F. 2.2210

RESOLUTION NO. 561

A RESOLUTION REPEALING RESOLUTION NO. 446 AND PROVIDING FOR A NEW UNIFORM POLICY AND PROCEDURE FOR FIXED ASSETS FOR THE CITY OF SHELTON

WHEREAS, efficient management and control of the City of Shelton's equipment and other assets would be aided by the development and adoption of standardized policies and procedures; and

WHEREAS, the development and adoption of a standardized policy and procedure will allow for the City of Shelton to comply with Generally Accepted Accounting Principals as recommended by the State of Washington's Auditor's Office.

NOW THEREFORE, be it resolved by the City Commission of the City of Shelton that the Director of Administrative Services is hereby directed to establish a POLICY AND PROCEDURE PROGRAM FOR THE FIXED ASSETS OF THE CITY OF SHELTON.

INTRODUCED AND PASSED in regular Commission meeting this 15th day of October, 1990.

Mayor

Commissioner

Commissioner

ATTEST:

City Clerk

APPROVED AS TO FORM:

City Attorney

CITY OF SHELTON

POLICY AND PROCEDURES

FOR FIXED ASSETS

These policies and procedures are intended to meet statutory requirements for fixed asset accounting and increase control (accountability) over property, plant and equipment owned by the City of Shelton.

I. STATUTORY AUTHORITY

The Washington State Auditor requires all cities to establish and maintain a fixed asset management system. The federal government requires agencies receiving federal grants to adhere to their accountability requirements. At the City level of government resolution # 561 requires the Director of Administrative Services to establish these policies and procedures so as to conform to Generally Accepted Accounting Principals.

II. POLICY

Assets which are intended to be held or used for a period exceeding one year and which the purchase price exceeds five-hundred ($500) dollars are required to be recorded as a capital outlay and inventoried. The asset inventory will be maintained by the Department of Administrative Services. There will be an annual reconciliation of inventory records to a physical count.

A. Purpose

A fixed asset management system shall be used to control the City of Shelton's fixed assets. The system shall satisfy accounting and reporting requirements and demonstrate accountability for the fixed assets of the City. Proprietary and general fixed asset shall be included.

B. General

Fixed assets shall include land, buildings, improvements, machinery and equipment with a historical cost (actual or estimated) of five-hundred ($500) dollars or more, three hundred ($300) dollars for federally funded assets. The policy for federally funded equipment shall be handled as outlined in Addendum "A" (see attached) of this document.

C. Responsibilities of Departments

The Director of Administrative Services shall be responsible for developing a fixed accounting and inventory system in compliance with these policies and procedures. Annually, each department within the City shall conduct a physical inventory of all assets under their control and compare it to a inventory list provided from the Department of Administrative Services.

Each department is responsible for notifying the Department of Administrative Services within 30 days from the date of any change in the asset inventory including: additions, deletions, interdepartmental transfers, major improvements or leases of any item which is subject to the Fixed Asset Program. At least once per year, the inventory listing will be adjusted by the Department of Administrative Services to reflect any changes. At the end of each calendar year, the listing will be compared to a physical count as provided for in this section.

D. Asset Identification

Inventoried property will be assigned a unique identification number by the Department of Administrative Services.

When feasible, each piece of property will be tagged or marked with the identification number. Markings shall be removed or obliterated only when the item is sold, scrapped, cannibalized or otherwise disposed of. Each department shall be responsible for seeing that the identification number is placed and maintained on any asset under their control.

The equipment inventory shall maintain a unique identification number and any manufacture serial number or other identifying numbers.

E. Depreciation

In accounting for depreciation, the cost of a fixed asset, less any salvage value, shall be prorated over the service life of any asset and each period shall be charged with a portion of such cost. Through this process, the entire cost of the asset shall be ultimately charged off as an expense.

Depreciation shall be computed in the proprietary funds only. All fixed assets of the proprietary funds, except for land, must be depreciated.

Depreciation shall be computed using the straight-line method. Depreciable life shall be based upon a reasonable estimate of the expected useful life of the asset.

Assets may be depreciated individually or in groups. Assets similar in nature (tables, chairs, etc.) or assets dissimilar in nature, but related by mode of operation (water treatment) may use the group life method.

Depreciation shall be calculated by month with a full month's depreciation taken for assets acquired on or before the fifteenth (15th) day of any month and assets disposed of after the fifteenth (15th) day of any month. No depreciation shall be calculate for any month in which an asset is acquired after the fifteenth (15th) day of any month or disposed of on or before the fifteenth (15th) day of any month.

III. PROCEDURES

A. Additions

Fixed assets may be acquired by purchase, construction, donation or lease. Any acquired asset shall be added to the inventory listing as soon as possible and in no case any later than December 31 of any year acquired.

B. Deletions

Acquired assets will eventually need to be disposed of and will need to be deleted from the Fixed Asset System. A deletion will be required when an asset is sold, scrapped, cannibalized, disappears (lost or stolen) or involuntary conversion (fire, flood, etc.).

C. Transfer

Transfer of assets between departments or funds will occur. The original custodian of the property shall be responsible for notifying the Department of Administrative Services of any such transfer within thirty (30) days from the date of transfer. RCW 43.09.210 requires that, when property is transferred between funds of the same municipality, it should be paid for at its' full value by the fund which receives it (see Addendum B attached for further clarification).

D. Improvements

Improvements and replacements involve the substitution of new components for old ones and increase the economic benefits to be derived from an asset. An improvement is the addition to a current asset. A replacement is the substitution of an equivalent asset, such as a new engine in a truck. The costs of any improvement or replacement should be capitalized.

The cost of any improvement or replacement should be added to the cost of the asset and/or the depreciable life of the asset should be extended to reflect any increased life of the asset.

E. Inventory

A physical inventory shall be done annually, by all departments, in order to verify the existence and condition of all items in the fixed asset inventory system. Assets purchased need to be reconciled to the expenditure report. Assets that have been disposed of shall be deleted from the fixed asset inventory system.

The Department of Administrative Services shall distribute the latest inventory list on file for each department by December tenth (10th). The department shall check, verify, add, delete, reconcile and return the inventory list to the Department of Administrative Services by no later than the last working day of December.

All land, buildings, machinery, equipment and major improvements to any building or land (landscaping, parking lots, etc.) which qualify as an asset shall be included on the inventory listing. The Department of Administrative Services may also include any items deemed sensitive in nature, easily lost and have a certain desirability to the general public (i.e. chain saws, cameras, calculators, guns) which are less than the minimum dollar amount for including on the fixed asset program. Donated assets shall be capitalized at an amount equal to the fair market value at the time of donation.

Infrastructure owned by governmental type funds shall not be inventoried. Infrastructure is an asset owned by governmental type funds having significant value only to the City and the citizens of Shelton and are not generally transportable from one location to another, and are expensed as they are constructed. Examples of infrastructure include roads, curbing, drainage systems and bridges in a general government fund.

Purchase of any asset costing less than the amount required to be placed on the Fixed Asset System shall be accounted for as a "supply" item.

F. Lost or Stolen Assets

When an asset has disappeared and all effort have been made to recover it, including reporting the loss to the Shelton Police Department, the custodial department shall notify the Department of Administrative Services of said loss. The asset shall be removed from the Fixed Asset System.

Approved this 16th day of October, 1990

by ______________________

Director of Administrative Services

by ______________________

City Administrator

ADDENDUM A

PROPERTY MANAGEMENT STANDARDS - Federal Grants

1. This attachment prescribes uniform standards governing the utilization and disposition of property furnished by the federal government or acquired in whole or in part with federal funds or whose cost was charged to a project supported by a federal grant. Federal grantor agencies shall require grantees to observe these standards under grants from the federal government and shall not impose additional requirements unless specifically required by federal law. The grantees shall be authorized to use their own property management standards and procedures as long as the provisions of this Attachment are included.

2. The following definitions apply for the purpose of this Attachment:

a. Real Property: Real property means land, including land improvement, structures and appurtenances thereto, excluding movable machinery and equipment.

b. Personal property: Personal property of any kind except real property. It may be tangible, having physical existence or intangible, having no physical existence, such as; patents, inventions and copyrights.

c. Non-expendable Personal Property: Non-expendable personal property means tangible personal property having a useful life of more than one year and an acquisition cost of $300 or more per unit. A grantee may use its own definition of non-expendable personal property provided that such definition would at least include all tangible personal property as defined above.

d. Expendable Personal Property: Expendable personal property refers to all tangible personal property other than non-expendable property.

e. Excess Property: Excess property means property under the control of any federal agency which, as determined by the head thereof, is no longer required for its needs or discharge of its responsibilities.

f. Acquisition Cost of Purchased Non-expendable Personal Property: Acquisition cost of an item of purchased non-expendable personal property means the net invoice unit price of the property, including the cost of modifications, attachments, accessories or auxiliary apparatus necessary to make the property usable for the purpose for which it was acquired. Other charges such as the cost of installation, transportation, taxes, duty or protective in-transit insurance, shall be included or excluded from the unit acquisition cost in accordance with the grantee's regular accounting practices.

g. Exempt Property: Exempt Property means tangible personal property acquired in whole or in part with federal funds, and title to which is vested in the recipient without further obligation to the federal government except as provided in sub-paragraph 6a below. Such unconditional vesting of title will be pursuant to any federal legislation that provides the federal sponsoring agency with adequate authority.

3. Real Property: Each federal grantor agency shall prescribe requirements for grantees concerning the use and disposition of real property funded partly or wholly by the federal government. Unless otherwise provided by statute, such requirements, as a minimum, shall contain the following:

a. Title to real property shall vest in the recipient subject to the condition that the grantee shall use the real property for the authorized purpose of the original grant as long as needed.

b. The grantee shall obtain approval by the grantor agency for the use of the real property in other projects when the grantee determines that the property is no longer needed for the original grant purposes. Use in other projects shall be limited to those under other federal grant programs or programs that have purposes consistent with those authorized for support by the grantor.

c. When the real property is no longer needed as provided in a and b above, the grantee shall request disposition instructions from the federal agency or its successor federal agency. The federal agency shall observe the following rules in the disposition instructions:

(1) The grantee may be permitted to retain title after it compensates the federal government in an amount computed by applying the federal percentages of participation in the cost of the original project to the fair market value of the property.

(2) The grantee may be directed to sell the property under guidelines provided by the federal agency and pay the federal government an amount computed by applying the federal percentage of participation in the cost of the original project to the proceeds from sale, after deducting actual and reasonable selling and fix-up expenses, if any, from the sales proceeds. When the grantee is authorized or required to sell the property, proper sales procedures shall be established that provide for competition to the extent practicable and result in the highest possible return.

(3) The grantee may be directed to transfer title to the property to the federal government provided that in such cases the grantee shall be entitled to compensation computed by applying the grantee's percentage of participation in the cost of the program or project to the current fair market value of the property.

4. Federally Owned Non-expendable Personal Property: Title to federally owned property remains vested in the federal government. Recipients shall submit annually an inventory listing of federally owned property in their custody to the federal agency. Upon completion of the agreement or when the property is no longer needed, the grantee shall report the property to the federal agency for further agency utilization.

If the federal agency has no further need for the property, it shall be declared excess and reported to the General Services Administration. Appropriate disposition instructions will be issued to the recipient after completion of the federal agency review.

5. Exempt Property: When statutory authority exists, title to Non-expendable personal property acquired with project funds shall be vested in the recipient upon acquisition unless it is determined that to do so is not in the furtherance of the objectives of the federal sponsoring agency. When title is vested in the recipient the recipient shall have no other obligation or accountability to the federal government for its use or disposition except as provided in 6a below.

6. Other Non-expendable Property: When other non-expendable tangible property is acquired by a grantee with project funds, title shall not be taken by the federal government but shall vest in the grantee subject to the following conditions:

a. Right to Transfer Title: For items of non-expendable personal property having a unit acquisition cost of $1,000 or more, the federal agency may reserve the right to transfer the title to the federal government or to a third party named by the federal government when such third party is otherwise eligible under existing statutes. Such reservation shall be subject to the following standards:

(1) The property shall be appropriately identified in the grant or otherwise made known to the grantee in writing.

(2) The federal agency shall issue disposition instructions within 120 calendar days after the end of the federal support of the project for which it was acquired. If the federal agency fails to issue disposition instruction within the 120 calendar day period, the grantee shall apply the standards of sub-paragraph 6b and 6c as appropriate.

(3) When the federal agency exercises its right to take title, the personal property shall be subject to the provisions for federally owned non-expendable property discussed in paragraph 4, above.

(4) When title is transferred either to the federal government or to a third party, the provisions of sub-paragraph 6c-2-b should be followed.

b. Use of other tangible non-expendable property for which the grantee has title:

(1) The grantee shall use the property in the project or program for which it was acquired as long as needed, whether or not the project or program continues to be supported by federal funds. When no longer needed for the original project or program, the grantee shall use the property in connection with its other federally sponsored activities, in the following order of priority:

(a) Activities sponsored by the same federal agency.

(b) Activities sponsored by other federal agencies.

(2) Shared Use: During the time that non-expendable personal property is held for use on the project or program for which it was acquired, the grantee shall make it available for use on other projects or programs if such other use will not interfere with the work on the project or program for which the property was originally acquired. First preference for such other use shall be given to other projects or

programs sponsored by the federal agency that financed the property; second preference shall be given to projects or programs sponsored by other federal agencies. If the property is owned by the federal government, use on other activities not sponsored by the federal government shall be permissible if authorized by the federal agency. User charges should be considered if appropriate.

c. Disposition of other non-expendable property: When the grantee no longer needs the property as provided in 6b above, the property may be used for other activities in accordance with the following standards:

(1) non-expendable property with a unit acquisition cost of less than $1,000. The grantee may use the property for other acitivities without reimbursement to the federal government or sell the property and retain the proceeds.

(2) non-expendable personal property with a unit acquisition cost of $1,000 or more. The grantee may retain the property for other uses provided that compensation is made to the original federal agency or its successor. The amount of compensation shall be computed by applying the percentage of federal participation in the cost of the original project or program to the current fair market value of the property. If the grantee has no need for the property and the property has further use value, the grantee shall request disposition instructions from the original grantor agency.

The federal agency shall determine whether the property can be used to meet the agency's requirements. If no requirement exists within that agency, the availability of the property shall be reported, in accordance with the guidelines of the Federal Property Management Regulations (FPMR), to the General Services Administration by the federal agency to determine whether a requirement for the property exists in other federal agencies. The federal agency shall issue instructions to the grantee no later than 120 days after the grantee request and the following procedures shall govern:

(a) If so instructed or if disposition instructions are not issued within 120 calendar days after the grantee's request, the grantee shall sell the property and reimburse the federal agency an amount computed by applying to the sales proceeds the percentage of federal participation in the cost of the original project or program. However, the grantee shall be permitted to deduct and retain from the federal share $100 or ten percent of the proceeds, whichever is greater, for the grantee's selling and handling expenses.

(b) If the grantee is instructed to ship the property elsewhere the grantee shall be reimbursed by the benefiting federal agency with an amount which is computed by applying the percentage of the grantee participation in the cost of the original grant project or program to the current fair market value of the property, plus any reasonable shipping or interim storage costs incurred.

(c) If the grantee is instructed to otherwise dispose of the property, the grantee shall be reimbursed by the federal agency for such costs incurred in its disposition.

d. Property Management Standards for Non-expendable Property: The grantee's property management standards for non-expendable personal property shall include the following procedural requirements:

(1) Property records shall be maintained accurately and shall include:

(a) A description of the property

(b) Manufacturer's Serial Number, Model Number, Federal Stock Number, National Stock Number or other identification number.

(c) Source of the property including grant or other agreement number.

(d) Whether title vests in the grantee or the federal government.

(e) Acquisition date or date received, if the property was furnished by the federal government and cost.

(f) Percentage, at the end of the budget year, of federal participation in the cost of the project or program for which the property was acquired. Not applicable to property furnished by the federal government.

(g) Location, use and condition of the property and the date the information was reported.

(h) Unit acquisition cost.

(i) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a grantee compensates the federal agency for its share.

(2) Property owned by the federal government must be marked to indicate federal ownership.

(3) A physical inventory of property shall be taken and the results reconciled with the property records at least once every two years.

Any difference between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The grantee shall, in connection with the inventory, verify the existence, current utilization and continued need for the property.

(4) A control system shall be in effect to insure adequate safeguards to prevent loss, damage or theft of the property. Any loss, damage or theft of non-expendable property shall be investigated and fully documented; if the property was owned by the federal government, the grantee shall promptly notify the federal agency.

(5) Adequate maintenance procedures shall be implemented to keep the property in good condition.

(6) Where the grantee is authorized or required to sell the property, proper sales procedures shall be established which would provide for competition to the extent practicable and result in the highest possible return.

7. Expendable Personal Property: Title to expendable personal property shall vest in the grantee upon acquisition. If there is a residual inventory of such property exceeding $1,000 in total aggregate fair market value, upon termination or completion of the grant and if the property is not needed for any other federally sponsored project or program, the grantee shall retain the property for use on non-federal sponsored activities or sell it, but must in either case compensate the federal government for its share. The amount of compensation shall be computed in the same manner as non-expendable personal property.

8. Intangible Property:

a. Inventions and Patents: If any program produces patentable items, patent rights, processes or inventions in the course of work sponsored by the federal government, such fact shall be promptly and fully reported to the federal agency. Unless there is a prior agreement between the grantee and the federal agency on disposition of such items, the federal agency shall determine whether protection on the invention or discovery shall be sought. The federal agency will also determine how the rights in the invention or discovery, including rights under any patent issued thereon, shall be allocated and administrated in order to protect the public interest consistent with "Government Patent Policy" (President's Memorandum for Heads of Executive Departments and Agencies, August 23, 1971 and statement of Government Patent Policy as printed in 36 FR 16889).

b. Copyrights: Except as otherwise provided in the terms and conditions of the agreement, the author or the grantee organization is free to copyright any books, publications or other copyrightable materials developed in the course of or under a federal agreement, but the federal agency shall reserve a royalty-free nonexclusive and irrevocable right to reproduce, publish or otherwise use and to authorize others to use the work for government purposes.

9. Excess Personal Property: When title to excess property is vested in grantees, such property shall be accounted for and disposed of in accordance with paragraphs 6c and 6d of this attachment.

ADDENDUM B

TRANSFERS OF PROPERTY BETWEEN FUNDS

RCW 43.09.210 requires that, when property is transferred between funds of the same municipality, it should be paid for at its full value by the fund which receives it. The following rules are intended to clarify the application of this statute:

1. When a municipality wishes to acquire fixed assets for an internal service fund, such as the Equipment Rental and Revolving Fund, the budgets of the contributing funds should specifically identify the item(s) of equipment to be purchased. The item(s) can be purchased from the contributing fund or the internal service fund. In either case, documentation of the equipment purchase must be adequate to show that the funds originally budgeted for a specific piece of equipment were actually used for the purchase of that item.

2. The transfer of general fixed assets between two governmental funds of the same entity should be accounted for merely as a change in location and/or custodian because the assets are now owned by the particular funds. Such transfers are not subject to budgetary control, but the assets should be declared surplus to the needs of the relinquishing fund and the transfer approved by the entity's legislative body.

3. The transfer of assets between the general fixed asset account group and an enterprise fund should be budgeted and accounted for as a sale and purchase of property. Proceeds of such sale should be deposited to the fund which originally paid for the item or to the general or current expense fund at the discretion of the legislative body unless a particular statute requires another treatment.

"Building A Stronger Community TOGETHER"

City of Shelton - Financial Services
Fixed Asset Capitalization Policy / Procedure

Effective Date: January 1, 2001

Authority: Resolution #561 delegates Fixed Asset policy authority to Director of Administrative Services. Reviewed basic policy with City Commission at the December 11, 2000 Commission meeting. Approved by Dan Speigle, Director of Financial Services.

Policy / Procedure:

Equipment costing $2,500 or more will be capitalized. This threshold includes shipping, taxes, and other costs necessary to put the equipment into service. Fixed asset equipment is coded to the BAS code 594, reported on the City's balance sheet, inventoried annually, and (in proprietary funds) depreciated. Donated equipment valued more than $2,500 will be capitalized.

Land, buildings, and other real improvement fixed assets will continue to be capitalized, regardless of the cost. Donated items will be recorded at estimated fair market value.

Equipment currently included in fixed assets that has historic cost less than $2,500 will be removed from the fixed assets. Appropriate disclosures will be made on the City's 2001 annual financial statements.

Listed items are inventoried but not capitalized. Items costing at least $250 but less than $2,500 will be inventoried (but not capitalized) with two exceptions:

- Police weapons, regardless of cost, will be inventoried
- Office furniture (desks, chairs, file cabinets, tables, cubicle components, etc.) will not be inventoried, unless it meets costs at least $2,500 (in which case it will be inventoried as a fixed asset).

Financial Services will maintain central inventory listings of capitalized assets and noncapitalized listed items. Departments will conduct annual inventories.

Proceeds from disposed items (e.g. auction proceeds) will be accounted for as revenue to the fund owing the asset, after deducting administrative costs. Proceeds from unlisted (non-inventoried) assets will go to the Current Expense Fund, unless the department specifies fund ownership when processed as surplus.