

SUBJECT: Amending WMC 5.04.030, General Fixed Assets

PREPARED BY: Finance

DATE: May 20, 2001

FOR AGENDA OF: June 11, 2001

SUMMARY:

Attached please find Ordinance Serial No. 01-33, which amends WMC 5.04.030, General Fixed Assets.

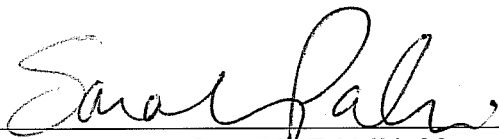
This change would increase the capitalization threshold of \$500 to \$5,000 for assets to be capitalized and included in our fixed assets system. The increase in the threshold is based on a recommendation by our Auditors (see attached management letter comment).

The reason for this recommendation is due to cost of tracking assets under \$5,000 when Governmental Accounting Standards Board Statement 34 (GASB 34) is implemented. When the City implements GASB 34, it will require all property, plant and equipment that are capitalized to be depreciated. Due to the large number of items with values less than \$5,000, the depreciation schedule would be fairly long and require a lot of calculations that would require substantial time to manage and be very costly.

At the time that the threshold is raised to \$5,000, an administration policy would be implemented to set up a system to track assets with a value of \$1,000 to \$4,999.

FISCAL IMPACT: No Yes, amount requested: \$ Fund:

RECOMMENDED ACTION: Introduce ordinance and set for public hearing.



Reviewed by: SARAH PALIN, Mayor

Attachments: Ordinance 00-57
FY 2000 Management Letter Comment on Fixed Assets

Presented with: Ord 01-33
Date: 6/25/01 Verified by: PL

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September 14, 2000

Honorable Mayor and City Council
City of Wasilla, Alaska

We have audited the financial statements of City of Wasilla for the year ended June 30, 2000 and have issued our report thereon dated September 14, 2000. In planning and performing our audit of the financial statements of City of Wasilla, we considered its internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal controls.

In this letter, we present for your consideration our comments and recommendations on matters which came to our attention during the course of our audit.

FIXED ASSET CAPITALIZATION POLICY

It is our understanding that the City currently has a capitalization threshold of \$500. In other words, assets that cost more than \$500 are added to general fixed assets or are capitalized into the property and equipment of the Enterprise Funds. While this threshold may have been appropriate a few years ago, we feel that it should be increased. Many cities are now using a threshold of \$5,000. Federal regulations require that assets acquired with federal funds be inventoried and monitored if the cost is \$5,000 or over.

When the City implements Governmental Accounting Standards Board Statement 34, it will require all property, plant and equipment to be depreciated, including the assets in the General Fixed Asset Group of Accounts. Even infrastructure such as roads, streets, lighting systems, etc., will need to be depreciated. Because of the numerous assets owned by the City, the depreciation schedule will be fairly long with a lot of calculations. Obviously, the lower the capitalization threshold, the more assets that will be included.

Some cities have elected to use a lower dollar threshold for actually tracking and monitoring their general fixed assets and a higher limit for general ledger and accounting purposes. It is not necessary to maintain cost and other information on the system used for simply tracking assets.