



**CITY OF GROSSE POINTE WOODS**  
**MEMORANDUM**

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**MAY 22 2025**

CITY OF GROSSE POINTE WOODS  
CLERK'S DEPARTMENT

**Date:** June 2, 2025  
**To:** Mayor and City Council  
**From:** Steven Schmidt, Treasurer/Comptroller  
**Re:** Capitalization Threshold Increase

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 34, originally implemented in 1999, the City of Grosse Pointe Woods established a capitalization threshold of \$5,000 for capital assets in July of 2004. Over the past 21 years, inflation has increased by approximately 64.93%, significantly reducing the real-dollar value of this threshold.

After consultation with our independent auditing firm, Plante Moran, and a review of best practices and current economic conditions, we believe it is prudent and beneficial to adjust the capitalization threshold to \$10,000. This change will better reflect the current economic environment, streamline financial reporting, and maintain consistency with the intent of GASB 34.

Some of the key benefits are:

1. **Simplified Accounting Process:** Raising the capitalization threshold can reduce the administrative burden by eliminating the need to track and depreciate numerous small-value items. This can streamline accounting processes and improve efficiency.
2. **Improved Financial Statement Accuracy:** By focusing on more significant assets, businesses can enhance the accuracy and consistency of their financial statements.
3. **Strategic Asset Management:** Setting appropriate thresholds allows the city to align our asset management strategies with our operational scale and industry practices. This can lead to better financial clarity and strategic decision-making.
4. **Reduced Costs:** Governments can save on the costs associated with tracking and managing a large number of small-value items by raising the capitalization threshold.

Steven Schmidt Treasurer/Comptroller

APPROVED FOR COUNCIL CONSIDERATION:

Frank Schulte City Administrator