



Fixed Asset Capitalization Policy

Purpose

The library will maintain an inventory of fixed assets and a record of capital expenditures. Administration and execution of this policy are the responsibility of the Library Director and Accounts/Payroll Clerk acting under the authority of the Library Board of Trustees.

Guidelines

The library will maintain an inventory for external financial statement purposes of all fixed assets put into place. Fixed assets are property, building, furniture, and equipment with an initial acquisition cost of \$2,500 or more per item and an estimated useful life beyond a single reporting period of 1 year. Initial cost is the cash outlay or fair value equivalent made to acquire the asset and put it in operating condition.

Fixed assets will be inventoried, using historical cost of the asset. A record which includes item name, description, inventory ID, location, manufacturer, vendor, historical cost, replacement cost, serial number and estimated replacement date, will be maintained. Capital expenditures do not include (1) ordinary repairs that do not increase the value or extend the life of the asset, (2) routine operating costs such as annual maintenance contracts.

Asset Classification

Fixed assets should be categorized into the following:

- Land
- Buildings
- Land Improvements and Infrastructure
- Equipment and Furniture

General Policy for Capitalization

Fixed assets should be capitalized as follows:

Land

The recorded cost paid for the property including but not limited to all fees, searches, insurance, past due tax, survey costs, and the cost to clear and grade it for future use.

Buildings

The recorded cost paid for the building includes but is not limited to the cost of construction, remodeling, architectural and engineering fees, building permits, and temporary buildings used during construction.

Land Improvements and Infrastructure

Land improvements include such items as excavation, non-infrastructure utility installation, driveways, sidewalks, parking lots, flagpoles, retaining walls, fencing, outdoor lighting, and other improvements to make the land ready for its intended use.

Infrastructure assets are defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include road, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems.

Improvements to infrastructure or land which extend the useful life or capacity of the asset and meet capitalization thresholds will be capitalized as separate asset/component and depreciated over its estimated useful life.

Equipment and Furniture

Equipment should be capitalized in accordance with General Accounting Standards Board (GASB).

Depreciation

Depreciation is the process of allocating the cost of tangible property over a period of time, rather than deducting the cost as an expense in the year of acquisition.

Information required for depreciation calculation

1. The date the asset was placed in service
2. The asset's cost or acquisition value
3. The asset's estimated useful life

Estimated Useful Life

Estimated useful life means the estimated number of months or years than an asset will be able to be used for the purpose for which it was acquired. Eligible fixed assets should be depreciated over their estimated useful lives with the following guidelines:

Buildings	40-50 years
Building Improvements	15 years
Equipment and Furniture	5-10 years

Depreciation Method

The library has established the straight-line methodology for depreciating all fixed assets. Under the straight-line depreciation method, the basis of the asset is written off evenly over the useful life of the asset. A half

year depreciation will be taken in the year of acquisition and disposal. The amount of annual depreciation is determined by dividing an asset's cost by its estimated life. The total amount depreciated can never exceed the asset's historic cost.

Asset Retirement and Disposal

When retiring an asset or building component, remove the entire asset and related accumulated depreciation from the fixed asset file. Any un-depreciated balance will be reported as a disposal expense.

Fixed assets that are no longer usable by the library may be disposed of by selling to other libraries in the system or to the general public. Items not purchased may be donated to another non-profit agency. Items damaged beyond repair will be discarded appropriately.