To: Members of the City Council

Date: August 1, 2012

From: Debbie L. Mahler, Director of Finance/City Clerk

Meeting Date: August 6, 2012

Subject: Capital Assets & Attractive Asset Policies

The City of Langley is a single entry, cash basis, BARS accounting entity as prescribed by State law. As such, we do not capitalize assets in general ledger form, nor do we amortize. Several years ago, the State Auditor’s Office began doing performance audits of local governments. The performance audits have been mainly directed at large entities, but they are now moving to what they classify as small cities (i.e. cities with budgets under $50 million!). The results of those performance audits are then the subject of the regular compliance audits of all local governments.

The performance audits found that many governments did not have adequate controls over small and attractive assets (items not capital in nature, but tangible items that may have the likelihood of disappearing without being noticed, such as printers, office equipment, tools, etc.). In 2008, the City adopted a Small and Attractive Asset Policy and inventoried all items in that category. We set the threshold for this policy at items over $50 in value up to $2,000.

The latest performance audits have centered on capital assets, and their control and upkeep. Single entry, cash basis cities are now required to use specific BARS coding for expenditures related to capital. The Auditor’s Office is also now requiring all cities, whether accrual or cash basis, to establish policies for the management and accountability of all capital assets. Capital assets are real and personal property and assets, above a specified value that the government intends to use or keep for more than one year. This includes land, buildings, their furnishings and fixtures, vehicles and equipment, etc.

We have set the value of capital assets at $5,000 and above, (this is the recommended value threshold) have changed our BARS coding to track all capital expenditures, and developed a Capital Asset Policy which is attached with an adopting resolution. Because our capital threshold is at $5,000, our small and attractive asset value needs to be increased to that limit to maintain accountability for assets under capital value. Therefore, I have also attached a resolution amending the previously adopted “Small and Attractive Asset Policy” to increase the value threshold.