

**City of South Bend
Administration & Finance Policy Manual**



2.5.1 Fixed Asset Procedure

Effective: January 1, 2013

Purpose: This procedure defines the capital asset capitalization practice for the City of South Bend. The policy sets definition to the asset categories, depreciation methodology, asset disposal practice, and other matters pertaining to the assets of the City of South Bend.

Scope: This procedure applies to all governmental units, enterprise operations, and operations of the City of South Bend.

Responsibility: This procedure is the responsibility of the Controller of the City of South Bend. Changes or revisions to this policy are effected only with the consent and approval of the Controller.

Effective Date: This procedure revision is effective January 1, 2013 and supersedes the Fixed Asset Procedure effective January 1, 2010.

Capital asset categories include:

City Asset Category

Land
Construction in progress (CIP)
Buildings
Building Improvements
Land Improvements
Intangible assets
Computer equipment
Machinery & equipment
Furniture & fixtures
Office equipment
Vehicles
Infrastructure

Rolls into CAFR Asset Category

Land
Construction in Progress (CIP)
Buildings
Buildings
Improvements other than Buildings
Improvements other than Buildings
Machinery & Equipment
Infrastructure

Assets will be capitalized under this procedure, where

- ownership title is held by the City of South Bend,
- the acquisition cost of the item exceeds the \$ capitalization threshold identified in the following table, and
- the item has a useful life in excess of one (1) year.

Asset Category	Capitalization Threshold	Comment
Land		All land is capitalized
Construction in Progress (CIP)		All CIP is capitalized
New Buildings	100,000	
Building Improvements	100,000	
Land Improvements	100,000	
Intangibles	100,000	

Approved By: City Controller

Approved By: Mayor

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Computer equipment	10,000	
Machinery & equipment	10,000	
Furniture & fixtures	10,000	
Office equipment	10,000	
Vehicles	10,000	
Infrastructure	250,000	

Capital asset definitions:

Land Land is to be capitalized. Land is recorded at acquisition or historical cost and remains at that cost until disposal. Upon disposal, any gain or loss on the disposal is reported as a special item in the statement of activities. Land is not depreciated.

Construction in progress Construction in progress will be capitalized and not depreciated. It will be reported as other non-depreciating assets at the government-wide level. Upon completion of the project and capitalization of the completed asset, the asset will be transferred to the proper asset category and depreciation commenced if required.

Buildings Buildings will be recorded at either their acquisition cost or construction cost. Buildings are to be identified, inventoried in the fixed asset system and depreciated.

Building Improvements Building improvements that extend the useful life will be capitalized. Examples of building improvements include roofing projects, major energy conservation projects, or remodeling and replacing major building components. Buildings improvements are to be identified, inventoried in the fixed asset system and depreciated.

Land Improvements Land improvements include excavation, non-infrastructure utility installation, driveways, sidewalks, parking lots, flagpoles, retaining walls, fencing, outdoor lighting, and other non-building improvements intended to make land ready for its intended purpose. Land improvements can be further categorized as non-exhaustible and exhaustible.

Non-exhaustible. Expenditures for improvements that do not require maintenance or replacement, expenditures to bring land into condition to commence erection of structures, expenditures for improvements not identified with structures, and expenditures for land improvements that do not deteriorate with use or the passage of time are additions to the cost of land and are not generally exhaustible and therefore are not depreciable.

Exhaustible. Other improvements that are a part of a site, such as parking lots, landscaping and fencing, are usually exhaustible are therefore depreciable. Depreciation of site improvements is necessary if the improvement is exhaustible.

Intangible(s) Defined as easements, land use rights, city developed proprietary computer software, patents, trademarks, utility master plans, well head protection plans, utility vulnerability assessments, and utility risk management assessments.

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Intangible assets must be identifiable, lack physical substance, are non-financial in nature, and have a useful life beyond one (1) year. Intangible assets are to be identified and inventoried in the fixed asset system. Intangible assets with a defined useful life will be amortized over the useful life of the asset. Intangible assets with an indefinite useful life, are to be capitalized, but not amortized.

Computer equipment	Mainframe computer equipment, servers, data storage components, printers, desktop and laptop computers, will be capitalized if single component unit cost falls within the value and useful life thresholds established in this policy. Computer equipment is to be identified, inventoried in the fixed asset system and depreciated.
Machinery & equipment	Machinery & equipment used in city operations will be capitalized if within the value and useful life thresholds established in this policy. Machinery & equipment is to be identified, inventoried in the fixed asset system and depreciated.
Furniture & fixtures	Furniture & fixtures used in city operations will be capitalized if within the value and useful life thresholds established in this policy. Furniture & fixtures are to be identified, inventoried in the fixed asset system and depreciated.
Office equipment	Office equipment used in city operations will be capitalized if within the value and useful life thresholds established in this policy. Office equipment is to be identified, inventoried in the fixed asset system and depreciated.
Vehicles	All motorized vehicles used in city operations and all component items added to the vehicles. Vehicles are to be identified, inventoried in the fixed asset system and depreciated.
Infrastructure	<i>New capital assets, stationary in nature, that can be preserved for a significantly greater number of years than most capital assets. Infrastructure consists of all systems required for the City of South Bend to function socially and economically and includes streets or rail, water systems, sewage systems, power and telecommunications systems. Infrastructure also includes the costs of these systems' endpoints, such as pumphouses, powerhouses, lift stations, traffic signals and power- or flowmeters. Infrastructure does NOT include items peripheral to the above, such as driveways or parking lots adjacent to these facilities.</i>
Easements	Defined as an interest in land owned by another entity that entitles its holder (City) to a specific limited use or enjoyment of the right to use the land. Easements are not required to be reported in the city financial statements unless the city has paid for the easement. Easement rights where the City has paid for the right are to be identified and inventoried in the fixed asset system. Easements are to be amortized if the asset has a defined useful life. Indefinite useful right easements are capitalized, but not amortized.

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Capital Asset Depreciation

The city will use the straight line method as the basis for depreciating capital assets. Under the straight line method, the basis of the asset is written off in annual equal amounts over the useful life of the asset. The City will base its useful life of assets on the suggestions determined by GASB. The city will commence depreciation of the capital asset in the year following acquisition. Capital assets will be reported at historical cost and will include the delivery cost, site preparation, architect and engineering fees, and any cost incurred to place the asset in useful and operational service. Costs will also include the invoice price plus incidental costs (insurance during transit, freight, capitalized interest, duties, title search, registration fees, and installation costs). If consideration for acquisition of the asset is other than cash, then the fair-market value of the non-cash payment or consideration will determine the cost or acquisition value of the asset. If the value of the consideration can not be easily determined, the fair-market value of the asset will determine the cost or acquisition value.

Depreciation Useful Life

Exhibit A to this policy defines the useful and depreciable life of capital assets. The City Controller will determine asset useful life where not specifically determined through language in this policy.

Capital Asset Disposal

All city departments are required to submit asset disposal requests to the Board of Public Works for approval prior to disposal of an asset. Asset disposal requests must include the following information:

- Asset description
- Asset identification number
- Year of acquisition
- Historical acquisition value
- Net book value
- Reason for disposal
- Method of disposal (offer for sale, scrap, etc.)

The asset disposal request must be signed by the Controller before submittal to the Board of Public Works.

Exhibit B, Asset Disposal Request, attached, is the document required to be executed.

Physical Fixed Asset Inventory

City departments are required to conduct an annual inventory of all capital assets assigned to the department including fixed, movable and infrastructure assets. This inventory must be reconciled to the fixed asset register and inventory maintained by in the financial records of the City. Physical inventories are to be coordinated between the department and the Controller. Results of the physical inventory are to be immediately reported to the City Controller.

Asset Transfers

Capitalized assets may from time to time be transferred from one city government or operational unit to another city government or operational unit. Asset transfers between units will be affected at net book value. The accounting treatment will be to move the asset from unit to unit, whereby the acquisition value, accumulated depreciation and net book value will be transferred with

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balances as of January 1 in the year in which the asset is transferred. Approval of the disposing and accepting units as well as the Controller is required to affect the transfer of the asset.



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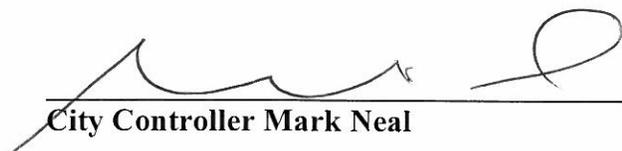
Signatures:



Mayor Pete Buttigieg

1/14/13

Date



City Controller Mark Neal

1/14/13

Date