

City of Saratoga Springs

II. CAPITALIZATION AND ASSETS

Office of Finance

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II. CAPITALIZATION AND ASSETS

ASSET REPORTING

The City must maintain a list of capital assets as required by the Governmental Accounting Standards Board (GASB). The list shall include all classes of assets purchased in the General, Water, Sewer, Community Development, City Center and Capital Projects Fund.

Assets shall be listed in the fiscal year in which they are actually acquired. Assets paid for in January and February of a given year but charged to the previous year's budget, shall be assets of the previous year's budget.

The Accounts Department shall maintain the list.

Assets shall be posted to the General Fixed Assets Account Group (GFAAG or K fund) in the City's general ledger, with the exception of the City Center's assets, which are recorded in the City Center Fund (fund E).

Assets are reported to the State Comptroller annually in the GFAAG, at full value, exclusive of depreciation. When preparing the City's annual financial statements, capital assets are recorded on the statement of net assets (balance sheet), net of accumulated depreciation. Assets are reported on the annual financial statements separately for the Water and Sewer funds.

The City must determine the classification, valuation, depreciation method, and estimated useful life and capitalization threshold for all assets. The following describes each:

Classification: The City classifies assets as Land, Buildings, Machinery and Equipment, Vehicles, Improvements Other Than Buildings, Infrastructure, Antiques and Works of Art, and Construction in Progress. Sub classes of these assets are established as needed and shall mirror the classes used on the financial statements.

Valuation: In accordance with GASB, assets are valued at historical cost or purchase price.

Depreciation Method: The City uses straight-line depreciation for all assets.

Estimated Useful Lives in Years:

Buildings – 50

Improvements Other Than Buildings – 20

Infrastructure – 20 to 75

Streets/Roads/Highways – 25

Machinery, Equipment and Vehicles – 5 to 20

(Land, Antiques and Works of Art, and Construction in Progress are not depreciable assets and therefore no estimated useful life is assigned. Please refer to the attached list for specific estimated useful lives for subclasses of Machinery, Equipment and Vehicles.)

Capitalization Threshold: The capitalization threshold for all assets is \$5,000.00. Assets under \$5,000.00 but greater than \$500.00 will be maintained by the Accounts Department in the computer system for inventory and insurance purposes but will not be depreciated or reported in the City's annual Financial Statements and report to the State Comptroller.

Procedures

1. A minimum value of five hundred dollars (\$500.00) shall be used to define an asset for the inventory and insurance purposes.
2. The Asset Inventory shall be a complete inventory of all assets. All assets shall be tagged by each individual department and assigned a number and recorded.
3. All computers, printers, facsimile machines, scanners, telephones and electronic data processing equipment shall be recorded utilizing the serial number found on each piece of equipment regardless of value.
4. Each department shall be responsible for reporting additions, transfers and/or deletions as they occur to the Inventory Clerk no later than the 30th of each month in which the changes occur.
5. Documentation is required for assets being added and shall include, at a minimum, a copy of the purchase invoice along with location to which the asset is assigned.
6. The City Charter 7.3.4 requires that the Accounts Department "shall annually maintain and update all inventories prepared by City departments and entities. No purchases shall be authorized for any department or entity that has not completed its inventory."
7. Assets transferred from one department to another shall be identified monthly by an email sent to the Inventory Clerk.
8. Assets purchased with Federal funds shall be designated as such when reported to the Inventory Clerk. The source of funding shall be designated as Federal Funds in order to comply with OMB Circular A-133.
9. Assets that are no longer useful shall be deleted monthly from the Assets Inventory by an email sent to the Inventory Clerk.

10. Assets sold at auction or on line shall be so noted in the month in which the auction occurs by an email sent to the Inventory Clerk.
11. The Inventory Clerk shall provide each Council member with the Annual Asset Inventory sheets for his/her area of responsibility by October 1 of each year.
12. Each Council member shall review & update the Annual Asset Inventory sheets and return to the Inventory Clerk no later than November 1st.
13. The Inventory Clerk shall provide a completed Annual Asset Inventory to each Council member by January 31.
14. Works of Art shall be recorded at Fair Market Value as of the date of acquisition. Works of Art shall be inventoried but not depreciated. Works of Art shall be catalogued with a number written in ink on the item in a hidden place by a historical appraiser.
15. Antiques shall be recorded at appraised values. Antiques shall be inventoried but not depreciated.
16. Assessments of the City's infrastructure shall be performed in three-year intervals in order to properly assess and document their condition. Changes in condition shall be reported in the inventory in a timely fashion. City departments shall perform the assessment under the advisement of the Inventory Clerk. The assessment shall be used to update the inventory software for recording and reporting purposes.
17. Items with a value of less than \$500.00 shall be considered inventory and shall be tracked by each department. All inventories, such as recreation sports supplies, water and sewer meters, etc., shall be provided to the Inventory Clerk upon completion.

ASSET BUDGETING

To determine where assets should be budgeted, Capital, General or other funds, the Finance Office referred to GASB, the City Charter, and the State Comptroller's Office. The following summarizes the guidance provided by each.

GASB: GASB provides the definition and purpose of a Capital Project Fund as the fund where the City accounts for the financial resources to be used for the acquisition or construction of major capital facilities. GASB also states that routine purchases, such as police cars, should be included in the general fund. GASB permits the use of capital project funds but does not require it and it does not provide guidance for the budgeting of assets.

City Charter: The City Charter calls for the use of a Capital Project Fund, to be prepared by the Mayor's office, but does not define the criteria for which an asset is included in the fund.

State Comptroller: The State Comptroller's office requires the use of a Capital Projects Fund and states that equipment purchases financed in whole or in part from the proceeds of bond obligations be accounted for in the Capital Projects Fund in addition to the acquisition or construction of major capital facilities. It also advises that routine purchases should be included in the appropriate Fund.

(Note: Examples of routine purchases are furniture, fixtures, and certain equipment.)

The Commissioner of Finance shall establish the following list of criteria to determine whether an asset should be budgeted in the Capital Projects Fund or the General Fund, Water Fund or Sewer Fund. In addition please refer to the attached list that includes the sub classes of assets and estimated useful lives. The City Center shall record all asset purchases in the City Center Fund.

CAPITAL PROJECTS FUND

1. The asset is a major acquisition or construction project.
2. The asset has a useful life of six or more years **and** the cost of the asset is \$10,000.00 or more.
3. The asset is being financed by a capital reserve, regardless of price or useful life.
4. The asset is being financed by a capital grant, regardless of price or useful life.
5. The asset is being financed by a general obligation bond.

The following are examples of items to be budgeted and reported in the Capital Projects Fund. This list is not all encompassing.

- ◆ Acquisition of Fire Trucks
- ◆ Major Road Construction Projects
- ◆ Construction of Bridges
- ◆ Building Construction and Improvements
- ◆ Land and Building Acquisition

GENERAL, WATER AND SEWER FUNDS

1. The asset is a routine purchase.
2. The asset has a useful life of five or less years **and** the cost of the asset is less than \$10,000.00.

The following are examples of items to be budgeted and reported in the General, Water and Sewer Funds. This list is not all encompassing.

- ◆ Police cars and departmental vehicles such as trucks, vans, SUV's etc.
- ◆ Computer Equipment
- ◆ Office equipment – i.e., copiers, facsimile machines, calculators, desks, chairs, etc.
- ◆ Recreation equipment – i.e., goals, nets, balls, etc.

- ◆ Air conditioning units
- ◆ Survey Equipment
- ◆ Meters
- ◆ Firearms
- ◆ Medical Supplies

OTHER ITEMS:

LEASED VEHICLES AND EQUIPMENT

Items leased without the intent to be purchased at the end of the lease shall be budgeted in the appropriate fund, not the capital project fund. The City shall list the items on the inventory for tracking and insurance purposes but it shall not capitalize or depreciate the assets.

Items leased with the intent to purchase at the end of the lease can be budgeted in the capital project fund or in any other appropriate fund. The items shall be listed in the inventory, capitalized and depreciated. The source of funding shall be denoted as lease financing.

DONATED ASSETS

Items donated to the City which meet the criterion of an asset shall first be accepted by the City Council. The acceptance shall include a description of the item donated, market value, date donated, party donating the asset and any other pertinent information. It shall be recorded on the asset inventory at fair value on the date the item is donated. If the item is capitalized, the source of funding shall be denoted as a donation.

CONSTRUCTION IN PROGRESS

Construction In Progress (CIP) is the value of a capital project still in progress at the close of the fiscal year. The value is determined by the amount of capital expenditures from the start of the project to the close of the fiscal year, December 31. The Finance Office shall determine the value and give to the Accounts Office after all accounts payable processing ceases. The (CIP) list prepared by the Finance Office shall include the project name, project number, value of CIP in previous years, if applicable, additional or new amounts to be added in the given fiscal year, and total value of CIP as of December 31. The list shall also include any projects included in the previous year's financial statements as CIP, which need to be classified as an asset as of December 31, when the project is completed. The Departments shall be responsible for maintaining the appropriate documentation necessary for the Inventory Clerk to properly record the project upon completion.