From:	VIVIAN950@sao.wa.gov
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Cc:	Young, Joshua (SAO); Hylton, Scott (SAO); Strand, Ann (SAO); Adams, Haji (SAO); Tellers, Stacie (SAO); Crouch, Olivia (SAO); ards@sao.wa.gov; Wolf, Andrew (SAO); Cowgill, Christie (SAO); Pagio, Kayley (SAO); Vandenburg, Vivian (SAO); Fenton, Crystal (SAO)
Subject:	Response to Client Helpdesk Request 94316
Date:	Thursday, December 21, 2023 9:51:38 AM

Your request # 94316 for Lynnwood, City of has been resolved.

Your question was:
When updating an asset capitalization threshold, should the effective date be the first day of the reporting period or the day the change was authorized/signed?

The background information you provided was:
The City of Lynnwood recently updated its capital asset policy, including updating the capitalization threshold from $5,000 to $10,000. The effective date noted on the policy is 11/15/2023. The City's fiscal year 2023 runs from 1/1/2023 to 12/31/2023. The threshold amount change is considered a change in accounting estimate per GASB 100. GASB 100 also states "A change in accounting estimate...should be reported prospectively by recognizing the change in accounting estimate in the reporting period in which the change occurs." (p 6) Capitalizing some assets at the $5,000 threshold and some at the $10,000 threshold in the FY 2023 financial statements could be confusing for those reviewing the statements. Should assets be capitalized at the $10,000 threshold beginning 1/1/2023 or 11/15/2023?

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Our response is as follows:
Hello,

Thank you for your patience.

A change in accounting policy, in this case a change in the capitalization threshold, would not qualify as an accounting change recognized by GASB 100. A change in accounting policy should be recognized prospectively, from the date that the policy was approved by the governing body. This policy change should be disclosed in the City's notes to the financial statements, however, would not be disclosed in the manner expected by GASB 100.

In this case, the new capitalization threshold should be used going forward starting 11/15/2023.

Thanks for using the HelpDesk.

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If you have additional follow-up questions, please reference this request number when you contact us again. A copy of this response is provided to your audit team to ensure that we are consistent and efficient when working with you.

Sincerely,
VIVIAN Vandenburg

Disclaimer: Answers are informational only and are based on the specific circumstances presented. As laws and circumstances change, or additional facts are presented, the answer is subject to change. The information provided by the Washington State Auditor's client helpdesk is not a legal or a binding opinion.

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