

**CITY OF COLVILLE**  
**FIXED ASSETS**  
**POLICY AND PROCEDURES**

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 responsibility. The intent of these policies is to obtain accountability over our assets, provide centralized documentation for insurance purposes, meet financial reporting needs, and generate asset management information.

**I. POLICY**

It is the policy of the city to maintain accountability over all tangible fixed assets having a life exceeding one year and costing \$5,000 (including tax) or more. The City Treasurer shall maintain asset records provided by the various city departments/funds, such records to be verified by a physical inventory at least once a year by each department.

**A. PURPOSE**

A fixed asset inventory system gathers information allowing preparation of financial statements in accordance with generally accepted accounting principles. The system should provide adequate stewardship over its resources through control and accountability of the fixed assets.

**B. GENERAL**

Assets in the system include all land, buildings, machinery and equipment valued at \$5,000 or more (including sales tax). Small tools and equipment or attractive items (cameras, radios, etc.) under \$5,000 will be maintained by each department in their own data base and will be governed by a separate policy.

**C. RESPONSIBILITY OF DEPARTMENT HEADS**

The City Treasurer will establish a fixed assets system and prepare guidelines for the annual inventory. By January 31<sup>st</sup> of each year the Treasurer's Office will supply department heads or the Mayor with a preliminary worksheet of assets as of December 31<sup>st</sup> of the prior year. Department heads or the

Mayor shall assign inventory teams to conduct a physical inventory of all assets that will be reviewed by the supervisor to test its validity.

Each department/fund will notify the Treasurer of any additions, deletions, interdepartmental transfers, modifications, or leases of property that is not reflected on the preliminary list. Deletions from the inventory should include items that were scrapped, cannibalized, disappeared mysteriously, or damaged beyond salvage. The Treasurer will ensure the appropriate changes are made to the department's/fund's fixed asset records. After the adjustments are made the final asset list will be given to the head or the Mayor to sign that it is true and correct.

#### D. ASSET IDENTIFICATION

All inventoriable property will be assigned a unique city identification number (see addendum No. 1) by the Treasurer's office. The assigned number will follow the asset throughout its life in the city's fixed asset system.

Whenever feasible, each piece of property will be tagged or marked with the city identification number on the upper right hand corner. 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 again with the original number (obtained from the inventory listing).

If the asset is purchased with grant funding, the identification number will reference the grant with a identifying project code. In the case of surplus, the contract needs to be reviewed for compliance issues. In some cases the grant source would need to approve selling or surplus such assets.

## II. PROCEDURES

### A. ADDITIONS

The city may acquire property via purchase, construction, donation, or lease. Regardless of how it is acquired, when the property is received, the purchasing department /fund will send a copy of the invoice, voucher and completed asset control sheet to the Treasurer's office at the same time they submit it to the clerk's office for payment. The Treasurer's office will immediately assign and notify the department fund of the inventory control number. The department /fund will immediately tag the item. The Treasurer's office will input the information from the asset control sheet to the fixed asset system on the computer.

### 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 system, 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 Asset records. Removal is accomplished by filling out the disposal section of the Asset Control sheet (Addendum No. 2) and obtaining authorizing signatures from the department head and the Mayor, and then forwarding it to the Treasurer's office.

Items disappearing mysteriously may require additional reports to the police department, Mayor, and Insurance Company. Deletions brought about as a result of natural disasters would require reporting to the insurance provider for an eventual reimbursement claim.

### C. TRANSFERS

Occasional transfers of property between departments, individuals within a department or funds will occur. The original controlling department /fund is accountable for all assets in its inventory and for initiating a notice of transfer.

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.

#### D. 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. Modifications 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. Therefore, it is very important to notify the treasurer's office that modifications are coded as capital outlay and a copy of voucher is given to the Treasurer's office when it is given to the Clerk's office for payment. The inventory number should be included on the voucher of the equipment; building or other structure reflecting what is being modified.

#### E. INVENTORY

The Treasurer's office will distribute a listing of assets, by department/fund, to be used as an inventory worksheet. Inventory teams, consisting of an assigned department employee, will take the worksheets to their assigned areas and locate everything on the list and the results will be reviewed by the department head. Any inventorial items found that are not numbered will be noted and added to the worksheet. All items lacking an identification tag will be tagged if at all feasible. Every two years the Treasurer's office will help with the physical inventory verification with each department during the summer or fall months.

A physical inventory by department/fund will be conducted annually to verify the existence and condition of all items in the fixed asset records. When reconciled, the inventory provides evidence that department heads are meeting their stewardship duty over their assets. An inventory may also help the department's plan for future purchases by identifying unanticipated wear and tear of equipment before the equipment breaks down. Land should note condition and any signs of trespassing violations.

To provide the best possible control, the department heads responsible for assets should not be the ones doing the physical inventory. He or she should assign that to an employee from their staff and obtain an independent person from the Fiscal department. The department head will do a reconciliation of the resulting reports before signing and turning it in to the Treasurer's office.

All land, machinery & equipment, buildings and improvements (i.e. parking lots and athletic fields) with an original value of \$5,000 or more must be inventoried. Department /funds need to inventory other items (less than \$5,000 value) that are sensitive or attractive (i.e. guns, cameras, chainsaws, etc.) assigned to them in their separate attractive asset listing.

The only items not inventoriable are supplies kept on a separate inventory. The controlling department /fund will maintain a separate inventory and it will not be recorded in the city's financial documents. These items will be classified as expenses or expenditures when purchased.

#### F. LOST OR STOLEN ASSETS

Whenever an item in the Fixed Assets System has mysteriously disappeared and all efforts have failed to recover it, the controlling department /fund shall notify the Fiscal department, who will give a copy to the Mayor and Police, using the format shown on the following page. Ninety days after notification, if the item hasn't been found, the department/fund will send an Asset control form to the Treasurer's office 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.

#### G. DONATED ASSETS

Assets are sometime 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.

#### H. MISCELLANEOUS

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

#### ADDENDUM # 1

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

The software for the Fixed Asset program uses a 10-character field that has the capability of using alpha or numeric characters.

## ADDENDUM # 2

Any time an asset is added, deleted, or transferred, an Asset Control Sheet will be prepared by the department /fund in control of the asset. The form will be attached to the voucher submitted to the Clerk's Office with copies of bid or quote information. A copy of the Asset Control Sheet, voucher, bid or quote information and a copy of the invoice will also be sent to the Treasurer's Office at the same time. The Treasurer will assign an inventory number and notify the controlling department /fund to attach an inventory tag. This tag will be placed on the upper right hand corner if possible.