Board of Trustees

Meeting Date: ______________

Executive Summary of Board Agenda Item

Subject/Title for Agenda Posting: Discussion and recommendation to approve update to policy CFB (Local)

Justification Statement: To update policy CFB (Local)

Purpose of Agenda Item: ☑ Information ☐ Discussion ☑ Action

Item Type: ☐ Curriculum & Instruction ☐ HumanResources ☑ Business Services

Staff Responsible: Cristina Pulley, Chief Financial Officer

Signature of Requester(s)

Signature of Presenter(s)

Business Services Approval (Initials) *Date* 8/14/22

Agenda Summary:

Update CFB (Local) policy to increase capitalization threshold from $5,000 to $10,000 as required by TEA Financial Accountability System Resource Guide FASRG Module 1.

RECOMMENDATION: Administration recommends approval of the increase to capitalization threshold in policy CFB (Local)

PRIOR BOARD ACTION: AWARDED: AWARDED AMOUNT:

AMOUNT(S): N/A

ACCOUNT NO(S): N/A

PROCUREMENT METHOD TYPE: (3 Quotes, Cooperative Contract Quotes, Sole Source, Formal Bid)
N/A

REQUESTING DEPARTMENT:
Financial Services Department

CONSEQUENCES OF NON-APPROVAL:
Non-compliance with TEA standard

IMPLEMENTATION TIMELINE:
N/A

ATTACHMENT(S): ✓ Updated CFB (Local) Policy

Capitalization Threshold

The capitalization threshold for purposes of classifying individual capital assets shall be ~~$5,000~~.$10,000

The Superintendent shall determine the capitalization threshold for a group of assets, the individual cost of which does not exceed the capitalization threshold above but for which the cost in the aggregate is significant.

1.2.4.3 Capitalization of Assets

Purchased capital assets must always be capitalized if:

- the unit cost of the asset is $10,000 or more, and
- the useful life of the capital asset is estimated at one year or more.

However, your school district may wish to establish accounting policies with a lower capitalization limit for items recorded as capital assets. A district may capitalize assets whose individual acquisition costs are less than the threshold for an individual asset if those assets in the aggregate are "significant."[48] In addition, your district may wish to maintain accountability for certain assets even if they do not meet the district's capitalization policy. For example, certain audiovisual or computer equipment may not be capitalized (i.e., not recorded as a capital asset), but a listing of such assets and their location may be maintained for control and accountability purposes.

The capitalization threshold for assets purchased with federal funds must comply with the guidelines in the OMB's Compliance Supplement. With no establishment of a capitalization threshold for lease assets by GASB or TEA, a school district may set its own capitalization threshold for lease assets. Right to use lease assets measured less than the capitalization threshold should be accounted for in the same manner as a short-term lease.

A lessee should recognize a right to use leased asset at the commencement of the lease term, unless the lease is a short-term lease or falls below the capitalization threshold. The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

The lessee should amortize the lease asset in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. However, if the lease contains an option to purchase that the lessee is reasonably certain to exercise, the lease asset should be amortized over the useful life of the underlying asset. The notes to financial statements should include a description of leasing arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made. A district must ensure that the notes to the financial statements include a statement ensuring that any leases not recognized as lease assets in the notes to the financial statements were not recognized as lease assets because they fell below the capitalization threshold.

A subscription asset should be amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets. The amortization of the subscription asset should be reported as an outflow of resources (for example, amortization expense), which may be combined with depreciation expense related to other capital assets for financial reporting purposes.

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[48] GASB Implementation Guide No. 2021-1, *Implementation Guidance Update—2021*