

DeForest Area School District
Administrative Regulation

TITLE: <p style="text-align: center;">CAPITALIZATION OF ASSETS</p>	NUMBER: AR 9.7 (29)
<i>Executive Limitation: EL 9, Asset Protection (9.7 – Fund Management Practices)</i>	
Recorded as Administrative Regulation: <i>Established: 6/28/04 Revisions: 11/24/14</i>	
Origin as Board Of Education Policy: <i>Established: n/a Revisions:</i>	

The District recognizes the importance of having a capitalization policy to make personnel aware of the required elements and can then apply them consistently.

Capitalization Thresholds:

Land (included regardless of cost)	\$ 0.00
Buildings / Structures	\$25,000.00
Machinery and Equipment	\$ 5,000.00

Normal Useful Life:

All assets are grouped into general classes in order to assign and estimate normal useful life. The normal useful life is used to calculate depreciation for each asset and is defined as:

Normal Useful Life – The physical life, usually in terms of years, that an asset will endure before it deteriorates to an unusable condition. (It is derived from mortality data and the study of specific assets under actual operating conditions.)

Table: General Classes

<u>Class Code</u>	<u>Class Description</u>	<u>Useful Life- yrs</u>
1000	Land	0
1100	Outdoor Equipment	20
1200	Police & Fire Equipment	10
1300	Machinery & Tools	15
1400	Kitchen/Appliance/Custodial Equipment	15
1500	Science & Engineering Equipment	10
1575	Hospital Equipment	10
1600	Furniture & Accessories	20
1675	Furniture & Accessories – Hospital	20
1700	Business Machines	10
1800	Communication Equipment	10
1900	Computer Equipment	5
2000	Computer Software	5
2100	Audiovisual Equipment	10

2200	Books & Multi-Media Materials	5
2300	Athletic Equipment	10
2400	Uniforms	5
2500	Musical Instruments	10
2600	Licensed Vehicles	8
2700	Contractor's Equipment	10
2800	Grounds & Maintenance Equipment	15
2900	Land Improvements	20
3000	Construction	50
3010	Portable Structures	25
3025	Relocatable Classrooms	25
3050	Boilers	25
3100	Utilities/Water/Sewer/Electrical Equipment	30
3200	Infrastructure	65

Capital Items Versus an Expense

GASB No. 34 requires the following reporting requirements for users of the depreciation method:

- Maintenance costs – Expense
- Preservation costs – Capitalize
- Additions – Capitalize
- Improvements – Capitalize
- Ancillary costs – Capitalize
- Interest during construction – Expense

Depreciation Method:

The straight-line depreciation method is used to calculate the depreciation provision as follows:

$$\frac{\text{Original Cost} - \text{Salvage Value}}{\text{Estimated Useful Life}}$$