

WESTCHESTER PUBLIC LIBRARY
FIXED ASSETS CAPITALIZATION POLICY

INTRODUCTION

In accordance with rules adopted by the State Board of Accounts, the Westchester Public Library adopts the following Fixed Assets Capitalization Policy.

DEFINITIONS AND PROVISIONS

TANGIBLE ASSETS

Tangible assets are assets that can be observed by one or more of the physical senses.

FIXED ASSET

Tangible assets of a durable nature employed in the operation of the library and are relatively permanent and are needed for the production of goods or services are termed property, plant, and equipment or fixed assets. These items are separated into classes according to the physical characteristics of the items (e.g. land; buildings; improvements other than buildings; machinery, equipment and furniture; books; periodicals; nonprint materials; and construction in progress).

CAPITAL OUTLAY

Capital outlays are expenditures which benefit both the current and future fiscal periods. This includes the costs of acquiring land or structures; constructions or improvement of buildings, structures or other fixed assets; and equipment purchases having an appreciable and calculated period of usefulness. These expenditures result in the acquisition of or addition to the government's general fixed assets.

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 relocation, 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]), such as demolishing buildings, excavating, clean up, and/or inspection.

Donated land will be recorded at fair market value on the date of transfer plus any associated costs.

BUILDINGS

The library will capitalize buildings at full cost with no subcategories for tracking the cost of attachments. Examples of attachments are roofs, heating, cooling, plumbing, lighting, sprinkler systems, or any part of the basic building. The library will include the cost of items designed or purchased exclusively for the building.

The library will capitalize a new building only if it meets the following conditions:

1. total cost exceeds \$5,000, and
2. useful life is greater than two years.

The library will capitalize the cost of improving or renovating an existing building only if the result meets the following conditions:

1. total cost exceeds \$5,000,
2. useful life is extended two or more years, and
3. total cost will be greater than the current book value and less than the fair market value.

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

The library will record donated buildings 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 provisions.

IMPROVEMENTS OTHER THAN BUILDINGS

These are improvements to land for better enjoyment, attached or not easily removed, and having a life expectancy of greater than two years.

Examples are walks, parking areas and drives, fencing, retaining walls, pools, fountains, planters, underground sprinkler systems, and other similar items.

Improvements do not include roads, streets, or other assets that are part of the community infrastructure and are not for the support of the library facilities.

The library will capitalize new improvements other than buildings only if it meets the following conditions:

1. total cost exceeds \$5,000, and
2. useful life is greater than two years.

The library will capitalize the cost of improving or renovating improvements other than buildings only if the result meets the following conditions:

1. total cost exceeds \$5,000,
2. useful life is extended two or more years, and
3. total cost will be greater than the current book value and less than the fair market value.

The library will record donated improvements other than buildings 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 provisions.

MACHINERY, EQUIPMENT AND FURNITURE

The definition of machinery 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.

Machinery and equipment includes computers, office machines, telephone systems, copiers, replicating equipment, postage machines, microfilm readers/printers, vacuum cleaners, mowers, power tools, and floor machines.

Furniture is also part of this category and includes tables, chairs, desks, shelving, and file cabinets.

The library will capitalize and tag items with an individual value equal to or greater than \$5,000. (changed February 13, 2008) Machinery, equipment and furniture combined with other machinery to form one unit with a total value greater than the above mentioned limit will be one unit.

A computer (CPU, monitor, keyboard, and printer) is considered one unit. A telephone system is considered one unit. A row or course of shelving is considered one unit.

Shipping charges, consultant fees, and any other cost directly associated with the purchase, delivery, or set up, (including contractors and/or library workers [salary and benefits]), which make such equipment operable for its intended purpose will be capitalized.

The library will capitalize the cost of improving or renovating machinery, equipment, and furniture only if the result meets the following conditions:

1. total cost exceeds \$5,000,
2. useful life is extended two or more years, and
3. total cost will be greater than the current book value and less than the fair market value.

The library will record donated machinery, equipment and furniture 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 provisions.

MATERIAL COLLECTIONS - BOOKS, PERIODICALS, AND NONPRINT MATERIALS

Due to the dynamic nature of library service and the constant circulation of materials in the library collections, an accurate cost inventory of the library's material collections poses special problems. Borrowed items are often overdue, and items reported lost are often found and returned days or years after the fact. The item records of lost and overdue materials may not be removed from the library's automated system without expunging the

debits charged to the offending borrowers. Thus the library's automated database is an unreliable source of data.

Records no longer exist for the exact purchase date or the initial cost of the majority of items in the material collections, and the library has acquired a great number of items through patron donation.

Due to the lack of data critical to traditional methods of capital costing, the library adopts the following methodology.

For the purpose of assessing the capital value of the library's material collections, the library will perform a count of volumes in each collection area (books, periodicals, and nonprint materials). The counts will then be multiplied by the average prices for materials as reported in the most recent edition of the Bowker Annual Library and Book Trade Almanac. The cost of each volume will also include a factor for shipping and specialized library processing.

CONSTRUCTION IN PROGRESS

Construction in Progress will be used when the library has expended in excess of \$5,000 on an uncompleted building or other capital construction project. When the project is completed, the cumulative costs will be transferred to another appropriate fixed asset column.

INITIAL INVENTORY

The library will perform a physical inventory of fixed assets in 1996 and maintain a fixed asset ledger. Properties will be examined for approximate value and all items judged to be of sufficient worth will be included in the inventory. Subsequent purchases of qualifying fixed assets will be added to the inventory and ledger.

ITEM DATA SHEETS

Item data sheets will be completed for all fixed asset items. Data sheets will record an item's location, date of purchase, cost or estimated cost, fund and account of purchase, estimated life, tag number, and serial number.

ITEM TAGS

Machinery, equipment and furniture may be sequentially numbered and tagged with decal type property tags.

FIXED ASSET LEDGER

The fixed asset ledger will be in an electronic format in an application prepared with the File Express (version 6) database manager. The application will maintain item records containing the requisite information for each item. Appropriate customized reports will be prepared for the generation of detailed reports and cumulative data.

RECORDING AND ACCOUNTING

The library will classify capital expenditures as capital outlays within the fund from which the expenditure was made in accordance with the Chart of Accounts of the Library Accounting

Manual. 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 historical cost of an asset is the cash equivalent price exchanged for goods or services at the date of acquisition. Land, buildings, and equipment are common examples of items recognized under the historical cost attribute.

SAFEGUARDING OF ASSETS

Accounting controls should be designed and implemented to provide reasonable assurances that:

1. Capital expenditures made by the library are in accordance with management's authorization as documented in the library's records.
2. Adequate detail records are maintained to assure accountability for library owned assets.
3. Access to assets will be permitted in accordance with management's authorization.
4. The recorded accountability for assets be compared with the existing assets at least every two years and appropriate action be taken with respect to any differences.

Dated this 17th day of July, 1996