

RESOLUTION NO. 1874

**ADOPTING AND APPROVING A CAPITAL ASSET POLICY AND PROCEDURE
MANUAL**

WHEREAS, based upon the past audit of the financial records of the City of Uhrichsville, the State Auditor's Office recommended that the City of Uhrichsville develop a new capital asset policy.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF COUNCIL OF THE CITY OF UHRICHSVILLE THAT THE ATTACHED EXHIBIT "A" SHALL GOVERN THE HANDLING OF THE CAPITAL ASSETS OF THE CITY OF UHRICHSVILLE.

This Resolution shall be in force and become effective immediately upon its execution.

PASSED: MARCH 12, 2020



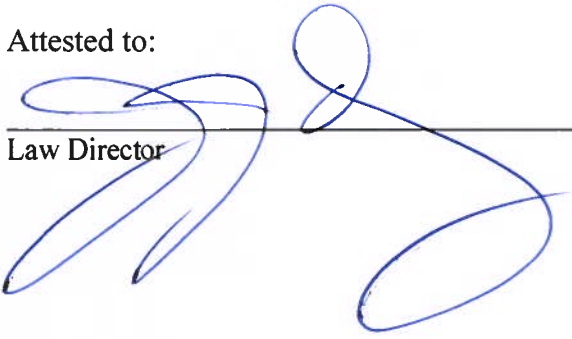
President of Council



Mayor

Certified by:


Clerk

Attested to:


Law Director

EXHIBIT 'A'

CITY OF UHRICHSVILLE, OHIO

CAPITAL ASSET
POLICIES AND PROCEDURES

INTRODUCTION

The basic goal and objective of this Policy is to define and describe a set of standard procedures and policies necessary to record and control the changes in the capital asset system in accordance with generally accepted accounting principles.

This Policy is meant to:

- Ensure that the asset is adequately protected from loss, theft, etc.
- Provide necessary documentation for the effective use, maintenance, management and reporting of the asset
- Facilitate the calculation and recording of depreciation for capital assets, and
- Provide necessary documentation for insurance purposes.

One goal of this Policy is to establish continuity in the procedures for establishing, recording, maintaining and disposing of all capital assets.

Although capital asset inventory records are for the most part computerized, it is still necessary to have in place the tools necessary for City Departments to work with the City Auditor in the day to day upkeep of those records.

As part of this Policy, the implementation of the new "computer fill-in" capital asset form with accompanying tables (see Forms-Appendix) will be readily accessible by each City Department and will shift a significant portion of the responsibility for capital asset records and reporting to each City Department head or their designee.

DEFINITIONS

Capitalization Threshold

The typical governmental functions (e.g. , public safety, road maintenance, and recreation), as well as proprietary functions (e.g. storm water), require substantial investment in capital assets. Generally speaking, capital assets can be defined as specific items of property that:

- Meet or exceed the capitalization level (or threshold) established by the government entity.
- Are tangible (although there are some intangible assets such as certain software costs that should be counted because of their significant value and extended useful life).
- An addition to an asset can only be capitalized as part of that asset for six months from the date of acquisition. Examples of capitalized additions to an asset after purchase are vehicle equipment, vehicle markings, protective treatments added to the vehicle within six months of purchase that increase the value of the asset.
- Normally have a useful life of five (5) years or more. One exception to this are special purpose vehicles with a high level of use such as police cruisers and fire vehicles. This category of vehicle generally must have a useful life of at least three (3) years.

The City of Uhrichsville, Ohio has established the capitalization threshold of \$5,000.00 per unit.

The common capital asset categories are defined as follows:

Land Vacant land parcels purchased for building sites, parking lots or other municipal purpose.

Land Improvements Major improvements of \$50,000 or more made to existing structures, such as an addition. The improvement will be associated with the original asset, either by number association or description or both. The cost of such improvements will not, however, be added to the existing asset cost but will be capitalized separately.

General Equipment Those items not belonging in a specific category but meeting the definition of a capital asset.

Computer Equipment Only major hardware items such as mainframes and larger printers will be capitalized. PCs, personal printers etc. should be tracked by the department but not capitalized. Software is considered an intangible asset and generally **not** capitalized unless the acquisition cost and life are considered to be significant.

Furniture Self-explanatory

Vehicles Self-explanatory

Construction in Progress Costs for projects not completed in the year begun are tracked over the time needed to complete the job and then capitalized at the time the project is placed into use by the entity.

If construction costs are funded in part or in whole by a debt instrument, interest paid on said debt prior to the asset being recognized (booked) shall be capitalized as part of the construction.

Please refer to Appendix page A-2 for a list of the code for each asset category.

Jointly-Owned Assets

When an asset is purchased using both Utility and Non-Utility funds, the asset shall be recorded by each entity according to the percentage of total cost expensed. Whenever possible, jointly owned assets shall be assigned one identification number to be recorded on both Utility and Non-Utility records.

Leased Assets

Prior to entering into a lease agreement for an item that meets the other Capital asset criteria, a determination should be made as to whether it is an operating lease or a capital lease. The underlying issue in making the distinction is whether the benefits and risks of ownership are transferred from the lessor to the lessee. Another measurement is whether the lease is merely an extended rental agreement or actually an installment purchase in the form of a capital lease. Any questions regarding the nature of a particular lease should be directed to the City Auditor and/or City Law Director.

Items purchased through a capital lease shall be identified as a City asset at the onset of the lease and tagged and treated in the same manner as any other asset owned by the City.

Asset Acquisition/Disposition Form

The Asset Acquisition/Disposition Form (hereinafter referred to as the Asset Form) was developed for use in conjunction with this Policy. Also available with the Asset Form are the various charts, department codes and asset type codes to be used in completing the form (see Appendix).

Asset Identification

The practice of tagging certain assets accomplishes the following goals:

- Provide an accurate method of identifying individual assets
- Facilitate the inventory process on a periodic basis
- Control the location of all physical assets
- Assist in maintaining fixed assets

- Provide a common ground of communication for both the City Auditor and the managing Department.

By their nature, capital assets categorized as land (81000), building improvements (82000), improvements other than buildings (83000) and infrastructure (84000) will not be physically tagged.

All other assets will be tagged whenever “reasonable and practical”. That determination will be made by the responsible Department. When completing the Acquisition/Disposal form at the time the asset is acquired, the Department Head will select either yes or no on the “Tag Attached” line. When the form and tag are returned to the Department Head by the City Auditor, if the tag is not to be attached to the asset, it will remain with the Acquisition/Disposal form until such time as the asset is disposed of.

This policy provision will not apply to any untagged assets acquired prior to 12/31/19.

Depreciation

The process of allocating the cost of an asset over a period of time.

Depreciation Rate

The percentage that the asset is depreciated every period. The rate is determined by dividing the original cost by the asset life. There are several methods to figure depreciation; the City Auditor makes determination and application of depreciation. The first time an asset is depreciated, the asset will be depreciated based on the Capitalization Date (purchase date) specified through the end of the fiscal year. If the Capitalization Date specified is between the 1st and the 15th of the month, inclusive, depreciation will be calculated for that initial month. If the Capitalization Date specified is between the 16th and the end of the month, inclusive, depreciation will not be calculated for that initial month.

Asset Life

The amount of time (reported in months) the Department is expected to receive benefit from the asset. Asset life is generally determined by past practice and generally accepted standards by the majority of municipalities. A table of asset life can be found on Page A-2 of the Appendix.

Foreclosed/Forfeited Fixed Assets

Items that come into the City’s possession by a means other than purchase or an equal exchange of value; are to be retained; and otherwise meet capital asset criteria—shall be treated in the same manner as a new asset being added to the system. Since there was no purchase or exchange basis, the Department will be responsible for assigning a fair market value (subject to review and approval by the City Auditor) that will become the basis for the asset. Any other known information regarding the asset will be recorded and maintained on the asset record.

Infrastructure

According to the “Codification of Governmental Accounting and Financial Reporting Standards” section 1400.109, “Reporting public domain or “infrastructure’ fixed assets—roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, and similar assets that are immovable and of value only to the governmental unit—is optional.” Fixed assets belonging to an enterprise, internal service or trust fund must be recorded within the fund and depreciated accordingly—it is not optional. Therefore, by their nature, Utility assets are already depreciated annually.

POLICIES AND PROCEDURES

CITY AUDITOR

Verify accurate use of capital expenditure accounts as defined by the City's Chart of Accounts, review expenditure accounts on capital purchase requests (correct as necessary), and establish and maintain policies and procedures identifying:

- Criteria for capitalizing costs associated with the construction or acquisition of assets;
- Criteria for capitalizing alteration, renovation, and renewal/replacement costs;
- Methods for the proper recording and classification of capital acquisitions;
- Treatment of gifts/donations of property;
- Categories of depreciable assets;
- Useful lives of depreciable assets; and
- Methods of depreciation.

The determination of whether or not City property purchases are to be capitalized as capital assets shall be the responsibility of the City Auditor or his/her designated representative. Such determination will be made at the time that a purchase order or contract is approved and is based on the principles previously outlined in the Definitions portion of this policy.

In general, the following items are considered part of the cost when determining whether or not the purchase will require capitalization:

- Actual purchase cost (before trade-in allowances or discounts);
- If asset/project is constructed "in-house", actual costs incurred should be accounted for, as well as a reasonable estimate of labor involved in producing the asset;
- Professional fees incurred in the acquisition (e.g. attorney, architects, engineers, consultants, etc.);
- Site preparation costs including cleaning, grading, and demolition of existing structures; and
- Freight, shipping and installation charges, as well as any additional costs which are incurred preparing the asset for its intended use.

There will be no change in the current policies for acquiring and disposing of property. Departments must follow the same procedure for purchase under this Policy as is now practiced.

Asset Database

At the time payment for the capital asset is complete, the invoice and related paperwork will be entered into the capital asset database. There is a worksheet created for each Department. Information recorded on each asset will be: account number, purchase price, description of the asset, check number, vendor, date of purchase and asset id tag number.

Asset ID Tags

Asset identification tags will be provided by the City Auditor at the time the purchase is complete. The asset ID number will be added to the purchase order by City Auditor and the tag and departmental copy of the purchase order returned to the originating Department. In general, tags will be assigned in chronological order as assets are acquired.

Annual Asset Inventory

The volume of asset-related transactions is high and as a result, even the best of internal controls cannot always capture every change. For the reason, at the end of each calendar year, Departments will receive a listing of the capital assets on record for that Department. The assigned departmental employee will conduct an inventory, noting any additions, changes, or deletions that need to be made.

That inventory form must be signed by the designated employee and returned to the City Auditor no later than January 31st of the subsequent calendar year. It is recommended that a copy be retained in the Department file. In the case of vehicles, the updated mileage should be recorded on the form next to each vehicle each year prior to the form's return to the City Auditor.

Periodically, the City Auditor will authorize a physical inventory be done by the designated representative. That representative will then conduct a physical inventory of the designated department's assets using the current capital asset inventory records to ensure that the information is both accurate and inclusive. Following such physical inventory, the City Auditor will notify the Department Head of any adjustments that may need to be made.

DEPARTMENTS

The Department Head is responsible for the designation of the departmental property manager and providing that information to the City Auditor. Any changes in that information should be reported as soon as possible. All transactions and communications regarding capital assets will be directed to the listed department property manager. The current department property managers are listed on Appendix A-2.

When the purchasing process is complete for an asset, the City Auditor will assign an ID number to the asset and forward to the Department their copy of the purchase order and asset ID tag (if applicable).

The property manager will create the Asset Form and Complete all applicable information and either affix the asset ID tag to the asset or indicate on the Asset Form that the tag will not physically be affixed.

If there is a contractual maintenance agreement for the asset, the vendor, cost of time period the asset is covered should also be filled in on the fixed asset form. **A copy of the completed asset form and a receiver should then be sent to the City Auditor to indicate the asset has been received, accepted, recorded and tagged or otherwise appropriately identified.**

The appointed Department property manager is also responsible to identify and report all non-purchase capital asset acquisitions to the City Auditor. Such acquisitions could be from the following events:

- Property obtained as the result of a gift;
- Property obtained as the result of a transfer;
- Property obtained as the result of a long-term loan;
- Property obtained through legal confiscation; and
- Fabrication.

Information on these items should include but is not limited to: date obtained, source obtained from; method by which it was acquired, condition of asset (e.g. good, fair), estimated fair market value, anticipated useful life.

The Department property manager shall also be responsible to report to the City Auditor all changes regarding capital asset items. Those changes include but are not limited to:

- Change in condition, e.g. from “good” to “damaged beyond repair”;
- Enhancement or upgrade (if it extends the asset life);
- Permanent transfer to another department;
- Transfer of Title or ownership; and
- Other disposal methods—items valued \$1,000 or less to be disposed of through the annual City Auction must be accompanied by written permission from the Mayor in accordance with Section 721.15 of the Ohio Revised Code. Items valued in

excess of \$1,000 must undergo the competitive bidding process, also through the Mayor.

If the item being disposed of has no residual value and/or is irreparable or otherwise no longer of any value, authorization must be obtained from the Department Head or his/her designee. The disposition portion of the Acquisition/Disposition form must be completed and submitted to the City Auditor so that the inventory records can be updated.

Departments are responsible for the proper use, care and maintenance of equipment in their possession. If repairs are required, they should be performed expeditiously to keep equipment in good working condition. In addition, Departments must ensure that all equipment is maintained in a secure manner to minimize loss, damage and unauthorized use.

Uhrichsville Mayor