



BOARD MEETING AGENDA SUBMITTAL

TO: GCSB Board of Directors

FROM: Jennifer Flores, Administrative Services Manager

DATE: August 9, 2022

SUBJECT: Agenda Item 6B: Adoption of a Resolution Approving Financial Policy Establishing a \$25,000 Threshold for District Lease Assets

RECOMMENDED ACTION:

Staff recommends the following action:

I move to Adopt Resolution 34-2022 Approving Financial Policy Establishing a \$25,000 Threshold for District Lease Assets.

BACKGROUND:

Currently, the District has no capitalization threshold policy for lease assets.

In June 2017, Governmental Accounting Standard Board (GASB) issued Statement No. 87, Leases (*GASB 87*), and the objective of *GASB 87* is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. *GASB 87* requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the principle that leases are financing transactions with the right to use an underlying asset. The provisions of *GASB 87* are to be implemented by the District for the fiscal year ending June 30, 2022.

Under *GASB 87*, creating a materiality threshold, similar in concept to capitalization thresholds for fixed assets, is permitted for lease assets. A government is permitted to establishing a materiality threshold for leases and the determination of this threshold should be independent of the capitalization threshold/policy for fixed assets.

Staff recommends the establishment of a materiality threshold of \$25,000 for lease assets. This threshold appears to be appropriate based on current financial statement materiality and knowledge of the types of leases the District has and may potentially have in the future. Furthermore, it is recommended to have a separate threshold from the District's fixed assets capitalization policy because assets that are leased are assets the District has the right to use that are not tagged for ownership and are not kept track of the same as capital assets owned by the District.

After adopting *GASB 87* and establishing a lease assets threshold of \$25,000, no leases applicable to *GASB 87* are currently above the capitalization threshold. Therefore, no further action needs to be taken.

FINANCIAL IMPACT

None.

ATTACHMENTS

1. Draft Lease Assets Threshold Policy
2. Resolution 34-2022

SECTION 400 FINANCIAL POLICIES

402 ACCOUNTING SYSTEM

402.2 Establishment of Accounting Funds

G. Lease Assets

The Admin/Finance Manager shall conduct a review of all contracts, agreements and leases (hereby noted as ‘agreements’) on an annual basis to determine if such agreements have a “right to use” component as defined by Governmental Accounting Standard Board (GASB) issued Statement No. 87, Leases (GASB 87). If agreement is determined to be applicable to GASB 87, determine proper accounting treatment.

The Board adopted a capitalization threshold policy for lease assets of \$25,000. If the lease asset is below \$25,000, no further analysis will need to be performed as the lease asset falls below the established threshold and is deemed not significant. If the lease asset is above the threshold of \$25,000, the Admin/Finance Manager will prepare the necessary accounting entries in accordance with GASB 87 for annual financial reporting purposes.

The Admin/Finance Manager shall maintain permanent lease asset records of agreements analyzed in either paper or electronic format, to be updated whenever new agreements or change in agreements occur annually.

RESOLUTION 34-2022

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE GROVELAND
COMMUNITY SERVICES DISTRICT APPROVING FINANCIAL POLICY
ESTABLISHING A \$25,000 THRESHOLD FOR DISTRICT LEASE ASSETS**

WHEREAS, the Groveland Community Services District (herein referred to as the District) is a local government agency formed and operating in accordance with Section §61000 et seq. of the California Government Code; and

WHEREAS, the Board of Directors (Board) of the Groveland Community Services District (District) is authorized and required to adopt and amend policies related to the services it provides and typically does so by Resolution of the Board; and

WHEREAS, the Board desires to adopt the above policy to meet accounting principles, standards, state laws and the current needs of the District.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF GROVELAND COMMUNITY SERVICES DISTRICT to adopt Resolution 34-2022 approving Financial Policy establishing a \$25,000 threshold for District Lease Assets.

PASSED AND ADOPTED BY THE BOARD OF DIRECTORS OF GROVELAND COMMUNITY SERVICES DISTRICT this 9th day of August 2022 by the following vote:

AYES:

NOES:

ABSENT:

APPROVE:

By: _____
Spencer Edwards, Board President

ATTEST:

By: _____
Rachel Pearlman, Board Secretary

CERTIFICATE OF SECRETARY

I, Rachel Pearlman, the duly appointed and acting Secretary of the Board of Directors of the Groveland Community Services District, do hereby declare that the foregoing Resolution was duly passed and adopted at a Regular Meeting of the Board of Directors of the Groveland Community Services District, duly called and held on August 9, 2022.
DATED: _____