

City Council Meeting

Agenda Item

Data Sheet

Meeting Date: September 20, 2021

Topic:

Approve Amendment to Administrative Policy No. 17, entitled “*General Fixed Assets Policies and Procedures*”

Background:

Administrative Policy No. 17 – “General Fixed Assets Policies and Procedures” was approved by City Council on February 17, 2003 as part of the implementation of Governmental Accounting Standards Board Statement 34 (GASB 34).

Prior to GASB 34, governments only recorded depreciation in proprietary funds which in our case would have been the Enterprise Fund for accounting purposes. The accounting in the Enterprise Fund is the same as that for the private sector.

The other capital assets were reported in what was called the General Fixed Asset Group but not depreciated. They were inventoried and accounted for but not depreciated.

With the change to GASB 34, all capital assets, including land, construction in progress, buildings and improvements, vehicles, infrastructure (e.g., roads, bridges, and similar items) and water, wastewater and gas system, are reported in the applicable governmental or business-type activities column in the government-wide financial statements and are reported in the proprietary fund statements. Capital assets are defined by the current policy (Administrative Policy No. 17) as assets with an initial, individual cost of more than \$ 5,000 (in the current policy) and an estimated life in excess of one year.

In the interest of making the process more efficient, staff is recommending a change to the capitalization threshold amount from \$ 5,000 to \$ 20,000 and the estimated life to three years or more.

Capitalization is an accounting treatment whereby an item is recorded as an asset on the balance sheet rather than as an expense of the current period.

Nothing costing under \$ 20,000 would be capitalized under the amendment and over \$ 20,000 would be.

Inventory vs. Capitalization

Property inventory requirements and capitalization thresholds are different subjects that are commonly confused because of their overlapping terminology.

An inventory is an itemized list for tracking and controlling property.

The existing policy is 50 pages long and we will continue to review and perhaps modify some of the other parts of the policy, particularly the inventory requirements and other sections to ensure that we are capturing the information that is necessary and relevant for both management and the Council. However, with the 9/20/2021 meeting being the last regular council meeting in the fiscal year, we wanted to at least get the capitalization threshold increased to \$ 20,000 before October 1, 2021, the beginning of the new fiscal year. Therefore, that and the useful life are the only suggested amendments at this time.

Origination: Finance

Recommendation: Approve the changes to Administrative Policy No. 17

Party(ies) responsible for placing this item on agenda: Glenn Windsor, CPA, Finance Director

Signed	Glenn Windsor, CPA	Approved by	
	Finance Director		Date