



Decatur Independent School District

Board of Trustees Agenda Item

To: Board of Trustees
From: Taylor Williams
Subject: Accounting Treatment for Capitalization
Meeting Date: SEP-21-2026
Type of Item: ☐ Information ☐ Presentation ☒ Consent Agenda ☐ Discussion ☐ Action
Supporting Documents: ☒ Yes ☐ No

Background Information and Rationale:

Board Policy CFB(LOCAL)-A sets the capitalization threshold for assets at \$5,000. This means that, in most cases, items purchased less than \$5,000 are coded as supplies and items purchased greater than \$5,000 are recorded as capital purchases (if the purchase also lasts greater than a year) and tracked as a group and recorded in the financial statements as assets of the District. At the federal level, the definition of equipment has changed. Per a January 30, 2025 letter from TEA to the administrator addressed:

“The definition of equipment has changed the initial purchase price from \$5,000 per unit or local acquisition threshold, whichever is lower, to \$10,000 per unit or local acquisition threshold, whichever is lower. LEAs will need to quickly determine if they will continue to utilize the federal definition of equipment or make a more restrictive policy to remain at the \$5,000 threshold or different local acquisition threshold amount. This letter supersedes current Financial Accountability System Resource Guide (FASRG) rules 1.2.4.3 Capitalization of Assets referring to the \$5,000 threshold per unit cost for capitalized assets. The FASRG will be updated to reflect this change in April of 2026. The new per unit cost will be increased to \$10,000 to align with the federal changes outlined in this letter.”

At the state level, TEA has proposed update v.20 in the Financial Accountability Resource Guide change document to include a revision of Module 1 as: “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. The capitalization threshold for assets purchased with federal funds must comply with the guidelines in the OMB’s Compliance Supplement.”

The Administration is requesting the Board to increase the capitalization threshold from \$5,000 to \$10,000. This change then:

- (a) aligns the DISD threshold of capitalization to federal grant changes
- (b) in some cases may allow more flexibility in purchasing if a grant does not allow for capital expenditures but allows for supplies (purchases less than \$10,000 may be considered and allowed as supplies).

Originally the District was going to hold off on this item but the threshold appears to be set for federal grants so conformity the Administration is recommending the change at this time.

Support of Strategic Goals:

4.1 DISD will ensure strong financial stewardship and fiscal responsibility.

4.3 DISD will provide operational efficiency, effectiveness, and transparency to maximize taxpayer dollars.

Fiscal Implication:

This recommendation is an update in accounting methodology and affects the classification of a purchase, not the price of the purchase.

Administrative Recommendation:

The Administration recommends the Board increase the capitalization threshold from \$5,000 to \$10,000 effective for 2026-2027.

Contact Person(s)

Taylor Williams
Gary Micinski



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Respectfully submitted,

A handwritten signature in blue ink that reads 'Taylor Williams'.

Taylor Williams
Superintendent

A handwritten signature in blue ink that reads 'Gary Micinski'.

Gary Micinski
Interim CFO