



Buncombe County Board of Commissioners

Request for Board Action

Meeting Date: 6/15/2021

Consent Agenda

Department: Finance

Presenter(s): Don Warn

Contact(s): Don Warn/Michael Frue

Subject: Resolution Amending the Asset Capitalization Threshold for Intangible Assets

Brief Summary: In 2002, Buncombe County implemented the use of Governmental Accounting Standards Board (GASB) Statement No. 34 which established \$5,000 as a minimum capitalization threshold for capital assets for Annual Comprehensive Financial Report (ACFR) reporting purposes. Capital assets include major government facilities, infrastructure, equipment and networks that enable the delivery of public sector services.

The County used the \$5,000 threshold until 2014, when Resolution 14-09-07 increased the minimum capitalization threshold for capital assets to \$10,000. The threshold was further amended in the budget ordinance for fiscal year 2016-2017, which increased the minimum capitalization threshold for capital assets to \$25,000 with the following exceptions:

- 1) All vehicles acquired by the County shall continue to be recorded as capital assets regardless of the cost; and
- 2) All assets acquired with award/grant monies, in part or in whole, required to be recorded as capital assets in order to fulfill the requirements set out in the Code of Federal Regulations or other applicable award/grant contracts.

In selecting capitalization thresholds, governments should be able to report and depreciate substantially all capital asset value while eliminating the cost of tracking a large number of smaller-value items.

One category of capital assets that is required to be capitalized is intangible assets, which includes software that is developed in-house by staff. Due to the constant technological adaptation required and the resulting transient nature of much of the product of IT departments, common practice is to set a higher capitalization threshold for this category to only capture significant software projects that are easily identifiable and likely to be in use

for several years. The Finance Department recommends following this practice and by adopting a policy establishing \$100,000 as the minimum capitalization threshold for intangible assets. The capitalization threshold for intangible assets would be effective for year-end calculations beginning FY2021.

Recommended Motion & Requested Action: Approve the Resolution as presented.

County Manager's comments and Recommendation: Approve as presented.