

City of Pittsburgh

Capital Asset Policies & Procedures Manual

**October, 2014
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I. INTRODUCTION

**Purpose of the Manual
Importance of Capital Asset Management
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I. INTRODUCTION

Purpose of the Manual

The Capital Asset Policies and Procedures Manual establishes policies, guidelines and procedures for the inventory, depreciation, disposal and maintenance of all property and assets owned or leased by the City of Pittsburgh. This manual is designed for use by City of Pittsburgh departments and agencies to promote understanding of the City's Capital Asset Accounting System and to assist them in preparing the capital asset accounting documents utilized by the City's JD Edwards Asset Management Module.

Any changes to these policies and procedures require the prior written approval of the Department of Finance, the Office of Management & Budget, the Department of Innovation & Performance, and the City Controller's Office.

Periodically, the Capital Asset Policy and Procedures Manual (the "Manual") will be reviewed and revised as changes in policies, accounting standards or laws may require. Revisions to this manual will be distributed to ensure proper accounting of capital assets.

Importance of Capital Asset management

The City of Pittsburgh (the "City") is committed to sound fiscal management, an important part of which includes responsible stewardship of the City's capital assets. A comprehensive capital asset accounting system that enables the City to track and manage its property is essential for several reasons:

- Capital asset accounting enables the City to prepare its financial statements in accordance with generally accepted accounting principles (GAAP), thereby improving the City's fiscal management and reporting practices.
- The City has a responsibility to safeguard its assets from misuse or loss. An accurate capital asset listing which can be compared to a periodic physical count of assets reduces the risk of loss.
- Information such as an asset's age, useful life, condition and replacement cost is a valuable management and budgeting tool for short term and long term capital planning and determining the timing and size of debt issuances to fund asset maintenance, repairs and replacement.
- With a proper accounting of assets, the City can obtain the appropriate amount of insurance and, in the event of damage or loss, demonstrate the value of the affected asset.
- A reliable asset accounting system enables compliance with intergovernmental grant provisions that require specific record keeping of capital assets acquired with grant monies.

- Government officials are entrusted with the responsible management of public resources. A well maintained capital asset system enables accountability for the use of those resources by demonstrating that tax dollars are being spent for the proper care and maintenance of assets.

City of Pittsburgh Policy

It is the policy of the City of Pittsburgh that a capital asset accounting system be established, implemented and maintained which will provide:

1. Policies governing capital asset accounting;
2. Guidelines for the accountability and financial and physical control of all City assets; and
3. Consistent and uniform procedures and transactions for accounting of capital asset throughout City departments and agencies.

This system will contain physical controls and procedures that hold department heads responsible for land, buildings and specific equipment and machinery located in their departments and an annual inventory of same, indicating gain or loss of inventory items as prescribed by the Home Rule Charter.

Capital asset reporting will be done consistent with the requirements of Statement 34 issued by the Governmental Accounting Standards Board and the annual value of such assets will be included in the Comprehensive Annual Financial Report (CAFR) prepared by the Controller of the City of Pittsburgh..

Applicability

The policies, procedures and guidelines contained in the Manual apply to all City departments, offices and agencies that have stewardship of City capital assets, including the Equipment Leasing Authority, whose principal function is the acquisition of City vehicles.

The provisions in this Manual **do not apply** to certain authorities, enterprise funds and agencies created by the City of Pittsburgh within its framework of government. These entities, due to the complexities of asset reporting and accounting treatments will not use the capital asset accounting system established herein or the JD Edwards Asset Management Module for reporting assets. Rather, they will report capital assets within their respective financial statements to the Office of the City Controller. These entities are:

- Stadium Authority
- Urban Redevelopment Authority
- Parking Authority
- Water & Sewer Authority
- Sports and Exhibition Authority
- City Pension Trust

The policies and procedures contained in this Manual **do not apply** to property control items, which are defined as tangible assets with a useful life in excess of two years and a unit original cost of \$1,000.00 to \$4,999.00. See Appendix A for additional discussion of property control items.

II. CAPITAL ASSET CRITERIA AND POLICIES

Capitalization Policy

Capital Asset Classification

Valuing Assets

Classification and Valuation Policy

Non-qualifying Capital Purchases

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Estimated Useful Lives of Capital Assets

II. CAPITAL ASSET CRITERIA AND POLICIES

Capital assets are major assets that are used in governmental operations and that benefit more than a single fiscal period. These assets are not intentionally acquired for resale, nor are they readily converted to cash. The identifying characteristics of a capital asset are “significant value” and “useful life.” In order to be classified as a “capital asset” an asset must meet a capitalization threshold and have a useful life beyond a single reporting period (fiscal year).

Capitalization Policy

The City of Pittsburgh has determined that an asset of significant value shall be defined as an item with an acquisition cost of \$5,000 or greater and buildings, structures and capital leases with a value of at least \$50,000. If an asset meets the threshold test of significant value and has a useful life of at least 2 years, it shall be classified as a capital asset and be included in the Capital Asset Accounting System

Pursuant to recommended practices from the Government Finance Officers Association, the capitalization threshold shall apply to single items rather than to groups of similar items, unless the effect of doing so would be to eliminate a significant portion of total capital assets.

Capital Asset Classification

The maintenance of accurate records depends on precise definitions of each capital asset category. Capital assets are categorized into several major classes. These classes provide the structure for the capital asset accounts and define processing requirements for the different types of assets. Major asset classes include:

- Land and land improvements
- Buildings and building improvements
- Machinery and equipment, including
 - Vehicles
 - Off-road equipment
 - Office equipment
 - Computer equipment (in most cases hardware only)
 - Furniture and fixtures
- Infrastructure
- Construction work in progress
- Capital leases

Valuing Capital Assets

It is essential to have an accurate cost or value of an asset in order to determine whether it meets the capitalization threshold for a capital asset. Generally accepted accounting principles (GAAP) require governments to record capital assets at actual or estimated historical cost or, in the case of donated assets, at fair market value on the date of acquisition. The cost of an asset should include ancillary charges that are directly

attributable to asset acquisition and necessary to place the asset into its intended location and condition for use.

Information for determining the historical cost of an asset may be obtained from a number of sources including, but not limited to, vendor invoices, purchase orders, canceled checks, contracts, vouchers, legislative minutes, inventory cards, maintenance records, annual and capital budgets, manufacturers' catalogs, insurance policies, price lists and independent appraisers. If it is not practicable to determine the historical cost of the asset, use estimated cost.

Unitization

Capital assets must be accounted for in the manner in which they are retired. Retirement accounting usually represents no problem for equipment capital assets since these are usually retired as complete units. For example, when a desk wears out, it is retired and replaced with a new desk. Thus, there is no need for accounting purposes, to list the component parts of the desk, such as the drawers, the top cover, or the basic frame. The occasional replacement of a desk drawer or the top cover is considered a replacement expense and not a capital expenditure.

Other types of capital assets often have component parts which have different useful lives. When the major component parts of a capital asset have different useful lives, the individual components so identified are called retirement units. When such a capital asset is acquired, there is a need to identify the retirement units and associated costs. This process of assigning costs to each individual retirement unit is called "unitization."

Therefore, individual classes of capital assets should be analyzed to determine if they should be broken down into retirement units. For example, fleet vehicles that have separate components such as refuse collection trucks and EMS and police wagons could be noted as capital assets that might be recorded by their components.

Classification and Valuation Policy

A capital asset will be classified into one of the following categories of the General Capital Asset Account Group (GCAAG) in the General Ledger and its cost or value calculated using the method applicable to its specific asset class:

Land

Land acquired and intended for public use by the City of Pittsburgh will be capitalized. The amount to be capitalized will be the actual cost at the time of acquisition. Actual cost shall include purchase price and any fees for services related thereto, e.g. commissions, surveying fees, appraisal and negotiation fees, professional fees of engineers, attorneys, appraisers and financial advisors, damage payments, title preparation costs, site preparation costs and costs to demolish unwanted structures (less salvage).

For donated land, the fair market value of the land as of the date of acquisition will be capitalized. The fair market value will be determined by the Real Estate Section of the Finance Department.

Easements, rights-of-way or dedicated roadways **will not** be included in the Land Account of the GCAAG.

Buildings

Buildings are defined as structures to house equipment and supplies, or to provide services and governmental functions. A building with an original cost equal to or greater than \$50,000.00 will be capitalized in the Building Account of the GCAAG.

Capitalized costs of a building purchased by the City will include purchase price, professional fees of appraisers and attorneys, and any related costs necessary to put the building into its intended state of operation, e.g. environmental remediation such as asbestos removal.

Capitalized original cost on a constructed building will include the cost of constructing the asset, architects' and engineers' fees, permits, insurance, and interest costs during construction and other administrative costs, such as clerical work and appraisals. Land acquisition costs are not included as part of the building costs. In addition to the costs outlined above, the following expense items should be included in the original cost of the asset if they are not included in the primary construction contract or work order:

1. Built-in casework, walk-in coolers and freezers, built-in shelving, etc.
2. Bleachers and fixed gymnasium equipment.
3. Graphics and directories.
4. Bathroom accessories.
5. Carpets (other than moveable rugs).
6. Compressed air systems, plumbing systems, sprinkler systems, heating, venting and air conditioning systems which are fixed to the structure.
7. Emergency generator systems for building support.
8. Built-in public address systems, etc.
9. Demolition of an existing structure.

If a building is acquired for a specific use by the City other than by a City-sponsored contract or direct purchase i.e. donated, it will be recorded at its fair market value as of the day of acquisition, plus ancillary charges, if any. The property appraisal will be made by the Real Estate Section of the Finance Department.

Machinery and Equipment

These are fixed or movable assets which are to be used for operations. Assets with a useful life in excess of two years and an original unit cost of \$5,000.00 or more will be capitalized and included in the Capital Asset Accounting System. Examples of machinery and equipment are vehicles, off road equipment, office equipment, major

pieces of office furniture, business machines, communications equipment, maintenance equipment, computer equipment and upgrades, etc.

Machinery and equipment assets are valued at actual or estimated cost, including ancillary charges. Ancillary costs considered in determining the value of these assets include transportation charges, installation costs and extended warranty contracts or any other normal or necessary costs required to place the asset in its intended location and condition for use.

An exception to the capitalization policy is made for equipment acquired with grant funds. Grant equipment which would, by definition, be capitalized equipment but which was acquired with Federal and State grants requiring the ownership remain with the granting agency **will not be recorded** in the GCAAG equipment account. However, Directors of the operating departments or their designees have custodial responsibility for grant equipment and are required to account for these assets. (See Appendix A).

Infrastructure

Infrastructure assets are long-lived capital assets that normally are stationary and can be preserved for a significantly longer period than other capital assets. Examples of infrastructure include roads, bridges, tunnels, sidewalks, lighting systems, and drainage, water and sewer systems. Various City authorities have responsibility to account for certain of the City's infrastructure assets; for example, parking garages and fixtures contained in them are tracked by the Parking Authority and water and sewer lines within the City are tracked by the Water and Sewer Authority. Infrastructure assets not accounted for by City authorities are tracked and valued by the Office of the City Controller and reported according to relevant accounting principals and standards.

Construction Work-In-Progress

This category is used to account for amounts expended on an uncompleted building or other capital construction project. Costs accumulated from an asset during construction will be recorded in the Construction Work in Progress (CWIP) Account in the GCAAG. This is a subsidiary account which accumulates construction costs until that project is completed. Once the construction is completed, related costs are transferred from the CWIP account to the applicable capital asset building account. The following list, while not intended to be all inclusive, is typical of the costs associated with constructed capital assets:

- Architect fees
- Engineering design costs
- Engineering supervision
- Purchased materials
- Stores material
- Salaries, wages and related fringe benefits
- Indirect costs including overhead
- Equipment rental
- Transportation

- Contractor
- Special machine services
- Insurance and other protection costs
- Injuries and damages in connection with construction work
- Rent for construction quarters

When construction work is performed by outside parties under contract, many of the above costs are included as part of the payment made to the related contractor.

Site preparation costs associated with construction works in progress are accounted for in any one of the following manners:

- Costs are capitalized as part of the initial cost of the land or buildings;
- Costs are recorded as removal cost, i.e. expensed, if a building previously in operation by the City is being retired; or
- If site preparation costs involve the demolition of an existing structure, then those costs are considered part of the value of the new structure. However, if no new structure is to be erected, then these costs are to be expensed.

Interest costs, particularly for reimbursement projects, are sometimes considered as a properly capitalized cost during the construction period. In keeping with Statement 34 of the Governmental Accounting Standards Board (GASB), only projects reported in Enterprise Funds will have their interest costs capitalized during construction.

Capital Leases

The City may enter into capital lease agreements for the purchase of assets and equipment. If at lease inception **any one** of the following criteria is met, the lease should be capitalized and considered a capital asset:

1. The present value of the minimum lease payments at the beginning of the term is 90% or more of the fair market value of the property/capital asset at the inception of the lease;
2. The lease term of a non-cancelable lease is 75% or more of the asset's estimated economic life;
3. The lease contains a bargain purchase option; or
4. Ownership is transferred to the City of Pittsburgh by the end of the lease term.

Lease transactions not qualifying as capitalized leases are treated as expenses.

Improvements

Expenditures to improve the efficiency or significantly extend the life of a capital asset are accounted for as capital improvements. Improvements may result from expansion, betterment, replacement or any similar capital expenditure which is non-recurring in nature. The cost of the improvement should be charged to the appropriate capital asset account, providing the expenditure meets the established criteria for capitalization.

Improvements include:

Expansion - Buildings, structures and other attachments or annexations which significantly add to the size of an existing facility with relatively few changes to the original unit are defined as an expansion if the improvement is intended to remain so attached or annexed. These expenditures are capitalized in the appropriate capital asset account.

Betterment - A betterment is an addition made to, or change made in, a capital asset which is expected to prolong its life or to increase its efficiency over and above that arising from maintenance. The capital expenditure improves an existing capital asset with new technology, safety devices and other additional features which did not previously exist. A betterment may only be made to assets that have initially been capitalized. These expenditures are capitalized in the appropriate capital asset account.

Replacement - Expenses incurred to replace a portion of any existing capital asset that leaves the retirement unit substantially the same are considered replacement expenses and, therefore, **are not capitalized**.

Maintenance, Repair and Restoration - Maintenance, repair and restoration expenses are those normal and recurring expenditures which preserve a capital asset in a useful state or condition. These expenses are curative or preventive in nature. Such expenditures are classified as operating expenses and **are not capitalized**.

Non-qualifying Capital Purchases

In some situations an acquisition or betterment will meet the capitalization threshold but it should not be included in the Capital Asset Accounting System. The following assets are not capitalized:

Property acquired through tax delinquency or economic development - In general buildings or property acquired through tax delinquency or for economic development are not recorded as capital assets, regardless of cost. Such properties are not used for municipal purposes and usually are sold to other entities or transferred to other public benefit corporations within a relatively short time.

Computer software – Generally, software purchased or developed for internal use should be expensed and not capitalized. When both computer hardware and software are acquired through a single contract, only the hardware is entered into the General Capital Asset Account Group

Consultant Services - Fees for consultant services, such as site selection, architectural design and construction management are capitalized once a facility has been completed.

Depreciation Policy

Depreciation is used to reflect the economic loss in the value of an asset. The City will use the straight-line method of depreciation which is the historical cost of an asset divided over the estimated useful life of the asset. One half year's depreciation will be recorded for new capital asset additions during the year the capital asset is placed in service. One half year's depreciation (if available) will be recorded in the year a capital asset is retired from service. Land is not depreciated since it is considered not to have a limited useful life and its salvage value is unlikely to be less than its acquisition cost. Construction works in progress also are not to be depreciated.

As it is the policy of the City to fully exhaust the utility of a capital asset (to use an asset for spare parts, or until it becomes functionally obsolete), the cost to dispose of a capital asset generally exceeds the proceeds that may be received. Therefore, no salvage value will be recognized (i.e., estimated salvage value is zero) when calculating depreciation.

Estimated Useful Lives of Capital Assets

The City will use professional judgments, industry standards and other relevant information based on its own past experience with similar assets when establishing parameters for estimating useful lives of capital assets. As a matter of policy, the City will use a range approach, with specific estimated useful lives attached to specific assets when recorded in order to facilitate depreciation.

The following ranges are to be used as a guideline in setting estimated useful lives for asset reporting:

- Machinery and Equipment 02-10 years
- Vehicles 05-15 years
- Buildings and Improvements 25-50 years
- Land Improvements 10-50 years
- Infrastructure 10-65 years

For detailed information on useful lives of specific assets within the various asset classes, see Appendix B.

Periodically, estimated useful lives for major categories of capital assets should be compared with actual useful life experience of the asset and adjustments made when appropriate to reflect this experience.

III. CAPITAL ASSET MANAGMENT

Acquiring Capital Assets
Asset Transfers
Sale or Disposal of Capital Assets
Stolen or Missing Assets
Tagging Capital Assets
Inventory Policy

III. CAPITAL ASSET MANAGEMENT

Acquiring Capital Assets

The City may acquire capital assets by various methods: purchasing, leasing, construction or through donations.

Direct Purchase - A direct purchase of a capital asset is a purchase of property, i.e. equipment, land, building, for cash. In this instance, the book value of the capital asset is the cash expended, including amounts paid for freight, unloading, assembly, inspection and any other related costs needed to prepare the asset for operating use.

Leases - All leases entered into after January 1, 1990 must be evaluated to determine if they meet any of the criteria set forth in FASB Statement 13 for lease capitalization. See Section II for criteria. Lease transactions not qualifying as capitalized leases are treated as expenses.

Construction – The City may construct buildings and/or improvements and betterments. The accounting principle of recording all costs related to placing a constructed capital asset into operation is also applicable to constructed capital assets. The City will use a Construction Work in Progress (CWIP) system to capture and record the identifiable construction costs of capital assets.

Contributions of Capital Assets - The City of Pittsburgh also acquires capital assets through contributions in two ways:

1. The City receives property directly from donors; or
2. Cash is received to provide funding or reimbursement for property purchased or constructed by the City.

Property acquired through a donation should be recorded at its fair market value at the time of donation. The fair market value will be determined by the Real Estate Section of the Finance Department.

When the City receives cash, the amount invested in the capital asset purchased or constructed is readily available from other records and the cash contribution received is recorded in the financial accounts as contributed capital.

Departments intending to purchase a capital asset must follow the Office of Management & Budget's (OMB) Purchasing Procedures. The user department charged for the asset purchase will be responsible for preparing the capital asset documents discussed in this section. When a department makes a direct purchase of an asset that qualifies as a capital asset, the responsibilities and actions listed below are required:

Procedures for Direct Purchase

<u>Responsibility</u>	<u>Action</u>
<u>Ordering Department:</u>	<ol style="list-style-type: none">1. When equipment/furniture is ordered, assign department requisition number. This number is to appear on department voucher and vendor's invoice and any other documents.2. Notify Fixed Asset Manager when new capital asset and/or capital equipment is received. Notice shall include a copy of the invoice, cost, location and description of the asset, serial number and alias, if appropriate.3. Maintain file of capital asset equipment that contains both a copy of the department voucher and vendor's invoice.
<u>OMB:</u>	
Fixed Asset Manager	<ol style="list-style-type: none">1. Review on a weekly basis all departmental invoices received in the Purchasing Division for equipment that should be entered in the JD Edwards Asset Management Module.
Procurement Specialist	<ol style="list-style-type: none">1. Provide Inventory Liaison with asset tag, when appropriate.2. Enter equipment number, description, and other data for the new asset into the JD Edwards Asset Management Module.

Transfer of Capital Assets

A transfer of capital assets is defined as a change in stewardship and accountability of capital assets within user departments of the City. Capital assets with useful lives that are no longer needed by user departments may be redistributed throughout the City provided the procedures outlined in this manual are followed.

Transfers of capital assets will be charged at the original book value to the recipient department. If the transfer is an inter-fund transfer, then only a reclassification of location and the acquiring organization is required.

To transfer capital assets within a department or from one department to another the responsibilities and actions listed below are required.

**Procedures for Transfer of a Capital Asset to another User Department
and Intradepartmental Transfers**

<u>Responsibility</u>	<u>Action</u>
<u>Department transferring Equipment</u>	1. Prepare list of unneeded equipment including inventory tag numbers, if available, and forward to OMB's Fixed Asset Manager.
<u>Procurement Specialist</u>	1. Adjust capital asset inventory records to reflect changes, when appropriate.
<u>Department receiving Equipment</u>	1. Adjust department records to reflect addition of capital asset.

Sale or Disposal of Capital Assets

Capital assets owned by the City that are determined to be no longer in use or determined to have no remaining value may be partially or fully deleted from the list of assets through sale or disposal. The following procedures shall apply:¹

Procedures for Sale or Disposal of Capital Assets

<u>Responsibility</u>	<u>Action</u>
<u>Requesting Department</u>	1. Inform Fixed Asset Manager of capital assets that are ready for sale or disposal. This listing must include asset description, asset property tag number, if available, and location.
<u>Fixed Asset Manager</u>	1. Visit location if necessary, to determine best method of sale or disposal. Ensure removal is accomplished in a timely manner. 2. Ensure that capital assets not to be sold or disposed of at department locations are placed into storage. 3. Remove asset tags from items prior to sale or disposal of equipment. Ensure that proper adjustments are made in the JD Edwards Asset Management Module and by the respective Inventory Liaisons(s).

¹ Beginning in late 2014, the sale of City property will be coordinated primarily through the GovDeals Online Auction. The policies and procedures contained herein shall continue to apply, when applicable.

Stolen or Missing Capital Assets

Capital assets that have been stolen or are missing must be reported to the appropriate authorities as soon as possible, but no later than three days from the day of discovery. The following procedures apply to reporting and accounting for stolen or missing equipment.

Procedures for Reporting Stolen or Missing Equipment

<u>Responsibility</u>	<u>Action</u>
<u>Reporting Department</u>	<ol style="list-style-type: none">1. Report a burglary or break-in to the City Police Department. A list of stolen or missing assets, including asset property tag number, should be furnished to the Police Department. Obtain a written copy of the police report.2. If the number and type of equipment stolen or missing is not known, request assistance from OMB to prepare an inventory.3. Prepare written report to inform the Fixed Asset Manager of capital assets that have been stolen. This listing should include asset description, asset property tag number (if known) and location. A copy of the police report should accompany this report.
<u>Procurement Specialist</u>	<ol style="list-style-type: none">1. Perform physical inventory if requested by department to determine missing equipment.2. Adjust JDE database, if applicable, to record those items as stolen or missing.

Tagging Capital Assets

Some non-vehicle capital assets² acquired by the City of Pittsburgh shall be identified by a specific tag containing information that discloses ownership by the City. Tagging provides an accurate method of identifying individual assets, aids in taking inventory, controls the location of assets and provides the OMB and user departments a uniform means of communication regarding assets.

² Beginning September, 2014, it is the policy of OMB that newly acquired vehicles shall NOT be tagged. The Director of OMB has determined that the tagging of these vehicles is unnecessary since they already have several unique identifying numbers including: Serial number, License plate number, and City Alias.

When an asset is acquired and reported, the Procurement Specialist shall provide the respective Inventory Liaison with the appropriate asset tag. The tag will be affixed on the asset in accordance with placement protocol. (See Appendix C).

Capital assets which have been unitized or improved may, depending upon the circumstances, require a tag on each retirement unit. If a capital asset is transferred, that original tag will remain on the item.

OMB's Fixed Asset Manager must be notified when a capital asset is retired. The inventory tag shall be removed and returned to the Procurement Specialist along with an explanation of the reasons for retirement.

Conducting Physical Inventories

In compliance with § 809 of the City Code, the Executive Branch will conduct and maintain an annual physical inventory of capital assets. Periodic evaluation of the City's inventory ensures the integrity of the amounts reported in the City's financial statements, maintains current insurance valuations, and assists in loss detection.

The inventory process shall include, among other things, verifying the physical presence of an asset in its recorded location and comparing capital assets against the master list of assets maintained by OMB. The inventory process will not be considered complete until discrepancies between actual and recorded assets have been reconciled. In order to facilitate reconciliation, the following steps should be taken:

- Examine inventory list to determine if inventory noted during the count as unrecorded is listed on another portion of the inventory;
- Enter unrecorded assets into the inventory system as soon as possible after discovery;
- Conduct a search to locate missing assets; and
- When assets cannot be located, follow procedures contained in this Manual for reporting lost or stolen property.

After completion of the inventory, each department director shall sign a form listing the assets under his/her control. By affixing a signature, the director verifies that s/he knows where the assets are located and that the count is accurate. Signed forms shall be submitted to the Fixed Asset Manager.

The Controller's Office Auditing Section shall conduct periodic audits of all budgetary level departments to review these inventories.

Independent or contracted auditing firms may from time to time conduct a review or inventory of the capital asset records. This audit may include a physical inventory of the assets within a department or particular budgetary organization or unit.

**IV. RESPONSIBILITIES FOR CAPITAL ASSET
MANAGEMENT AND CONTROL**

City Departments and Agencies

Inventory Liaisons

Office of Management & Budget – Fixed Asset Manager

Office of Management & Budget – Procurement Specialist

Office of City Controller

Equipment Leasing Authority

IV. RESPONSIBILITIES FOR CAPITAL ASSET MANAGEMENT AND CONTROL

City Departments and Agencies

City of Pittsburgh departments and agencies are required to maintain the physical and accounting controls necessary to safeguard capital assets under their jurisdiction. As such, they are responsible for performing the following functions:

- Recognizing the acquisition of a capital asset either through direct purchase or by other methods. For direct purchases, Purchase Requisitions and Purchase Orders will be used to identify capital asset acquisitions. For other methods of acquisition, the department should notify its Inventory Liaison.
- Notifying the Inventory Liaison when retirement, transfer or other change to a capital asset requires a change to information recorded in the capital asset accounting system.
- Accepting custodial responsibilities for control over capital assets assigned to the department or agency.

Inventory Liaisons

Each department director will designate an Inventory Liaison to perform asset stewardship and recording functions. The Liaison has the responsibility to:

- Notify OMB's Fixed Asset Manager when a capital asset has been acquired. Such notice shall be made pursuant to the procedures outlined in Section III of this manual within 30 days of receipt of the asset.
- Notify OMB's Fixed Asset Manager when a capital asset has been transferred, retired or reported as stolen or missing. Such notice shall be made pursuant to the procedures outlined in Section III of this manual and given as soon as the change in status of the asset occurs or is discovered.
- Review yearly reports of capital asset activity provided by OMB to confirm that all valid capital asset transactions are recorded accurately and in a timely manner. The Liaison shall notify OMB of any corrections and follow the procedures necessary to maintain reliable capital asset inventory records.
- Conduct a periodic physical inventory of departmental assets to compare recorded quantities of capital assets to OMB records.
- Provide reasonable physical safeguards by reviewing access to capital assets, observing proper placement of tags, and utilizing any other procedure necessary to prevent theft or loss.

Office of Management & Budget – Fixed Asset Manager

OMB is responsible for ensuring the accuracy of the information contained in and reports generated from the JD Edwards Asset Management Module. This responsibility and authority is vested in a Fixed Asset Manager who oversees OMB's Procurement Specialist. Duties of the Fixed Asset Manager include:

- Compiling information on direct purchase of capital assets and regularly report on same to the Controller's Office.
- Serving as a liaison with the Controller's Office, which obtains and provides the necessary contractor cost data on all construction contracts.
- Maintain, in a subsidiary ledger, constructed capital asset accumulated costs of approved contractor invoices by project number and index code.
- Acquire data on capital leases, donations of assets, and retirement or transfer of assets and report it to the Controller's Office on a regular basis.
- Report any changes in a department's capital asset inventory to the Controller's Office.

Office of Management & Budget – Procurement Specialist

OMB's Procurement Specialist has the primary responsibility for maintaining the JDE Asset Management database. Duties and functions include:

- Reviewing information submitted by Inventory Liaisons for accuracy and entering it into the JD Edwards Asset Management Module;
- Investigating and resolving discrepancies reported by the Inventory Liaisons;
- Assisting the Fixed Asset Manager and Inventory Liaisons in performing their duties by answering questions and providing assistance in reconciling inventory records;
- Reviewing internal audit reports issued by the City Controller's Office regarding capital asset procedures or information;
- Assisting in the resolution of capital asset audit findings or exceptions;
- Providing Inventory Liaisons with asset tags when applicable.

Office of City Controller

The Controller's Office is an integral part of the comprehensive capital asset management system established by the City. The Controller will designate a Capital Asset Accountant to maintain the JD Edwards Asset Management Module for capital assets and to act as the central coordinator over all accounting activities of the general ledger. Duties include:

- Maintain the General Capital Asset Account Group (GCAAG) and bear responsibility for the accuracy of the data contained in it.
- Act as the collection point for all capital asset subsidiary reports.
- Maintain the CWIP account within the GCAAG and reconcile data with the Fixed Asset Manager of a periodic basis.
- Calculate depreciation on capital assets recorded in the GCAAG.
- Conduct audits as necessary to guarantee the integrity of information contained in the GCAAG and compliance with City policies and procedures regarding capital assets.
- Include information on the City's capital assets in the Comprehensive Annual Financial Report.

Equipment Leasing Authority

The principal function of the Equipment Leasing Authority (ELA) is the acquisition of City vehicles. The ELA will maintain accounting records of all City vehicles and report quarterly to the Fixed Asset Manager any additions and deletions of these vehicles.

APPENDICES

Appendix A

Control Over Non-Capitalized Items

Appendix B

JD Edwards Asset Management Codes with Estimated Useful Lives of Capital Assets

Appendix C

Asset Tagging Protocol

APPENDIX A

CONTROL OVER NON-CAPITALIZED ITEMS

Property Control Items

The City of Pittsburgh owns or may acquire certain items that meet GASB 34's criteria for capital assets yet for practical purposes or as a matter of policy, they will not be capitalized for financial reporting purposes nor will they be depreciated. However, it is still important that the City maintains control and adequate records of these "Property Control Items." They are frequently portable and/or subject to theft or loss, it is important to maintain accountability for them.

Generally, property control items consist of the following characteristics:

1. Tangible in nature
2. Useful life greater than 2 years
3. Original unit cost of \$1,000 to \$4,999

Accountability and stewardship of property control items will be maintained at the department level through the respective Inventory Liaisons. OMB has issued its **Property Control Users Guide** to assist them in this task. A more detailed treatment of the City's policies and procedures with respect to property control items can be found therein.

Property Acquired Through Grants

The City may acquire assets with grant monies and retain possession, but not ownership, of them. Even though such assets meet the City's capitalization threshold they are not recorded in the GCAAG, capitalized in the general ledger or reported in the City's financial statements. Capital assets obtained with Federal grant monies are subject to Federal property management standards found in OMB Circular A-102 (1997). Additional property management standards may be included in individual grant agreements.

Department directors who acquire capital assets with grant monies are responsible for tracking and managing them in a manner consistent with Federal, State or grant agreement requirements regarding accountability and stewardship of grant-funded capital assets. If ownership of a grant-funded asset transfers to the City and the asset is valued at \$5000 or more, the procedures in this manual for tracking and reporting the asset will apply.

APPENDIX B

JD EDWARDS ASSET MANAGEMENT CODES with ESTIMATED USEFUL LIVES OF CAPITAL ASSETS

Useful Life

Accounting Class 141: Furniture/Equipment

Equipment Class

101	Audio/Visual Equipment	4 years
102	Computer Equipment	4 years
103	Electronic laboratory Equipment	4 years
104	Laboratory Equipment	4 years
105	Medical Equipment	3 years
106	Office Furniture	5 years
107	Office Equipment	4 years
108	Recreation Equipment	4 years
109	Police Equipment Special	4 years
110	Mainframes/Servers	5 years
111	Peripheral Computer Equipment	5 years
112	Electronic Shop Equipment	5 years
113	TV Studio Equipment	5 years

Accounting Class 142: Machinery/Tools

Equipment Class

201	Hand Tools	2 years
202	Shop Equipment	3 years
203	Riding Equipment	3 years
204	Accessory Equipment	3 years
205	Warehouse Machinery	5 years
206	Road Repair Equipment	10 years

Accounting Class: 144: Vehicles

Equipment Class

401	Passenger Cars	4 years
402	Police Cars	2 years
403	Police Vans	4 years
404	Pickup Trucks	4 years
405	Dump & Other Heavy Duty Trucks	5 years
406	Garbage Hauling Vehicles	6 years

407	Fire Trucks	10 years
408	Motorcycles	5 years
409	Boats	10 years
410	Ambulances	10 years
411	Trailers	10 years
412	Sport utility Vehicles	5 years
413	Cargo Vans	10 years
414	Street Sweeper	10 years

Accounting Class 144: Land

Equipment Class

501	Athletic Field	15 years
502	Golf Course	20 years
503	Swimming Pool	20 years
504	Tennis Court	20 years
505	Retaining Wall	15 years
506	Running Track	15 years

Accounting Class 146: Buildings

Equipment Class

601	Permanent Structures	50 years
602	Portable Structures	25 years

Accounting Class 147: Leases

n/a

Equipment Class

701	Leases
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Accounting Class 148: Work In Progress

n/a

Accounting Class 149: Infrastructure

Equipment Class

901	Concrete Roads/Alleys	30 years
902	Asphaltic Concrete Roads/Alleys	20 years
903	Brick or Stone Roads/Alleys	50 years
904	Gravel Roads/Alleys	15 years
905	Dirt Roads/Alleys	10 years
906	Concrete Sidewalks	30 years
907	Asphalt Sidewalks	25 years
908	Brick or Stone Sidewalks	50 years

909	Pre-cast Concrete Bridges	40 years
910	Bridge	45 years
911	Pedestrian Bridge	25 years
912	Dirt Bike/Jogging Path	10 years
913	Gravel Bike/Jogging Path	15 years
914	Concrete Bike/Jogging Path	30 years
915	Asphalt Bike/Jogging Path	20 years
916	Composite Rubber Bike/Jogging Path	7 years
917	Brick or Stone bike/Jogging Path	50 years
918	Concrete Parking Lot	35 years
919	Asphalt Parking Lot	25 years
920	Gravel Parking Lot	10 years
921	Brick or Stone Parking Lot	45 years

APPENDIX C

ASSET TAGGING PROTOCOL

To facilitate the inventory process, some non-vehicular capital assets owned by the City shall be identified by a specific tag placed on the asset. Tags that are durable, easily read and, when possible, that contain a bar code, should be used and placed in a location that won't interfere with the operation or appearance of the item. As a general rule, a tag should be placed adjacent to a manufacturer's I. D. plate. Tags on items without a manufacturer's I.D. should be attached in accordance with the placement protocol below suggested by the GFOA. If it is not possible to affix a tag to the asset, the asset number should be recorded along with its description and location on a Non-Tag Sheet.

Office Furniture and Equipment

1. Desks – on the right hand pedestal underneath the top surface;
2. Tables – under top by right front leg;
3. Chair – back side of seat;
4. File – upper right hand corner;
5. Cabinets – upper right hand corner;
6. Benches, sofas, etc. – under seat by right front leg;
7. Credenzas – under top right side or right end close to top;
8. Bookcases – upper right hand corner;
9. Display cabinets – right corner of base;
10. Appliances – upper right corner of side;
11. Typewriters – on back in the center;
12. Calculator (desk top) – on back by manufacturer's I.D. plate or on back center;
13. Television – on back by manufacturer's I.D. plate;
14. Projectors (movie) – by manufacturer's I.D. plate;
15. Tape and cassette recorders - by manufacturer's I.D. plate on back or underside;
16. Slide and film strip projectors - by manufacturer's I.D. plate on back or underside;
17. Cameras – on bottom (avoid covering tripod mount and rewind release);
18. Telescopes – on body right side middle;
19. Dictation equipment - by manufacturer's I.D. plate on back bottom;
20. Posting machines - by manufacturer's I.D. plate on back center;
21. Check signers and protectors - by manufacturer's I.D. plate on back or bottom;
22. Microfilm equipment - by manufacturer's I.D. plate on back or bottom.

Operating and 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 – upper right hand corner on front panel;
4. Welders oxygen-acetylene – on back regulators;
5. Pumps – on base or by manufacturer's I.D. plate;
6. Hoists, 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 backside 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 located on head;
11. Lathes - by manufacturer's I.D. plate located on head;
12. Power hand tools - by manufacturer's I.D. plate (in place that does not interfere with operation of tool or 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. Jointer - by manufacturer's I.D. plate or back of jointer table;
17. Shaper - by manufacturer's I.D. plate or on 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. Work benches – under top right side;
21. Radial drills & boring machines - by manufacturer's I.D. plate on drill head;
22. Vacuum cleaners - by manufacturer's I.D. plate located on motor housing;
23. Buffer/grinders – on motor by manufacturer's I.D. plate;
24. Floor buffers/scrubbers - by manufacturer's I.D. plate on side of motor;
25. Drafting machines - by manufacturer's I.D. plate on table clamp;
26. Drafting tables - by manufacturer's I.D. plate front panel or 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 on machine base;
30. Metal formers - by manufacturer's I.D. plate on back side of machine;
31. Sand blaster - by manufacturer's I.D. plate on base of unit.

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;
3. Parts cleaner - by manufacturer's I.D. plate located on right side exterior;
4. Power (hydraulic, electric or pneumatic) lifts - by manufacturer's I.D. plate on center column or by controls;
5. Lubrication equipment - by manufacturer's I.D. plate located on pump unit;
6. Brake service equipment - by manufacturer's I.D. plate located on face 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 on major unit;
11. Battery chargers - by manufacturer's I.D. plate on front or side panels;
12. Engine analyzers - by manufacturer's I.D. plate on back of main unit;
13. Distributor tester - by manufacturer's I.D. plate on back panel;
14. Generator, regulator tester - by manufacturer's I.D. plate on back panel;
15. Dynamometers - by manufacturer's I.D. plate on control panel;
16. Paint spray booths - by manufacturer's I.D. plate on right side panel.

Laboratory and Test Equipment

1. Stills - by manufacturer's I.D. plate on body of unit;
2. Meters – on back panel;
3. Centrifuges - by manufacturer's I.D. plate located on base;
4. Spectrophometers - by manufacturer's I.D. plate on back;
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 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.

Kitchen Equipment (Appliances)

1. Mixers - by manufacturer's I.D. plate;
2. Ranges – upper right side or range;
3. Ovens – upper right side of oven;
4. Food warmers - by manufacturer's I.D. plate or upper right corner;
5. Dish washers - by manufacturer's I.D. plate or upper right corner;
6. Slicers (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;
9. Dryers – upper front corner of right panel;
10. Serving counters – upper right corner of right panel;
11. Refrigerators – upper front corner of right panel;
12. Carts – on frame right side.