

**Nerstrand Elementary School Policy 721
Independent Charter School District #4055**

Adopted: November 2023

Reviewed: 11/11/24

721 CAPITALIZATION POLICY

This policy revision is to begin with the 2023-2024 school year and continue until revised by board action.

I. PURPOSE

This policy establishes the minimum cost value (capitalization amount) that shall be used to determine the capital assets, including infrastructure assets that are to be recorded in Nerstrand Elementary School's annual financial statements in order to comply with the requirements of GASB Statement No. 34. This policy also addresses other considerations for recording and depreciating fixed assets for compliance with the provisions of GASB Statement No. 34.

II. GENERAL STATEMENT OF POLICY

Capital assets will be defined as tangible and intangible assets that have initial estimated useful lives that extend beyond a single reporting period. All capital assets will be recorded at historical cost as of the date acquired or constructed or fair market value at the date of gift if donated.

The Board of Directors of Nerstrand Elementary School establishes the following minimum capitalization thresholds for capitalizing fixed assets:

Land and improvements	\$10,000
Buildings and improvements	\$10,000
Individual Machinery/equipment/vehicles	\$5,000
Grouped Machinery/equipment/vehicles	\$20,000

Detailed records shall be maintained for all fixed assets above the established thresholds.

Records shall be maintained at the discretion of the Executive Director for all items below the capitalization thresholds that should be safeguarded from loss. These items will be part of the annual physical inventory discussed below. These items may include furniture and computer equipment that fall below the established thresholds and any other assets specified by school administration.

Management shall assign an estimated useful life to all assets for the purposes of recording depreciation. Asset lives will be adjusted as necessary depending on the present condition and use of the asset and based on how long the asset is expected to meet current service demands. Adjustments should be properly documented. Depreciation will be recorded based on the straight-line method over the estimated useful lives.

As fixed assets are purchased or disposed of, school administration will be responsible for preparing proper supporting documentation, which will then be forwarded to Nerstrand Elementary School's business office to ensure proper recording. A physical inventory will be taken annually on or about June 30 and compared to the physical inventory records. The results will be forwarded to Nerstrand Elementary School's business office where appropriate adjustments will be made to the fixed asset records system.