

EXHIBIT B to Resolution No. 636

City of Woodland Policy and Procedure Fixed Assets

The following policies and procedures document a fixed asset system designed to comply with all statutory requirements and increase control over those assets for which the City has stewardship responsibilities. The intent of these policies is to obtain accountability over assets, provide centralized documentation for insurance purposes, meet financial reporting needs, and generate asset management information.

PURPOSE

The City has a significant investment in fixed assets such as land, land improvements, buildings, machinery and equipment. In a major effort to improve financial reporting, accountability and operational efficiencies in managing these assets, the City has established a fixed asset accounting system.

POLICY

It is the policy of the City to maintain accountability over all tangible fixed assets having a life expectancy exceeding one year and costing \$5,000 or more. This policy also includes those assets of a lesser value that may be attractive to theft. The Clerk/Treasurer shall maintain the asset records. The asset records shall be verified by a physical inventory at least once bi-annually.

This policy applies to all land improvements, all buildings and building renovations, equipment purchased and additions to existing equipment that increases its useful value and all donated items.

Responsibilities

The Clerk/Treasurer will establish a fixed assets system and prepare guidelines for the annual inventory. To establish the original inventory, department heads and the Clerk/Treasurer shall conduct a physical inventory of all assets in each department.

To assist in accountability and theft prevention, each department head shall be held responsible for all property assigned to his/her department.

Each department head will notify the Clerk/Treasurer of any additions, deletions, interdepartmental transfers, modifications, or lease of property. The Clerk/Treasurer will ensure the appropriate changes are made to the department's fixed asset records.

Asset Identification

All property will be assigned a unique asset identification number. The Finance Department will assign this number. The assigned number will follow the asset throughout its life in the City's fixed asset system. This is different from the city tag number.

Whenever feasible, each piece of property will be tagged or marked with the City identification number. A quantity of tags will be assigned by the Clerk/Treasurer to each department head. The supply of unused tags will be maintained by the Clerk/Treasurer. Such markings will be removed or obliterated only when the item is sold, scrapped, cannibalized, or otherwise disposed of. Should the ID number be removed or defaced, the item shall be marked with a replacement number.

Monetary Value

Assets in the system include all land, buildings, machinery, and equipment valued at \$5,000 or more. Small and attractive assets under \$5,000 shall be included at the discretion of the department head.

The value shall be determined by original cost, historical cost or estimated historical cost if actual historical cost is not available.

The original cost shall include the cost, sales tax, transportation expenses and the cost of installation.

Donated fixed assets are recorded at their estimated fair market value on the date donated.

Depreciation

Depreciation is an attempt to match the cost (decline in value) of assets to the time periods the assets serve the City.

The City is recognized as a Category II entity by the State of Washington and uses single entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP). The City is not required to account for depreciation.

If and when the City becomes a Category I entity and is required to use GAAP accounting methods the straight-line method of depreciation will be used and the stated guidelines will be followed.

The straight-line method of depreciation will be used on individual assets costing \$5,000 or more and the following depreciation guidelines will be used. If not practicable the group-life method may be used instead of straight-line, for either assets similar in nature (tables, chairs, etc.) or for those dissimilar in nature but related by mode of operation (water treatment, sewer collection, etc.).

Depreciation is not recorded for general fund fixed assets but only in the proprietary funds.

Assets purchased on or before June 30th receive a full year's depreciation in the year of acquisition. Assets purchased after June 30th will be depreciated beginning January 1 of the year following the year of acquisition.

Assets disposed of on or before June 30th receive no depreciation in the year of disposition. Assets disposed of after June 30th receive a full year's depreciation.

PROCEDURES

Additions

The City may acquire property via purchase, construction, donation, or lease. When the property is received, the controlling department head will complete an "asset addition form". The department making the purchase shall tag the new property and note the tag number on the P.O. and/or invoice. The addition form, the P.O., and the invoice must to be submitted to the Clerk/Treasurer for processing.

Deletions

Assets previously acquired may eventually be disposed of and need to be deleted from the Fixed Asset System. Deletion may be required due to sale of the asset, scrapping, cannibalization, if the asset is lost or stolen, or if it has been destroyed or damage beyond repair.

The selling of City assets will comply with the City's surplus policy. Before disposal of a destroyed or damage asset, the Mayor or Clerk/Treasurer must verify that the asset is no longer of value to the City.

An asset may only be removed from the Fixed Asset System when the department head controlling the asset submits an "asset retirement" form to the Mayor for approval. Once the Mayor approves the completed form, the Clerk/Treasurer will remove the asset from the system.

Lost or stolen items may require additional reports. Deletions brought about because of natural disasters would require reporting to the insurance provider for an eventual reimbursement.

Transfers

Occasional transfer of property between departments or funds may occur. The original controlling department is accountable for all assets in its inventory and is responsible for initiating a notice of transfer. The department receiving the asset must acknowledge that it is accepting responsibility for the asset.

The original controlling department head shall fill out the "asset transfer" form and the accepting department head shall acknowledge receipt of the asset. The "asset transfer"

form then shall be forwarded to the Clerk/Treasurer. The Clerk/Treasurer is responsible for making the change to the Fixed Assets System.

Modifications

Larger assets such as major pieces of equipment and many buildings are often modified to increase their usefulness or increase the life of the asset. Modification may include partial additions or deletions, major repairs (new engine for a truck), or component replacement (new roof, heating system, etc.).

Several payment requests may be prepared paying for the modifications as the work progresses. It is very important to notify the Finance Department that modifications are being done PRIOR to commencing them. A project or ID number should be assigned and placed on all payment requests, purchase orders, invoices, etc. as they relate to the modifications. This will enable the Finance Department to track all costs and to later record them in the Fixed Asset System.

Inventory

Complete an inventory bi-annually of all City property. The purpose of this inventory is to assure that all City property is actually in the possession of the City and it properly accounted for.

When reconciled, the inventory provides evidence that department heads are meeting their stewardship duty over their assets. An inventory may also help the department plan for future purchases by identifying unanticipated wear and tear of equipment before the equipment breaks down.

The Clerk/Treasurer will assign inventory teams for each department. The finance department will distribute a listing of assets, by department, to be used as an inventory worksheet. Inventory teams will take the worksheets to their assigned areas and attempt to locate everything on the list.

Missing items will be properly explained and noted as “missing, sold, etc.”.

Items not included in the inventory sheet but physically located will be assigned a number by the Clerk/Treasurer and will be added to the inventory sheets. All items lacking an identification tag will be tagged if feasible.

All land, machinery and equipment, buildings, and improvements other than buildings with an original value of \$5,000 or more must be inventoried. Departments shall also inventory other items that are attractive in nature and have certain desirability to the general public.

Lost or Stolen Assets

Lost or stolen equipment must be reported to the City Mayor and Clerk/Treasurer as soon as it is discovered. The department head shall file a “missing property report”. If the item has not been found after ninety days of filing the report, the department will sent an

"asset retirement" form to the Finance Department so the missing asset can be removed from the asset inventory.

Maintenance of Property Manual

The City will maintain a Property Manual outlining the City's stated fixed asset policies and procedures to be followed to maintain its fixed assets. Records of each asset and the disposal of that asset will be kept by the City.

Reference: Resolution No. 636 – Fixed Assets (January 21, 2014).