

RESOLUTION NO. 1389

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF DAYTON,
WASHINGTON, APPROVING THE CITY OF DAYTON FIXED ASSETS POLICY AND
PROCEDURES**

WHEREAS, from time to time staff makes recommendations to the City Council recommending certain changes to the City's financial policies and procedures; and

WHEREAS, the City currently does not have a formally adopted fixed asset policy and procedures; and

WHEREAS, City of Dayton 2019 Budget lists the development and implementation of various policies under the "Administrator/City Clerk-Treasurer's Primary Goals for 2019";

WHEREAS, the City Council adopted the City of Dayton 2019 Budget on December 5, 2019; and

WHEREAS, the Section 3.3.8.20, Capital Assets Management, Reporting Capital Asset Transactions, Washington State Auditor's Budgeting, Accounting, Reporting System Manual reads in part, "Entities must have policies and procedures in place to track, demonstrate accountability and ensure security of their capital assets."; and

WHEREAS, a fixed asset policy would enable the City to meet statutory requirements, produce adequate records and reports, and to safeguard assets properly; and

WHEREAS, the Finance Committee received a copy of the Fixed Asset Policy as set forth in Exhibit "A" attached hereto on August 7, 2019 for review; and

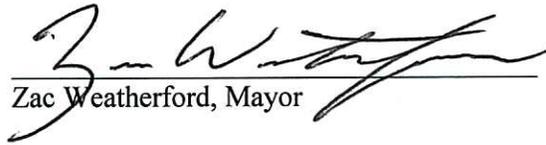
WHEREAS, the City received one comment from the Finance Committee regarding title inconsistencies within the City of Dayton Fixed Asset Policy date 08/07/2019 and the policy was updated to incorporate the comment; and

WHEREAS, it is in the City's best interest to formalize its fixed asset policies in writing.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF DAYTON,
WASHINGTON, DO HEREBY RESOLVE AS FOLLOWS:**

Section 1. The City of Dayton does hereby adopt the City of Dayton Fixed Assets Policy and Procedures as set forth in Exhibit "A" attached hereto.

**PASSED BY THE CITY COUNCIL OF THE CITY OF DAYTON, WASHINGTON, AT A
REGULAR MEETING ON THE 14TH DAY OF AUGUST, 2019.**


Zac Weatherford, Mayor

Attested/Authenticated by:


Trina Cole, City Administrator

CITY OF DAYTON
FIXED ASSETS

POLICY AND PROCEDURES

1. PURPOSE

The purpose of the Fixed Assets Policy and Procedures is 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.

2. 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 (including tax) or more. The asset records shall be verified by a physical inventory once per year by each department and provide such list to the City Council's Finance Committee for monitoring differences between years.

A. DEFINITIONS

- 1) Cost - "Original" or "historical" cost is the amount paid to acquire an asset. This cost is based on actual price paid, including related taxes, commissions, installation costs and any other costs related to acquiring the asset or preparing it for use. The actual price should approximate fair market value. This cost principle applies to all asset acquisitions.
- 2) Depreciation -The portion of the cost of a fixed asset which is charged as an expense during a particular period. In accounting for depreciation, the cost of a fixed asset, less any salvage value, is prorated over the estimated service life and each period is charged with a portion of such cost. Through this process, the entire cost of the asset is ultimately charged off as an expense.
- 3) Fixed Assets - Real and personal property which the City intends to use of keep for more than one year and is valued at \$5,000 or more (including sales tax). Fixed assets include, but is not limited to, land and land rights, capital improvements, infrastructure, buildings and their furnishings, furniture and fixtures, equipment, machinery, vehicles and tools.
- 4) Fixed Asset System – The set of policies, procedures and computer programs used to

control the City's fixed assets.

- 5) Infrastructure – Includes, but is not limited to, roads, bridges, sidewalks, water lines, sewers, drainage systems and the like.

B. RESPONSIBILITY OF DEPARTMENT SUPERVISORS

The Administrator or designee will establish a fixed assets system and prepare guidelines for the annual inventory.

To establish the original inventory, the department heads and the Administrator or designee shall conduct a physical inventory of all assets in each department, which shall be adopted by a resolution of the City Council.

To assist in accountability and theft prevention, each department supervisor shall be held responsible for all property assigned to his/ her department. Under the City's Personnel Policy Manual, theft and/or unauthorized use of city property is not allowed and may lead to disciplinary action up to and including termination and criminal prosecution. Any theft or suspicion of theft or unauthorized use should be reported to the responsible department head and the Mayor for further investigation.

Each department supervisor shall notify the Administrator of any additions, deletions, interdepartmental transfers, modifications, or leases of property that are not reflected on the preliminary list. The Administrator will ensure the appropriate changes are made to the departments fixed asset records.

C. ASSET IDENTIFICATION

A quantity of pre-numbered asset tags will be assigned by the Administrator to each department supervisor. Each department supervisor or designee shall be responsible for tagging its own fixed assets, preparing an Asset Addition Form and submitting the Form to the Administrator within thirty (30) days of purchase. The assigned asset tag number will follow the asset throughout its life in the City's fixed asset system.

Asset tags will be removed or obliterated only when the item is declared surplus by resolution of the City Council and disposed of. The surplus resolution shall authorize to either sell or dispose of such assets as provided by the City of Dayton Surplus Property Policy. In the case of surplus grant funded inventory, the original grant agreement/contract needs to be reviewed for compliance issues. In some cases, the grant source would need to approve selling or surplus such assets.

Should the asset tag number be removed or defaced, the item shall be marked with a replacement number.

3. PROCEDURES

A. ADDITIONS

A Fixed Asset Addition form (Attachment C) will be completed by the department supervisor or designee and sent to the Administrator's Office for each fixed asset acquired through the normal purchasing procedure within thirty (30) days. This form will include the purchase date, asset description, make/model number, vendor, serial number, license plate number (for vehicles), asset tag number, department and cost. A copy of the supporting invoice shall be attached to this form. The Administrator will input all information into the fixed asset system upon receipt.

B. DELETIONS

Assets previously acquired will eventually be disposed of and need to be deleted from the fixed asset system. Deletion may be required due to a sale of the asset, scrapping, mysterious disappearance (lost or stolen), or involuntary conversion (fire, flood, etc.).

Due to the monetary value, assets deleted from the fixed asset program, whatever the reason, will require authorization from both the department head and the Mayor.

The department head controlling the asset is the only one in position to trigger removal from the fixed assets system.

Removal is accomplished by filling out an Asset Disposal Sheet, provided by the Administrator, and obtaining authorizing signatures from the department head and the Mayor, and then forwarding it to the Administrator.

The selling of City assets shall comply with the City's surplus policy.

C. LOST OR STOLEN ASSETS

Lost or stolen equipment must be reported to the Mayor and the Administrator as soon as it is discovered. The department supervisor shall file a "missing property report." If the item has not been found after ninety days of filing the report, the department will send an Equipment Surplus / Inter-Department Transfer form so the missing asset can be properly declared as surplus.

D. TRANSFERS

Occasional transfers 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.

Interdepartmental transfers involving a proprietary fund (i.e. Water/ Sewer) need to have a transfer of money. The sale price will be fair market value, which may result in a gain or a loss on sale of fixed assets. Interdepartmental transfers or intergovernmental (i.e. city to County or State) do not require the city to declare the item surplus or to do a public notice.

All changes in custody or use shall be recorded in the fixed asset system.

E. 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 uses cash basis accounting which is a departure from generally accepted accounting principles (GAAP). The City is not required to account for depreciation.

F. MODIFICATIONS

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

Several vouchers may be prepared for the modification as the work is in progress. It is very important that each invoice for said modifications are coded with the Fixed Asset Identification Number to provide for the updating of inventory within the Fixed Asset System.

G. PHYSICAL INVENTORY

The Administrator shall complete a physical inventory once per year of all city property. The purpose of this physical inventory is to assure that all City property is actually in the possession of the City and property accounted for.

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

The Administrator will assign inventory teams for each department. The Administrator 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 investigated and explained and noted as "missing, sold, etc."

Items not included in the inventory sheet but physically located will be assigned a number by the Administrator and added to the Fixed Asset System. Conversely, the Administrator shall remove items from the Fixed Asset System that do not qualify, either because they are less than \$5,000 or are a small and attractive asset.

All land, machinery, equipment, buildings, infrastructure and improvements 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 as provided in the city of Dayton Small Asset and Attractive Inventory Policy and Procedures.

If the asset is purchased with grant funding, the inventory worksheet will reference the grant with an identifying project code.

H. LOST OR STOLEN ASSETS

Lost or stolen equipment must be reported to the Mayor and Administrator as soon as it is discovered. If the item hasn't been found after ninety days of filing the report, the department/ fund will send an Asset Missing Form to the Administrator so they may remove the asset from the asset inventory. Copies of the report will be sent to the Mayor, City Council, and department head.

I. DONATED ASSETS

Assets are sometimes donated to the City. If the donation is cash to be used in conjunction with the construction of a specific asset, the donation is reported as revenue (367 contribution and donations from private sources) in governmental funds; in proprietary funds, such donations are treated as contributed capital.

If the asset donated is other than cash, its estimated fair value must be determined and recorded as contributed capital in a proprietary fund. In governmental funds, the proper treatment of the donation of fixed assets depends upon the government's plans for those assets. If the government intends to retain the fixed assets, they would be recorded directly in the General Fixed Asset Account Group (GFAAG), with no effect on the governmental fund.

J. MISCELLANEOUS

For unusual transactions not specifically addressed with these procedures, the City will follow the BARS manual's guidelines.

The city's property identification numbers are assigned by the Administrator for uniformity and must be unique to a single property item. Each department/ fund should maintain a register of asset tag identification numbers that identify assets under their control.