Ohio Department of Administrative Services
John Kasich, *Governor*
Robert Blair, *Director*

General Services Division
Asset Management Services
4200 Surface Road
Columbus, Ohio 43228

614.752-0076 voice
fred.zabonik@das.state.oh.us

OhioDAS

TO: All Appointing Authorities and Agency Personnel Responsible for Maintaining and/or Reporting Inventories of State Owned Personal Property, Real Property or Infrastructure

FROM: Fred Zabonik, Manager, Asset Management Services (AMS)

CC: Wayne McCulty, GSD Deputy Chief Procurement Officer

TITLE: State of Ohio Asset Management Handbook

DATE: Effective March 29, 2016

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INTRODUCTION

As required by Section 125.16 of the Ohio Revised Code (ORC) and DAS Directive GS-D-05, all state agencies, boards and commissions have stewardship responsibilities with maintaining and reporting an inventory representing the activities of their state owned assets in accordance with procedures prescribed within this document.

The words “state,” “agency” or “state agency” as used in this document refer to all entities of the State of Ohio including boards and commissions as established by the State Legislature, however, state supported institutions of higher education and entities determined exempted by DAS Chief Legal Counsel’s opinion are excluded.

The State of Ohio Asset Management Handbook is based on each agency using an accounting period based on a state fiscal year, which also includes calculating and reporting depreciation on an annual cycle.

Inquiries or questions regarding the inventory accounting procedures should be directed to Fred Zabonik, State Program Manager with Asset Management Services by either phone or email as listed in the page header.

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State of Ohio Asset Management Handbook

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Service, Support, Solutions for Ohio Government

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PURPOSE

The purpose of the State of Ohio Asset Management Policies and Procedures is to familiarize and guide agencies' executive officers and their inventory control officers with the accounting, control and reporting requirements of state owned assets, and their roles and responsibilities for overseeing that these requirements are implemented. Additionally, to explain the roles of other state employees who assist the inventory control officers, as well as state employees who are assigned state assets for use in conducting state business. This document serves as a reference to all authorities, intended to be dynamic in nature and will continue to evolve, as needs change.

SCOPE

The State of Ohio Asset Management Policies and Procedures apply to the inventories of personal property (tangible and intangible), real property, licensed vehicles, infrastructure assets and construction-in-progress meeting the stewardship reporting criteria/cost thresholds for fiscal year 2006 and fiscal years thereafter until superseded by an update. Each state agency shall report their updated inventory of assets on-hand as of June 30th, along with the inventory activities for the fiscal year that supports the on-hand amounts, and certify all the inventory activities including on-hand amounts to DAS' Asset Management Services by each October 1st. Detailed certification instructions titled "Compliance Instructions for Certifying State Property Inventory Activity with DAS" are contained in a separate document, but referenced within and are considered a part of the "State of Ohio Asset Management Policies and Procedures."

State owned property that meets the Office of Budget and Management's capitalization policy are considered capital assets; a.k.a., fixed assets. Capital assets must be maintained and reported by the entrusted or owner agency in accordance with the policies and procedures within this document, as well as the Office of Budget and Management's (OBM) capital asset policies titled "Financial Reporting and Accounting Policies for Capital Assets." The policies for capital assets are referenced within and are considered a part of the "State of Ohio Asset Management Policies and Procedures."

DAS LIMITED RESPONSIBILITY (Clarification Statement)

The Department of Administrative Services', including the Asset Management Services office in the General Services Division, responsibility ends and the state agencies responsibility solely begins for state owned assets not meeting the stewardship reporting criteria/cost thresholds and for all state owned consumable (supply) assets. The sole responsibility of the state agencies includes, but is not limited to, the accountability, safeguarding and reporting of all activity involving the aforementioned assets.

NEED FOR ACCURATE INVENTORIES

FALSE AND MISLEADING INFORMATION

It is absolutely necessary for each state agency to maintain accurate inventory records to ensure that information on individual assets owned by the agencies and the activity of changes that occur with them are in fact true and not misleading. If agency inventories are not kept updated regularly with accurate information about each asset, then recipients that receive and use data from the OAKS Asset Management module or from an agency in-house asset management system are being subject to incorrect or misleading information.

RECIPIENTS AND USE OF INVENTORY INFORMATION

Listed here are major recipients of data as provided from agency maintained property inventories, and how the customers use it:

Recipients of Inventory Information	Uses / Benefits of Information
Office of Budget and Management	State's Annual Comprehensive Financial Report (CAFR)
DAS/GSD's Office of Risk Management	State's Catastrophic Property Insurance Program
Ohio Public Safety	Ohio's Homeland Security Program
Auditor of State	State's Audit Program
Federal Government	SWCAP and Grant Programs
DAS/GSD's Office of State Surplus	Carry out surplus program as mandated by statute
DAS/GSD's Asset Management Services	Carry out inventory program as mandated by statute
Agencies	Requirements for both internal and external customers. Need for acquisition detail, track asset lifecycle activity, agency accountability, custodial accounts, cost allocations to cost centers/programs, equipment and capital planning/budgets, and service maintenance contracts.

ALL AUTHORITIES AND REFERENCES

AUTHORITY	DESCRIPTION OF REFERENCE
ORC Section 125.16	State Property Inventory
DAS Directive GS-D-05	State Property Inventory
ORC Sections 125.831 & 125.832	Fleet Management Program
ORC Section 125.12 – 125.14	DAS' State Surplus Program
Ohio Administrative Rule 123: 5-2-01	State Surplus Authorizing Local Disposal
DAS Directive GS-D-06	Removal of Sensitive Information from State Owned Property
State of Ohio IT Standard ITS-SYS-01 for Bar Code Labels	Bar Code Standards for Automated Systems used by State Ohio Government Agencies (formerly policy ITP-E.3)
OBM Capital (Fixed) Asset Policies	Financial Reporting and Accounting Policies for Capital (Fixed) Assets
ORC Section 126.21 (A) (9)	Annual Financial Reporting
OBM Financial Reports	Comprehensive Annual Financial Report (CAFR)
ORC Section 117.17	Executive Officer Leaving Office – Letter Containing List of Inventory

ROLES and RESPONSIBILITIES of AGENCY PERSONNEL

The following descriptions of agency personnel is not meant to be or replace classification position descriptions, but to only aid the agencies to recognize their key individuals and segregation of duties (refer to OBM's IACP), the roles and relationships to each other, and needed authority to carry out their roles. Further, the descriptions explain DAS' perspective as to the importance of individual responsibilities and network of communication to achieve complete and accurate inventories.

EXECUTIVE OFFICER

The executive officer or his/her designee of each agency shall designate one or more inventory control officers for stewardship of state owned personal property and one or

more inventory control officers for stewardship of state owned real property and infrastructure property that the entity holds title or is entrusted to maintain on behalf of the state. The Executive Officer shall give them the appropriate level of authority so that the agency's perpetual inventories will be accurately and properly maintained.

Also, the Executive Officer may directly assign additional individuals as Inventory Coordinators and Physical Inventory Specialists, or have a designated person be responsible for assigning individuals to these specific tasks, as well as determining the agency's inventory labor needs and level of responsibility to be given to the selected individuals.

The ultimate responsibility for the custody and care of all personal property, real property and infrastructure entrusted or owned by the agency, board or commission lies with the executive officer. This is duly noted, when the executive officer or his/her designee(s) is annually required to certify by signature the agency's Annual Inventory Activity Certification form.

Further, the executive officer is responsible for ensuring that he/she complies with Sections 125.16 and Section 117.17 of the Ohio Revised Code, and again referenced in DAS' Directive GS-D-05.

INVENTORY CONTROL OFFICER

In general, the responsibilities of an inventory control officer is to focus on maintaining a perpetual inventory of state owned property on the OAKS Asset Management module or on the agency's in-house asset management system in accordance with ORC, Section 125.6 and all related policies and procedures. The inventory control officer can be responsible for the inventory of an entire state entity or portion of an agency, such as a reporting division, institution, regional office, etc. Therefore, these individuals would be known as either agency, divisional, institutional or regional inventory control officers. The range of inventory classes that an inventory control officer is responsible for can vary by agency, such as only personal property inventories, only real property inventories (including Infrastructure inventories) or both asset classes. As the executive officer's designee, the inventory control officer can prepare the annual certification of state property inventory activity, the biennium certification of completion of physical inventory, and required supporting documentation. When all items are completed, they are submitted to Administrative Services. The inventory control officer is the subject matter expert (SME), thereby having knowledge, and trained where applicable, in all aspects of Asset Management Policies and Procedures, Capital (Fixed) Assets Accounting Policies, State Surplus Policies and Procedures, and user operations of OAKS AM, if applicable.

An agency inventory control officer is Administrative Services' primary contact for inventory information and assistance for the state entity. The inventory control officer acts as a liaison between Administrative Services and the executive officer; also as a liaison between Administrative Services and inventory coordinators.

The inventory control officer may prepare the necessary inventory activity documents for system input, as well as actual data entry of inventory transactions into OAKS AM or an agency in-house asset management system. The inventory control officer shall be given the authority to grant or deny permission for the retirement of personal property, including its movement within/offsite the agency's state facilities. An agency inventory control

officer may assign, direct and monitor other inventory control officers and/or inventory coordinators. An inventory control officer responsible for a portion of an agency may assign, direct and monitor inventory coordinators. The inventory control officer may assign and/or monitor state employees as custodians to personal property, a.k.a., equipment custodians.

INVENTORY COORDINATOR

In general, the inventory coordinator assists an inventory control officer with the stewardship duties for maintaining a portion of the agency's inventory. The scope of responsibilities for an inventory coordinator is usually less than that of an inventory control officer and is dependent upon the agency's needs. The inventory coordinator works on an as needed basis and encompasses a smaller portion of the agency's organization, such as unit, office, department, etc. The organizational units that are served by inventory coordinators are sometimes defined by the agency as cost centers and are noted as such in the agencies accounting structure. The inventory coordinators' duties or tasks may vary depending on what the inventory control officer has requested or assigns to them.

PERSONAL PROPERTY (Equipment) CUSTODIAN

A state employee can be assigned as an equipment custodian (a.k.a., responsible employee) to one or more assets. An equipment custodian can be a primary user of equipment, a caretaker of equipment or both. As a primary user of equipment, the equipment custodian personally uses his/her equipment on a daily basis to conduct state business. As a caretaker, the equipment custodian oversees shared equipment that is used by a designated group or organizational unit; typically these assets are located in common areas, conference/training rooms, storage areas, etc. For example, a state employee could be assigned to both the equipment that he/she uses directly and all the personal property inventoried in a specific conference room.

When a state employee is assigned as an equipment custodian, his/her name and/or State of Ohio User ID shall be entered on the personal property asset records in OAKS AM or an agency's in-house asset management system.

The equipment custodian is responsible for notifying either the inventory coordinator or the inventory control officer prior to or during an asset moving to another location, given to another person for use or is recognized as a missing asset. Assets assigned to the inventory control officer as the equipment custodian should be checked/monitored periodically by his/her supervisor.

PHYSICAL INVENTORY SPECIALIST

In general, a physical inventory specialist is a person assigned to take a physical inventory of state property. The purpose of a physical inventory is to identify active assets by

count/review of agency owned assets that are in-use, then using the results from the physical count/review to confirm that OAKS AM or agency's in-house asset management system records are accurate. For state owned real property assets, this procedure could be performed by physically visiting the asset sites, a review of related real estate documents/transactions, or both processes; then reconciling the results to OAKS AM or agency's in-house asset management system records.

During the physical count/review, changes or exceptions will most likely be revealed that have occurred to existing assets. In either case, the physical inventory specialist must determine resolutions and corrective actions to be taken. Changes require that updated information be notated about the asset records, such as on master inventory property list or entered into a scanner, then entered into OAKS AM or an agency in-house asset management system. There can be a variety of information requiring an update on an asset record. As active assets are counted/reviewed by the physical inventory specialist, a variety of changes can be revealed, such as the movement to new locations within an agency reporting unit or to another reporting unit, different employees using the assets thereby requiring a change to custodial accounts, or a noticeable change to the condition of the assets.

Assets from the master inventory property list that cannot be found (example of an exception) during the count/review will require an investigation to determine what actually happened to the assets. Once answers are determined for not found assets, the results from these and other changes are given to the inventory control officer or inventory coordinator for entry into OAKS AM and/or the agency's in-house asset management system.

ALL STATE EMPLOYEES – LIMITATIONS ON USE OF STATE OWNED PROPERTY

There are some activities when performed by state employees that could be harmful to their employment with the state. Without explicit directions, employees may be involved in some form of criminal offense or inappropriate action subject to discipline and not be fully aware that they are.

The following Ohio statutes cover most criminal violations that could apply to a state employee:

R.C. 2913.02 (basic theft statute)
R.C. 2921.01(A) (theft by public employees)
R.C. 2921.41 (theft in office statute)
R.C. 2909.05 (B) (2) (vandalism)

Each state employee has a responsibility not to remove state owned personal property, both tangible and intangible, from its state facility without agency authorization to do so and not to cause serious physical harm to any state owned property.

For additional details and explanation on the use of IT equipment, Software, Telephones, etc., refer to "State of Ohio IT Rules, Policies, Standards, Procedures & Bulletins" at the following website: http://privacy.ohio.gov/ohiopolicies/index.stm.

CERTIFICATIONS & FILING DATES

ANNUAL ACTIVITY CERTIFICATION

Each state agency, board and commission is required to ***update and certify its state property inventory activities each state fiscal year.*** The completed certification forms and supporting reports are required to be submitted to DAS no later than the first day of October. The annual certification covers a period of July 1st through June 30th, the fiscal year previous to the October 1st submission date to DAS.

For a state agency, board or commission whose fiscal operations are performed on a calendar basis, the annual certification covers a period of January 1st through December 31st , the calendar year previous to the October 1st submission date to DAS.

BIENNIAL PHYSICAL CERTIFICATION

Each state agency, board and commission is required ***to perform a physical inventory and reconciliation to its perpetual inventory records on OAKS AM or its in-house asset management system each state biennium. A physical inventory and the reconciliation can be completed any time during a state biennium.*** If the physical inventory process has been completed, then the entity is required to complete a certification form and submit it to DAS no later than October 1st after the close of each state biennium. By an agency not submitting a completed certification form to DAS by October 1st following the close of each state biennium; it will be assumed that a complete physical inventory was not performed.

ANNUAL CERTIFICATION ISSUES

DUPLICATE ASSET REPORTING

Duplicate reporting of a state owned asset to DAS for compliance with ORC 125.16 is not permitted, whether the source/database providing the information are the same or different.

MULTIPLE ASSET MANAGEMENT SYSTEMS

Any state agency that has asset records maintained on the OAKS AM module and

inventory records for the same assets maintained on its agency in-house asset management system shall use OAKS AM to report and certify its inventory activity to comply with ORC 125.16.

BOOK OF RECORD

The Book of Record is a single and official source, such as an asset management system, where all data, activity and/or calculation of depreciation for a state owned asset is recorded and reported from to comply with ORC 125.16, report to OBM for GAAP/CAFR requirements, and/or used by the State Auditor to conduct its audits.

For any state owned asset and its inventory record data, activity or depreciation reported and certified to DAS, in compliance of ORC 125.16, shall be derived from the same source, such as an asset management system, used to report detailed or summarized fixed asset financial information to OBM for its annual GAAP/CAFR requirements, or used by the State Auditor to conduct state audits.

ANNUAL ACTIVITY CERTIFICATION INSTRUCTIONS & FORMS

Each agency (including their divisions, institutions or units if maintaining separate inventories and certifies separately with Administrative Services) shall complete schedule A and B of an ADM-1413 “Annual Certificate of State Property Inventory” form. The completed ADM-1413 form (both schedules A and B) shall be submitted to Administrative Services on or before the first day of October following the end of the state fiscal year.

Note: An ADM-1415 can be substituted for ADM-1413, if the agency conducts all fiscal and budget operations on a calendar year basis. Instructions and forms for annual activity certifications are subject to change, therefore agencies are encouraged to check the websites for any new updated material and requirements prior to submitting completed Certifications to DAS.

Detailed certification instructions titled “Compliance Instructions for Certifying State Property Inventory Activity with DAS” are contained in a separate document, but referenced within and are considered a part of the State of Ohio Property Inventory Policies and Procedures. The document of instructions is published annually and subject to change. The document should be carefully reviewed annually by state agencies’ personnel prior to certifying their inventory activity with DAS. The Annual Instructions for Certifying State Property Inventory Activity with DAS is accessible at the following website address:
http://das.ohio.gov/Divisions/GeneralServices/AssetManagmentServices/Certification/tabid/316/Default.aspx.

BIENNIAL PHYSICAL CERTIFICATION FORMS

Each agency (including divisions, institutions or units of the agency if maintaining separate inventories and separately certifies them with Administrative Services) shall complete an ADM-1421 “Certificate of Completion of Physical Inventory” form for each state biennium to certify that a physical inventory was completed. The completed ADM-1421 form is required to be submitted to Administrative Services no later than the first day of October following the state biennium. The ADM-1421 form is accessible at the following Website address:
http://das.ohio.gov/Divisions/GeneralServices/AssetManagmentServices/Certification/tabid/316/Default.aspx.

Refer to the section titled “Physical Inventories” in this document for more information.

STATE OWNED PROPERTY

DEFINITION

As used and cited in this handbook and Section 125.16 of the Ohio Revised Code, the Department of Administrative Services has defined “Property” as assets that are owned (constructed, donated or purchased), subject to ownership (e.g., leased asset), acquired under a grant or sub-grant, or held on behalf of the State of Ohio. Property has an initial estimated useful life of two years or more and is neither consumed nor expended during its useful life. The property is used in the operations of the state either directly or indirectly, e.g., highway networks, educational programs, federal government programs, etc.

ADDITIONAL OWNERSHIP INFORMATION

Assets acquired under a grant or sub-grant are considered State of Ohio property upon acquisition by the state, but subject to any obligations and conditions as set forth by the “Federal Government."

Assets held on behalf of the State of Ohio are defined as items being used outside the operations of a state agency and/or outside the operations of state government (such as highways, bridges, parks, etc.), but a state agency remains in control and/or title of the assets. Such as the assets cannot be relocated, traded-in, retired, etc. without the parent state agency’s permission. Assets held on behalf of a state agency are considered state owned property.

Where <u>funds from multiple state agencies</u> are used to acquire an asset and it is unclear as to which agency retains control or ownership of the asset, then the following general rule is applied:

> The agency that has primary responsibility for managing and/or liability for the asset should maintain the inventory of the asset and report the asset to DAS and OBM, unless other arrangements have been agreed upon between acquiring agencies.

Refer to the section titled “Pass-Through Purchases” within this document for more related information regarding ownership.

ACQUISITION METHODS

TYPES OF ACQUISITIONS

The state or state agencies can acquire property by direct purchase (with or without trade-in), purchase under a grant, lease (includes installment payments and lease purchase with non-cancelable lease period), construction, donation, transfer from another agency, or exchange with an outside party. Each asset record shall be identified by one of the above types of acquisitions.

LEASED ASSETS

Leased assets are subject to ownership by the State of Ohio when being acquired by lease purchase with a non-cancelable lease period.

Agencies are required to inventory an asset acquired through a lease agreement, either as a stewardship asset or as a capital (fixed) asset, when the lease meets all three (3) of the following “**lease purchase criteria**”:

1. The leased asset meets the stewardship reporting criteria/cost threshold (i.e., the asset meets the cost threshold if directly purchased).
2. The lease agreement has a non-cancelable lease period.
3. The lease agreement is a lease purchase.

A “lease purchase” is generally defined as a lease that transfers ownership of the property to the lessee (the agency or the State of Ohio) during or at the end of the lease term.

Capital Leases and Pre-Qualifying Capital Lease Agreements

When a lease agreement for acquiring an asset qualifies as a capital lease, then the leased asset is required to be inventoried as a capital asset. Agencies that maintain their asset records in OAKS AM are expected to enter their capital leases in OAKS AM at the time of inception of the lease. All capital leases must be recorded in OAKS AM. Therefore, Agencies that do not maintain their asset records in OAKS AM are expected to complete an “OAKS Capital Lease Form” and send the form to DAS.AMS@DAS.STATE.OH.US at the time of the inception of the lease. The DAS Asset Management Services staff will enter the capital leases into OAKS AM for Agencies not using OAKS AM.

***** Note: When a leased asset meets the capital (fixed) asset reporting criteria/cost threshold (i.e., personal property greater than $15,000) and one of the four "**capital lease criteria**" prescribed under the Financial Accounting Standards Board Statement No.13 (FASB 13), the asset is then considered a Capital Lease. For quick reference, the four capital lease criteria are listed as follows:

1. The lease transfers ownership of the property to the lessee (the agency or State of Ohio) during or at the end of the lease term.
2. The lease contains a bargain-purchase option. A bargain-purchase option is a provision allowing the lessee to buy the property at a very favorable price.
3. The lease term is equal to or greater than 75 percent of the estimated economic life of the leased property.
4. The present value of the minimum lease payments equals or exceeds 90 percent of the fair value of the leased property. Minimum lease payments generally equal the property rental payments excluding executory costs such as maintenance and insurance.

For more detail on FASB 13, both the criteria and application thereof are also listed in OBM's Fixed Asset Policies. Also, please note that OBM considers any lease agreement that is not a Capital Lease, an "operating lease."

Review of Agency Leases

Copies of all leases for any asset that appears to meet the stewardship reporting criteria/cost threshold shall be distributed to the agency inventory control officer or if applicable, to a designated inventory coordinator within the agency. The agency control officer or designated inventory coordinator will review leases in more detail to determine if stated criteria are met.

DONATED ASSETS TO THE STATE OF OHIO

An asset donated to a state agency is treated the same as an asset owned by the State of Ohio. "Donation" is defined as an asset bestowed to the State of Ohio without compensation, where the donor relinquishes all rights to the gifted asset to the state.

Upon acceptance and receipt of a donated asset, it is considered property of the State of Ohio. As such, the asset is subject to the Ohio statute, rules and policies that govern all state owned assets. A transmittal letter shall accompany the donated asset, either completed by the donor or State of Ohio.

Protocol for taking possession of assets gifted from individuals or organizations external to the State of Ohio are the following:

Upon acceptance of the asset, the recipient (state agency) or donor shall prepare a transmittal letter containing the required content of information. If the transmittal letter is prepared by the agency, then it shall be signed by the Executive Officer or by his/her

designee. If the transmittal letter is prepared by the donator, then it shall be signed by the donor. A single copy is submitted to the Executive Officer, the donator, and signed original given to the agency Inventory Control Officer.

The required contents of the transmittal letter for an asset donated to the state shall include:

- Name of the Donator (organization or individual gifting the asset to the state),
  - Mailing Address,
  - Phone Number;
- Description of the Asset;
- Date the State acquired the donated assets;
- Name of Recipient (state agency);
- Value of the asset being the fair market value at time of acquisition (donation);
- Signed by the agency Executive Officer, his/her designee, or by the Donator.

LOANED ASSETS TO THE STATE OF OHIO

An asset loaned to a state agency does not require to be inventoried and is not considered State property. It is not recommend that loaned assets be inventoried by the state.

"Loaned" is defined as an asset given to the State of Ohio for temporary use on the condition that it be returned to the lender, based on a time period and/or when a specific condition is or is no longer met, without any compensation.

Upon acceptance and receipt of a loaned asset, a transmittal letter shall accompany the loaned asset, either completed by the donator or State of Ohio.

Protocol for taking possession of assets loaned to the State of Ohio or state agency from outside parties, such as individuals or organizations, are the following:

The lender or the recipient (state agency) shall prepare a transmittal letter containing the required content of information. The transmittal letter is signed by the lender, the Agency Executive Officer, or designated person by the Agency Executive Officer. The original signed transmittal letter is given to the Agency Executive Officer or his/her designated person, and copy to the Lender.

The required contents of the transmittal letter for asset loaned to the state shall include:

- Name of the Lender (organization or individual lending the asset to the state),
  - Mailing Address,
  - Phone Number;
- Description of the Asset;
- Date the State accepted the loaned assets;
- Name of Recipient (state agency);
- Statement indicating that the Lender will not hold the state liable for any degeneration of the assets condition, or if the asset is stolen.

- Contingencies stating the return date of the asset and/or other condition upon which the asset will be returned to Lender;
- Signed by the Lender and the Agency Executive Officer, original filed with the state agency and a copy given to the Lender.

ASSET CLASSES

The following are the asset classes (major classes and sub-classes) of state owned property, recognized by Administrative Services and the Office of Budget and Management:

- Personal Property
  - Tangible Personal Property – furniture, fixtures, firearms, equipment and machinery, non-licensed vehicles, individual works of art and historical treasures
  - Intangible Personal Property – software

- Real Property
  - Land (includes non-operating/historic canals)
    - Easements (includes easements to state owned land and to land external to state)
  - Buildings
  - Land Improvements
  - Infrastructure (Required of ODOT and ODNR only)

- Construction-In-Progress (CIP required of OBM selected agencies only)

- Licensed Vehicles (Maintained on DAS-GSD's Fleet Ohio system)

Each asset record maintained either in OAKS AM or an agency in-house asset management system shall be assigned to an appropriate asset class and/or sub-asset class. The same systems shall be able to report each asset record by its assigned asset class and/or sub-asset class.

<u>For annual certification</u> of inventory activity to DAS, state agencies are required to report and certify their inventory by the following asset classes: Personal Property (includes tangibles and intangibles), Land (includes easements), Buildings, Land Improvements, Infrastructure, Construction-In-Progress (if directed by OBM to use OAKS AM), and Licensed Vehicles (For DAS-GSD's Office of Fleet Management).

Informative & Cautionary Note Regarding Buildings:

Effective beginning July 1, 2001, costs for a standard building, acquired by the State of Ohio through new construction or purchase of an existing structure, are allocated in OAKS AM or an agency in-house asset management system into two Building component records, called General Construction and Other Construction, and a third asset record as Land Improvement. For a standard building, the costs are normally allocated **30** percent to a building record identified as **General Construction** (using General Construction asset category), **60** percent to another building record identified

as **Other Construction** (using Other Construction asset category), and **10** percent to a **Land Improvement** record (using Site Utilities land improvement asset category). Standard buildings generally contain some or all features described in the Building and Land Improvement components. However, if there is no Land Improvement to be recorded, then the 10 percent of the total building cost should be added to General Construction or Other Construction. Refer to pages 45 – 47 of the OBM's Financial Reporting and Accounting Policies for Capital Assets for more detail.

Building records setup on the old Fixed Asset Management System or an agency in-house asset management system prior to July 1, 2001 using the 10 record building component method (10 different asset categories) should not be reclassified solely to comply with the new three (3) record component method (for standard buildings, cost allocation based on 30/60/10 percent rule). This procedure is in accordance with Office of Budget and Management's publication "State of Ohio's Fixed Asset Accounting Policies for Financial Reporting."

STEWARDSHIP REPORTING CRITERIA / COST THRESHOLD

The Department of Administrative Services has established the following Stewardship Reporting Criteria/Cost Thresholds, by asset classes and other categories, to determine what state owned assets are required by state agencies to be inventoried and reported to DAS. If any state agency, except entities identified by the Ohio Revised Code or exempted by DAS, acquires an asset meeting the Stewardship Reporting Criteria/Cost Threshold, then the state agency must maintain a current and accurate inventory record for it. Also, the agency must report the inventory record and its related activity to DAS, and perform such functions in accordance with the Section 125.16 of Ohio Revised Code and the policies and procedures as prescribed within this document.

PERSONAL PROPERTY

1. Agencies shall maintain current and accurate inventory records and related activity for ***tangible personal property*** consisting of furniture, fixtures, equipment, machinery, non-licensed vehicles, and individual works of art and historical treasures, etc., (except licensed vehicles and firearms), including improvements and renovations thereon, with an actual or estimated acquisition cost of more than $1,000 per item; or if donated, a market value at time of donation of more than $1,000 per item. Tangible personal property intentionally acquired for resale or used in the state activities as supplies are excluded.

    Current and accurate inventories for library collections of books and journals shall be readily available upon request but are not required to be annually submitted and certified with the Department of Administrative Services.

Current and accurate inventories for following collections of works of art, historical treasures and similar assets shall be readily available upon request but are not required to be annually submitted and certified with the Department of Administrative Services:

- Governor's Residence
- Malabar Farm (Louis Bromfield estate, which is operated by DNR)
- Ohio Arts Council
- State Library of Ohio
- Capitol Square Review and Advisory Board
- Ohio Historical Society

2. Agencies shall maintain current and accurate inventory records and related activity for **intangible personal property** consisting of ***computer software,*** where it is integral to the functionality of a related system or network, the vendor separately itemizes the cost of the software from hardware, and its cost exceeds $100,000 per license when purchased or if donated, a market value at the time of donation that exceeds $100,000 or its development costs exceed $100,000 when internally produced.

   If software is purchased in a group of licenses, such as multiple users, and is used on a Local or Wide Area Network, then this should be considered one asset and inventoried as one asset record.

3. Agencies shall maintain current and accurate inventory records and related activity for all ***firearms*** capable of discharging projectiles regardless of acquisition cost or donated market value at time of donation.

4. Agencies shall maintain current and accurate inventory records and related activity for ***sensitive property*** with an individual acquisition cost, or if donated, a market value at the time of donation, of at least $500.

   Sensitive property is considered to be popular and highly vulnerable to theft. The following list of sensitive property is required to be reported on each agency's inventory. Administrative Services encourages agencies to expand this list, by adding categories and/or adopting a lower reporting cost threshold, to reflect its own operations and ensure prudent stewardship of the state's assets:

Description of Sensitive Stewardship Property ^	OAKS Profile IDs
Audio Visual Equipment	3200 - 3299
Audio Equipment	3300 – 3399
Communication Equipment	3600 - 3699
Antiques	3701
Moveable Works of Art	3702
Surveillance Equipment	3916
Power Tools	4600 - 4699
^ Data Processing (DP) Equipment is no longer part of Sensitive Property as of March 1, 2008 (refer to next new item).	

5. Agencies shall maintain current and accurate inventory records and related activity for all the following Computing and Information Technology (IT) Equipment, including but

not limited to ***desktop computers, laptops, notebooks, servers, and personal digital assistants (PDAs); including but not limited to palm pilots, blackberries and smartphones*; received March 1, 2008 and after regardless of acquisition cost or donated market value at time of donation.** This includes OAKS Profile IDs in the chart below:

Description of Computing / IT Property	OAKS Profile IDs
Computing and IT Equipment *	3800, 3810 – 3831, 3835 – 3839
Personal Digital Assistant (PDA) **	3832
PDA Internal Upgrade **	3833
* Formerly known as Data Processing (DP) Equipment. Also note that Laptops include Pocket and Tablet PCs. ** Formerly known as Palm/Pocket Computer and Palm/Pocket Internal Upgrade.	

REAL PROPERTY

1. Agencies shall maintain current and accurate inventory records and related activity for all ***land*** regardless of acquisition cost or donated market value at time of donation.

2. Agencies shall maintain current and accurate inventory records and related activity for each ***easement to land external to state, where the state is the grantee***, to erect or affix an asset to the land, or to bury an asset below the surface of the land but not to retain full rights to the land, regardless of cost and life of the easements. Easements for ingress and egress only rights to land; regardless if they are directly derived by individual contract or such rights are derived from other contracts, leases or licenses involving another asset owned by the state; are excluded.

3. Agencies shall maintain current and accurate inventory records and related activity for each ***easement to state owned land, where the state is the grantor***; to erect or affix an asset to the land, to bury an asset below the surface of the land but not to retain full rights to the land, regardless of cost and life of the easements. Easements for ingress and egress only rights to land; regardless if they are directly derived by individual contract or such rights are derived from other contracts, leases or licenses involving another asset owned by the state; are excluded.

4. Agencies shall maintain current and accurate inventory records and related activity for each ***land improvement*** with an actual or estimated acquisition cost of more than $15,000 per item, or if donated, a market value at time of donation of more than $15,000 per item.

   Current and accurate inventory records and related activity shall be maintained for each ***improvement and renovation to an existing land improvement*** with an actual or estimated acquisition cost of more than $15,000 per project, or if donated, a market value at time of donation more than $15,000 per project.

A “Land Improvement” is defined as an improvement made to land, either above or below ground, such as parking lots, sidewalks, retaining walls, yard lighting, fencing, other structures, etc. A land improvement can be associated with land on which one or more State building is located. Further, a prefabricated structure that can be easily emplaced or displaced (e.g., with a crane) and does not require a foundation should be reported as a land improvement.

Freestanding historical monuments, plaques or tombs are not required to be reported to the Department of Administrative Services.

5. Agencies shall maintain current and accurate inventory records and related activity for each ***building*** regardless of acquisition cost or donated market value at time of donation.

   Agencies shall maintain current and accurate inventory records and related activity for each ***improvement and renovation to an existing building*** with an actual or estimated acquisition cost of more than $100,000 per building component, or if donated, a market value at time of donation of more than $100,000 per building component. Inventory records for each improvement and renovation shall be maintained at building component detail level if supporting document adequately allows components to be identified, in accordance with the “State of Ohio Financial Reporting and Accounting Policies for Capital (Fixed) Assets.”

   A “Building” is defined as a permanent structure with a foundation, a roof, and is enclosed, at least partially, with walls. A building may not necessarily be fully enclosed. Further, the cost of a building includes its construction or purchase costs and the cost of all fixtures permanently attached and made part of the building. Permanently attached means removal of the fixtures alters the intended use of the building. Buildings shall be reported as acquisitions when they are ready for occupancy.

Informative and Cautionary Notes:

Assets meeting stewardship reporting criteria but not the capital reporting criteria are known also as non-fixed assets. By contrast, if an asset meets the capital reporting criteria, they are known as fixed assets or as capital assets.

Real property intentionally acquired through a lease at an insignificant cost, such as $1.00, and solely as a legal mechanism to disburse bond monies is excluded. In accordance with the “State of Ohio's Fixed Asset Accounting Policies for Financial Reporting,” inventory records for each building shall be maintained at a building component detail level if supporting document adequately allows components to be identified.

Foreclosure real property that is titled under the “State of Ohio” by the County Auditor is excluded.

INFRASTRUCTURE

The Department of Natural Resources (DNR) and the Department of Transportation (DOT) are required to maintain current and accurate inventory records and related activity for infrastructure assets.

Infrastructure assets include bridges, canals, dams, drainage systems, lighting systems, roads, sewer systems, tunnels, and water systems.

For more specific details on infrastructure assets, refer to Capital (fixed) Asset Reporting Criteria/Cost Threshold in this document.

CONSTRUCTION IN PROGRESS (CIP)

1. Agencies shall maintain current and accurate records of transactions (progress payments) for labor, material, equipment, overhead costs and interest incurred of a project under construction (e.g., buildings, land improvements, and infrastructures) that is expected to meet OBM' s capitalization criteria. All costs of transactions shall be temporarily reported in the account called Construction-In-Progress.

2. All agencies report CIP directly to OBM using activity maintained in CIP accounts (internal database systems/spreadsheet applications) within the agencies unless agencies are otherwise directed by OBM to maintain and report their CIP in OAKS AM or an agency in-house asset management system.

3. When a project is completed, costs in CIP account are removed and allocated to one or more of the other major asset classes by adding asset records to OAKS AM or agency in-house asset management system for each of the selected asset classes. A project is generally considered complete when it is ready for its intended use. Construction for a project is complete when the building substantially finished and occupied. This would include a building that, although technically not completely finished, is occupied under a temporary occupancy permit.

LICENSED VEHICLES

1. Agencies shall maintain current and accurate inventory records and related activity for all ***licensed vehicles*** regardless of acquisition cost or donated market value at time of donation.

2. Inventory records for licensed vehicle are maintained and reported on DAS' Fleet*Ohio* system, managed by the GSD's Office of Fleet Management. Agencies are required to comply with Section 125.83.1 of the Ohio Revised Code.

CAPTIAL (FIXED) ASSET REPORTING CRITERIA / COST THRESHOLD

Capital (fixed) assets are basically a subset of assets meeting the stewardship reporting criteria/cost threshold but are governed/treated by additional accounting and reporting practices. Capital assets are categorized by the same asset classes as the those listed in the stewardship reporting criteria, however capital assets have a greater cost threshold (greater cost / materiality), and require special accounting/financial treatment per OBM and the Governmental Accounting Standards Board Statement 34 (a.k.a. GASB34). Capital (fixed) asset activity is used by OBM to prepare and issue the State's Comprehensive Annual Financial Report (CAFR).

The accounting treatment of capital assets are directed by OBM's Financial Reporting and Accounting Policies in accordance with Section 126.21(A)(9) of the Ohio Revised Code and so need to be referred to by agencies when working with fixed asset records and activity. As capital assets are a sub-group to stewardship assets, they are also directed by the policies and procedures within this document, authorized by Section 125.16 of the Ohio Revised Code.

Capital asset activity balances are collected and published by OBM in the State's Comprehensive Annual Financial Report (CAFR) under section 126.21(A) (9) of the Ohio Revised Code.

Refer to OBM's Financial Reporting and Accounting Policies for Capital Assets (a.k.a. Fixed Asset Policies) for more detail.

In summary, the following defines a capital (fixed) asset by asset class:

1. ***Tangible Personal Property*** (e.g., machinery and equipment, furniture, fixtures, and individual works of art and historical treasures, etc.), including renovations and improvements thereon, that cost more than $15,000 each.

    The State of Ohio does not capitalize library collections of books and journals.

    The State of Ohio does not capitalize the following collections of works of art or historical treasures: Collections at the Governor's Residence, Malabar Farm (Louis Bromfield estate, which is operated by DNR), the Ohio Arts Council, the State Library of Ohio, the Capitol Square Review and Advisory Board, and the Ohio Historical Society *.

    The State does not capitalize the foregoing collections of works of art or historical treasures because, in each case, the collections meet the following three criteria under GAAP, which qualify the collections for exclusion from financial reporting:
    - The collection is held for public exhibition, education, or research in furtherance of public service rather than for financial gain.
    - The collection is protected, kept unencumbered, cared for, and preserved.
    - The collection is subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections, **or** the sales of collection items is prohibited by law.

* Note, collections at the Ohio Historical Society, which is not part of the State's financial reporting entity, belong to the society, and therefore, do not constitute state assets.

2. ***Intangible Personal Property***, consisting of ***computer software,*** where it is integral to the functionality of a related system or network, the vendor separately itemizes the cost of the software from hardware, and its cost exceeds $100,000 per license when purchased or its development costs exceed $100,000 when internally produced.

   If software is purchased in a group of licenses, such as multiple users, and is used on a Local or Wide Area Network, then this should be considered one asset and inventoried as one asset record.

3. ***Land***, regardless of cost.

4. ***Easements*** negotiated by the state or state agency to use land owned by an individual or organization ***external to the State, where the State is the grantee***, to erect or affix an asset to the land or to bury an asset below the surface of the land but not retain full rights to the land, regardless of cost and life of the easement. Easements for ingress and egress only rights to land; regardless if they are directly derived by individual contract or such rights are derived from other contracts, leases or licenses involving another asset owned by the state; are excluded.

5. ***Land Improvements***, which cost more than $15,000 per item.

   Current and accurate inventory records and related activity shall be maintained for each ***improvement and renovation to an existing land improvement*** with an actual or estimated acquisition cost of more than $15,000 per project, or if donated, a market value at time of donation more than $15,000 per project.

   The State of Ohio does not capitalize freestanding historical monuments, plaques or tombs.

6. ***Buildings*** that cost more than $15,000 each and any associated renovations and improvements thereon that cost more than $100,000 a building component.

   Agencies shall maintain current and accurate inventory records and related activity for each ***improvement and renovation to an existing building*** with an actual or estimated acquisition cost of more than $100,000 per building component, or if donated, a market value at time of donation of more than $100,000 per building component. Inventory records for each improvement and renovation shall be maintained at building component detail level if supporting document adequately allows components to be identified, in accordance with the "State of Ohio Financial Reporting and Accounting Policies for Capital (Fixed) Assets."

7. ***Licensed Vehicles***, including renovations and improvements thereon and trailers that are not self-propelled, that cost more than $15,000 each and are capable of being licensed through the Department of Public Safety's Bureau of Motor Vehicles for intended over-the-road transportation use.

8. ***Infrastructure Assets*** are required to be inventoried and reported by the Department of Natural Resources (DNR) and The Department of Transportation (DOT).

   In general, infrastructure assets include bridges, dams (including existing locks), drainage systems, lighting systems, roads, sewer systems, tunnels, water systems, and canals. The following explains what infrastructure assets are required to be reported by the respective agencies:

   DNR is required to maintain current and accurate inventory records and related activity of dams (including existing locks), drainage systems, lighting systems, sewer systems (including sanitary and storm sewers), tunnels, and water systems to inventory acquired or constructed infrastructure assets since June 30, 2001, regardless of cost per item. DNR will maintain and depreciate infrastructure asset records in OAKS AM.

   DOT will report the cost of all road (highway) and bridge related assets acquired or constructed prior to July 1, 2001, regardless of cost. DOT will report costs of all highways and bridges related infrastructure assets acquired or constructed since June 30, 2001 that cost $500,000 or more. DOT has elected to use the modified accounting method, with OBM's approval, for maintaining and reporting infrastructure assets, thereby not depreciating the assets.

9. ***Construction-in-Progress*** that is expected to meet the criteria for inclusion in the State's government-wide financial statements when completed. Refer to the following:

   - Agencies shall maintain current and accurate records of transactions (progress payments) for labor, material, equipment, overhead costs and interest incurred of a project under construction (e.g., buildings, land improvements, land improvements, and infrastructures) that is expected to meet OBM' s capitalization criteria. All costs of transactions are temporarily reported in the account called Construction-In-Progress.

   - All agencies report CIP directly to OBM using activity maintained in CIP accounts (internal database systems/spreadsheet applications) within the agencies unless agencies are otherwise directed by OBM to maintain and report their CIP in OAKS AM or an agency in-house asset management system. Costs shall be recorded in CIP accounts as construction work is completed.

   - When a project is completed, costs in CIP account are removed and allocated to one or more of the other major asset classes by adding asset records to OAKS AM or agency in-house asset management system for each of the selected asset classes. A project is generally considered complete when it is ready for its intended use. For example, construction for a building project is complete when the building substantially finished and occupied. This would include a building that, although technically not completely finished, is occupied under a temporary occupancy permit.

NON-STEWARDSHIP ASSETS (Expensed Assets)

When an asset does not meet the stewardship reporting criteria/cost threshold, it is considered a "non-stewardship asset" or "expensed asset." It is each state agency's

prerogative to maintain non-stewardship assets or expensed assets as part of its inventory of state owned property. This property has also been known as voluntarily inventoried assets, non-reportable assets or tracking only assets.

Beginning with FY2004 and each year thereafter, any non-stewardship asset or expensed asset that is voluntarily inventoried will be subject to the same state inventory property policies and procedures, including annual activity and biennial physical certifications, as an asset that does meet the stewardship reporting criteria/cost threshold.

If a state agency establishes a normal routine/practice to inventory assets that do not meet the stewardship reporting criteria/cost threshold, then it is recommended that the agency pursue establishing a written agency policy that define its agency in-house reporting criteria/cost threshold different from state policy.

CHANGES TO THE REPORTING CRITERIA / COST THRESHOLD

The state reporting criteria/cost threshold is subject to change. Should the state change the reporting criteria causing assets to no longer meet the reporting criteria or cost threshold, then agencies may choose to no longer maintain the affected asset records on OAKS AM or an agency in-house asset management system. Due to a change in the reporting criteria/cost threshold or agencies policy on voluntarily inventoried assets, the following procedures shall be followed when an agency declares to no longer maintain and report on OAKS AM or an agency in-house asset management system asset records affected by policy change:

1. An asset record shall be disposed using the appropriate disposal code. State agencies using OAKS AM are required to use “Invalid Entry” as the disposal code.

2. Upon disposal of an asset record, the inventory label affixed to the asset shall be removed or the ID numbers shall be permanently marked – out.

INVENTORY CONTROL

TAGGING INVENTORIED ASSETS

1. All assets classified as **tangible personal property** and maintained on OAKS AM or on an agency in-house asset management system shall each be affixed with at least one bar code inventory label (a.k.a. asset identification tag or tag) or radio frequency identification (RFID) tag (a.k.a., electronic medium device), except for the following:

   - Internal components and sub-components to internal components;
   - Grouping of modular furniture (modular furniture attached to other modular furniture in order to perform its intended function, such as one or more workstations or cubicles);
   - Art, collectibles, antiques and/or museum items;
   - Software licenses;

- Insufficient surface area or unusual contour of surface does not allow for permanent adhesion;
- Subject to environmental conditions (i.e., label cannot remain affixed to the items throughout asset lifecycle);
- Etching or stenciling the asset used as alternate identification method;
- Digital picture of an asset used as an alternate identification method.

2. All assets requiring to be tagged shall be affixed an asset identification tag within fifteen (15) calendar days from the date received by the agency or may be tagged prior to shipment by the vendor or manufacturer in accordance with the purchasing agency instructions.

3. The following classes of assets do not require asset identification tags: intangible personal property, land, land improvements, easements, buildings, construction-in-progress, infrastructure, and vehicles.

4. To improve accountability, each asset requiring to be tagged shall be affixed a bar code inventory label, RFID tag, etched or stenciled on or before (usually by vendor) the date they are received or placed into service with an asset identification (ID) number that is identical to the number that appears on the inventory record representing the same asset, same component, or the same lot of assets. The asset ID number, excluding the optional check digit that appears on the bar code inventory label, shall be unique within the agency and identify either an individual asset, a component of an asset or group of similar assets within a lot.

5. Bar code inventory labels shall meet all the minimum standards as published in State of Ohio IT Standard ITS-SYS-01, titled “Bar Code Standards for Automated Inventory Systems used by State of Ohio Government Agencies to Inventory Tangible Personal Property.” In part, the minimum standards include that the bar code inventory label stock to be of a tamperproof quality with self-adhesive backing that adheres to assets as permanently as possible. A tamperproof label will either leave an identifying mark on the assets if the label is removed or will tear apart into smaller pieces when removal is attempted.

6. The bar code inventory label shall have the agency name, including the division or institution name if applicable printed on it. Recognizable abbreviations can be used to replace the agency, division, and institution names.

7. Radio frequency identification (RFID) tags shall be accompanied with a human readable and bar coded asset ID number, same as the RFID number, appearing on the outside of such a device/tag. Both the human readable and bar coded asset ID numbers shall meet relevant parts of the State of Ohio IT Standard ITS-SYS-01, and reference an identical asset ID number on the inventory system property record.

8. The placement of inventory labels and electronic medium devices is critical to future property identification and physical inventories. Each state agency shall implement the following minimum rules for placement of inventory labels to its property:

   - Placement of inventory labels must be consistent, especially for similar assets;
   - Inventory labels should be easily visible without moving the asset;
   - Inventory labels should not impede regular use of the asset;
   - Place inventory labels on the permanent part of the asset;

- Inventory labels should not be placed on the work surface of an asset, especially where it may be subject to excessive wear;
- Do not place inventory labels on the bottom, back, or inside drawers of an asset;
- In executive areas, placement of inventory should be inconspicuous so not to deface the decor.

RECEIVING / NOTIFICATION OF ASSETS

Any person receiving an asset for an agency is required, at the time the asset is received, to sign and date the packing slip accompanying the asset and/or complete a receiving report officially authorized by the agency asset management unit, including signature and date.

Any person receiving an asset is required to secure a copy of all Purchase Orders and/or Requisitions for assets received. The agency Business Office and/or Fiscal Office in charge of the agency purchase orders and/or requisitions shall furnish copies of such documents upon request from the receiving person or any other person involved with the inventory of assets.

The agency Business Office and/or Fiscal Office in charge of the agency vouchers shall furnish copies of such documents upon request of the agency asset management unit or the agency inventory control officer.

For tangible personal property, <u>within fifteen (15) calendar days from date the asset is received</u> by the agency, the receiving person, if IT or communication equipment a person from the agency IT unit, shall forward a copy of the following documents to the agency asset management unit or directly to the agency inventory control officer:

1. A copy of the signed and dated packing slip and/or completed receiving report with all associated purchase order numbers and purchase order dates.

2. A signed and dated itemized listing of the packing slip and/or receiving report identifying each asset tagged with corresponding asset tag numbers (as displayed on inventory bar code label) and serial numbers.

3. A signed and dated itemized listing of the packing slip and/or receiving report identifying each asset tagged with corresponding asset tag numbers and serial numbers that IT considers to be an internal or sub-component to an internal component and is affixed with an asset identification tag.

4. A signed and dated itemized listing of the packing slip and/or receiving report identifying the expected in-service date and the name of the person being assigned as equipment custodian with corresponding asset tag number and serial number for each tagged asset to the agency asset management unit or directly to the agency inventory control officer.

   An exception applies for any asset going from receiving to either a state or third party operated storage facility or warehouse - prior to asset being installed. <u>Within fifteen (15) calendar days from the asset being shipped from a either a state or third party storage facility or warehouse</u>, the shipping person shall send

a signed and dated installation notice with the in-service date and the name of the person being assigned as equipment custodian with corresponding asset tag number and serial number for each tagged asset to the agency asset management unit or directly to the agency inventory control officer.

IDENTIFYING NON-INVENTORIED ASSETS

It is the agency's option to affix security labels to personal property that does not meet the asset reporting criteria/cost threshold as established by this handbook.

Agencies shall exercise extreme care when electing not to affix security labels to non-inventoried assets. Agencies must be aware that just because their personal property does not meet the reporting criteria/cost threshold, it may be in the agency's best interest and as a good steward to the taxpayers, to either affix security labels to these assets or elect to maintain these assets on inventory. This is especially true with personal property that easily can and does frequently turn-up missing due to pilferage.

When security labels are affixed to assets, they shall be of a tamperproof quality with self-adhesive backing that adheres to assets as permanently as possible. A tamperproof label will either leave an identifying mark on the assets if the label is removed or will tear apart into smaller pieces when removal is attempted. Security labels shall be constructed of polyester, or other material of equal or greater durability. The name of the agency or recognizable abbreviation shall appear on all security labels. If appropriate, the agency's division or institution name (or recognizable abbreviation) may be included with the agency name on the security labels. An inventory asset tag number shall not appear on the security label.

The agency may use its same bar code inventory label stock, without the bar code and asset tag number, for its security labels.

ASSET TAG NUMBERS

Each asset tag number, whether it appears on an inventory label affixed to an asset or assigned to an asset only on its inventory record (no label affixed to asset), must be unique among all other asset tag numbers affixed and/or assigned to assets that are subject to ownership by an agency.

An asset tag number that appears on an inventory label and affixed to an asset must also appear on the asset record, must be maintained on either OAKS AM or an agency in-house asset management system, and identify the same (valid) asset.

For asset records maintained and reported on OAKS AM, the asset tag numbers must conform to the system required asset tag number configurations, which vary based on the asset class.

ALTERNATE KEYS TO IDENTIFY ASSETS

In general, when an asset record or shell record (a partially complete inventory record) is created using an agency in-house asset management system, an internal system number may be automatically assigned to the asset record. System assigned asset numbers are generally established to report grouped or parent/child relationships among different asset records within the system database. Additionally, asset records that have system assigned asset numbers is not a reason for an asset to be exempted from having an Inventory Label affixed to it.

In regard to personal property, when a number is placed on an asset record to serve as an alternate key to the primary asset ID number; such as a Serial Number, License Number and/or Model Number; it shall be the same as it appears on the asset. This is essential for positive identification of an asset, especially if the inventory label has been damaged or removed.

In regard to Land Parcels, the county auditor assigned parcel numbers serve as an alternate key to the primary asset tag number. The county auditor assigned parcel number must be identified on the asset record as it appears in the county auditor land office records. A county assigned parcel number is not necessarily unique to other Ohio county assigned parcel numbers. Therefore agencies must use their 3 character agency identifier as a prefix to the parcel number – (LDAS12345678).

SAFEGUARDING STATE OWNED PROPERTY

General Best Practices for Agencies to Implement

State agencies shall implement and maintain, except where noted, the following "best practices" to help facilitate the safeguard state property:

- Implement controlled access to all state occupied buildings.
- Implement check-out procedures for personal property most susceptible to theft.
- Use of State of Ohio User ID and require visitor login for secured areas.
- Appropriately affix Inventory Labels and Security Labels to personal property.
- Promptly add and update asset records on the agency's inventory.
- Accurately record inventory label ID numbers and manufacture serial numbers on the agency's personal property inventory records.
- Implement proper segregation of personnel duties (note: full implementation may not be attainable due to the size and organizational structure of some agencies) –
    1. Personnel that maintain system asset records do not engage in the Purchasing, Receiving, or Expenditure processing functions.

2. Personnel that maintain system asset records do not take the physical inventory count.

3. Custodians of personal property (equipment custodians) do not have access to system asset records.

- Establish and maintain internal accounting controls conforming to the State's Internal Accounting Control Program (IACP) as a means to provide reasonable control and safeguarding of assets.

CUSTODIANSHIP OF PERSONAL PROPERTY

Custodianship Recommendations

In order for the State of Ohio to have an effective statewide program to improve its accountability of personal property, each agency shall develop internal policies and procedures covering the custodianship responsibilities for personal property. The policies and procedures shall be made available to all current and future employees to ensure continued compliance.

At a *minimum,* each agency shall include the following actions in their policy and procedures:

- Each agency shall assign sufficient persons, such as Inventory Control Officers and/or Inventory Coordinators, with the authority and responsibility of maintaining the inventory of the personal property in their agency and to assign individual rights to use personal property (equipment) and grant permission for any personal property movement within or offsite of State facilities. The agency shall also use these individuals to conduct periodic reviews for updating custodial assignments.

- Agencies shall implement policies and procedures for assignment of inventoried personal property to state employees (custodial accounts) and on the use of personal property, as well as granting the movement of personal property from State facilities. The policies and procedures are to define what the responsibilities are of the employees assigned as custodians of personal property. The policies and procedures shall specifically address:

  - Employees responsibilities for securing sensitive personal property; such as laptops, audio-visual equipment and other small computer/electronic equipment; when not in use or at the close of business.

  - Procedures authorizing employees assigned as custodians of personal property (Equipment Custodians) to take their equipment offsite from State facilities. Agencies are recommended to include the Custodian, Inventory Control Officer, Inventory Coordinator and/or Department Head as part of the authorization process. Further, agencies are recommended that each item listed on an employee's custodial account indicate whether the state employee is or is not authorized to take the assets offsite from state facilities.

- Procedures authorizing the signing of equipment out and in when taken from State facilities on an infrequent basis, especially by someone other than the assigned custodian.

- Procedures authorizing an alternate person (caretaker) to be assigned to personal property in the event that there is no single user who can be assigned to an equipment item.

- Agencies shall implement procedures to have each employee reconcile his/her custodial account for all personal property assigned to him/her during an exit interview. Procedures should be developed by each agency's Human Resource office requiring employees reconcile all equipment assigned to him/her just prior to changing positions within the organization or if terminated, during an exit interview.

  - Agencies are recommended to periodically update their personal property (equipment) custodial accounts during a biennial physical inventory or sooner at the agency's discretion. The agency should consider updating custodial accounts when requested by the custodian or custodian's supervisor, as well as immediately following the termination of employee's employment or employee transferring to a different position.

Types of Personal Property (Equipment) Custodians

The following further clarifies and defines types of custodians, being the difference between a primary user and a caretaker (alternate person) when assigning custodial accounts:

A ***"primary user"*** is the person who uses his/her state owned equipment on a daily or frequent basis to conduct state business.

A "***caretaker"*** is a state employee who is the steward of state owned equipment used/shared by a designated group(s) or organizational unit(s) of an agency, typically located but not limited to common areas, conference rooms, training areas, storage areas, etc.

At the agency's discretion, it can assign employees as the responsible ***"caretaker"*** and the assigned assets are made part of their equipment custodial account. For example, an Inventory Control Officer, Inventory Coordinator, Employee Supervisor, or Manager can be assigned as caretaker. The person who is actually assigned as caretaker to an asset or group of assets may be dependent upon the size of the agency, organizational structure, as well as other internal issues pertinent to the agency.

Any agency that permits employees, not assigned as the equipment custodian with pre-approval offsite asset privileges, to take personal property from any of its state facilities shall establish and implement procedures for checking equipment out/in when taken from its state facilities.

The procedure for checking personal property out/in of a state facility can be a manual routine, such as a hardcopy check out/in log or via emails known as "***equipment removal request***. "

Agencies shall consider the following information to be recorded as part of the hardcopy logs for checking equipment out/in, as well as for the "email equipment removal requests":

- A description of the equipment;
- The asset ID from the inventory label affixed to the equipment;
- The serial number of the equipment (if available);
- The name and signature (hardcopy logs only) of the person taking the equipment from the state facility, and phone number where he/she can be reached;
- Destination of the equipment;
- Date equipment is taken from state facility;
- The expected return date;
- Date returned and signature (hardcopy logs only).

Loaning Personal Property to Outside Parties

If an agency loans its inventoried personal property to an outside party for performing work either directly or indirectly for a State agency, then the agency loaning the asset is required to assign the name of the outside party and an employee of the outside party as a custodian to the asset, thereby establishing a custodian equipment account and making the asset part of it. An outside party for example would be a non-state employee (not on State payroll), a vendor and its employee under contract with an agency, a county program and its employee, a school system and its employee, etc.

The agency loaning the asset to an outside party will be responsible for assigning, approving, updating and overseeing the reconciliation of the equipment custodial account for the outside party. At the end of the contract period or when work performed directly or indirectly for the issuing agency has ended, the issuing agency will also be responsible for the return of the state owned assets and to reconcile the equipment custodial account.

For OAKS AM users, the name of the outside party can be placed in the Comments field on the Basic Add page, along with a contact phone number. The name of the employee of the outside party to be assigned as the equipment custodian shall be placed in the custodian name field.

Equipment Custodian Responsibilities

An Equipment custodian's responsibilities include, but not limited to, notifying the agency Inventory Control Officer and his/her designated Inventory Coordinator of any activity that would change the inventory status of the equipment assigned to them. This includes activity changes in the equipment condition or movement (to another location, another person or missing) of an asset assigned to their custodial account.

PHYSICAL INVENTORIES

Required Frequency

Each state agency is required to perform a physical inventory of assets acquired by and/or held on behalf of the agency, and reconcile the results of the physical to its perpetual inventory records on OAKS AM or its in-house asset management system each state biennium. A physical inventory and the reconciliation can be completed any time during a state biennium.

Certification Filing Dates

Refer to section titled “Biennial Physical Certification & Dates” in this document.

General Physical Inventory Instructions

The physical inventory must consist of taking a physical item count of personal property; verification by manual observation, scanning or combination of processes to identify each asset.

If an agency holds ownership to buildings, the physical inventory must consist of a building count; verification by onsite visits, a review of supporting documents since the last physical performed, or combination of these processes. All other real property shall be reviewed and verified by onsite visits, surveys, a review of supporting documents since the last physical performed, or combination of these processes.

Each agency shall assure that each property item location is current on its asset record, and that the agency still has possession and/or ownership of the asset. If the agency determines information about the assets have changed, such as location, active status, and/or if appropriate assignment of custodial accounts to, they must update these attributes on the asset records in OAKS AM or the agency’s in-house asset management system.

The condition of each property item shall be considered during a state biennium physical inventory. Changes in condition to assets must be updated on the asset records in OAKS AM or the agency’s in-house asset management system.

Agencies are required to investigate exceptions so that appropriate transactions can be entered into OAKS AM or the agency in-house asset management system. Exceptions are where assets are found but do not appear on current property report, or where assets cannot be found but appear on current property report (refer to matrix).

Note: Refer to the section titled “Biennial Physical Certification Instructions and Forms” for more information.

Reconciling Changes and Exceptions

Matrix: Exceptions and Corrective Action to Reconcile System Asset Records

Changes and Exceptions Identified As a Result of Physical Count	Updates to Perpetual System Asset Records
Location change within agency (within agency instit. / div.), custodial assignment change, or condition change.	Update asset records with current information.
Asset is found (status change) but is shown on current or history retirement report.	Reactivate the disposed asset record to active status.
Asset is counted found but not shown on current active property report.	Investigate how asset was acquired. 1. Asset acquired by agency, via purchase, donation, etc? 2. Asset physically transferred to agency? Add asset record for item found based on results of investigation. If personal property, affix ID label to asset.
Asset is not found but is shown on current active property report.	Investigate what happened to asset. 1. Asset taken out of service, such as St. Surplus or other method, but never retired on system? 2. Asset moved or transferred to another area (institution or division) of the agency? 3. Asset transferred to another agency? 4. Asset on loan, offsite, destroyed or stolen? Enter transaction for asset record (retirement or transfer) on system based on results of investigation.

Segregation of Duties

Agencies shall assign persons (known as Physical Inventory Specialists) to conduct the physical count who normally do not have responsibility for entering or reporting inventory activity using OAKS AM or their in-house asset management system. Refer to the section titled “Safeguarding State Owned Property” for more information.

Assets Not Found

Assets cannot be found for several reasons, generally on a temporary basis. Some reasons for assets not being found include undisclosed loans of personal property, damaged or removed inventory labels, and unrecorded activities when assets were moved, transferred or incorrectly retired.

Upon a state employee recognizing that one or more assets cannot be found, the agency shall pursue an investigative review to find the asset. An investigative review may consist of a special review of documents, interviews with personnel and/or special physical inventory. During this time period, the asset may remain active on the agency's inventory.

Assets Disposed as Permanently Missing

Agencies shall determine if a "not found asset" is or is not permanently missing (lost). When agencies determine an asset to be permanently missing, then they shall immediately retire the asset on their respective inventory systems as a "missing" asset. This process should be based on the results of an investigative review.

If a "missing" asset is found during a physical inventory and the record has been retired in OAKS AM or agency in-house asset management system, the agency shall immediately reactivate the inventory record.

Whenever possible, asset records are reactivated or added back to the inventory system using the original asset identification number as the primary key. If a new (different) asset identification number has to be used, then the original asset identification number shall be referenced on the asset record, only as an alternate key.

Notification of Employee Wrongdoing and/or Suspected Illegal Activity

The Chief Legal Counsel of the Office of the Governor issued a memorandum dated September 19, 2007 establishing procedures to be followed when illegal activity and/or wrongdoing is suspected by any state employee or official on any property owned or leased by the State of Ohio or during the course of executing official duties.

For purposes of this handbook, only partial text from the policy memorandum is repeated below and is as follows:

1. Emergency Procedure –
    a. Whenever it appears that any alleged illegal activity was committed, or is in the process of being committed, and an immediate law enforcement response is necessary to protect life, physical safety, property, and /or preserve evidence, the State Highway Patrol's Office of Investigative Services should be the first police agency to be notified. No employee will be disciplined if the call is made to 911 instead of the Highway Patrol

number. The Chief Legal Officer also should be contacted, as described below.

b. In central Ohio, the State Highway Patrol should be called at (614) 752-0234 during normal business hours. After hours, call (614) 466-2660. In other areas of the state, reports should be directed to the local State Highway Patrol post. A trooper will be dispatched to start an investigation.

2. Illegal Activity Procedure –
   a. Any state employee that becomes aware of suspected non-emergency illegal activity shall immediately notify the Director or the Chief Legal Counsel of the department for which the reporting employee works.

   b. Although the department and agencies are reminded of their duty to comply with the whistleblower statutes Ohio R.C. 124.341 and Ohio R.C. 4113.52, employees who report conduct that they believe is illegal or unethical should have a reasonable factual basis for believing that improper activities have occurred, and assessment of the nature, extent , and urgency of the incident.

3. Serious Wrongdoing Procedure –
   Whenever any state employee becomes aware of wrongdoing by any state employee, that employee shall immediately notify the Director or the Chief Legal Counsel of the department for which the reporting employee works. The notification may be either oral or written.

For a complete text of the policy memorandum, please access on the Internet at: **http://governor.ohio.gov/GovernorsOffice/Policies/SuspectedWrongdoing/tabid/800/Default.aspx** .

For local State Highway Patrol posts by county, including addresses and telephone numbers, please access on the Internet at: **http://www.statepatrol.ohio.gov/counties.html** .

For definitions of “Illegal Activity” and “Wrongdoing” please refer to the glossary toward the end of this handbook.

Whenever it appears that state owned property has been stolen, the State Highway Patrol’s Office of Investigative Services should be notified. The State Highway Patrol’s Office of Investigative Services will complete a police report. The initial police report must be electronically saved and attached to the asset record in OAKS AM or in an agency in-house inventory system.

Special Physical Inventories

An agency may deem it necessary to perform a special physical inventory of its assets; at a time convenient to the agency and may consist of a particular class of assets and/or may be contained to any part of an agency organization. Generally, special physical inventories are performed by agencies due to an audit or due to reported missing assets.

ASSET ACTIVITY

TYPES OF TRANSACTIONS

Common and frequent transactions consists of Additions, Updates (Non-Financial), Cost Adjustments, Depreciation, Transfers, and Retirements.

Less common and less frequent transactions consists of Reactivations of retired asset records, as well as Deletions (a.k.a., Erasures or Purges) of asset records.

ADDITIONS (Recording / Posting of Assets)

For personal property, as well as acquisitions of existing buildings, land improvements and infrastructure assets, these asset classes should be recorded/posted as additions in OAKS AM or agency in-house asset management system promptly following the receipt of the item or service, but only to the extent that a state agency has received and taken possession of these assets, not necessarily when the state agency paid the vendor.

For land and easements assets, they should be recorded/posted as additions in OAKS AM or agency in-house asset management system promptly, but only to the extent that related disbursements had been posted in OAKS through the June 30th year-end cutoff date, excluding any donations.

For construction-in-progress (CIP) asset classes, they should be reported directly to OBM; if not, they should be recorded/posted as additions in OAKS AM or agency in-house asset management system promptly, but only to the extent that related disbursements had been posted in OAKS through the June 30 year-end cutoff date.

Construction-in-progress (CIP) would include construction of buildings, land improvements, and infrastructure.

COST ADJUSTMENTS

Changes in Historical Costs (Cost Basis)

Differences can occur between the asset's recorded cost and the asset's true cost when a state agency records an asset cost in error, or when an asset's final cost is not known with certainty or when the cost is not available at the time the asset is placed in service (additional preparation, project overruns, etc.).

An example:

When newly constructed buildings are completed and ready for occupancy, the assets are recorded in OAKS AM or an agency asset system. At the time the assets are recorded there can be dollar amounts from the projects funding not released for payment due to disputes with vendors. As the disputes are settled and payments are made toward the building projects, adjustments to the original recorded cost should be considered (refer to General Criteria).

General Criteria

When an asset's recorded cost differs from the asset's true cost, a cost adjustment should be reported when one of the following criteria is met:

- For **stewardship (non-capital)** asset records, cost adjustments should be recorded to obtain the asset's true cost if the agency determines the amount (difference) is significant. Agency policy should define what a significant amount is.

- For **capital (fixed)** asset records, cost adjustments should be recorded to obtain the asset's true cost when they **exceed five percent** of the already (original) recorded project's total cost. <u>If the true cost of the project's total cost does not exceed the already (original) recoded project's total cost by five percent</u>, then <u>add a component asset record</u> (non-capital asset) to reflect each additional payment toward the original project's total cost.

Timing of Cost Adjustment

Cost adjustments <u>due to erroneous</u> cost information should be made when the true asset costs are identified.

Cost adjustments <u>due to uncertainty/unavailable costs</u> (such as additional preparation costs, project costs overruns) should be recorded at the time when final cost information is known, or in conjunction with fiscal year-end procedures for each fiscal year in which additional costs or overruns result in a change to the asset's cost basis or funding mix (funding sources).

Allocations of Additional Cost for Two or More Assets

When the existing cost of each asset is the same, then additional cost is allocated equally to each asset.

When the existing cost of each asset is not the same, the additional costs or overruns should be applied by using the existing cost of each asset as the allocation base.

Example of allocating costs to two or more assets when the existing cost of each is not the same:

Cost of Asset **A**	$100,000
Cost of Asset **B**	$ 50,000
Total Cost of Asset **A & B**	$150,000
Cost Adjustment	$ 12,000
Final Adjusted Cost for Asset **A**	$100,000 + [($100,000 / $150,000) x $12,000] = $108,000
Final Adjusted Cost for Asset **B**	$50,000 + [($50,000 / $150,000) x $12,000] = $54,000

DEPRECIATION

For purposes of reporting to DAS and OBM, each agency that has inventory records representing assets that meet either stewardship or capital reporting criteria/cost threshold shall depreciate the cost these asset records using the straight line method.

Further, depreciation for these asset records shall be calculated over their estimated useful life, using a prorate method to start the calculation of depreciation, and a residual or salvage value as determined by DAS and OBM. Both historical cost and depreciation calculated for capital (fixed) asset records are reported by OAKS AM or an agency in-house asset management system for publication into the State's Comprehensive Annual Financial Report (CAFR).

OAKS AM or an agency in-house management system may have multiple accounting books for calculating depreciation, however, an asset management system must have at least one accounting book solely based on the depreciation method and related depreciation elements as determined by DAS and OBM. Agencies must use this accounting book when reporting depreciation to DAS or OBM for the CAFR. Agencies can have additional accounting books on their in-house asset management systems for their internal agency or Federal reporting requirements, separate from the depreciation calculations for the state's CAFR.

Depreciation Method (Formula) and Other Depreciation Elements

OBM and DAS have selected the depreciation formula of "Straight Line Method" and a prorate convention of "Actual Months Method" for the State of Ohio to calculate the depreciation of inventory records representing state owned assets, as well as for financial reporting of capital assets in the state's Comprehensive Annual Financial Report (CAFR). Agencies reporting depreciation from in-house asset management systems to DAS and OBM are required to use the Straight Line Method as their depreciation formula and the Actual Months Method as their prorate convention.

Again, for purposes of the state's CAFR, estimated useful lives and residual/salvage values are determined by DAS and OBM. Agencies reporting depreciation from in-house asset management systems to DAS and OBM are required to use the estimated useful lives as determined by DAS and OBM, which are accessible from the DAS/Asset Management Services website**:**
http://das.ohio.gov/Divisions/GeneralServices/AssetManagmentServices/tabid/312/Default.aspx

When to Start and Stop the Calculation of Depreciation

The "prorate convention" (a.k.a., prorate method) determines when depreciation is to start during the fiscal year in which the asset is acquired (works in relation with the in-service date) and when depreciation is to end during the fiscal year in which the asset is retired. Based on best accounting practices, DAS and OBM have selected the "Actual Months Method" to be the prorate convention used by OAKS AM to calculate all depreciation reported for the CAFR. Thus, agencies are also required to use the "Actual Months Method," if reporting depreciation to OBM from an in-house asset management system.

An example of Actual Month Method:

> The Actual Months Method causes an asset management system to begin depreciation in the month indicated by the in-service date (a.k.a., "install date" or "depreciation date"), and then the system continues to calculate depreciation through the month of retirement.

All agencies using OAKS AM or an in-house asset management system are required to use the Actual Months Method as the prorate method when reporting depreciation to DAS or OBM.

There may be instances where the "in-service" date may or may not be the same as the acquisition date. For more information on this topic, please refer to the section titled "Delayed In-Service Date" in this document.

TRANSFERS

Exchanges within a State Agency

A transfer of inventoried assets within an agency does not require prior approval from DAS' Asset Management Services.

Exchanges with Other State Agencies

When a state agency transfers inventoried assets to another state agency, regardless of whether consideration was or was not exchanged between the two agencies, the buying/receiving agency shall record the asset at the same net book value that the selling/donating agency recorded in its records. This is true regardless of whether the transfer involves only governmental funds, proprietary funds, or both. This procedure

applies to assets meeting the stewardship reporting criteria, as well as the fixed asset reporting criteria.

Authorization is required from Asset Management Services (AMS) prior to the asset records being transferred between two OAKS AM user agencies or when asset records are being transferred between an OAKS AM user agency and an agency using its in-house asset management system.

Matrix: Assets Being Transferred Between State Agencies

Releasing Agency System	Receiving Agency System	General Procedures Re: Systems	Prior Approval Required		
			DAS-GSD State Surplus	DAS-GSD Office of Real Estate	DAS-GSD AMS
OAKS AM User	OAKS AM User	OAKS Inter-Agency Asset Transfer Form ADM 1448 is submitted to AMS.	**Yes**, except for agencies exempt by ORC or agencies merging.	**Yes**, except for agencies exempt by ORC or agencies merging.	**Yes**, AMS will perform the transfer transaction in OAKS AM.
In-house Asset Mgmt. System	OAKS AM User	Releasing agency retires asset record and new asset record is added to the receiving agency's inventory. *	**Yes**, except for agencies exempt by ORC or agencies merging.	**Yes**, except for agencies exempt by ORC or agencies merging.	**Yes**, contact AMS prior to transferring asset records.
OAKS AM User	In-house Asset Mgmt. System	Releasing agency retires asset record and new asset record is added to the receiving agency's inventory. *	**Yes**, except for agencies exempt by ORC or agencies merging.	**Yes**, except for agencies exempt by ORC or agencies merging.	**No**
In-house Asset Mgmt. System	In-house Asset Mgmt. System	Releasing agency retires asset record and new asset record is added to the receiving agency's inventory. *	**Yes**, except for agencies exempt by ORC or agencies merging.	**Yes**, except for agencies exempt by ORC or agencies merging.	**No**

***** Note: When a transfer of state property occurs between two state agencies, each using a different asset management system, the selling/donating agency is required to submit inventory information about the assets to the buying/receiving agency; this includes all system required asset data.

Treatment of Depreciation for OAKS AM Transfer Asset Records:

Scenario #1
If the selling/donating agency has given valid depreciation values to OBM for the Comprehensive Annual Financial Report (CAFR) and has valid accumulated reserve values available for the buying/receiving agency, then the asset records are setup in OAKS AM as Additions, using the selling/donating agency's data. The

buying/receiving agency enters the original acquisition cost, original acquisition date, and the accumulated reserve – through the fiscal year prior to the transfer. The buying/receiving agency must consult with the DAS-GSD's Asset Management Services (AMS) to determine if and how the accumulated reserve is manually entered on accounting depreciation (DPRC) Books 1 and 2. The accumulated reserve is manually entered because it could be different from what OAKS AM would calculate it. If AMS determines that the selling/donating agency's accumulated reserve would be the same as OAKS AM would calculate it, then the asset records can be setup using scenario #2.

Scenario #2
If the selling/donating agency did not submit depreciation values of its assets for OBM's CAFR, then OAKS AM can automatically calculate the accumulated depreciation for fiscal years prior to the transfer. For this scenario, the buying/receiving agency enters only the original acquisition cost and original acquisition date. OAKS AM will calculate the accumulated reserve for the assets and will continue to depreciate the net book value through the asset remaining life.

Procedures as described in the scenarios may be slightly different for a buying/receiving agency with an in-house asset management system.

Confirmation and Collaboration between Agencies Transferring Assets

Inventoried assets shall not be transferred via any inventory system (OAKS AM or in-house agency asset management system) from the selling/donating agency to the intended buying/receiving agency without the releasing agency having received a written confirmation from the buying/receiving agency containing a itemized list of each personal property asset received/accepted, or in the case of real property a written confirmation from the buying/receiving agency that it has received/accepted signed documents supporting change of jurisdiction involving the transfer of real estate.

Note: An inventory system transfer can involve the same or different asset management systems for each agency. Refer to the matrix titled "System Transfer of Assets between State Agencies" in this document.

Confirmation from the intended buying/receiving agency to the selling/receiving agency can be via letter or email, and have sufficient supporting documentation attached to accurately identify and track the movement of each asset. The following supporting documents are recommended:

- ADM-1448 OAKS Inter-Agency Asset Transfer Form
- ADM-3672 Surplus Property Turn-In Document
- ADM-3911 Vehicle to Salvage Information

All original or copies of confirmations and/or correspondence, involving the transfer of an asset, shall be sent to the agency inventory control officers representing the agencies transferring the asset.

Timeframe Required between Agencies Transferring Assets

Both the confirmation and the inventory system transfer have to be punctual with the actual physical movement and/or jurisdiction of each asset. The total time to complete the confirmation and to activate/enter the asset transfer transaction into the agency inventory systems shall not take longer than thirty (30) calendar days.

1. For personal property, the first state business day after an asset is physically transferred between agencies (received by the buying/receiving agency), the buying/receiving agency shall confirm acceptance of each asset received/accepted to the selling/donating agency within fifteen (15) calendar days.

2. In the event that real property is transferred between agencies, the first state business day after the transfer of jurisdiction documents are completed and signed, the buying/receiving agency shall confirm acceptance of each asset received/accepted to the selling/donating agency within fifteen (15) calendar days.

3. The selling/donating agency shall activate/enter the inventory system transfer for each asset record confirmed received/accepted within fifteen (15) calendar days of receiving confirmation by the buying/receiving agency.

4. If a confirmation and/or an inventory system transfer is not completed within the specified calendar days or prior to asset management system year-end closures, then the selling/releasing agency shall system retire the asset record on its system and the buying/receiving agency shall add the asset record to its system, either immediately following the lapsed 30 day period or if applicable, within thirty (30) calendar days of reopening their respective systems.

5. If an inventory system transfer is not completed prior to asset management system year-end closure, the respective agencies will enter the asset record retirement and addition as late transactions (a.k.a., next fiscal year transactions).

RETIREMENTS

Reasons to Retire Asset Records

In general, an asset inventory record can be retired from OAKS AM or an agency in-house asset management system when the corresponding asset is no longer being used in service with state operations, no longer needed to conduct state operations, no longer meets a new reporting criteria/cost threshold, and/or is being transferred to another state agency.

When and How to Record Retire Asset Records

Asset records shall be retired on OAKS AM or an agency in-house system "as events occur, confirmed by agency supporting documentation signed by authorized personnel of the agency."

> Note: Descriptions of disposal (retirement) methods and their corresponding retirement codes are described in more detail in the OAKS AM job aid (FINJA140) found at http://oakspmo.ohio.gov/oaks/training/FIN_Job_Aids/index.asp.

Authorization to Retire Assets

Any person retiring assets from OAKS AM or an agency in-house asset management system has to be agency authorized to do so.

When to Contact State & Federal Surplus

In accordance with Section 125.13 (B) of the Ohio Revised Code, whenever a state agency determines that it has excess or surplus supplies, it shall notify Administrative Services' State & Federal Surplus, except as otherwise provided in section 5139.03 of the Ohio Revised Code.

State agencies can contact Administrative Services' State & Federal Surplus at the following website:
http://das.ohio.gov/Divisions/GeneralServices/Surplus/tabid/227/Default.aspx
The following defines specific State & Federal Surplus terms as used above and in Section 125.13 (B) of the Ohio Revised Code:

- Section 125.12 (B) of the Ohio Revised Code states the "Supplies" means all personal property owned by the state, including but not limited to equipment and materials.
- Section 125.12 (A) of the Ohio Revised Code states the "Excess Supplies" means any supplies that have a remaining useful life, but are no longer needed by the agency that possess them.
- Section 125.12 (A) of the Ohio Revised Code states, in part, the "Surplus Supplies" means any supplies no longer having any use to the state.

Disposing of Personal Property

1. Each agency shall, except where exempted by State & Federal Surplus, complete one of the following appropriate form types listing each state owned personal property asset (tagged or not tagged) that the agency is declaring surplus or excess property

and intends to 1) turn-in to Administrative Services' State & Federal Surplus or 2) request for disposal through a alternate process and/or to an entity other than Administrative Services' State & Federal Surplus:

- ADM-3672 Surplus Property Turn-In Document
- ADM-3911 Vehicle to Salvage Information

2. Any person completing the aforementioned documents shall forward a copy of said documents, within fifteen (15) calendar days from date on forms, to the agency asset management unit or directly to the agency inventory control officer.

3. Any person disposing of state owned tangible personal property, for an agency exempted by State & Federal Surplus, shall forward within fifteen (15) calendar days of disposing the assets a signed and dated itemized list of all disposed assets (tagged or not tagged), containing all the same information as required on the aforementioned documents, to the agency asset management unit or directly to the agency inventory control officer.

4. When forms are completed, signed and submitted to State & Federal Surplus, one of the following items will be determined:

   - The property will be brought to 4200 Surface Road for disposition by Administrative Services.

   - The property will be disposed of on-site by Administrative Services.

   - The agency will be granted authority for local disposition.

   - The agency will be granted authority to dispose of or donate property to another entity.

5. Within fifteen (15) calendar days that the agency asset management unit or the agency inventory control officer receives copies of the aforementioned documents, all required information shall be directly (online) entered into OAKS AM or an agency in-house asset management system so that the asset inventory records will be properly retired.

   An exception applies for an agency that is retiring inventory asset records in OAKS AM via importing a retirement transaction file. The agency shall provide DAS/GSD Office of Asset Management Service, every one hundred twenty (120) calendar days or within thirty (30) days after June 30th, a retirement transaction file and successfully (no errors) import/post the data to OAKS AM.

6. Assets being transferred to other agencies as surplus must receive approval from State & Federal Surplus using form ADM-3672.

Retiring Real Estate Asset Records

Agencies shall retire asset records for real property conveyed (either donated, sold or transferred) to another entity, within fifteen (15) calendar days upon receiving copies of the conveyance documents from Administrative Services' GSD Office of Real Estate

Management, from GSD Office of Asset Management Services and/or from the agency's own real estate department, if it has its own authority to acquire and convey real estate.

Retiring Complex Asset (Parent and Child Records)

When a primary or original asset is being retired, a determination needs to be made as to what components of the primary asset will also be retired or remain in active status.

When a renovation occurs to an asset and it is being recorded as an asset record addition, meeting only the reporting criteria/cost threshold for a stewardship asset, then the agency shall retire all associated asset records (including parent and child asset records) clearly identified (by book value, description, etc.) as having undergone the renovation.

However, when a renovation occurs to an asset and the renovation qualifies as a fixed (capital) asset, then the agency should apply the "dollar-approach test" to determine whether the original building or building components under renovation should be retired:

An example of the dollar-approach test:

A roof renovation is completed at a cost of $240,000. The original cost of the building component that includes roofing was $150,000. The *dollar-approach test* can be applied as follows:

Cost of Renovation $240,000 = 160%
Original Cost of Component $150,000

If the actual cost of the renovation at completion is 150 percent or more of a building's or building component's original cost plus any subsequent renovation costs, the building or component should be retired at the original cost plus any subsequent renovation costs.

If a building is not reported by building component, the state agency should determine if the actual cost of the renovation activity is 150 percent or more of the building's original cost and any subsequent renovation costs.

Minimum Retention Schedule for Retire Records

Retired asset records shall remain on OAKS AM or an agency in-house asset management system for at least two (2) fiscal years beyond the fiscal year in which it was retired.

ACCOUNTING TREATMENT OF ASSETS

AGENCIES REQUIRED TO REFER TO CAPITAL (FIXED) ASSETS POLICIES

This section of "Accounting Treatment of Assets" applies to both stewardship assets and to fixed assets, however, there are extensive accounting procedures not covered in this document that apply only to capital (fixed) assets. Therefore, when working with fixed asset records, the agency needs to refer to OBM's Financial Reporting and Accounting Policies.

State agencies are required to refer to OBM's Financial Reporting and Accounting Policies to make sure that all aspects of the accounting policies and procedures have been considered and applied, thereby enabling the agency to correctly treat and report their capital (fixed) asset records.

OBM's Capital Asset Policies can be accessed at the following Website:
http://obm.ohio.gov/StateAccounting/financialreporting/default.aspx

ACQUISITION DATES

An acquisition date is required for each asset record maintained in an agency's inventory, if the actual acquisition date cannot be determined with supporting documentation, the date should be estimated.

In general, the acquisition date defines when your agency received an asset or service from a vendor as evidenced by receiving report, bills of lading, invoice, or other available documentation; not when the agency pays for the asset. In most cases, assets are placed in-service at the time the item is received or shortly thereafter. This is especially true for personal property. Therefore, the acquisition date can also represent the in-service date. It is the in-service date that determines when OAKS AM or agency in-house system starts the calculation of depreciation for the asset record.

For personal property, the acquisition date represents when the asset was physically received or acquired by an agency. The last receipt date, in most cases, is used for the acquisition date and can be found on the OAKS voucher.

For a newly constructed building, the acquisition date should represent the date the building is ready for occupancy.

For an existing building, the acquisition date should represent the date of contract or if appropriate, when the State or agency receives ownership as indicated on title of jurisdiction or legislation.

For land, the acquisition date should represent the file date of the deed or when the State or agency receives title to the land as indicated in the title of jurisdiction or legislation.

For land improvement and infrastructure, the acquisition date should represent when the project was completed.

For most building improvements or renovations to existing assets, the acquisition date should represent the date when the project was completed or if appropriate, when the building space is ready for occupancy.

For construction-in-progress (CIP), the acquisition date either represents a date that a single progress payment was made to a vendor toward completion of a real estate (capital) project or represents a series of progress payments made to a vendor during a fiscal year toward completion of a real estate (capital) project.

COSTS / VALUATION OF ASSETS

Historical Cost (Actual Cost)

Assets should be recorded at their historical cost or estimated historical cost, if the historical cost is unknown. In general, the historical cost is the actual cost incurred to acquire an asset and incidental costs to place it in service. If an asset is donated, then it is recorded at fair market value on the acquisition date. In OAKS AM, the historical cost, estimated historical cost or fair market value is placed in the “cost” field, also known as “cost basis” field.

Estimating Historical Costs

When historical cost is not available, agencies should use estimated historical cost to record an asset. Agencies can derive at an estimated historical cost from similar assets found on vendor invoices, purchase orders, vouchers, canceled checks, price lists, etc. Agencies may also obtain an appraisal of an asset to determine the estimated historical cost.

Another option is available to agencies for estimating historical costs of assets. Agencies may use the Consumer Price Index (CPI) for years ranging from 1935 to 2012, which is provided by the Auditor of State and acceptable by OBM for such calculations.

A current CPI list (years ranging from 1935 to 2012) and formula to compute the estimated historical cost of assets can be found in the Auditor of State’s Bulletin 2013-001 issued on April 3, 2013.

Total Cost of a Purchased Asset

The cost of a purchased asset includes the total purchase price, net of purchase discounts, plus any trade-in allowances, transportation charges, installation costs, taxes, and any other costs required to prepare the asset for its intended use (refer to “additional cost to include” below).

Note: For further discussion on the accounting treatment for trade-ins, refer to section titled, “Exchanges or Trade-ins with Outside Parties” in this document.

Fair Market Value

Donated or gifted assets should be recorded at their fair value on the date assets are acquired/received. In general, the fair value (a.k.a., fair market value) is the relative sales value or the amount that could be received for an asset on the “open market”.

Additional Costs to Include

Additional costs to include on an asset record, but not limited to, are the following items (assumes items are known):

- Freight and handling, including shipping insurance;
- Internal labor directly chargeable to a capital project that would not have been incurred during the period in the absence of activity associated with the project;
- Allocation of fringe benefit and overhead expenses, calculated as a percentage of direct labor based on actual approved fringe benefit and indirect cost rates;
- Taxes;
- Installation and inspection costs;
- Various fees incurred in the acquisition of land, such as title, legal commission, closing costs, and survey fees;
- External architectural, engineering, and design costs directly related to the asset;
- Temporary relocation and rearrangement of existing machinery and equipment, and any other movable fixtures while pending completion of an improvement, renovation, or new construction;
- Demolition, removal, and disposition of existing equipment or structures in preparation for a new project;
- The cost to demolish a building or other structure existing at the time of acquisition of land, and associated clearing, filling and leveling, with the intention of using the cleared land for the construction of a new building, is considered a part of the land cost;
- Site-preparation costs related to buildings and land improvements, such as clearing, filling, leveling, and excavating;
- Sales tax, if included during purchase.

Costs to Exclude

Costs to exclude from the asset record, but not limited to, are the following:

- A permanent relocation and rearrangement of existing machinery and equipment;
- Start-up time, including the cost of “debugging” problems associated with the completion of a project;
- Licensing and registration fees for vehicles and operational equipment;
- Costs incurred for assets not acquired, such as surveying, title searches, legal fees, and other expert services incurred for a prospective land purchase that did not transpire;
- Extraordinary costs incidental to the construction of capital assets such as those due to strike, flood, fire, or other casualties;

- Asbestos removal, soil remediation, and other environmental clean-ups, unless the result increases the useful economic life of the asset;
- Costs related to the conceptual process involved in the selection of software, as well as training and data-conversion costs;
- Costs related to the training of personnel in the use of fixed assets;
- Interest costs related to assets acquired through leases;
- Costs arising from judgments and out-of-court settlements;
- Acquisition fees charged by DAS for reviewing and approving the purchase of computer software and hardware;
- Maintenance agreements associated with software, unless the maintenance guarantee is part of the original purchase and its cost is not separately identified.

IN-SERVICE DATE

In general, the calculation of depreciation for an asset inventory record should start when the asset is placed into service, and this should be identified by a date field called the "in-service date" or "in-service/depreciation date", not by the acquisition date only. Thus, the in-service date represents when an asset is initially placed into service and when depreciation (useful life) starts. When an asset inventory record has multiple accounting (depreciation) books, its asset management system shall maintain a separate in-service date for each accounting book used for reporting.

All state agencies with in-house asset management systems shall maintain and be able to report for each asset inventory record by an acquisition date and all associated in-service dates (one for each accounting book), regardless if the two type dates are equal or different.

DELAYED IN-SERVICE DATE

In most cases, when an asset record is added to any inventory system all the in-service dates (all accounting books associated with the asset record) are the same as the acquisition date, particularly when an asset is placed into service within the same month as the acquisition date. However, occasionally there is a significant delay with placing an asset into service (such as a lengthy time period to install, construct, or warehouse the asset), therefore causing the in-service date(s) to be later than the acquisition date.

Procedure and Examples

When there is a significant delay with placing an asset into service (beyond the same month of acquisition) and the agency knows the actual in-service date (month and year), then the agency should populate all associated in-service date fields with the actual date the asset is placed into service. State agencies should start the depreciation of their asset inventory records based on the in-service date.

For OAKS AM, starting April of 2007 enhancements will allow the system to automatically detect a change to the in-service date.

There are two distinct types of in-service delays (in-service date is later than the acquisition date), each handled differently by OAKS AM or by an in-house asset management system, and both based on when the delayed in-service date is entered into the system for an asset inventory record. The two types are as follows:

1. An In-Service date (later than the acquisition date) is entered during the same fiscal year the asset inventory record is added to the system.

2. An In-Service date (later than the acquisition date) is entered during a subsequent fiscal year the asset inventory record is added to the system.

Examples of changing the In-Service Date during the same fiscal year the asset inventory record is added to the system (refer to notes1 & 2)

First Example -
In October 2006, an agency adds an asset record to OAKS AM with a 10 year estimated useful life, an acquisition date of 10/2006 and an in-service date of 04/2007. For FY07, the system will calculate 3 months of depreciation for the asset record. The asset record will depreciate through March 2017 (10 years starting with 04/2007), assuming a prorate convention of actual month (including month of acquisition and month of retirement) is used to calculate annual depreciation expense.

Second Example -
In October 2006, an agency adds an asset record to OAKS AM with a 10 year estimated useful life, an acquisition date of 10/2006 and in-service date of 11/2007. For FY07, the system will not calculate any depreciation for the asset record. However, for FY08 the system will calculate 8 months of depreciation for the asset record. The asset record will depreciate through October 2017 (10 years starting with 11/2007), assuming a prorate convention of actual month (including month of acquisition and month of retirement) is used to calculate annual depreciation expense.

Third Example -
In April 2005, a $6,000 asset with a 5-year life and no salvage value is acquired. The asset is added to OAKS AM with an acquisition date and in-service date of 04/2005. The asset record (accounting book) starts depreciating at the rate of $100/month. The asset is actually placed in service in June, and the Inventory Control Officer is informed. The Inventory Control Officer then changes the in-service date to 06/2005. The asset record (accounting book) will depreciate through May 2010 (5 years starting with 06/2005), assuming a prorate convention of actual month (including month of acquisition and month of retirement) is used to calculate annual depreciation expense. Depreciation for the fiscal year ending 06/2005 will be $100, and the asset record (accounting book) will depreciate at the rate of $100/month thereafter.

Examples of changing the In-Service Date during a subsequent fiscal year the asset inventory record is added to the system (refer to notes1 & 2)

First Example –

In January 2007, an agency adds an asset record to OAKS AM with a cost of $12,000 and a 10 year estimated useful life, which the acquisition date and in-service date fields are populated with the same date of 01/2007. For FY07, the system then calculates $600 for both accumulated reserve and current depreciation. For FY08, accumulated reserve will be $1,800, and YTD and current depreciation will be $1,200. In October 2007, the agency determines the asset was placed into service that month. The agency populates the in-service date field with 10/2007.
Thus, for FY08 the system will make an adjustment to the accumulated depreciation and the current depreciation. OAKS AM will compute the new accumulated reserve based on the new October 2007 in-service date ($900). OAKS AM will adjust accumulated reserve down to $900, a difference of $900. Since the accumulated reserve adjustment amount is less than the YTD amount, the full adjustment can be made. Accumulated reserve is decreased to $900; YTD and current depreciation are decreased to $300.

Second Example -
In October 2006, an agency adds an asset record to OAKS AM with a cost of $12,000 and a 10 year estimated useful life, which the acquisition date and in-service date fields are populated with the same date of 10/2006. For FY07, the system then calculates $900 for both accumulated reserve and current depreciation. For FY08, accumulated reserve will be $2,100, and YTD and current depreciation will be $1,200. In January 2008, the agency determines the asset was placed into service that month. The agency populates the in-service date field with 01/2008.

Thus, for FY08 the system will make an adjustment to the accumulated depreciation and the current depreciation. OAKS AM will compute the new accumulated reserve based on the new January 2008 in-service date ($600). OAKS AM will then attempt to adjust accumulated reserve down to $600, a difference of $1,500. Since YTD depreciation is only $1,200, accumulated reserve will be adjusted to $900 ($2,100 minus $1,200). YTD and current depreciation will be reported as $0.00.

Notes:

1) <u>For OAKS AM, starting April of 2007 enhancements will allow the system to automatically detect a change to the in-service date</u>. Once the system detects that the in-service date has changed, it will compute what the accumulated reserve should be based on the new in-service date, and attempt to make an adjustment to the asset record's accumulated reserve and current depreciation in the current year represented in the in-service date field. If a decrease in the accumulated reserve is required due to the new computation, the decrease will be limited to the amount in YTD depreciation.

2) When changing the in-service date, care needs to be emphasized if there is more than one accounting book affected. If an asset record has multiple accounting books for calculating depreciation, then the in-service date field for each accounting book has to be changed. This assumes that each accounting book uses the same accounting rules.

LATE ADDITIONS

When an agency does not add an asset record to OAKS AM or an agency in-house asset management system in the year of acquisition due to error or oversight, then the asset management systems are required to recognize and report these assets as late additions (a.k.a., prior year adds).

For late additions, any depreciation that should have occurred prior to the fiscal year in which the asset record is added, to OAKS AM or an agency in-house asset management system, shall be calculated and added to the asset record's accumulated reserve field (account).

IMPAIRMENTS (GASB 42)

Definition

According to Governmental Accounting Standards Board Statement No. 42 (GASB 42), *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, asset impairment is a **significant, unexpected decline in the service utility** of an asset. The term, **significant**, refers to the magnitude of the impairment when compared to the service utility of the asset. An **unexpected decline** refers to a decline in the net book value of an asset that exceeds the amount expected through accumulated depreciation. **Service utility**, in turn, is defined as the usable capacity that an asset was expected to provide at acquisition.

Referral for Guidance

Information regarding impaired assets (a.k.a., Governmental Accounting Standards Board Statement No. 42 or GASB 42) is extensive and comprehensive. Please call the DAS/GSD's Asset Management Services at 644-5559 or OBM's Financial Reporting Unit at 466-5028 for guidance on this subject.

GROUP / LOT PURCHASES (Personal Property)

Personal property purchased in quantities of two or more should be reported as if the assets were individually purchased, one item per asset record (quantities of one) when the following items are met:

- Unit cost of each asset can be determined;
- Unit cost of each asset meets the reporting cost/criteria threshold.
- Each asset in the group purchase is identified using a serial number;
- Each asset functions independently from others or by itself.

Modular furniture is an exemption to the above procedure, where it is almost always recorded as a group/lot purchase. For example, modular furniture is generally purchased as a group/lot of items on one asset record. The costs for many of the modular items vary and they don't contain serial numbers. Also, modular furniture

requires attachment to other items of modular furniture, thus work station configurations can change frequently.

Further, when modular furniture is recorded as a group/lot purchase, it is not considered a capital asset even though the total (aggregate) cost of the group/lot purchase is greater than $15,000.

COMPLEX ASSETS (components - parent to child relationships)

For personal property, when an original (primary) asset is inventoried and one or more subsequent assets (each meeting the stewardship reporting criteria/ cost threshold) are installed within the original asset, there shall be a relationship established, either internally by the asset management system or manually by the user, enabling the asset management system to identify all the components to the original asset. The relationship between the original asset and its components is commonly known as “complex assets” or “parent to child relationships.” The user may manually establish the parent to child relationship by using the suffix of the asset ID (tag) number, starting with the original suffix at “00” for the original asset, then for each component added increment the suffix by one number, such as 01, 02, 03, etc. Using this method to establish the parent to child relationship, the primary asset ID (tag) number (consisting of static prefix characters, followed by sequential numbers) remains the same (static) for all the complex assets. Also, the user may establish the parent to child relationship by entering the original asset ID number on all of its component asset records. This method may be preferred or the only method obtainable by agencies with in-house asset management systems.

For real property, when an original (primary) asset is inventoried and one or more subsequent assets (each meeting the stewardship reporting criteria/ cost threshold) are made part of the original asset, there shall be a relationship established, either internally by the asset management system or manually by the user, enabling the asset management system to identify all the components to the original asset. The user may manually establish the parent to child relationship by using the suffix of the asset ID number, similar to the method used for personal property. Again, as an optional method, the user may also establish the parent to child relationship by entering the original asset ID number on all of its component asset records. This method may be preferred or only method obtainable by agencies with in-house asset management systems.

There are several reasons for establishing the “parent to child relationships.” The parent to child relationship allows for control and accountability of internal assets, where tagging the internal parts is not feasible. Also, the “parent to child relationship” allows the asset management system to essentially roll-up all the individual asset record values resulting in an aggregate amount, such as the individual asset record values for routers/servers installed in a rack rolled-up for an aggregate value representing the entire network rack.

Assets Composed of Multiple Units

Assets composed of multiple units can take on one of three different distinct types, each with distinguishable sub-units. To properly record these assets, consideration must be given to determine the type of multiple units and timing of acquisitions:

Matrix: Assets Composed of Multiple Units

Type of Multiple Units	Summary of How to ADD Multiple Unit Assets
Asset Systems	Add each item as a single asset record (one asset per asset record).
Primary asset with associated component parts (usually internal items)	Add as a single asset when acquired and placed into service at same time. Subsequent purchases for component parts can be recorded as a cost adjustment to primary asset record **or** recorded as a separate (child) asset record.
Primary asset associated with attachments (usually external items)	Add as a single asset when acquired and placed into service at same time. Subsequent purchases for attachments recorded as a separate (child) asset record.

1. **Asset System**:

   The State defines ***"asset systems"*** as a group of interdependent assets acquired to be used together for normal state operations. Asset systems consist of individual assets that can be used separately when not integrated into a system. Each asset within such a system is subject to the reporting cost/criteria threshold for stewardship assets and fixed assets.

   Examples of asset systems:

   - Two personal computers tied into a network server constitute three separate assets, each subject to the reporting cost/criteria threshold for personal property.

   - A telephone system composed of many individual telephone sets, each telephone set is subject to the reporting cost/criteria threshold for personal property.

2. **Asset with Associated Component Parts**:

   In contrast to asset systems, ***"an asset with associated component parts"*** **necessary to the functioning of the primary asset is considered to be all one asset when the estimated life and utility (usage) of the component parts is mainly dependent on that of the primary asset.**

   Associated component parts include internal parts that are either essential and/or upgrade the performance of the primary asset, since the internal parts cannot be easily removed from the main asset for use elsewhere, and since the component parts cannot function unless they are attached to a main asset. When component parts are acquired to place the primary asset into service as required, the cost of the primary asset and its component parts are together subject to the reporting criteria/cost threshold for personal

property. The acquired primary asset with associated component parts should be reported as one asset (one asset record), and the component parts should be included in the description of the asset record, if purchased and installed at the same time.

Examples of a primary asset placed into service with associated component parts:

- A mainframe central processing unit is purchased with a cost of $14,000 and placed into service with associated cables with a cost of $1,500. The cost of the processing unit and cables are combined, and would qualify as a capital asset since their combined cost exceeds the $15,000 capitalization threshold for personal property.

  However, in the case of a security system, the wiring should be reported as part of a building, but the cameras, unless permanently attached to the building, should be reported separately as equipment.

- A server is purchased with a cost of $14,500 and placed into service with an upgraded second hard drive with a cost of $2,000. The cost of the server and second hard drive are combined, and would qualify as a fixed (capital) asset since their combined cost exceeds the $15,000 capitalization threshold for personal property.

- The state acquired a personal computer and the vendor included the operating system software with the computer. It is an integral part of the hardware and essential to the functionality of the system. Also, the vendor did not separately identify its cost. The operating system software costs should be recorded as part of the system and a description of the software included on the asset record.

Subsequent to the purchase of the primary asset and placing it in service, additional purchases of component parts may be necessary as technology and needs change.

When a component part is acquired subsequent to the primary asset being placed into service, it is also acceptable to setup a separate component (child) asset record for the component part. However, a “parent to child relationship” must be established or already in effect in order for the component part to be setup as a separate asset record. Many agencies practice this option so that they can record by separate asset record critical information about the component part, such as the acquisition date, manufacturer, vendor, funding, serial number, etc. The cost of the component part on the separate asset record is the only cost considered when determining if it qualifies as a fixed asset. Also, as a separate asset record, the cost of the component part will depreciate over its actual estimated useful life until the primary asset is retired. Thus, the component part should be retired at the same time as the primary asset.

If the asset record was originally recorded as a fixed asset, it then remains a fixed asset upon adjusting the cost for the additional purchases of component parts. However, if the asset record did not originally (before components added) qualify as a fixed asset, then the asset record is not changed to a fixed asset, even though the adjusted cost for the additional purchase of component parts is greater than $15,000.

Optional approach:
In contrast to the first (preferred) approach, when a component part is acquired subsequent to the primary asset being placed into service, it can be acceptable to adjust

the cost of the primary asset record if a child and parent link/relationship cannot be established when a component asset record is setup.

Reasons why a child and parent link/relationship cannot be established:

- Agency does not consistently use the suffix of its asset identification numbers to solely identify component asset records.

- Agency in-house systems cannot generate, and maintain on the same inventory system, unique numbers that are assigned to each parent asset record and their respective component (child) asset records.

3. **Asset with Associated Attachments**:

For ***assets with associated attachments***, attachments (i.e., assets that cannot function independently) that are purchased and put into service at the same time as the primary asset, with the intention of using the primary asset and the attachments together as a system, should be reported as part of the primary asset (one asset record) since their life and utility coincide with that of the primary asset (e.g., a collator installed to a copy machine). Attachments can be external and/or internal to the primary asset.

Example of a primary asset and <u>external attachment</u> acquired and placed into service at the same time:

> A state agency purchases a copier (primary asset) with a cost of $26,000 and a collator (attachment) with a cost of $12,000 at the same time, the assets are associated. Since their combined cost exceeds the $15,000 fixed asset cost threshold, the state agency should report the copier at a cost of $38,000 with the collator included in the description of the asset and as a fixed asset.

Example of a primary asset and <u>internal attachment</u> acquired and placed into service at the same time:

> A state agency purchases a basic tower PC unit and at the same time purchases and installs an extra internal hard drive and other related components to have the equipment meet the agency's needed requirements. The cost of the tower unit, the extra internal hard drive and other components are combined and the total amount placed on one asset record.

When an attachment is acquired <u>subsequent</u> to the primary asset being placed into service, it should not be associated with the primary asset by adjusting its cost. The attachment should be setup as a separate component (child) asset record. However, a "parent to child relationship" must be established or already in effect in order for the attachment to be setup as a separate asset record. Agencies practice this option so that they can record by separate asset record critical information about the component part, such as the acquisition date, manufacturer, vendor, funding, serial number, etc. The cost of the attachment on the separate asset record is the only cost considered when determining if it qualifies as a fixed asset. The cost of the separate asset record will result in the attachment depreciating over its actual estimated useful life until the primary asset is retired.

Example of a subsequent attachment:

> The state acquires a copier for $26,000 and qualifies as a fixed asset. Sometime subsequent to placing the copier into service, a collator is purchased for $6,000. Assets purchased at different times would not be associated, and therefore, the state agency would report the collator as a stewardship asset but not a fixed asset.

A group license (i.e., installed on a local or wide area network server) would be recorded as one asset.

If the asset is being purchased over a period of time with a number of payments (e.g., installment basis), then the full cost of the asset should be reported as an addition for the same period as when the state agency takes possession of the asset.

Costs of land and construction-in-progress (C-I-P) should be reported as additions on a cash basis; that is, additions for these asset classes should be reported only to the extent that related disbursements had been posted in OAKS through the June 30 cutoff date.

Vehicle costs include the total purchase price after any purchase discounts, plus any trade-in allowances, transportation charges, taxes, and any costs required to prepare the vehicle for its intended use.

LEASEHOLD IMPROVEMENTS

Definition

When improvements or renovations are made to assets held/used by the agency under an operating lease (contract does not meet either lease purchase criteria or capital lease criteria), they are commonly referred to as Leasehold Improvements. The leasehold improvements can be made to buildings owned or not owned by the state.

The improvements or renovations become the property of the lessor (owner of the property) at the end of the lease term. Improvement and renovation should be considered an asset of the state agency that paid for the improvement while the lease is in effect, even though the original asset (attached to) being leased may or may not be considered an asset of the State. Further, leasehold improvements are required to be inventoried by state agencies when the State pays directly for the cost of the leasehold improvement and asset or project meets either the stewardship or the capital asset reporting criteria/cost threshold established for improvements and renovations.

Useful Life and Depreciation Methodology

Inventoried leasehold improvements shall be depreciated with the useful life not exceeding the remaining period (life) that the lease covers.

Note: OAKS AM allows the estimated useful life to be changed based upon a known ending date of the lease.

If the original asset being leased contains an option to renew and the likelihood of renewal is uncertain, the leasehold improvement should be depreciated over the life of the initial lease term or the useful life of the improvement, whichever is shorter.

Special Accounting Treatment Required

The Leasehold Improvements shall be recorded in the agency's inventory according to their respective asset classes; such as equipment, building, land improvement, etc. For leasehold improvements to buildings, category codes 9100 or 9109 should be assigned to the asset records. For leasehold improvements (where equipment is attached) to communication towers and portable communication shelters, their inventory records should be respectively assigned category code 9200 and 9300. Similarly, other leasehold improvements should be assigned category codes that best match the assets.

On OAKS AM or agency in-house asset management system, leasehold improvements shall be identified as such, uniquely separate from non-leasehold improvements, so they can be programmatically selected from all other asset records. In OAKS AM, leasehold improvements are uniquely identified by the Profile ID.

If the lessor pays the cost of the improvement under the terms of the lease agreement, the lessor, not the State, should report the leasehold improvement on its inventory books, even though the cost of the improvement may be passed onto the State through lease payments.

Example of Recording a Leasehold Improvement:

On a floor of a leased building, a state agency pays for and installs a raised floor and secured walls to accommodate a computer. The cost of the improvement meets the capital asset reporting criteria/cost thresholds for its particular asset class (greater than $100,000 for building improvement) with a useful life of at least two years. The agency shall then report the asset as a capital leasehold improvement within the building asset class (account). If needed, the asset useful life is adjusted by the asset management system based on the ending date of the building lease contract.

In OAKS AM, the following items are required to setup this asset record as a capital leasehold improvement:

Asset ID	=	Bxxxxxxx19 (Where "xxxxxxx" represents the location code.)
Leasehold Imprv *	=	Y
Change Life *	=	Y
Lease End Date *	=	MMDDYY (Where "MMDDYY" represents actual ending date of the building lease.)

EASEMENTS

Definition (General)

Either the State of Ohio or an outside party has a legal right to access to or through a parcel of land without having ownership of the land. Such rights may include the right to erect or affix an asset to the land or bury an asset below the surface of the land but not to retain full rights to the land.

Internal and External Easements

Simply stated, an easement granted by the State of Ohio on its own land to an outside party is referred to as an internal easement; and where the state is granted an easement on land owned by an outside party is referred to as an external easement.

External easements should be considered an asset of the State while the contract is in effect.

In cases where the State has granted an easement on its land to an outside party (internal easement) and the contract of the easement prevents the State from using the land for the State's purposes, then the reporting of the land inventory record should be changed from a capital asset to a non-capital asset (removed from the State's financial reporting of capital assets).

Useful Life and Depreciation Methodology

Each external easement is required to be inventoried by the State regardless of cost.

An external easement in perpetuity (contract with indefinite/unlimited terms), with unlimited useful life, is not depreciated.

Also, an external easement (contract with definite end date) is referred to as a temporary external easement. A temporary external easement is required to be inventoried and depreciated with the useful life not exceeding the remaining period of the easement contract.

If the contract of an external easement contains an option to renew and the likelihood of renewal is uncertain, the external easement should be depreciated over the life of the initial contract term.

Special Accounting Treatment Required

On OAKS AM or agency in-house asset management system, external easements shall be identified as such – uniquely different so they can be programmatically selected from all other asset records, including but not limited to easements to state owned land (internal easements). Also, external easements in perpetuity shall not have a useful life nor depreciate; while external easements with definite end dates must be depreciated with the useful life not exceeding the remaining period that the lease covers.

Example of recording a Temporary External Easement in OAKS AM:

Change Life *	=	Y
Easement End Date *	=	MMDDYY (Where "MMDDYY" represents actual ending date of the temporary external easement.)

PASS-THROUGH PURCHASES

A "Pass-Through Purchase" is defined where a government entity requests another government entity to purchase an asset for them and the acquired asset is inventoried with the entity that maintains control or ownership of the asset.

An asset acquired by a pass through purchase should only be recorded in the inventory of the agency that maintains control or ownership of the asset. The entity that records the asset in its inventory should also record the funds it used to purchase the asset.

Informative and Cautionary Note Regarding Pass-Through Purchases:

Where an asset remains in control or ownership by the purchasing entity but the cost of the asset is passed to another entity requesting the purchase, this type of pass-through purchase may be recognized by some agencies as an equipment and/or service fee, payment or lease transaction, instead of a pass through purchase. Again, agencies are reminded that assets acquired in a pass-through purchase shall only be inventoried by the agency that maintains control or ownership of the asset.

EXCHANGES OR TRADE-INS WITH OUTSIDE PARTIES

When exchanges or trade-ins occur with outside parties, there is no system transfer transaction entered into OAKS AM or an agency in-house asset management system. Instead, the state agency receiving the asset shall add or setup an asset record as an addition to the agency's inventory. Any assets relinquished by an agency are retired using the appropriate retire code and retire date.

The following procedures further describe how each event shall be treated:

When no consideration is involved in the exchange of **similar** assets, the cost of the asset received should be recorded at the net book value (i.e., historical cost net of accumulated depreciation) of the asset traded or exchanged. However, when the exchange is for **dissimilar** assets, the cost of the asset received should be recorded at its estimated fair value.

When consideration is either given or received in the exchange of **similar** assets, then the cost of the asset received should be recorded at its fair value. Fair value in this case only is defined as the sum of the cash paid plus the *lesser* of either the traded-in value given for the relinquished asset or the net book value of the relinquished asset at the time of the trade. When the exchange is for **dissimilar** assets, however, fair value is defined as the sum of the cash paid plus the trade-in value of the relinquished asset at the time of the trade.

REQUIRED INVENTORY ACTIVITY REPORTS

OAKS AM and agencies with an in-house asset management system for reporting to DAS shall have the functionality to track and report the following asset activities/transactions (activity reports) for each asset record in electronic (softcopy) and/or paper (hard copy) reports.

All systems generating inventory activity reports shall be capable of sorting each activity report by asset classes and providing total amounts (such as cost, square feet, acreage, etc.) for each asset class listed.

Inventory Activity Reports Required Annually

- **Addition Activity Report** - The additions report may include transfers in from another agency or reporting unit if the assets were retired by the releasing agency or reporting unit. Also, there are two types of addition activity commonly contained within the same Addition Activity Report. If requested by an agency, the two activities can be reported separately on their own report. The two types of Addition activities are as follows:
    - **Current Year Additions** - Assets acquired and posted during current Reporting fiscal year.
    - **Prior Year (Late) Additions** - Assets acquired in prior reporting fiscal year but not posted until current fiscal year.
- **Transfer Activity Report** - To include transfers-in from/transfers-out to another agency or reporting unit, with separate sort and totals for transfers-in and transfers-out activity. Also, asset movement to another reporting division, institution or unit.
- **Cost Adjustment Activity Report** - To include adjustments to total cost and if applicable, to depreciation.
- **Retirement Activity Report** - The retirement report may include assets physically transferred-out to another agency or reporting unit, if appropriate retirement code is assigned. Inventory records are retired when assets are taken out of service.
- **Reinstatements -** The report will display data about reinstatement transactions that were recorded during the specified fiscal year.

- **Recategorizations -** The report will display data about recategorization transactions that were recorded during the specified fiscal year.

- **Assets on Hand (Active Property on Hand)** - Ending active balance at the close of the fiscal year. Year-end balances are next year's (active- on-hand amounts) beginning balances. Current certified fiscal year-end amounts are reconciled with previous certified fiscal year ending amounts, both quantity and costs. All current year activities are taken into consideration when reconciling balances.

Additional Requirements to Inventory Activity Reports

State agencies reporting to DAS using an in-house asset management system shall produce inventory activity reports containing all its inventoried asset activity at the asset record detail that occurred during the state fiscal year (reporting period). The title of each inventory activity report shall contain the following items, clearly identifying the contents of the report:

- Type of activity
- Asset classification names
- Activity/reporting period (e.g., fiscal year and ending date - "For FY2005; ending June, 30th 20*xx*")

State agencies are also required to have each inventory activity report sorted by the following asset classes, each with amount totals:

- Personal Property (includes tangibles and intangibles)
- Land (includes easements)
- Buildings
- Land Improvements
- Infrastructure (Required of ODNR and ODOT only)
- Construction-In-Progress (If directed by OBM to use OAKS AM)
- Licensed Vehicles (For DAS-GSD's Office of Fleet Management)

Additional specifications for Inventory Activity Reports, including required asset record data fields, record format/layout, and amount totals are included in the Annual Certification Instructions, which can be accessible on our website at: http://das.ohio.gov/Divisions/GeneralServices/AssetManagmentServices/tabid/312/Default.aspx

REQUIRED CAPITAL (FIXED) ASSET FINANCIAL STATEMENTS (Reports)

Agencies reporting from in-house asset management systems are required to annually submit to OBM Capital Asset Financial Statements in accordance with written requirements and schedule formats as illustrated in OBM's Financial Reporting and Accounting Policies for Capital Assets.

Referral for Guidance

Refer to OBM's Financial Reporting Unit at 466-5028 for further guidance on this subject.

GLOSSARY

"Accounting Book" is defined as a record containing all the formula elements to depreciate an asset and reporting amounts resulting from the calculation of depreciation. An asset management system may have one or more accounting books, each for specific reporting purpose. One accounting book may be for reporting depreciation amounts to OBM's CAFR and another accounting book for reporting different depreciation amounts to the Federal Government, such as SWCAP.

"Accumulated Depreciation" is defined as the life-to-date depreciation amount that has been calculated for an asset record.

“Accumulated Reserve” – See “Accumulated Depreciation.”

“Acquisition” is defined as the state or state agency acquiring property by direct purchase (with or without trade-in), purchase under a grant, lease (includes installment payments and lease purchase with non-cancelable lease period), construction, donation, transfer from another agency, or exchange with an outside party.

“Adjustment” is defined as any change to the cost of an asset or asset record.

“Agency” is defined as all state agencies, boards, and commissions; except for institutions of higher education and state entities determined by Administrative Services as exempt from ORC, Section 125.16.

“Annual Depreciation” is defined as the depreciation amount that has been calculated over the current fiscal year (reporting period) for an asset record.

“Asset Class” is defined as a category or sub-category by which state owned property is grouped, reported and/or certified by. Major asset classes consist of Personal Property, Real Property, Construction-In-Progress, and Licensed Vehicles. For annual certification of state agencies inventory activity, asset records are reported and certified by Personal Property (includes all sub-classes), Land (includes easements), Buildings (includes improvements and renovations), Land Improvements, Infrastructure, Construction-In-Progress and Licensed Vehicles.

“Asset Classification” – See “Asset Class.”

“Asset Management System” is defined as a software application that maintains detailed and categorized asset information, tracks asset activity, calculates depreciation and reports comprehensive asset information, whether stored and/or system calculated, over the life cycle of the asset using standardized data structure and report requirements as set forth in the State of Ohio Asset Management Policies and Procedures and OBM’s Financial Reporting and Accounting Policies. An asset management system includes, but not limited to, functionality to track and report additions, transfers, cost adjustments, depreciation, retirements, and gains/loss asset activity. Further, an asset management system has capabilities to maintain and report associated asset information to include, but not limited to, accounting, custodianship, insurance, lease, location, maintenance, and/or replacement information.

“Asset Record” is defined as a collection of data, information and activity about an asset (state owned property) in electronic (softcopy) or paper (hardcopy) format.

“Betterment” – See “Improvement.”

“Book of Record” is defined as a single and official source, such as an asset management system, where all data, activity and/or calculation of depreciation for a state owned asset is recorded and reported from to comply with ORC 125.16, report to OBM for GAAP/CAFR requirements, and/or used by the State Auditor to conduct its audits.

“Building” is defined as a permanent structure with a foundation, a roof, and is enclosed, at least partially, with walls. A building may not necessarily be fully enclosed. Further, the cost of a building includes its construction or purchase costs and the cost of all fixtures

permanently attached and made part of the building. Permanently attached means removal of the fixtures alters the intended use of the building. Buildings should be reported as acquisitions when they are ready for occupancy.

"Capital Asset" is defined, in general, as state owned property that meets the Capital Asset Reporting Criteria/ Cost Threshold. Financial information about Capital Assets is used by OBM in the State of Ohio's Annual Comprehensive Financial Report (CAFR). For more detail on Capital Assets, refer to OBM's "Financial Reporting and Accounting Policies for Capital Assets."

"Capitalized" is defined as recording information about an asset in OAKS AM or agency in-house asset management system in accordance with OBM's Capital Financial Policies so that the cost and other related financial items will be reported in accordance with GAAP and GASB34 by OBM in Ohio's Comprehensive Annual Financial Report (CAFR).

"Capitalization Threshold" – See "Capital Reporting Criteria/Cost Threshold."

"Capital Lease" is defined as a lease agreement entered into by the State of Ohio or state agency where an asset being leased meets the capital (fixed) asset reporting criteria/cost threshold and meets one of the Capital Lease Criteria listed below:

1. The lease transfers ownership of the property to the lessee (the agency or State of Ohio) during or at the end of the lease term.
2. The lease contains a bargain-purchase option. A bargain-purchase option is a provision allowing the lessee to buy the property at a very favorable price.
3. The lease term is equal to or greater than 75 percent of the estimated economic life of the leased property.
4. The present value of the minimum lease payments equals or exceeds 90 percent of the fair value of the leased property. Minimum lease payments generally equal the property rental payments excluding executory costs such as maintenance and insurance.

"Capital Lease Pre-Qualification Criteria" is defined as a set of criteria to determine if a leased asset could qualify as a capital lease asset. If a lease meets all the criteria below, then an agency is required to complete OBM's Capital Lease Form:

1. The leased asset meets the capital (fixed) asset capitalization reporting criteria/cost threshold as defined in this document; section titled "Capital (Fixed) Asset Reporting Criteria/Cost Threshold."
2. The lease agreement has a non-cancelable lease period.

"Capital Reporting Criteria/Cost Threshold" is defined as a set of criteria (such as asset classes, definitions and/or asset categories) and cost (acquisition cost, market value if donated, or estimated cost) that the State elects to inventory and capitalize for financial reporting. Assets meeting the Capital Reporting Criteria/Cost Threshold as considered Capital (fixed) Assets.

"Department" is defined as all agencies, offices, boards, commissions and similar entities directly responsible to the Governor, and/or whose members are appointed by the Governor.

"Depreciation" is defined as a loss in value of an asset by systematically allocating the cost of an asset or asset record over its estimated useful life.

"Depreciation Expense" – See "Depreciation."

"Depreciation Value" is defined as the original cost of the asset, less the salvage value of the asset. Depreciable value represents the total cost of the asset that is subject to depreciation.

"Director" is defined to include all directors or other heads of any department and their designees.

"Donation" is defined as an asset bestowed to the State of Ohio without compensation, where the donor relinquishes all rights to the gifted asset to the state.

"Easement" is defined as either the State of Ohio or an outside party has a legal right to access to or through a parcel of land without having ownership of the land. Such rights may include the right to erect or affix an asset to the land or bury an asset below the surface of the land but not to retain full rights to the land. An easement granted by the State of Ohio on its own land to an outside party is referred to as an internal easement; and where the state is granted an easement on land owned by an outside party is referred to as an external easement. Further, an external easement that is in perpetuity (contract with indefinite/unlimited terms) has unlimited useful life, and therefore is not depreciated. However, an external easement having a contract with definite end date is referred to as a temporary external easement and is required to be depreciated but the useful life not exceeding the remaining period of the easement contract.

"Electronic Medium Device" – See "RFID tag."

"Estimated Cost" – See "Estimated Historical Cost."

"Estimated Historical Cost" is defined as an estimate of an asset's price at the time it was acquired. An estimate may be derived from vendor price lists or catalogs, similar assets, staff estimates, vendor invoices, purchase orders, canceled checks, or appraisals.

"Executive Officer" – See "Director."

"Fair Market Value" is defined as the value of an asset in accordance with its relative sales value or amount that could be received for an asset on the "open market." Donated assets are assigned fair make value at the time it was acquired.

"Fair Value" – See "Fair Market Value."
"Financial Asset" – See "Capital Asset."

"OAKS AM is defined as an asset management system that is supported by DAS and made accessible to state agencies to use to meet their inventory statutory requirements, for stewardship (non-fixed) assets and capital (fixed) assets, as set forth by Ohio Revised Codes.

"Generally Accepted Accounting Principles" (a.k.a., GAAP) is defined as the conventions, rules and procedures that serve as the norm for the fair presentation of financial statements.

Governmental Accounting Standards Board" (a.k.a., GASB) is defined as the ultimate authoritative accounting and financial reporting standard-setting body for the State of Ohio and local governments.

"Historical Cost" is defined as the actual or original cost incurred to acquire an asset and incidental costs to place it in service for operations of the State of Ohio or a state agency. Cost includes amounts paid or value assigned (in case of a donated asset) and incidental costs incurred to place the asset into service, such as freight, installation charges, preparation of the area in which the asset is operated, demolition costs, etc.

"Illegal Activity" is defined as to include fraud, theft, assault and other violations of local, state and/or federal law, including violations of state ethics laws, committed or in the process of being committed, by a state employee on any property owned or leased by the state or during the course of executing official duties.

"Improvement" is defined as an addition made to or change made in an asset, other than maintenance, to prolong its life or to increase its efficiency or capacity. The cost of the addition or change is added to the cost of the original asset, most commonly by using a component record. Improvement can be separated into two categories: 1.) Additions to previously existing asset; and 2.) replacement of a building component or equipment with a new part having significantly improved and superior performance. In each case, the result tends to enhance the overall efficiency of the asset and increase the useful life. Improvements must be separately identified from normal maintenance and upkeep. Any costs made to keep an asset operating at its normal capacity or preventing it from prematurely deteriorating, is considered maintenance and is not to be added to the value of the asset. An example of an improvement would be taking out an old engine from a truck and replacing it with a newer, bigger one. An example of maintenance costs would be the replacement of the oil, spark plugs, and antifreeze in either the old or new engine.

"Infrastructure" is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems. For financial reporting, buildings are not considered infrastructure assets except those that are an ancillary part of a network of infrastructure assets (i.e., rest area buildings).

"Inventory" is defined as a collection of asset records in a database, such as an asset management system.

"Inventory Label" is defined as a self-adhesive tag to safeguard and identify inventoried tangible personal property to a state agency, using the agency name or abbreviation thereof, and with an agency unique serialized asset ID number by affixing it to an asset. Provided certain policy requirements are complied with, the inventory label may be used to identify non-inventoried tangible personal property for the purposes of tracking only, such as information about locations, employee assignment, insurance, leases, maintenance, repairs, software licenses and warranties. The asset ID number appearing on the tag may be of a non barcode or bar code format. A traditional tag will have only an asset ID number printed on it in a human readable (non barcode) format, and must always appear the same on the inventory system record. A tag using the bar code format for its asset ID number will always be accompanied with the human readable asset ID number and must always appear the same on the inventory system property record.

"Inventory System" – See "Asset Management System" or "OAKS AM"

"Land Improvement" is defined as an improvement made to land, either above or below ground, such as parking lots, sidewalks, retaining walls, yard lighting, fencing, other structures, etc. A land improvement can be associated with land on which one or more State building is located. Further, a prefabricated structure that can be easily emplaced or displaced (e.g., with a crane) and that do not require a foundation should be reported as a land improvement.

"Leasehold Improvement" is defined as an improvement or renovation to an asset covered under an operating lease, such as a rental contract (neither a lease-purchase nor capital lease). The improvement or renovation becomes the property of the lessor (owner of the property) at the end of the lease term. The improvement or renovation should be considered an asset of the State while the lease is in effect, even though the original asset (attached to) being leased is not considered to be an asset of the State. A leasehold improvement required to be depreciated but with the useful life not exceeding the remaining period that the lease covers. All leasehold improvements are required to be inventoried by the State when the State pays directly for the cost of the leasehold improvement and the asset meets the Stewardship or Capital Cost Threshold. If the original asset being leased contains an option to renew and the likelihood of renewal is uncertain, the leasehold improvement should be depreciated over the life of the initial lease term or the useful life of the improvement, whichever is shorter.

"Lease Purchase Criteria" is defined as a set of criteria to determine if an asset acquired by a lease has to be inventoried. If a lease meets all the criteria below, then it has to be inventoried:

1. The leased asset meets the stewardship reporting criteria/cost threshold (a.k.a., inventory reporting cost threshold).
2. The lease agreement has a non-cancelable lease period.
3. The lease agreement is a lease purchase.

"Lessee" is defined as the party who leases property.

"Lessor" is defined as the owner of the property that is being leased.

"Licensed Vehicle" is defined as all state vehicles, including renovations and improvements thereon, 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 intended to be used for over-the-road transportation.

"Loaned" is defined as an asset given to the State of Ohio for temporary use on the condition that it be returned to the lender, based on a time period and/or when a specific condition is or is no longer met, without any compensation.

"Lot" is defined as a group of individual assets that are similar, and all inventoried (recorded) on one (1) inventory record.

"Modular Furniture" is defined as moveable assets, requiring assembly to each other, used as furniture and/or to create offices. Individual items of modular furniture have to meet the Capital Reporting Criteria/Cost Threshold to be a capital (fixed) asset.

“Net Book Value” is defined as the original cost of an asset or asset record, less the accumulated depreciation at a given point in time.

“Operating Lease” is defined as a lease agreement entered into by the State of Ohio or state agency and an outside party that does meet either the Lease Purchase Criteria or Capital Lease Criteria.

“Parcel” is defined as a plot of land as recorded by single deed in the county auditor’s office. A parcel may have many sub parcels representing a plot of land.

“Parcel Number” is defined as a number assigned by the county auditor to represent a plot of land and preceded by a two character numeric county code, such as the county code “25” for Franklin County.

“Real Property” is defined as land, and whatever is erected or affixed to land (above or below), 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 thereon.

“Renovation” is defined as construction performed on an already existing building, land improvement or personal property (i.e., equipment) to enhance its usefulness. Renovation also includes replacement of destroyed portions of an asset (e.g., fire damaged rooms).

“RFID tag” is defined as a memory chip and antenna adhered to the back of a label (a.k.a. smart label) or placed inside a button, the memory chip storing an agency unique asset ID number, used to safeguard and identify inventoried personal property by affixing to it to an asset. RFID tags can receive and respond to radio-frequency queries from RFID, Ultra Wide Bandwidth (UWB) and/or Wi-Fi transceivers (readers). Passive tags require no internal power source, whereas active tags require a power source. The memory stored ID number must always appear the same on the inventory system record.

“Salvage Value” is defined as the value of an asset after it has been fully depreciated. It is an estimate of what the asset may be sold for when fully depreciated.

“Security Label” is defined as 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 of an agency and the State.

“Sensitive Property” is defined as property that is popular and highly vulnerable to theft. This is one of several criteria used to determine if an asset is required to be inventoried.
“State Owned Property” is defined as assets that are owned (purchased or donated), subject to ownership (e.g., leased asset), acquired under a grant or sub-grant, or held on behalf of the State of Ohio. Property has an initial estimated useful life of two years or more and is neither consumed nor expended during its useful life. The property is used in the operations of the state either directly or indirectly, e.g., highway networks, educational programs, federal government programs, etc.

“Stewardship Asset” is defined, in general, as state owned property that meets the Stewardship Reporting Criteria/Cost Threshold.

"Stewardship Reporting Criteria/Cost Threshold" is defined as a set of criteria (such as asset classes, definitions and/or asset categories) and cost (acquisition cost, market value if donated, or estimated cost) that the State elects to inventory. All capital (fixed) assets are included in this group of Stewardship Assets, but also considered a sub-group for financial reporting purposes.

"Straight Line Method" is defined as a common mathematical formula used in accounting to calculate the annual depreciation of an asset. The name given to the method reflects the fact that the same depreciation is recognized each fiscal year for a given asset, however, possible exceptions being the year of acquisition and retirement – this is dependent upon the month of acquisition and retirement.

"Supplies" is defined as items consumed or expended when used in the operation of state activities, acquired for resale, or have a useful life of less than two years.

"Supporting Documentation" is defined as documents or materials to substantiate the value and/or activity of an asset; such as the purchase, transfer, retirement, etc. Included as supporting documentation are purchase orders, receiving slips, vouchers, contracts, mortgages, leases, titles of ownership, change of jurisdiction agreements, etc.

"Valuation Method" – See "Historical Cost", "Estimated Historical Cost", and "Fair Market Value."

"Works of Art & Historical Treasures" are defined as assets such as paintings, sculptures, historical manuscripts and books, and antiques that held individually, and that are maintained or preserved. For financial reporting, collections of works of art or historical treasures are not considered capital assets. Historical buildings and museums and associated land improvements operated by the Ohio Historical Society are considered historical treasures, thus are capital assets and reported as such by OBM in the State's CAFR but not depreciated.

"Wrongdoing" is defined as a serious acts or omission, committed by a state employee on any property owned or leased by the state or during the course of executing official duties. Wrongdoing is conduct that is not in accordance with standards of proper governmental conduct and which tends to subvert the process of government, including, but not limited, to gross violation of departmental or agency policies and procedures, executive orders, and acts of mismanagement, serious abuses of time, and other serious misconduct. For purposes of this handbook, wrongdoing does not include illegal or suspected illegal activity. Likewise, wrongdoing does not include activity that is most appropriately handled through the department's human resources personnel.