

STAFF REPORT

TO: Chairman and Members, Corporate Services Committee
FROM: Bryce Grammer, Financial Accountant
DATE: 25 August 2009
SUBJECT: **INCREASE TO ASSET CAPITALISATION THRESHOLD**

1 PURPOSE

The purpose of this report is to seek approval from the Corporate Services Committee to increase the minimum value at which we capitalise Office Equipment, Computer Equipment, and Furniture & Fittings from \$250 to \$500.

2 COMMENT

Tasman District Council's Fixed Asset Policy states that the minimum value at which we can capitalise Office Equipment, Computer Equipment, and Furniture & Fittings is \$250. (Extract attached).

These thresholds were set approximately 8 years ago. We have recently reviewed the capitalisation thresholds for all classes of assets. The thresholds for Office Equipment, Computer Equipment, and Furniture & Fittings were adequate when they were set but are currently resulting in numerous smaller items being capitalised. This results in increased workload due to the requirement to add these items to a fixed asset register and to depreciate the assets each year of their useful life, for no real benefit.

Increasing the asset threshold minimum value from \$250 to \$500 would result in more low value assets being expensed in the year they were purchased rather than over their useful lives. This increase would be minimal and can be covered by current operating & maintenance budgets.

There was a recent discussion on the Local Government Finance Listserve on capitalising assets. From the replies posted on this Listserve, there were no Council's that have a minimum value of which they capitalise assets set at lower than \$500, with many having a higher minimum threshold.

We believe that setting a minimum value at which we can capitalise Office Equipment, Computer Equipment, and Furniture & Fittings at \$500 is adequate for Tasman District Council's purposes and is in line with other Council's practices.

3 RECOMMENDATION

That the Corporate Services Committee approve the increase in the minimum value at which we capitalise Office Equipment, Computer Equipment, and Furniture & Fittings from \$250 to \$500, effective from the financial year starting 1 July 2009.

Bryce Grammer
Financial Accountant

Extract from Tasman District Council's Fixed Asset Policy

OFFICE EQUIPMENT

Equipment designed to make office work easier. Minimum value is \$250. Office equipment includes

- *Adding Machines*- numeric addition and multiplication machines.
- *Dictation Equipment* - equipment that records and replays verbal instructions with regard to letter composition.
- *Documentation* - machines that create or duplicate documents. These include photocopiers, typewriters and panboards.
- *Telecommunications* - equipment that utilises telecommunication technology for communications, excluding those driven by computers. These include faxes, telephones, and radio telephones.
- *Specialist Office Equipment* - equipment that is used in an office that is not furniture and fittings or computer equipment. This would include microfiche printers.

COMPUTER EQUIPMENT

Equipment that is, or is a part of a computer system, minimum value of \$250.

This includes:

- *Systems*- components that maintain the networks operated within the Council. These include ports, processors, servers, net flex controllers, etc.
- *Communications*- electronic components that connect computers internally and externally, including modems, MUXs, print servers, hubs etc.
- *Interfaces*- components which allow electronic data to be withdrawn from the network. These include printers, PCs, terminals, etc.
- *Miscellaneous*- equipment that is peripheral to computer but can only be utilised in conjunction with a computer. This includes cash drawers, wands, PC decoders, acoustic hoods, digitisers, etc. All software that is an integral part of the operating system is capitalised.

FURNITURE AND FITTINGS

Furniture and fittings found within the Council that are not office equipment or computer equipment, with a minimum value of \$250.

- *Electronic appliances*- any fixture that requires electricity for its primary function. These include stoves, air conditioners, televisions, heaters, vacuum cleaners etc.
- *Office Furniture* - furniture found within the Council, usually for use within an office, including desks, filing cabinets, chairs, book shelves, etc.
- *Fixtures*- items that are attached to a building, including curtains, blinds and lights.