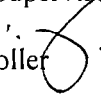


COUNTY OF SAN MATEO
DEPARTMENTAL CORRESPONDENCE

DATE February 16, 2001
TO Honorable Board of Supervisors
FROM Tom Huening, Controller 
SUBJECT Resolution Changing Definition of Fixed Asset Equipment

RECOMMENDATION

Adopt a resolution to change the definition of fixed assets from \$3,000 to \$5,000.

BACKGROUND/DISCUSSION

The State of California Accounting Standards and Procedures for Counties issued by the State Controller's Office provides that the County Auditor be allowed to establish the value of fixed assets at a minimum of \$100 to \$5,000. The State of California's General Services Division has defined capitalized property (fixed assets) as property that meets the following three requirements

- 1 Have a normal useful life of at least one year,
- 2 Have a unit acquisition cost of at least \$5,000 (e.g., four identical assets which cost \$3,000 each, for a \$12,000 total, would not meet the capitalization requirement), and
- 3 Be used to conduct State business

We recommend that the Board of Supervisors approve raising the current County fixed asset floor from \$3,000 to \$5,000 to: (1) reduce the number of assets we record by 33% yet only reduce the dollar amount recorded by 7%, (2) reduce the amount of work required by County personnel for accounting for fixed assets and (3) provide our financial statement users with more meaningful information as to what the County's fixed assets are

Additionally, this resolution requires the County to account for software as a fixed asset in accordance with Financial Accounting Standards Board Statement of Position 98-1 – Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. The County's outside auditors, Macias, Gini & Co LLP support our adoption of these procedures. Use of this method is required for the County's complete implementation of the full accrual basis of accounting required under GASB 34.

The resolution is retroactive to July 1, 2000 for financial statement reporting purposes. This is to ensure that the County's GASB 34 requirements are met. No additional procedures by departments will be required for items recorded as fixed assets prior to the adoption date of this resolution. The Controller's Office will provide the adjusted fixed asset balances to our outside auditors during the close of the County's books of account. Departments will need to account for fixed assets according to this resolution from the date of adoption forward.

FISCAL IMPACT

There is no Net County Cost

RESOLUTION NO. _____

BOARD OF SUPERVISORS, COUNTY OF SAN MATEO, STATE OF CALIFORNIA

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RESOLUTION CHANGING DEFINITION OF FIXED ASSET EQUIPMENT

RESOLVED, by the Board of Supervisors of the County of San Mateo, State of California, that

WHEREAS, the State of California Controller's Office defines equipment as property having, "a minimum value of \$100 to \$5,000 as established by the County Auditor," and

WHEREAS, the State Budget Act authorizes the Board of Supervisors to establish an appropriate level of budgeting for Fixed Asset equipment within State guidelines, and

WHEREAS, the County wishes to increase the efficiency and effectiveness of its fiscal operations

NOW, THEREFORE, BE IT RESOLVED, THAT equipment is defined as property having a minimum value of \$100 to \$5,000 and Fixed Asset equipment (Capitalized Property) is defined as tangible property that meets the following three requirements

1. Have a normal useful life of at least one year;
2. Have a unit acquisition cost of at least \$5,000 (e g., four identical assets which cost \$3,000 each, for a \$12,000 total, would not meet the capitalization requirement), and
3. Be used to conduct County business.

Computer software, whether purchased or produced internally, is considered a fixed asset if it meets the above requirements and the requirements of Financial Accounting Standards Board Statement of Position 98-1 which states that the cost of software for internal use (including interest costs), whether developed internally or purchased externally, should be capitalized if incurred during the Application Development Stage (i.e , activities after contracts with software vendors and consultants are approved or, for in-house development, after software and system requirements have been officially approved, and until the software is fully implemented) Costs incurred before and after the Application Development Stage should be expensed as incurred Software upgrades and enhancements should be expensed as incurred except when there is an Application Development Stage for an upgrade or enhancement Those costs should be capitalized. Training costs during all stages should be expensed as incurred.

This resolution shall be retroactive to July 1, 2000 for financial statement reporting purposes