



CITY HALL

CITY OF ANGELS PO Box 667, 200 Monte Verda St. Suite B, Angels Camp, CA 95222 P: (209) 736-2181

DATE: April 15, 2025
TO: City Council
FROM: Michelle Gonzalez, Finance Director
RE: **APPROVE PROPOSED UPDATES TO CAPITAL ASSET POLICY**

RECOMMENDATION:

It is recommended that the City Council approve the proposed updates to the City's Capital Assets Policy, including the increase of the capitalization threshold from \$5,000 to \$20,000 and the incorporation of Governmental Accounting Standards Board (GASB) and Government Finance Officers Association (GFOA) guidelines.

BACKGROUND:

The City of Angels periodically reviews its financial policies to ensure compliance with current accounting standards and best practices. The existing Capital Assets Policy was last updated on October 4, 2019, and an update is necessary to align with recent changes in governmental accounting standards, including GASB Statement No. 87 (Leases) and GASB Statement No. 96 (Subscription-Based IT Arrangements). Additionally, the proposed increase in the capitalization threshold reflects best practices recommended by the GFOA and improves administrative efficiency.

DISCUSSION:

The key updates to the Capital Assets Policy include:

- **Capitalization Threshold Increase:** Raising the threshold from \$5,000 to \$20,000 for individual assets ensures that financial reporting focuses on material capital investments while still maintaining appropriate asset tracking controls.
- **GASB Compliance:** The policy now includes provisions for recognizing leases per GASB 87 and subscription-based IT arrangements per GASB 96, ensuring accurate financial reporting.
- **GFOA Standards:** The policy aligns with GFOA recommendations by allowing group purchases (e.g., laptops for a new system implementation) to be capitalized when necessary, while routine replacements will be expensed. This approach follows Generally Accepted Accounting Principles (GAAP) for recognizing the total cost of implementing new capital assets.
- **Enhanced Asset Control:** While the threshold has increased, the policy maintains internal controls to track high-risk and sensitive assets, ensuring proper oversight and accountability.



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FINANCIAL IMPACT:

The proposed changes will improve administrative efficiency by reducing the number of lower-cost assets recorded as capital assets, thereby reducing reporting and audit burdens. This update does not result in additional costs but ensures more accurate financial reporting and compliance with current accounting standards.

ATTACHMENTS:

Proposed Updated Capital Assets Policy



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