

To: Dr. Ted Stec
Board of Education

From: Neil Perry, Assistant Superintendent of Finance, Technology and Facilities

Date: Tuesday, August 12, 2025

Re: Asset Capitalization Threshold

Recommendation

It is recommended that the Board of Education revise the District's capitalization threshold for accounting purposes to include on those assets with:

- An individual cost of more than \$10,000, and
- An estimated useful life of at least 5 years,
- Unless otherwise required by State or Federal guidelines.

Background

23 Illinois Administrative Code 100.60 establishes a depreciation schedule for use in recording the value of capital assets on the District's annual financial statements. In conjunction with this schedule, each school district is required to adopt a capitalization threshold for use by budget managers and the Business Services department for determining which assets are considered capital assets and which assets are considered non-capitalized equipment.

Historically, the District has defined and managed capital assets in the following manner:

Capital assets, which include land, construction in progress, land improvements, buildings, vehicles, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual or group cost of more than \$5,000 and an estimated useful life of more than five years. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of routine maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Depreciation of capital assets is provided over the estimated useful lives using the straight-line method, in accordance with the depreciation schedule established within 23 Illinois Administrative Code 100.60.

After reviewing our capital asset definition with our external auditors as well as several grant management liaisons with the Illinois State Board of Education, it has been recommended that the District update its capitalization threshold as follows:

Capital assets are defined by the District as assets with:

- An individual cost of more than \$10,000, and
- An estimated useful life of at least 5 years,
- Unless otherwise required by State or Federal guidelines.

It should be noted that the capitalization threshold is primarily for the purposes of recording purchases, managing assets, and preparing financial statements. Large purchases will continue to be presented to the Board by budget managers as they have in previous years.