



Association of Metropolitan School Districts

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Fixed Asset Capitalization Policy

The purpose of this document is to establish the Association of Metropolitan School District's (AMSD's) financial accounting policies regarding the proper classification of all company-owned fixed assets and the proper treatment of transactions involving fixed assets, including acquisitions, maintenance, sale and disposal.

These capitalization policies are all in accordance with Generally Accepted Accounting Principles (GAAP), the Internal Revenue Code, Treasury Regulations and other authorities and is the responsibility of the Association.

The following guidelines will be followed with regard to the association's capitalization policy:

Fixed Assets

Fixed assets are defined as all land regardless of cost, buildings and equipment, including computer software, with a useful life of greater than one year and a cost at or above the thresholds as established by the association's executive committee.

The threshold currently established by the AMSD Executive Committee is \$2,500. This threshold will be reviewed periodically to ensure that is appropriate.

Individual assets that cost less than the established threshold but operate as part of a network system (i.e. telephone system, computer systems) will be capitalized in the aggregate, using the group method, if the estimated average useful life of the individual asset is one year or more. A network is determined to be where individual components may be below the established threshold but are interdependent and the overriding value to the association is on the entire network and not the individual assets.

The following ranges are proposed as guidelines in setting useful lives for asset reporting and related depreciation:

Building and Improvements	25 – 40 years
Land Improvements	10 – 20 years
Machinery and Equipment	5 – 10 years
Vehicles	5 – 10 years
Office Furniture and Fixtures	5 – 10 years
Computer Equipment and Software	2 – 5 years

Please Note: Land and construction in progress are not depreciated

With respect to asset improvements, cost over the established thresholds should be capitalized if:

The estimated life of the asset is extended by more than 25 percent; or
The cost results in an increase in the capacity of the asset; or
The efficiency of the asset is increased by more than 10 percent; or
The improvement significantly changes the character of the asset.

Otherwise, the cost should be expensed as repairs and maintenance.

Requests for asset sale/disposal must be submitted to the executive committee. A fixed asset replacement analysis should support such request in relation to proposals to dispose of any major equipment used for business operations.

Upon receipt of the appropriate documentation, the executive committee will approve the removal of the asset's book value and accumulated depreciation from the general ledger and fixed asset sub-ledger and record the proper accounting entries.

Note that all assets will remain recorded on the general ledger and sub-ledger, despite a zero-net book value, until removal is approved and disposal/sale occurs.

Effective date: March 2, 2018

Approved by AMSD Executive Committee, February 23, 2018