

SAMPLE ORGANIZATION

FIXED ASSET GUIDE

Approved by Governing Board:

Date ____ / ____ / _____

This guide is for illustrative purposes only and should not be used as authoritative guidance. This guide is not intended to be a comprehensive fixed asset guide.

Threshold for Capitalization

The organization views a fixed asset as tangible or intangible property that meet both of the following thresholds:

1. Items with purchase costs **greater than \$2,500.00**
AND
2. Items with estimated useful lives of **greater than 12 months.**

Some costs that the organization does not treat as fixed assets include the following:

- Items not meeting the thresholds above
- Inventory (See organization's inventory guide)
- Parts and labor required for routine maintenance of property

For financial statement reporting, a fixed asset is capitalized and depreciated. Depreciation is calculated by taking depreciable costs (costs, less estimated salvage value) and spreading those costs over the estimated useful life of the fixed asset.

Depreciation Method and Convention

The organization uses the **Straight-Line** depreciation method (depreciable costs are spread evenly over the estimated useful life). The organization uses the **First-Full-Month** depreciation convention (a full month of depreciation is taken in the month that the fixed asset is placed in service).

General Ledger (GL) Accounts Used:

The organization keeps a fixed asset subsidiary ledger to track fixed asset depreciation, additions, and disposals. The subsidiary ledger is reconciled to the following general ledger accounts monthly.

GL #	GL Account Name	GL Account Type
1500	Real Property	Fixed Asset
1501	Office	Fixed Asset
1502	Transportation Equipment	Fixed Asset
1503	Other Personal Property	Fixed Asset
1600	Accumulated Depreciation	Accumulated Depreciation
5600	Depreciation Expense	Direct Expense
8500	Gain/Loss on Fixed Asset Disposal	Other Income/Expense

Estimated Useful Lives and Salvage Values

For calculating depreciation for the financial statements, the following estimated lives and salvage values are used. For items not included in categories below, management will use their judgement when selecting lives and salvage values.

Category	NEW Useful Life (Months)	NEW Salvage Value (% of Cost)	USED Useful Life (Months)	USED Salvage Value (% of Cost)
<u>Real Property:</u>				
Land	N/A	N/A	N/A	N/A
Land Improvements	180	10%	180	10%
Buildings	600	25%	360	25%
Building Plumbing and Mechanical	180	0%	84	0%
Building Improvements	360	20%	180	20%
Construction In Progress	N/A	N/A	N/A	N/A
<u>Office:</u>				
Furniture	120	5%	60	5%
Fixtures	240	0%	120	0%
Office Equipment	72	0%	36	0%
Computer Hardware	60	0%	0	0%
Computer Software	36	0%	0	0%
Other Technology	60	0%	36	0%
<u>Transportation Equipment:</u>				
Passenger Autos	84	5%	36	5%
Trucks	120	10%	60	10%
Trailers	180	20%	84	20%
<u>Other Personal Property:</u>				
Large Equipment (Over \$20,000)	180	10%	84	10%
Small Equipment (Under \$20,000)	120	5%	60	5%
Power Tools	36	0%	0	0%
Manufacturing Production Line	240	10%	120	10%

These lives and salvage values are for financial statement reporting and differ from tax lives and salvage values.