



Policy 2030: Fixed Assets and Capitalization

Adopted: *October 24, 2012*

Reviewed/Revised: *October 28, 2015; October 26, 2016; January 27, 2021; January 24, 2024*

I. Purpose

Capital assets purchased or constructed by the Algonquin Area Public Library District (the “Library”) represent a major investment by the taxpayers. The purpose of this policy is to maintain control and accountability for identification and management of assets, to gather and maintain information needed for the preparation of financial statements, and to ensure compliance with GASB34 and generally accepted accounting principles for governmental financial reporting.

II. Overview

This policy is herein established to safeguard and address the Algonquin Area Public Library District’s investment in property, which comprises a significant resource. This policy is meant to ensure compliance with various accounting and financial reporting standards including Generally Accepted Accounting Principles (GAAP), and Governmental Accounting, Auditing, and Financial Reporting (GAAFR).

III. Inventory, Valuing, Capitalizing, and Depreciation

A. Inventory

Responsibility for control of capital assets will rest with the Department wherein the asset is located. The Administration Department shall ensure that such control is maintained by establishing an inclusive capital asset inventory schedule. Asset purchases that fall below the capitalization threshold will not be included in the capital asset inventory.

Under the oversight of the Administration Department, each Department will be responsible for control of capital assets for their Department and will be responsible for updating the capital asset inventory schedule. The inventory schedule will include the following for each asset:

- Asset Description – A description of the asset (serial #, model#)
- Asset Classification – Land and Land Improvements, Building and Building Improvements, Vehicles, Electronics and Equipment, Furniture and Fixtures, Infrastructure Assets, and Books and Materials
- Department name and physical location of asset
- Date asset was purchased/acquired and/or disposed

- Cost of asset
- Method of acquisition (purchased or donated)
- Estimated useful life

This list will be maintained, updated, and reviewed by Department Managers and the Administration Department on an ongoing basis.

B. Valuing Capital Assets

Capital assets should be valued at cost or historical cost, plus those costs necessary to place the asset in its location (i.e. freight, installation charges). In the absence of historical cost information, a realistic estimate will be used. Donated assets will be recorded at the estimated current fair market value.

C. Capitalizing

a. When to Capitalize Assets:

Assets are capitalized at the time of acquisition. To be considered a capital asset for financial reporting purposes an item must be at or above the capitalization threshold and have a useful life of at least one year.

Capital Assets should be capitalized if they meet the following criteria:

- Tangible
- Useful life of more than one year (benefit more than a single fiscal period)
- Cost exceeds designated threshold

b. Assets Not Capitalized:

Capital assets below the capitalization threshold on a unit basis and above \$500 but warranting control shall be inventoried at the Department level and an appropriate list will be maintained.

Capital Assets include the following major classes of assets:

- *Land and Land Improvements*: Capitalized value is to include the purchase price plus costs such as legal fees and filing fees; improvements such as excavation work, parking lots, fences, landscaping
- *Building and Building Improvements*: Costs include purchase price plus costs such as legal fees and filing fees; improvements include structures and all other property permanently attached to, or an integral part of, the structure. These costs include re-roofing, electrical/plumbing, carpet replacement, and HVAC.
- *Vehicles*: Costs include purchase price plus costs such as title and registration.

- *Electronics and Equipment:* Assets included in this category are computers and servers, electronic systems, heavy equipment, generators, office equipment, phone system, and kitchen equipment.
- *Furniture and Fixtures:* FF&E are movable furniture, fixtures, or other equipment that have no permanent connection to the structure of a building or utilities. These items depreciate substantially but are important costs to consider when valuing assets.
- *Infrastructure Assets:* Infrastructure Assets are long-lived capital assets that are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets.
- *Books and Materials:* Books and materials assets are comprised of physical materials for use by library patrons. All physical library material is capitalized as a single addition and not as individual purchases, and therefore no minimum threshold is established.

D. Depreciation

Depreciation is computed using the straight-line method over the asset's assigned useful life. Depreciation expense is recorded in full year increments with a full year being recorded in the year of acquisition, regardless of the actual date of purchase.

Projects in process will be added to the asset base as the projected expenses are incurred. However, the project will first need to meet its individual threshold.

E. Capital Assets Useful Lives are as Follows:

ASSET	Useful Life	Capitalization Threshold	Inventory Threshold
Land	N/A	\$1	\$1
Land Improvements	20	\$50,000	\$1
Buildings	45	\$50,000	\$500
Building Improvements		\$50,000	\$500
General	10-20		
HVAC	20		
Re-Roofing	20		
Electrical/Plumbing	30		
Carpet Replacement	10		
Vehicles	10	\$10,000	\$500
Electronics and Equipment		\$5,000	\$5,000
Computers	5		
Servers	10		
Electronic/Mechanical Systems	20		
Furniture and Fixtures		\$15,000	\$5,000
Office Furniture	20		
Office Equipment	5		
Phone System	10		

Kitchen Equipment	10		
Infrastructure	50	\$250,000	
Books and Materials	5	No Established Threshold	

F. Other

a. Removing Capital Assets from Inventory

Capital assets are to be removed from inventory once they are obsolete or claimed as surplus property. The item must be removed from the department inventory listing and reported to the Administration Department.

b. Donations or Transfers

Each Department must note additions and deletions from donated or transferred assets to the inventory listing.

c. Surplus Property

Each Department must report all capital assets classified as surplus to the Administration Department.

d. Lost or Stolen Property

When suspected or known losses of inventoried assets occur, the Library should conduct a search for the missing property. If the missing property is not found, the loss must be reported to the Administration Department.