

BOARD OF ALDERMEN

ITEM NO. **B(5)**

AGENDA ITEM ABSTRACT

MEETING DATE: June 11, 2002

TITLE: A Request To Set a Fixed Asset Threshold for Buildings at \$20,000 and Increase the Town's Fixed Asset Threshold of Tangible Capital Items To \$5,000

DEPARTMENT: Management Services	PUBLIC HEARING: YES ____ NO <u>x</u>
ATTACHMENTS: Attachment A: Resolution	FOR INFORMATION CONTACT: Jan Bryant-Berry, Purchasing Officer

PURPOSE

The Board of Aldermen is requested to set a fixed asset limit for the Town's Buildings at \$20,000 and to increase the minimum value on tangible capital item assets (equipment, vehicles, etc.) tracked by the Town from \$2,500 to \$5,000

INFORMATION

Implementation of the Governmental Accounting Standards Board regulation 34 will require a change in the reporting of the Town's fixed assets. The annual audit will include items that have never been reported before such as bridges and roads. In an effort to focus the accounting practices in a more efficient and effective direction, the Local Government Commission (a division of the NC State Treasurer's Office) recommends that local governments avoid recording assets with immaterial values as seen from an accounting perspective. While board approval is not required to establish fixed asset thresholds, it is considered good policy to have the local governing board set this value. The Local Government Commission (LGC) and the Government Finance Officers Association (GFOA), a national professional association of state and local finance officers in the United States and Canada, that promotes sound financial management, recommends that all municipalities increase their fixed asset limits to \$20,000 for buildings and \$5,000 for tangible capital asset items. The Institute of Government also supports increasing these limits.

The advantage of increasing fixed asset capitalization thresholds will enable the Town to perform effective reconciliation of fixed assets. This increase, however, will in no way affect the controls in place for monitoring and tracking items owned by the Town and that are considered moveable. Controls are already in place to track items such as computers, printers, radios and firearms. Departments track these items and monitor who has possession of them. Increasing the thresholds is primarily to address what is materially reportable in the Town's annual audit.

ADMINISTRATION'S RECOMMENDATION

The Board of Aldermen is requested to increase the threshold of the inventoried fixed assets from \$2,500 to \$5,000 and to establish a fixed asset threshold for buildings at \$20,000.