audit Manual section SM-1.5. ITSD will work with Central Finance to update capital asset inventory in SAP. All ITSD assets must have a device tag on them. All lost equipment must be reported to the ITSD Service Desk. All stolen IT equipment shall also be reported to the San Antonio Police Department (SAPD) and the associated case numbers reported to the ITSD Service Desk in accordance with AD 7.4A.</p>

**IV.**  
**MANAGEMENT**  
**OF CAPITAL**  
**ASSETS**  
**(continued)**

- e) **Reconciling/Recording Adjustments:**
- **Capital Assets not in SAP** - If capital assets are missing from the SAP listing, the responsible department is to notify Central Finance by providing an updated listing with missing asset numbers and request an asset shell be created with supporting documentation.
  - **No longer in service** - If capital assets are no longer in service the responsible department must submit Attachment A **Capital Asset and Tracked Property Disposal Form** to the Finance's Capital Asset inbox. Include the reason for adjustment.
  - The revised capital property inventory list noting the additions and deletions must be submitted with the signed memo to Central Finance.
- f) **SAP Adjustments** - Central Finance will make the appropriate adjustments to SAP as a result of periodic inventories for capital assets.
2. **Safeguarding Assets** – The City provides reasonable assurance that capital assets are adequately safeguarded and that the unauthorized acquisition, use or disposition is detected in a timely manner.
- a) **Stolen Property** – When a capital asset is identified as stolen, the department is required to file a police report, and email **Attachment A Capital Asset and Tracked Property Disposal Form** to the Finance's Capital Asset inbox. The department is required to keep a copy of the police report. The department is also required to contact Risk Management and file an insurance claim where appropriate. Insurance recoveries are to be deposited in the fund from which the capital asset was purchased. Central Finance is responsible for removing the capital asset from SAP. If the asset was purchased with grant funds the department is required to notify the grantor. If the department is required to pay the grantor for the stolen item the department will use their operating funds.
3. **Asset Location** – Asset locations in SAP are updated so that the current location for each capital asset is accurately recorded. The Finance Department makes the appropriate adjustments to SAP as a result of periodic inventories for capital assets only by receipt of **Attachment B Capital Asset and Tracked Property Transfer Form**.

**V. MANAGEMENT**  
**OF TRACKED**  
**PROPERTY**

1. **Periodic Inventories** – The City maintains accountability for its tracked property by conducting physical inventories on a recurring basis
- a) **Physical Counts** - A SAP listing of tracked property to be inventoried by departments is provided by Central Finance as a basis for taking physical counts during the respective inventory cycle. All tracked property items are required to have asset tags. However departments are able to group items together as a unit where warranted and departments are not required to tag each item. For instance a purchase of 500 folding chairs may be entered as one item of 500 chairs rather than having to enter each chair. A group of items that are routinely purchased together may be entered as one item such as a group of tools which are standard equipment for a mechanic. The department is required to have the asset tags associated with the units readily available.

**V. MANAGEMENT  
OF TRACKED  
PROPERTY  
(continued)**

- b) **Segregation of Duties** – A Department’s operating division is required to perform the physical count of tracked property. The DFA will review the inventoried list, return back to operations for follow up questions, and update changes before providing to a member of the Department’s Executive Team for review approval. Final physical inventory counts must be approved by the respective Executive Team member and submitted to Central Finance. Listing of tracked property noted above in Physical Counts must be attached to department’s memo.
  - c) **Cycle of Inventory** - Inventory of tracked property are to be taken by departments no less than once every two fiscal years. The Finance Department determines if the cycle of inventories needs to be performed more frequently based on funding requirements (e.g. grant), department reorganizations, change in location, results of prior inventories, etc.
  - d) **ITSD** - ITSD is required to complete a physical inventory of all assets each year according to the Federal Information System Controls Audit Manual section SM-1.5. ITSD will update the inventory in SAP. All ITSD assets must have an asset tag on them. All lost equipment must be reported to the ITSD Service Desk. All stolen IT equipment shall be reported to the San Antonio Police Department (SAPD) and the associated case numbers reported to the ITSD Service Desk in accordance with AD 7.4A.
  - e) **Reconciling/Recording Adjustments** –Departments are responsible for maintaining SAP for tracked property including ensuring complete information of the tracked property’s location, serial numbers, etc. All updates to tracked property will be maintained in SAP by the responsible department’s fiscal division. The revised tracked property inventory list noting the additions and deletions must be submitted with the signed memo to Central Finance.
2. **Safeguarding Assets** – The City provides reasonable assurance that tracked property is adequately safeguarded and that the unauthorized acquisition, use or disposition is detected in a timely manner.
- a) **Stolen Property** – When tracked property is identified as stolen, the department is required to file a police report and remove the tracked property from SAP as tracked property is maintained within the respective department. These assets are tracked by their respective department to maintain the records necessary to make an insurance claim in the event of a natural disaster or theft. The items can include, but are not limited to furniture, fixtures, cameras, small electronics, tools, etc. The department is required to keep a copy of the police report. The department is also required to contact Risk Management and file an insurance claim where appropriate. Insurance recoveries are to be deposited in the fund from which the asset was purchased. If the asset was purchased with grant funds the department is required to notify the grantor. If the department is required to pay the grantor for the stolen item the department will use their operating funds.

<p><b><u>VI.</u></b> <b><u>DEPARTMENT'S</u></b> <b><u>DESIGNATED</u></b> <b><u>TRACKED</u></b> <b><u>PROPERTY</u></b></p>	<ol style="list-style-type: none"> <li>1. A Department may chose to track property valued less than the tracked property threshold of \$500. If a Department chooses to track property less than \$500 they must include at a minimum in their internal policies and procedures a description of the item being added, justification (e.g. grantor requirement, easily convertible to cash or public usage/demand, etc.), the cycle of inventory, segregation of duties, and safeguarding of assets. The department will additionally be required to comply with the requirements noted in Section V for these items.</li> <li>2. The Department's policies and procedures must be approved by Central Finance and the Department's Director.</li> </ol>
<p><b><u>VII.</u></b> <b><u>ACCOUNTING</u></b> <b><u>AND REPORTING</u></b></p>	<ol style="list-style-type: none"> <li>1. <b>SAP Fixed Asset Module</b> – The SAP Fixed Asset (FA) Module is the City's system of record used to account for all capital assets and tracked property.   <p>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 requires the prior written approval from the Deputy Chief Financial Officer and the Chief Information Officer prior to acquisition or development. These systems are unique to a department's operations and are required to interface with SAP unless a sound business case can be presented to and approved by Finance and IT that proves otherwise. Subsystems used by departments are to be reconciled to SAP on a yearly basis. The department is to provide Central Finance a listing of all capital assets for the reconciliation. <i>Attachment A or B</i> will need to be completed and submitted to the Capital Asset Administrator for any capital assets identified as deleted or transferred to other funds within 10 business days of month close. All financial reporting for capital assets is generated from SAP.</p> </li> <li>2. <b>Grant Reporting</b> – Capital assets acquired in whole or in part with grant funds are controlled and accounted for in accordance with Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards (Super Circular), 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.</li> <li>3. <b>Fund Designations</b> – Asset accounting detail is recorded by fund and reconciled to general ledger detail by fund on a monthly basis.</li> </ol>

**VIII.**  
**ASSET**  
**DISPOSITION**

**VIII. ASSET**  
**DISPOSITION**  
**(continued)**

**1. Asset Disposition**

- a) **Proceeds** – Proceeds from the sale of assets are to be deposited in the appropriate fund and revenue account. All sales of grant funded assets are required to be approved in writing by the grantor prior to the sale, and, proceeds will be recorded in accordance with grantor regulations (e.g. repay grantor, redirection of future reimbursement requirements, etc.). All sales of bond funded assets are to be reviewed by Central Finance’s Financial Management Division prior to the sale for identification or proceed restrictions.
- b) **Gain/Loss calculation** – Upon the disposition of a capital asset, a calculation of gain or loss is to be performed. Gain/loss is 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 is executed at the department level in coordination with Finance so a standardized methodology to dispose of unneeded capital assets and tracked property can be accessible for all departments.
  - (i) The potential sale of capital assets, which have been acquired with general obligation bonds, revenue bonds, certificates of obligation, and/or tax notes, is coordinated with the Financial Management Division of the Finance Department beforehand.
  - (ii) Capital Asset - Upon completion of the sale, the department’s Capital Asset Custodian emails **Attachment A** to Finance’s Capital Asset inbox within 5 business days.
  - (iii) Tracked Property - Upon completion of the sale, the department’s Capital Asset Custodian completes **Attachment A** for the department’s records and updates tracked property records in SAP within 5 business days.
- d) **Surplus Property** – Capital assets or tracked property valued under \$50,000 that is no longer needed but still has a useful life may be declared surplus. Department designee may authorize the sale of surplus capital assets or tracked property by utilizing one of several options.
  - (i) Formal bidding coordinated through Purchasing.
  - (ii) Posting on the City’s E-Surplus Website. The Surplus **Property Maintainer** within the Finance Department will assist departments with the E-Surplus process. Items placed on E-Surplus are available first for transfer to other City departments. Any items remaining after two weeks will be opened for public bidding on the City’s external E-Surplus website.
  - (iii) Fleet Auctions – Autos and other heavy equipment may be sent to auction through Fleet.
  - (iv) E-Waste – Computer equipment should be disposed through ITSD.
- e) **Scrapping of Property** – Capital assets and tracked property with no usefulness remaining may be scrapped utilizing a legitimate disposal vendor.
- f) **Donation of Property** – Capital assets and tracked property may only be donated with approval by City Council.

**VIII. ASSET DISPOSITION**  
**(continued)**

2. **Transfers** – Requests to transfer capital assets between departments and/or across funds are submitted to the Finance Department prior to the transfer, and SAP is adjusted accordingly. Transfers of grant-funded assets cannot be made until grantor approval has been obtained by the originating department. **Attachment B** must be submitted to the Finance Department for all capital asset transfers by Department Fiscal Administrator or designee. Transfers for tracked property are to be completed between respective departments in SAP along with **Attachment B**.
3. **Asset Impairment** - The City adheres 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 is 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 are recorded net of any insurance recovery when the recovery is realizable in the same fiscal year as the impairment loss.

**IX. RISK MANAGEMENT**

1. **Reporting Property** - Departments are responsible for reporting newly constructed, renovated, purchased and/or leased physical property to the Office of Risk Management (ORM) within 30 days of the change. Failure to report any new physical property to secure insurance coverage may result in non-reimbursement of the loss and other related expenditures.
2. **Statement of Value** – Departments are required to respond annually to the request for verification of assigned facilities listed on the Statement of Value (SOV), noting all changes to physical property or property status changes (i.e. vacated, newly constructed, renovated, new acquisitions or leases). For any changes occurring within the year, departments will report those changes to ORM within 30 days of the updated property status.
3. **Property Insurance Claims** - City departments have the following responsibilities in the event of an incident which may result in a property insurance claim:
  - a) Establish immediate contact with ORM and report the known scope of the incident and observed damage.
  - b) Make all efforts to mitigate damages (i.e., turn off water, power, etc., secure facilities from trespassers, cordon off effected area, contact remediation specialists immediately.) It is the department’s responsibility to initiate and fund these initial steps. These expenditures can be submitted as part of the claim, for reimbursement.
  - c) Obtain all pertinent documentation regarding the event. This should include any police or department incident reports, photos of damage, video footage, inspection reports, invoices or documentation regarding damaged property, etc. These should all be directed to ORM for transmission to the insurance adjuster.

- d) Contact ORM before any significant repairs or purchases are commenced for transmission to, and approval, of adjuster.
- e) For any covered losses, the department will be responsible for facilitating and paying for any necessary repairs, remediation, etc. and may seek reimbursement from ORM up to the deductible amount.

## **Roles & Responsibilities**

### **Employees**

1. Each City employee must execute and submit as directed an Employee Acknowledgement Form for Administrative Directive 8.7; a blank form is attached as *Attachment C*.

## **Department Fiscal Staff**

### **CAPITAL ASSETS**

1. Each City department is required to develop, maintain, and follow their own internal Standard Operating Procedures for capital assets as approved by the department's Director and Central Finance.
2. Work with Finance Department to update capital asset information in SAP.
3. Consult with appropriate department, and grantor, if applicable, for appropriate disposal or transfer method of assets no longer needed or used.
4. Notify the Finance Department of disposed or transferred capital assets by submitting *Attachments A or B* to Finance's Capital Asset inbox.
5. Report lost or stolen property to the Finance Department by submitting *Attachment A* and file a police report and consult with ORM.
6. Notify the Finance Department of capital assets that have become impaired.
7. Notify the Finance Department of capital assets donated to the City.
8. Submit AD 8.9, *Attachment D* for completed project information to the Finance Capital Asset inbox within five business days after month in which project was complete.
9. Utilize disposal options to avoid storage of obsolete capital assets and tracked property.

### **TRACKED PROPERTY**

1. Each City department is required to develop, maintain, and follow their own internal Standard Operating Procedures for tracked property as approved by the department's Director and Central Finance.
2. Maintain tracked property records in SAP.
3. Update description and location after acquiring tracked property.
4. Maintain asset location codes in SAP for tracked property.
5. Report stolen property to the police department by submitting *Attachment A* and file a police report.
6. Consult with ORM regarding lost and stolen property.
7. Notify the Finance Department of tracked property donated to the City.

<p><b><u>Department Operations Staff</u></b></p>	<p><b><u>TRACKED PROPERTY</u></b></p> <ol style="list-style-type: none"> <li>1. Perform periodic inventory for tracked property as directed by the Finance Department and DFA. Department’s Director or designee approval needed upon completion of physical inventory counts via a memo.</li> <li>2. Ensure necessary tracked property has a Central Finance asset tag.</li> </ol> <p><b><u>CAPITAL ASSETS</u></b></p> <ol style="list-style-type: none"> <li>1. Make request to the Finance Department, via SAP (SAePS) workflow for asset shells to be created when acquiring a capital asset. In SAePS, select “Unknown (Pre-Asset)” as the Account Assignment Category and enter the funding source information in the “Approval Note”.</li> <li>2. Update description, serial number, location, tag number, and vehicle identification number (VIN) information on asset shell after acquiring capital asset.</li> <li>3. Perform periodic inventory for capital assets as directed by the Finance Department and DFA. Department’s Director or designee approval needed upon completion of physical inventory counts through a memo.</li> <li>4. Ensure all necessary capital assets have a Central Finance asset tag.</li> </ol>
<p><b><u>Department Capital Asset/Tracked Property Custodian</u></b></p>	<ol style="list-style-type: none"> <li>1. Maintain &amp; protect City capital assets &amp; tracked property in his/her control.</li> <li>2. Assist department fiscal administrator or designee in filing a police report for lost or stolen property</li> <li>3. Consult with department fiscal administrator or designee for appropriate disposal method of assets no longer needed or used.</li> </ol>

<p><b><u>Office of Risk Management</u></b></p>	<ol style="list-style-type: none"> <li>1. Log incidents and be able to provide a report on all insurance claims filed for stolen items through system.</li> <li>2. Procure and maintain commercial insurance for the City.</li> <li>3. Annually, distribute SOV to each department for verification of assigned facilities, to include new construction, renovation, transfer of ownership, leases, etc.</li> <li>4. Upon request, assist departments with developing insurance requirements for various contracts and verifying the insurance is in compliance with the requirements.</li> <li>5. In the event of a loss, establish and facilitate communication among all parties (department, broker, insurance adjuster, consultants, inspectors, contractors, etc.).</li> <li>6. Compile and maintain all documentation regarding claims, as well as ensure transmission of this information to the insurer.</li> <li>7. Receive and process all payments from the insurance company. Risk Management will work with the DFA to distribute the proceeds to the affected fund.</li> <li>8. Whenever appropriate ORM will pursue recovery from the liable third party.</li> </ol>
<p><b><u>ITSD</u></b></p>	<ol style="list-style-type: none"> <li>1. Complete a physical inventory of all assets each year.</li> <li>2. Reconcile SAP to Remedy.</li> <li>3. Report lost or stolen capital assets to the Finance Department by submitting <i>Attachment A</i>.</li> <li>4. File a police report and consult with ORM for lost or stolen all ITSD property.</li> </ol>

<p><b><u>Finance Department – Accounting Services</u></b></p>	<ol style="list-style-type: none"> <li>1. Act as the top-level control and oversight for all capital assets.</li> <li>2. Create asset shells no later than 3 business days after requested by department fiscal staff.</li> <li>3. Accurately report the value of all capital assets in the City’s CAFR.</li> <li>4. Calculate and post all depreciation and periodic processing monthly.</li> <li>5. Provide direction to City departments regarding the use of asset class and lives.</li> <li>6. Create and maintain master data for all capital assets with the assistance of department’s review of inventory.</li> <li>7. Make entries in SAP to capitalize project costs to construction in progress accounts on a monthly basis.</li> <li>8. Provide a calculation of potential capitalized interest on an annual basis.</li> <li>9. Provide calculation of gain or loss on the disposition of capital assets.</li> <li>10. Make entries in SAP to transfer or retire capital assets.</li> <li>11. Reconcile capital asset detail to general ledger amounts, on a monthly basis, fund by fund.</li> <li>12. Provide department with inventory listing with timeframe to submit completed inventories.</li> <li>13. Retain administrative responsibility for this Administrative Directive.</li> <li>14. Review and approve Department’s internal Standard Operating Procedures for capital assets and tracked property.</li> <li>15. Review and approve changes to Department’s internal Standard Operating Procedures for capital assets and tracked property.</li> </ol>
<p><b><u>Finance Department – Purchasing Division</u></b></p>	<ol style="list-style-type: none"> <li>1. Adheres to the requirements in Administrative Directive 1.6, Purchasing Procedures.</li> <li>2. If necessary, assists City departments with the sale and disposition of surplus capital assets and tracked property (excluding vehicles, seized property, and electronic equipment).</li> </ol>
<p><b><u>Office of Management and Budget</u></b></p>	<ol style="list-style-type: none"> <li>1. Approves the acquisition of all capital assets and tracked property.</li> </ol>

## Attachments/Appendices

<b><u>Attachment A</u></b>	Capital Asset and Tracked Property Disposal Form
<b><u>Attachment B</u></b>	Capital Asset and Tracked Property Transfer Form
<b><u>Attachment C</u></b>	List of Capital Assets and Tracked Property
<b><u>Attachment D</u></b>	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, Controller Division at 207-2169 or Office of Risk Management, Claims Division at 207-8640.