

RESOLUTION NO.: 74-2007  
INTRODUCED BY: Alexander

**A RESOLUTION APPROVING A FIXED ASSET AND INVENTORY POLICY, PROCEDURES AND GUIDELINES FOR CITY PROPERTY.**

WHEREAS, the Director of Finance has drafted an "Inventory/Fixed Asset Policy" document and a "Fixed Asset and Inventory Procedures and Guidelines" document for approval by the Mayor and this Council in order to better manage the fixed assets and an inventory thereof for the City of Richmond Heights;

NOW, THEREFORE, Be It Resolved by the Council of the City of Richmond Heights, State of Ohio, that:

Section 1: Consistent with the Charter of the City of Richmond Heights, and not in contravention thereof, Council hereby authorizes the "Inventory/Fixed Asset Policy" and the "Fixed Asset and Inventory Procedures and Guidelines" documents in substantially similar form as attached hereto and incorporated herein as Exhibits A and B respectively, as prepared by the Director of Finance, which Policy, Procedures and Guidelines shall be effective retroactively to January 1, 2007, and are to be fully implemented by December 31, 2009.

Section 2: It is found and determined that all formal actions of this Council concerning and relating to the adoption of this Resolution were adopted in an open meeting of this Council, and that all deliberations of this Council and any of its committees that resulted in such formal action, were in meetings open to the public, in compliance with all legal requirements, including Section 121.22 of the Ohio Revised Code.

Section 3: This Resolution shall take effect and be in force from and after the earliest period allowed by law.

PASSED:\_\_\_\_\_

\_\_\_\_\_  
Daniel J. Ursu, Mayor

APPROVED:\_\_\_\_\_

ATTEST:\_\_\_\_\_

Betsy Traben  
Clerk of Council

\_\_\_\_\_  
David H. Roche  
President of Council

## **EXHIBIT A**

Approved: 2007

Effective: January 1, 2007

Fully Implement by: December 31, 2009

Responsible Office: Department of Finance

Ordinance No.:

Lynda S. Rossiter, Director

### **CITY OF RICHMOND HEIGHTS INVENTORY/FIXED ASSET POLICY DECEMBER 27, 2006**

#### **AUTHORITY:**

Government Accounting Standards Board #34

Ohio Revised Code (ORC), Title VII, Municipal Governments

#### **SCOPE:**

This policy applies to all property purchased or leased by the City of Richmond Heights. Primary responsibility adherence rests with the Department of Finance. Day-to-day responsibility for adherence to this policy rests with the Director of Finance and each department supervisor. The policies also apply to any grantees who acquire equipment, vehicles, furniture, or materials through Federal grants.

The items set forth in this policy are minimum requirements. Nothing in this document prohibits additional requirements being imposed should the Director of Finance deem it necessary.

#### **POLICY STATEMENTS:**

Following are the policies of the City of Richmond Heights regarding management of fixed assets and material inventories:

It is the City's policy to maintain inventories at the lowest possible level without impeding the efficient operations of the City functions. It is City policy to complete timely physical inventories for all assets on an annual basis, except Lands and Buildings (excluding infrastructure items) which will be performed biennially, to ensure the accuracy and reliability of the inventory.

These policies will ensure compliance with State and Federal Laws and protect against loss, theft, or misuse. Maintaining accurate and current asset information allows the City

management to have data needed to properly deploy the resources and make maximum use of those resources.

## I. INVENTORY CRITEIRIA FOR TANGIBLE PERSONAL PROPERTY

### A. Current and accurate inventory records shall be maintained for the following:

1. Tangible Personal Property - \$1,000 or more per item including improvements and renovations; or, if donated, a fair market value at the time of donation of \$1,000 per item. Tangible personal property intentionally acquired for resale or used in the city's activities as supplies are excluded.
2. Licensed vehicles and rolling stock regardless of cost or donated market value at the time of donation.
3. Sensitive property with an individual cost or fair market value at the time of donation of \$100 or more per item. A list of sensitive property is included in Appendix 1.
4. Internal computer components with an individual cost of \$500 or more per item.
5. Leased property totaling \$15,000 or more throughout the life of the lease.

### B. Tangible Personal Property Composed of Internal Parts

1. An asset that has internal parts that are necessary to the functioning of the asset are not required to be separately inventoried, and can be considered to be all one asset (inventory record) provided all of the following apply:
  - a. The internal parts are acquired to place the asset into service and function as required;
  - b. The life and utility of the internal parts are mainly dependent on that of the asset, even if the acquired dates and vendors are different for each item;
  - c. The cost of each part is included in the aggregate total of the inventory record;
  - d. The internal parts are included in the description of the inventory record.

2. Should a Department acquire and install an internal part for an asset with an acquisition cost, of at least \$500, after it has been placed into service and is functioning as intended, then any subsequent internal parts are considered as separate components and are inventoried separately as a component record. The same asset identification number (ID) is to be used as the original asset, except a suffix is to be added to the ID number that is unique only to the component.

## II. INVENTORY CRITERIA FOR REAL PROPERTY

- A. Current and accurate inventory records shall be maintained for the following:
  1. Land, regardless of cost.
  2. Buildings and land improvements with an actual or estimated cost, or if donated, a market value of \$15,000 or more per item.
  3. Real property intentionally acquired through a lease at an insignificant cost and solely as a legal mechanism to disburse bond monies is excluded.
  4. Improvements and renovations to an existing building with an actual or estimated cost, or if donated, a market value of more than \$100,000 per building component.
  5. Leased property totaling \$15,000 or more throughout the life of the lease.
- B. The Department is not required to inventory infrastructure.

## III. INVENTORY LABELS

- A. The bar code labels should adhere to the Department of Finance bar code label policy.

## IV. SECURITY LABELS

- A. Assets qualifying as tangible personal property with a cost of at least \$100 and not required to be inventoried as prescribed by this policy shall be affixed with a security label.

## V. USE OF PROPERTY

- A. Items acquired should be used for city business only. ORC Section 2913.02 which discusses misappropriation is Ohio's basic theft statute. Additional requirements apply if items were purchased with federal grant money. Please refer to the Federal Common Rule authority listed on the Federal Government website for grants.

## VI. ANNUAL PHYSICAL INVENTORIES

- A. It is the City of Richmond Heights policy to complete timely physical inventories for all assets on an annual basis, except Lands and Buildings which will be performed biennially, to ensure the accuracy and reliability of the inventory. Physical inventories should be completed in accordance with the frequency and dates prescribed by the Department of Finance.

## VII. INVENTORY VALUATION BASIS

- A. Fixed assets, including leased items, are entered in the inventory at the cost arrived at after deducting trade discounts and without considering any trade-ins.
- B. Parts, supplies and materials are valued on the weighted average basis. Each time such items are purchased at a price different from the average price of the quantity remaining on hand, a new average cost must be computed.

## VIII. DISPOSAL OF EXCESS/OBSOLETE INVENTORY

- A. Use the most practical and cost effective method of disposal. The requirements set forth in ORC 721.25 must be followed when disposing of fixed assets and inventory.
- B. When disposing of property acquired through the use of federal funds, additional steps are required. Please refer to the Federal Common Rule Authority. This rule essentially requires proceeds from the disposition of these assets to be given to the federal government if the current fair market value exceeds \$5,000.
- C. Excess and obsolete computer-related equipment/software should be offered to other departments first. Up to 10% of the quantity of obsolete/excess computer related equipment/software can be disposed of through Bulletin Board Sales. The 10% should be calculated based on the

total quantity of obsolete/excess items made available during a twelve month rolling period.

**D. Inter-Department Transfers**

1. Directors should ensure excess/obsolete items are no longer needed before transferring to another department.
2. A fixed asset transfer form must be completed and forwarded to the Department of Finance.

**E. Bids for Disposal**

1. A minimum of two quotes/bids on the items being disposed must be obtained. The vendor offering the greatest value must be awarded the option of purchasing the items being disposed.

**F. Bulletin Board Sale (BBS)**

1. Bulletin Board Sales can be used for all items with an estimated fair market value of \$1,000 or less.
2. Bids must be posted for a minimum of five working days. Sale of any item using this method of advertising shall be made to the highest responsible bidder. If any public authority has use for any of the items, the bid may be rejected and the items disposed of, as set out in ORC, section 5513.04.
3. Directors should ensure funds received for items sold are forwarded to the Department of Finance by the next business day.

**G. Public Auction/Public Sale**

1. Items not otherwise disposed of through other means should be sold at public auction or public sale.

**H. Donations**

1. Donation to public schools or other public entities should be considered if the above methods are unsuccessful. Donation to private schools, civic organizations, charitable organizations, or any other non-profit organization is acceptable at the discretion of the Mayor.

## I. On-Site Disposal

1. The on-site destruction method of disposal of property is applicable to excess or obsolete inventory either damaged beyond repair or where it is otherwise not fiscally feasible to dispose of via any other method. In the situation where items are disposed of on site, the following steps must take place:
  - a. Items should be damaged beyond repair before being disposed.
  - b. An impartial individual should witness the destruction and sign appropriate documentation stating they witnessed the item was destroyed beyond repair.
  - c. All documentation related to such destruction should be maintained on site for a minimum of three years.

## IX. STOLEN/MISSING PROPERTY

- A. All City personnel involved in or responsible for any task of maintaining city property inventories, including a physical inventory, shall notify the department supervisor of any tangible personal property shown on the current active property report, but cannot be found and/or is suspected of being stolen.
- B. A reasonable amount of effort should be made by the department supervisor to determine the whereabouts of the missing items or the reason(s) for their disappearance prior to taking further action.
- C. The notified department supervisor shall review the reported inventory exceptions and, if necessary, will contact the City Police requesting an investigation/report. As a guide, the City Police should be contacted if the total dollar value of the missing property is in excess of \$300. This dollar amount is being provided as a guide only, if the department supervisor feels there is a need to contact the City Police, they may do so regardless of the dollar value of the missing items.

## X. CAPITALIZATION OF FIXED ASSETS

- A. Computer software is considered an intangible asset since it represents competitive advantages developed or acquired by an organization.

Therefore, computer software does not meet the City's capitalization of fixed asset criteria.

- B. Modular furniture (parts requiring assembly with other parts) does not meet the City's capitalization of fixed assets criteria; only individual fixed assets (quantities of one) are recorded.

## XI. FEDERAL COMMON RULE AUTHORITY AND THE CITY'S FIXED ASSET ACCOUNTING POLICIES.

- A. Departments are responsible for adhering to these policies. They are applicable when City property meets the criteria of a fixed asset as established and defined by the Department of Finance.
- B. Each Department is responsible for adhering to the Federal Common Rule Section 32 related to equipment obtained through Federal Grants.

### TRAINING:

There is no training mandated for the implementation of this policy or the statutes identified as the authority for this function.

### DEFINITIONS:

Bulletin Board Sales: A brief official notification displayed in a public area concerning the sale of excess or obsolete equipment.

Equipment: Rolling stock, office equipment, computers, cameras, garage equipment, tools or any other item used to conduct City business.

Infrastructure: Basic facilities and installations that are immovable, owned by the City Government, and exist primarily for public use. Infrastructure includes, but is not limited to, city highways, bridges, and associated assets; land upon which city highways and right-of-ways are built; canals; roadside rest areas and associated buildings; wildlife preserves; marinas', and freestanding historical monuments. Also, land improvements within a city park such as bridle paths, sidewalks, jogging paths, golf courses, marinas, etc. are considered as infrastructure because they exist primarily for public use.

Inventory Label: A self-adhesive tag or comparable electronic medium device used to safeguard and identify inventoried tangible personal property with a department unique, serialized asset ID number by affixing it to an asset. The asset ID number appearing on the tag may be of a non-bar code or bar code format. A traditional tag will have only an asset Id number printed on it in a human readable (non-bar code) format and must always appear the same on the inventory record. A tag using the bar code format for its asset ID number will always be accompanied with the human readable asset ID number.

Lease Fixed Assets: A lease is an agreement between two parties in which the City makes periodic payments to another party for the right to use property for a stated period of time. The item is considered a “capital lease” and should be included in the fixed asset system if the lease meets at least one of the four criteria listed below:

- 1) Lease transfers ownership to the City during or at the end of the lease term.
- 2) Lease contains a bargain purchase option which is a provision to buy the property at a very favorable price.
- 3) Lease term is equal to or greater than 75% of the estimated economic life of the leased property. (Not applicable if the beginning of the lease term falls within the last 25% of the total estimated economic life of the leased property.)
- 4) Present value of the minimum lease payment equals or exceeds 90% of the fair market value of the leased property. Minimum lease payments generally equal the property rental payments excluding executory costs such as maintenance and insurance.

Licensed Vehicles: All city vehicles, including renovations and improvements, having a useful life of two years or more, including trailers whether self-propelled or not, that are capable of being licensed through the Bureau of Motor Vehicles, Department of Public Safety, and can be used for over-the-road transportation.

Obsolete Items: Equipment or supplies that are worn out or no longer needed because they are outdated and can no longer be used anywhere in the City.

Property: Assets that are owned, subject to ownership, or in effect are owned by the City of Richmond Heights. Assets subject to ownership or in effect are owned by the City of Richmond Heights would include items being acquired by lease purchase, where the lease purchase contract transfers ownership of the property to the City during or at the end of the lease term. Additionally, assets that are acquired by a capital lease are included where the lease meets one of the four criteria used for determining if a lease is a capital lease.

Real Property: Land and whatever is erected or affixed to land, excluding infrastructure. Major classifications of real property are land, land improvements and buildings. Land improvements include, but are not limited to landscape, sidewalks, parking lots, shelters, storm sewers, towers, storage tanks, etc. Buildings include, but are not limited to, improvements and renovations.

Rolling Stock: All City owned or leased equipment used in the maintenance and construction of city highways or to support these operations. This includes licensed and un-licensed equipment.

Security Label: A self-adhesive tag not having a serialized asset ID number and is affixed to tangible personal property. Its purpose is to safeguard and identify non-inventoried tangible personal property as assets.

Sensitive Property: Tangible personal property that is highly popular and vulnerable to theft. This includes, but is not limited to, internal components. See Appendix 1.

Supplies: Items consumed or expended when used in the operation of city activities, or acquired for resale, or have a useful life of less than two years.

Tangible Personal Property: All property that has a real existence (physical) and a useful life of two years or more, excluding real property and intangible personal property, such as software and copyrights. Tangible personal property includes, but is not limited to, equipment, machinery, tools, furniture, office furniture and non licensed vehicles including renovations and improvements. Tangible personal property is considered real property (building fixtures) when permanently attached and made part of a building in such a way that removal alters the intended use of the facility or site. This, it becomes subject to the real property inventory reporting threshold.

#### CITY OF RICHMOND HEIGHTS SENSITIVITY LIST

Each Department is required to inventory the sensitive property included on this list. The list should not be considered as all inclusive, but is intended to be used as a guide. There may be other items in the general classifications not listed which are subject to the \$100 sensitivity threshold.

**AUDIO VISUAL EQUIPMENT** (example: televisions, VCRs, overhead projector/camcorder, cameras)

**COMMUNICATION EQUIPMENT** (example: mobile radio/walkie-talkie/scanners, cellular phones)

**GARAGE TOOLS** (example: photo volt meters, battery chargers/testers, jack (10/12 ton), welding torch sets, tool boxes, dolly, step ladders, pressure washers)

**HAND TOOLS** (example: drills, sanders, grinders, circular saws, chain saws, trimmers)

**MISCELLANEOUS OFFICE EQUIPMENT** (example: microwaves, refrigerators, air conditioners)

**OFFICE EQUIPMENT** (example: calculators, typewriters, electric staplers, digital telephones)

**OFFICE MACHINES** (example: computers (laptop/desktop), printers-computer connected/pc related, facsimile machines)

SURVEY EQUIPMENT (example: roll-a-tape, binoculars)

## **EXHIBIT B**

Approved: 2007

Effective: January 1, 2007

Fully Implement by: December 31, 2009

Responsible Office: Department of Finance

Ordinance No.:

Lynda S. Rossiter, Director

### **FIXED ASSET AND INVENTORY PROCEDURES AND GUIDELINES**

- I. Inventory records for licensed vehicles should be maintained via the Department of Finance.
- II. All tangible personal property required to be inventoried by this policy shall each be affixed with at least one inventory label, except where the following items or conditions apply:
  - A. Licensed vehicles;
  - B. Internal components of an original asset;
  - C. Items not having an appropriate outside surface area or other physical configuration to allow placement of an inventory label;
  - D. Assets subject to environmental conditions not allowing the inventory label to remain affixed to the items throughout their useful life;
  - E. Modular furniture that requires attachment to other modular furniture in order to perform its intended function;
  - F. Antiques and/or museum items.
- III. Inventory numbers, once assigned, shall not be transferred from one asset to another or altered in any way.
- IV. In order to facilitate the property identification, physical inventories and future scanning processes the following apply to inventory labels, bar code labels and/or security labels: (See Appendix 1 for recommended placement.)
  - A. Inventory labels should be easily visible without moving the asset;
  - B. Inventory labels should not impede regular use of the asset;

- C. Place inventory labels on the permanent part of the asset;
- D. Inventory labels should not be placed on the work surface of an asset;
- E. Whenever possible, do not place inventory labels on the bottom, back, or inside drawers of an asset;
- F. In executive areas, do not deface the décor;
- G. An alternate method of etching, stenciling or painting the inventory number onto the asset can be used instead of an inventory label when a department chooses not to affix an inventory label due to items noted in section IV of these procedures;
- H. Weather proof paint or weather proof paint markers must be used if painting the inventory number onto the asset.

#### V. Bar Coding Labels

By the close of City fiscal year 2007, all tangible personal property requiring an inventory label shall be replaced or affixed with a bar code inventory labels.

#### VI. Inventory Record Activity

- A. To ensure assets are adequately tracked and current value reported, the Department of Finance is required during the current fiscal year to maintain perpetual inventory activities by card records or computer files.
- B. Transactions related to fixed assets and supply inventories shall be recorded on the appropriate inventory form and inventory system.
- C. Physical inventories shall be reported on the inventory form. Each Department shall complete and sign an inventory form upon the completion of the physical inventory for the respective inventory types. All forms shall be signed by the Department Supervisor and submitted to the Department of Finance. See due dates later.
- D. The physical inventory does not relieve staff members of the responsibility for making intermittent checks to determine correctness of the inventory. The frequency and size of the checks should be based on the accuracy of past physical inventories and spot checks and is at the property manager's discretion.

E. In order to eliminate the need to track small dollar supply items the following thresholds have been developed. Items exceeding the thresholds must be inventoried. It is up to the Department supervisors discretion to inventory the items below the threshold.

	<u>Unit Cost</u>	<u>Total value per item</u>
Maintenance Items	<\$9.99	<\$999
Traffic Items	<\$9.99	<\$999
Garage Items	<\$4.99	<\$999

1. Maintenance items (pipe and pipe accessories, guardrail and guardrail accessories and aggregate) and traffic items (signs) need to be maintained regardless of cost. Garage inventory items are defined by the Department of Finance.

## VII. Suggested Procedures for the Various Methods of Disposal

The City of Richmond Heights Disposal form will be completed, the appropriate method indicated, and the inventory ID label attached (if available) and submitted to the Department of Finance.

### GUIDELINES FOR THE PLACEMENT OF INVENTORY LABELS

Labels should be uniformly located on similar types of property. Recommended placement is prescribed below:

1. Desks, credenzas – affix where easily accessible, on the front, inside, right side of the item.
2. Tables, chairs, stools, sofas, etc. – affix where easily accessible, placed vertically on the front, right leg.
3. Files, cabinets, lockers, racks, bookcases, etc. – affix on the right side, the front, top left corner of the item.
4. Office equipment/machines, computer/accessories and audio/visual equipment, - affix to a clean, flat surface, on the front right top corner. Examples: telephones, calculators, printers, electric staplers, etc.
  - a. The Department of Finance considers computers to be a work station including the monitor, keyboard, and CPU. Therefore, the inventory number is recommended to be assigned to the CPU and the cost of other items added to the cost of the CPU. The duplicate item shall be inventoried separately.

5. Power tools, machinery – affix or etch on a place which is easily accessible on a clean, flat surface.
6. Lawn mowers, leaf blowers, weed eaters, etc. – affix or etch onto a clean flat surface, on plastic control panel or vertically etched on the handle.
7. Small hand tools – affix or etch onto a clean, flat surface, on a place which is easily accessible.

#### PHYSICAL INVENTORY DATES

<u>INVENTORY TYPE</u>	<u>“AS OF” DATE</u>	<u>“DUE” DATE</u>
Office and Shop*	January 30	February 15
Lands and Buildings**	March 31	April 15
Garage Parts*	April 30	May 15
Maintenance*	May 15	June 1
Rolling Stock*	October 31	November 15
Traffic*	November 15	December 1
Supplies*	December 31	January 15

The “AS OF” date column represents the cut-off date for performing the physical inventory, and the “DUE” date column represents the date the forms and reports are due to the Department of Finance. The “DUE” DATES are the business day closest to this date. These dates apply to all Department inventories.

\*The next physical inventory will be performed in 2007 and annually thereafter.

\*\* The next physical inventory will be performed in 2007 and then biannually thereafter.