



Item #08-8-14
Consent

SACOG Board of Directors

August 13, 2008

Approve Revised Fixed Assets Policy

Issue: Should SACOG revise the fixed assets policy.

Recommendation: The Government Relations & Public Affairs Committee recommends that the Board approve the revised fixed assets policy.

Committee Action/Discussion: SACOG currently has a fixed assets policy that capitalizes furnishings, equipment, software, and other property in excess of \$1,000. The Government Finance Officers Association recommended practices sets a level of \$5,000 for capitalizing assets. The federal Office of Management and Budget Circular A-87 identifies \$5,000 as a level for the cost of equipment allowed to be charged to federal projects. The implication here is that SACOG's fixed asset capitalization level is set too low and should be increased to at least the standards for the industry.

If the attached policy is approved increasing the value at which assets are capitalized, the effect on SACOG would be that we would write off assets of \$318,070 with a net book value of \$46,212 (the value after multiple years of depreciation). There would remain on the books assets of \$1,072,663 with a net book value of \$301,420. There are two advantages to revising this policy. One is that the annual cost for depreciation would be reduced which would have a positive impact on the budget for indirect costs. Estimated depreciation expense for fiscal year 2007-08 is \$133,337, whereas, if the policy were in effect, the depreciation expense would have been \$109,488, cost savings of \$23,848. The other advantage is a reduction in staff time to identify, record, tag, inventory, and depreciate the assets.

This policy is applicable only to the SACOG assets, not the Capital Valley SAFE or Glenn County SAFE assets.

Approved by:

Mike McKeever
Executive Director

MM:KLW:ts
Attachment

Key Staff: Karen Wilcox, Director of Finance, (916) 340-6210



SACRAMENTO AREA COUNCIL OF GOVERNMENTS

RESOLUTION NO. 57 - 2008

REVISION OF FIXED ASSET POLICY

WHEREAS, SACOG currently has a fixed assets policy that capitalizes furniture, equipment, software and other purchases with a value of \$1,000 or more; and

WHEREAS, accounting standards recommend capitalizing assets with a value of \$5,000 or more; and

WHEREAS, the increased level of capitalization would have a positive impact on SACOG's budget;

NOW THEREFORE, BE IT RESOLVED, that SACOG shall set the level of capitalization for fixed assets at \$5,000;

THAT this policy shall be effective July 1, 2008.

PASSED AND ADOPTED this 21st day of August, 2008 by the following vote of the Board of Directors:

AYES:

NOES:

ABSTAIN:

ABSENT:

Tom Cosgrove
Chair

Mike McKeever
Executive Director