



**TO:** Superintendent Jon Graff  
School Board Members

**FROM:** Megan Gracia

**DATE:** January 11<sup>th</sup>, 2026

**RE:** District Capitalization Threshold

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The District currently utilizes a capitalization threshold of \$2,500 for our fixed assets. The significance of the capitalization threshold is that it is the dollar amount that the District uses to determine if a long-term purchase (like a piece of equipment) is considered a fixed asset and depreciated over time or expensed immediately.

As part of our 2024-2025 audit, it was the recommendation of Abdo, our District auditor, to increase the capitalization threshold from \$2,500 to \$10,000. Their recommendation comes mostly from a cost/benefit analysis. The maintenance of the fixed asset list, review of purchases each year, and determination/recording of the depreciation expense over time can be burdensome. Additionally, their opinion is capitalizing purchases less than \$10,000 are insignificant and do not meet materiality criteria.

Based on their recommendation, we are requesting that the Board officially approve increasing our threshold from \$2,500 to \$10,000 beginning with the 25-26 school year.