

**CITY OF HILLSBORO, OHIO  
RESOLUTION NO. 23-31**

**A RESOLUTION ADOPTING A NEW FIXED ASSET POLICY FOR THE CITY OF  
HILLSBORO**

**WHEREAS**, the City of Hillsboro desires to enact an updated Fixed Asset Policy, as attached hereto and incorporated herein by reference; and

**WHEREAS**, Council, finds that the new policy shall replace the prior policy enacted through Resolution 08-32.

**NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF HILLSBORO, STATE OF OHIO, WITH A MAJORITY OF ALL COUNCIL MEMBERS CONCURRING THAT:**

**SECTION 1:** The proposed Fixed Asset Policy of the City of Hillsboro, as attached hereto as "Exhibit A" and incorporated herein by reference, is hereby adopted.

**SECTION 2:** Resolution 08-32 is hereby repealed.

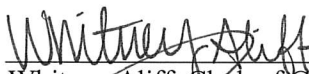
**SECTION 3:** That it is found and determined that all formal actions of this Council concerning and relating to the passage of this Resolution were adopted in an open meeting of this Council, and that all deliberations of this Council and of any of its committees that resulted in such formal actions were in meetings open to the public, in compliance with all legal requirements, including Section 121.22 of the Ohio Revised Code.

**SECTION 4:** This Resolution shall take effect and be in full force upon passage by a majority of Council and approval by the Mayor.

Passed this 17<sup>th</sup> day of August, 2023.

  
Tom Eichinger, Council President

Attest:

  
Whitney Aliff, Clerk of Council

Approved:

  
Justin Harsha, Mayor

Date: 8/17/2023

Prepared by the City Law Director.

1st Reading 6/15/23  
2nd Reading 7/13/23  
3rd Reading 8/17/23

## **FIXED ASSET (CAPITAL ASSET) POLICY**

### **STATEMENT OF ADOPTION**

POLICY EFFECTIVE: JANUARY 1, 2024

Inasmuch as the Auditor of State has declared, by Administrative Rule No. 117-1-11 that each city in the State of Ohio shall prepare an annual financial report in accordance with Generally Accepted Accounting Principles (GAAP) and the Governmental Accounting Standards Board (GASB) requires capital asset reporting for a governmental entity to be in conformity with GAAP; Hillsboro, Ohio shall adopt and maintain a capital asset accounting system reporting monetary amounts associated with capital asset transactions, and a capital asset management system which addresses the acquisition, use, inventory control, protection, maintenance and disposal of assets.

## **DEFINITION OF CAPITAL ASSETS**

Capital Assets (C/A) are defined as those assets of a long term character which are intended to continue to be held or used, such as land, buildings, land improvements, building service equipment, fixed equipment, movable equipment, and minor equipment, vehicles, water and sewer lines, and construction-in-progress. They are (1) tangible in nature, (2) have an extended useful life, (3) are not a repair part or supply item, and (4) have a value greater than the "Capitalization Threshold".

The capitalization threshold is a dollar limit, \$5000, used to create a category of assets that meet the first three criteria noted in the preceding paragraph, but are not classified as capital assets because their original costs do not meet or exceed the threshold limit which for the City will be \$5000. These assets do not appear in the C/A list. However, due to their nature, control of these assets may be desirable. These "controlled" or "critical nature" assets would include assets that are sensitive, portable or prone to theft. During the C/A inventory "controlled" assets must be identified and recorded, but since they will not be reported as C/A on the financial report, their cost figures need not be identified or calculated.

## STATEMENT OF PURPOSE

Before a capital asset system can be established, the uses of the system's information must be identified.

The City of Hillsboro capital asset system shall maintain sufficient information to permit the following:

- A. Financial statement information in conformity with GAAP.
- B. Insurable values that may prevent the city from being over or under insured, and insure full recovery in the event of loss.
- C. Control and accountability of assets attained through physical inventories noting location and responsible parties.
- D. Maintenance scheduling and cost analysis providing repair/replace information, may instill preventative maintenance as opposed to emergency maintenance.
- E. Excess asset management can prevent unnecessary purchases.
- F. Accounting for depreciation provides "must" information for report purposes.
- G. Debt security allows enterprise fund assets to be used as security for debt issued to construct or improve assets of that enterprise fund.
- H. Preparation of capital and operating budgets is easier with C/A information regarding asset condition.
- I. Debt management identifies both long and short-term financing needs and aids in the preparation to meet those needs.

## STATEMENT OF POLICY

In order to establish and maintain the C/A purposes as outlined, decision on the major capital asset issues must also be documented and become a part of the city's capital asset policy.

Capital Assets (C/A) shall be divided into two distinct groups, Fund Capital Assets (F.C/A) and Governmental Activities Capital Assets with assets in the latter grouping of assets being known as the GACA (Governmental Activities Capital Assets).

Capital Assets related to specific proprietary trust funds (Water, Sewer and Stormwater) are C/A and should be accounted for in their specific fund. All other capital assets should be accounted for through the GACA.

One of the major issues in "Guidelines for the Capitalizing of Capital Assets" which is as follows:

1. Asset Type – Capital assets shall be classified as follows:
  - A. Land
  - B. Land Improvements
  - C. Buildings
  - D. Building Improvements
  - E. Building Service Equipment
  - F. Utility Plant in Service
  - G. Fixed Equipment
  - H. Movable Equipment
  - I. Minor Equipment

J. Vehicles

K. Water and Sewer Lines

L. Construction-in-Progress

M. Equipment & Machinery on Capital Lease

2. Capital assets shall be recorded at historical cost or, if that amount is not practicably determinable, at estimated historical cost. Donated capital assets shall be valued at their acquisition (fair) value when received.
3. Assets with a total cost of less than \$5000 will not be accounted for as financial statement capital assets.
4. Assets not treated as financial statement capital assets, but whose control is desirable will be maintained as controlled assets.
5. Infrastructure capital assets include roads, bridges, curbs, gutters, streets, sidewalks, and similar will be recorded.
6. Items "Under construction" will be capitalized as capital assets when construction begins.
7. Additions to C/A that extend the useful life of the asset will be capitalized, as opposed to a small repair or routine maintenance that will be expensed. Additions include but are not limited to, complete overhaul or reconditioning which return the capital assets to new or better condition, or additions or accessories that extend the life of the capital assets beyond its depreciated life. Each overhaul, reconditioning, addition, accessory, etc. must cost \$5000 for capitalization to take effect and all will be handled on an individual basis.

8. Transfers of capital assets from one department/office to another shall be coordinated through the auditor and safety-service director to ensure the accuracy of inventory records. A disposal/transfer notice form is to be completed for each transfer or disposal.
9. Leases for assets for which the city receives the benefits and risks of ownership will be evaluated using the criteria discussed in Governmental Accounting Standards Board (GASB) Statement No. 87 to determine whether they should be recorded as assets by the City.
10. All capital assets of Hillsboro will be tagged for accountability and control, where it is practicable to do so. The capital asset manager (see Page 10) and the capital asset representative (see #11 below) shall work together to ensure the tagging of all capital assets.
11. Each organizational unit (office or department) shall be responsible for the capital assets within its unit. In carrying out that responsibility, it is suggested that each unit designate a capital asset representative who will coordinate capital asset purchases, transfers, disposals, etc. with the City Auditor. The ultimate responsibility for a capital asset's location, condition and/or safekeeping lies with the office holder or department head.
12. For assets to qualify as capital assets; the following ancillary charges will be included in the determination:
  - A. Freight and Transportation charges
  - B. Closing costs

C. Fees -- Legal, Title, Appraisal, Surveying, Architect, Accounting,  
Consulting, Negotiation

D. Land preparation, demolition costs

E. Insurance premiums, interest costs during construction

F. Training and/or consultation fees

13. Salvage value of **Fund Capital Assets** will be determined by the user and communicated to the finance department to make the necessary adjustments.
14. Accumulated depreciation will be calculated by the "Straight-Line" method and used as a reduction of the capital asset value i.e. ....cost less accumulated depreciation. Depreciation on Motor Vehicles will be maintained for insurance purposes. Capital assets purchased within a fiscal year will be depreciated for a full year.
15. Maintenance agreement costs will be expensed, however; they will be included in Financial Statement noted.
16. Insurable cost -- donated items other than cash will be "Booked" at fair market value at the time of donation and handled according to items of a similar nature on the balance sheet.
17. The City's portion of jointly owned property will be accounted for and duly noted on the financial statements.
18. Assets that came into the possession of the City through foreclosure proceedings are to be accounted for as Capital Assets if ownership is to be retained by the City.



## **STATEMENT OF PROCEDURES**

### **CAPITAL ASSET MANAGER**

The accuracy of the capital asset accounting and management systems is of paramount importance to ensure the correctness of the city's financial reporting, therefore; to ensure the development and maintenance of the capital asset accounting and management systems, Hillsboro will, through the Auditor's office; appoint a capital asset manager who will coordinate the flow of information and data within the system.

Additionally, to ensure the correctness of inventory information; individuals in each office and/or department (C/A representatives) shall be assigned capital asset responsibilities and designated to work with the manager. It is important that this person be notified of purchases, transfers or disposals made within the office or department.

### **PURCHASE ORDERS**

A purchase requisition shall be completed and submitted to the purchasing agent for approval. Once the requisition is approved, the Auditor will certify if funds are available and will issue a Purchase Order. Following certification, two copies of the purchase order are retained by the Auditor's office for use by the C/A manager and the Accounts Payable clerk.

Upon request for payment of the item invoice, the department head/office will forward to the C/A manager a copy of the invoice and purchase order for entry into the C/A system. The manager will forward an identification tag(s) to the responsible person in the department/office for placement onto the asset.

## **CAPITAL ASSET DISPOSAL**

All notices of asset disposal or transfer are to be submitted to the capital asset manager for review and updating of asset inventory records. The C/A manager is to keep the original request and forward a copy and any attached copies to the originating person. Ideally, the notice should flow through the C/A representative in the office/department to and from the capital asset manager.

After disposal/transfer acknowledgement has been received by the originator, a copy that has been signed by the originator, shall be sent to the fiscal officer and in the case of transfer; a copy to the office receiving the asset. Transfers for auction purposes should be treated the same except that the asset will be transferred to a central location for storage and control purposes (assets held for sale).

On a reasonable basis, a list of "Assets held for Sale" will be prepared by the Auditor and a copy forwarded to the safety-service director who will compare the list to the list of assets approved for disposal. A second copy of the list is to be sent to the head of the storage location for verification. Any discrepancies are to be reported to the C/A manager.

After the auction the C/A manager will prepare a list of assets sold and the amount of money received for each and shall provide a copy to the fiscal officer. All asset lists should then be updated.

## **ANNUAL CAPITAL ASSET REVIEW**

Annually there shall be prepared by the Auditor, a master list of all city of Hillsboro assets, a report of assets purchased (Acquisition Report) and a report of assets disposed of

or transferred (Retirement Report). These reports are also to be prepared by each department/office so that a copy of each report can be sent to each department/office for verification.

Any exception to the reports is to be reported to the capital asset manager for resolution and adjustment to the inventory.

### **CAPITAL ASSETS NOT-IN-USE**

On a regular basis, the department heads will report to the Auditor all assets not-in-use. The Auditor shall prepare quarterly a report listing all assets not-in-use for distribution to all departments. Offices, upon review, may request transfer of any needed items. The safety-service director will also review the report to identify assets that can be transferred in response to a requisition to purchase and assets that can be sold. Transfer in response to requisition to purchase is not mandatory, however; consideration of this alternative is economically feasible to the city.

### **ALTERED STATUS**

Other than the aforementioned disposal, transfer or retirement of capital assets; any other alteration of a capital asset's status, loss, theft, damage or repair shall be immediately be reported to the capital asset manager. The capital asset manager will investigate the matter and determine the proper course of action for inventory and accounting purposes.

## **PHYSICAL INVENTORY**

The auditor will direct the various department heads to perform periodic physical inventories to ensure the accuracy of inventory records of the city of Hillsboro and to comply with the rules of the Auditor of State.

Inventory guidelines will be adopted by the auditor with the approval of the Hillsboro City Council and become a part of these procedures.

DEPARTMENT [REDACTED]

DATE [REDACTED]

**ITEM TO BE DISPOSED/TRANSFERRED**

[REDACTED]

TAG OR I.D.#

[REDACTED]

Model.Serial # If Applicable

[REDACTED]

DESCRIPTION

Approved by: [REDACTED]

Date: [REDACTED]

Safety Service Director

**TRANSFER INFORMATION:**

[REDACTED]

From Dept. & Location

[REDACTED]

To Dept. & Location

Approved by: [REDACTED]

Date: [REDACTED]

Office Holder/Department Head

**DISPOSAL INFORMATION:**

Reason for Disposal: [REDACTED]

Mmethod of Disposal: [REDACTED]

Approved by: [REDACTED]

Date: [REDACTED]

Office Holder/Department Head

**NOTICE INFORMATION:**

Auditor use only

Date Received [REDACTED]

Date Noted [REDACTED]

Date Returned [REDACTED]

Date Dept./Office Contacted: [REDACTED]

Date Transferred [REDACTED]

Date of Disposal [REDACTED]

If Scrapped/Sold, Amt. Received \$ [REDACTED]

If Trade-in, New Asset ID or Tag# [REDACTED]

Disposal/Transfer Noted [REDACTED]

Fixed Asset Manager

[REDACTED]

Date