

PURPOSE

To provide management with library policy and procedures governing accounting for the acquisition and disposition of the library's fixed assets and intangible assets.

BACKGROUND

As a general rule, a large expenditure should be capitalized if it benefits future accounting years and/or extends the useful or productive life of an asset. Capitalized expenditures are categorized as Fixed Assets and Intangible Assets. Assets are long-lived assets acquired for the use in the operation of the library and are not intended for resale to customers. The most common examples of fixed assets are land and land improvements, leasehold improvements, furniture and fixtures, office equipment. Intangible assets are assets that are used in the operation of the library but which have no physical substance and are noncurrent assets. Leading examples are goodwill, leaseholds, copyrights, franchises, licenses and trademarks.

The library is committed to properly evaluating the economic feasibility of all proposed capital expenditures or acquisitions. Short-term and long range planning shall be utilized to ensure that investments in capital assets contribute to the organization's overall missions and goals. The library is also committed to establishing and maintaining uniform accountability for fixed assets and intangible properties. Standards should be established to provide accurate accounting records for the acquisition, maintenance, control and disposition of properties. Strong internal controls shall be maintained to protect against loss and unauthorized use of the assets.

SCOPE

The policy applies to all library personnel.

POLICY

PROVISIONS

1. Investments in capitalized assets should contribute to the library's missions and goals. A cost benefit analysis may be required by the Treasurer or Trustees to ensure that the expected benefit derived from the purchase or acquisition of certain assets will equate to a positive, annual net cash flow over time. Typically, purposed capital expenditures and acquisitions will be included in the annual budgetary process.
2. The Library Board of Trustees must approve all capital expenditures, which is normally done through the annual budget process.
3. The cost of a fixed asset should be accurately reported. The value capitalized is cost. Total cost includes all expenditures reasonable and necessary in acquiring the assets and placing it in a position and condition for use in the operations of the library.
4. A fixed asset must have an expected useful life greater than one year. The useful life assigned to an asset should be applied consistently within other fixed asset categories. Buildings and equipment should be depreciated over their estimated useful lives using the straight-line depreciation method. Leasehold improvements should be amortized using the straight-line depreciation method over the term prescribed in FAS 13 (i.e. estimated useful life or the term of the lease depending on the type of the lease and the conditions met or not met under paragraph 7 of (FAS 13).
5. An intangible asset must benefit future accounting periods, and the cost of an intangible asset should be accurately reported. The cost capitalized typically includes the purchase price, legal and government fees, registration fees, as well as similar costs. The period of amortization is generally based on the estimated period of benefit, but not more than 40 years, using the straight line amortization method.
6. Purchases and the acceptance of donations will be made according to the *Public Purchasing Policy* and the *Donations, Bequests and Gifts Policy*.

7. The threshold for depreciation is to be \$500 or more per individual item updated annually. The policy provides that capital expenditures under these thresholds shall be charged to expense rather than capitalized and depreciated. However, the purchase of individual assets valued below this threshold may in certain circumstances, also be grouped together that the overall purchase is then classified as capital expenditures. For example, the block purchase of items such as computer laptops may be capitalized even through individual items are valued well below the de-minimus limit.

8. Depreciation and useful life:

The treasurer will assign an estimated useful life to all assets for the purpose of recording depreciation. The Suggested Useful Lives schedule is used to establish lives of most assets.

- Software 3 years
- Computers and technology 3 years
- Office equipment 7 years
- Other equipment 7 years
- Leasehold improvements - life of the lease
- Buildings and improvements 39 years
- Building components 10 to 15 years

Asset lives will be adjusted as necessary depending on the present condition and use of the asset and based on how long the asset is expected meet current service demands. Adjustments should be properly documented. Depreciation is recorded based on the straight line or accelerated or expense method as determined by the Board of Trustees annually using actual month convention and depreciation down to the asset salvage value.

9. All fixed assets must be inventoried annually by the Library Director. Assets not in use or idle for an extended or indefinite period of time, and obsolete assets should be removed from inventory. The Library Director is responsible for notifying the Treasurer of equipment dispositions and lost or stolen properties when they occur.

10. All portable fixed assets of significant worth that are at risk of theft, loss, or displacement should be tagged, such as computers, printers, cash registers, fax machines, TVs, cameras, and refrigerators. If the item is fixed or non-movable the item should not be tagged e.g. workstation panels, overheads, and file pedestals.

11. The Library Director is responsible for disposing of damaged or unused furniture, fixtures, and equipment. An effort should be made to ensure that residual or salvage values are effectively realized, and all cash proceeds should be deposited immediately with the Treasurer.

12. The Treasurer is responsible for the accuracy of the accounting records as reported by the Library Director and the tracking of equipment. Adjustments to property subsidiary records should be reviewed and approved by the Treasurer.

13. All library capitalized assets shall be adequately insured to cover estimated replacement values or fixed costs. Maintenance contracts for large equipment purchases should be obtained when appropriate.

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