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| <i>FIXED ASSETS CAPITALIZATION</i> | <u>Tracking Record</u> Date Approved: 4/03 Revised: 12/11/03 |

I. Definitions and Provisions

- A. Tangible Assets.** Assets that can be observed in one or more physical senses.
- B. Fixed Assets.** Tangible assets of a durable nature that are employed in the operating activities of the library, relatively permanent, and needed for the production of goods or services. This broad group is usually separated into classes according to the physical characteristics of the items (e.g. land, buildings, improvements other than buildings, furniture, and equipment).
- C. Capital Outlays.** Expenditures that benefit both the current and future fiscal periods. This includes the cost of acquiring land or structures; construction or improvement of buildings, structures, or other fixed assets; and equipment purchases having an appreciable and calculable period of usefulness. These are expenditures resulting in the acquisition of or addition to the library's general fixed assets.
- D. Historical Costs.** The cash equivalent price exchanged for goods and services at the date of acquisition. Land, buildings, and equipment are common examples of items recognized under historical cost attribute.

II. Land

The library will capitalize all land purchases, regardless of cost.

Original cost of land will include the full value given to the seller, including legal services incidental to the purchase (including title work and opinion), appraisal and negotiation fees, surveying and costs for preparing the land for its intended purpose (including contractors and/or library workers, salary and benefits). Donated land will be recorded at fair market value on the date of transfer plus any associated costs.

Purchases made using federal or state funding will follow the source funding policies and above procedures.

III. Furniture and Equipment

The definition of furniture and equipment is an apparatus, tool, or conglomeration of pieces to form a tool. The tool will stand-alone and not become a part of a basic structure or building.

The library will capitalize items with an individual value equal or greater than \$1,000. Equipment combined with other equipment to form one unit with a total value greater than the abovementioned limit will be one unit.

Improvements or renovations to furniture and equipment will be capitalized only if the result of the change meets all the following conditions.

1. The total cost exceeds \$1,000.
2. The useful life is extended two or more years
3. The total costs will be greater than the current book value and less than the fair market value.

A computer (CPU, monitor, keyboard, and printer) is considered one unit. Donated furniture and equipment will follow the source funding policies of any associated costs.

IV. Buildings

Buildings will be capitalized at full cost with no subcategories for tracking the cost of attachments. Examples of attachments are roofs, heating, cooling, plumbing, or any part of the basic building. Cost of items designed or purchased exclusively for the building will be included.

A new building will be capitalized only if it meets the following conditions:

1. The total cost exceeds \$1,000.
2. The useful life is greater than two years.

The cost of improving or renovating an existing building will be capitalized only if the result meets all the following conditions:

1. The total cost exceeds \$1,000.
2. The useful life is extended two or more years.
3. The total cost will be greater than the current book value and less than the fair market value.

Capital building costs will include preparations of land for the building, architectural and engineering fees, bond issuance fees, interest cost (while under construction), accounting costs if material and any costs attributable to construction of the building.

Donated buildings will be recorded at fair market value on the date of transfer with any associated cost.

Purchases made using federal or state funding will follow the source funding policies and above procedures.

V. Improvements Other Than Buildings

This asset group includes improvements to land, attached or not easily removed, and with a life expectancy of greater than two years. Examples are walks, parking areas and drives, fencing, retaining walls, outside fountains, planters, and other similar items.

Improvements do not include roads, streets, or assets that are of value only to the public. Road or drives on library-owned land that provide support to our facility are assets. Sidewalks installed on library-owned land for use by the public and for the support of our facility are capital assets.

The library will capitalize new improvements other than building only upon the following conditions'

1. The total cost exceeds \$1,000.
2. The useful life is greater than two years.

Improvements or renovations to improvements other than buildings will be capitalized only upon the following conditions:

1. The total cost exceeds \$1,000.
2. The asset's useful life is extended two or more years
3. The total cost will be greater than the current book value and less than fair market value.

Donated improvements other than buildings will be recorded at fair market value on the date of transfer with any associated costs.

Purchases made using federal or state funding will follow the source funding policies and above procedures.

VI. Recording and Accounting

The cost of property, plant, and equipment includes all expenditures necessary to put the asset into position and ready for use. For purposes of recording fixed assets of the library, the valuation of assets shall be based on historical cost or, where the historical cost is indeterminable, by estimation for those assets in existence.

The Library Director's approval is required for any sale or disposal of fixed assets.

An asset register shall be maintained to provide a record of purchase, sale and disposal of fixed assets of the library.

VII. Safeguarding of Assets

Accounting controls are designed and implemented to provide reasonable assurances of the following

1. Adequate detailed records are maintained to assure accountability for library-owned assets.
2. The recorded accountability for assets is compared with the existing assets at least every three years, with appropriate action taken with respect to any differences.