

# Dolores Library District Board of Trustees

## Fixed Assets and Capitalization Policy

### Scope

Capital assets represent land, buildings, vehicles, equipment, and other content owned by the District and acquired by purchase or donation. Capital assets are included in the budget as capital outlay (see budget policy) and in the accounting system. Capital assets are required for the District's financial statements.

### Definitions

Capitalizing is an accounting method in which a cost is included in the value of an asset and expensed over the useful life of that asset, rather than being expensed in the period the cost was originally incurred. In general, capitalizing expenses is beneficial as it allows organizations acquiring new assets with a long-term lifespan to spread out the costs.

A fixed asset is a long-term tangible piece of property that an organization owns and uses in its operations. Fixed assets are known as property, land improvements, plant, and equipment (PP&E). They are also referred to as capital assets. Fixed assets are not expected to be consumed or converted into cash within a year. Additionally, fixed assets do not include ordinary repairs that do not increase the value or extend the life of the asset.

Real Property is fixed property, principally land and buildings.

### Classification

To be classified as a capital or fixed asset, a specific unit of property must possess three (3) attributes: 1) an original cost or recorded value of at least \$5,000; 2) an expected life of more than one year; and 3) tangible value. A unit includes all components necessary for the unit to be used for its intended purpose. All capital assets meeting these criteria will be capitalized and depreciated over its useful life using the method of depreciation determined by the Board and the auditor. The basis of accounting for depreciable fixed assets is acquisition cost and any normal expenditures including installation costs, architect or engineering fees, or other costs that may be required to ready the asset for use and which will be capitalized. In accordance with C.R.S. § 29-1-506, an inventory of capital assets will be performed annually unless otherwise excepted by law. The Director shall maintain an inventory system for all capital assets. This system will include a list of fixed assets showing the date of the acquisition, its cost, and a schedule for depreciation of the asset. The Director shall keep on file documentation for each purchase. This documentation, including invoices, bills of lading, and other documents that substantiate the acquisition cost of each unit of property shall be retained for the life of the asset as shown under the depreciation schedule. This system shall serve the functions of planning, controlling, monitoring, and reporting the assets of the District.

Assets purchased and classified as a fixed asset pursuant to this policy shall be recorded as capital outlay and inventoried as fixed assets for financial reporting purposes. Capital assets costing more than \$5,000 cost attribute will be recorded as such under account #5945. Computers and other equipment that fall below the \$5,000 cost attribute are recorded as an operating expense and posted to account #5125. The District will expense the full acquisition cost of tangible property that falls below the criteria in the year of purchase.

Furniture, computers, and other equipment with an individual cost of less than \$5,000 will have a separate system for inventory purposes only. Computers and other technological needs should be regularly evaluated for function, relevance, and usefulness to support community needs. This system shall align with the District's technology plan, so all public and staff computers and equipment comply with the plan.

All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

## Depreciation

Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A retirement record will be maintained as items are withdrawn or retired. The annual depreciation expense will be maintained by the auditor and reported on the Application for Exemption for Audit or as required (C.R.S. § 29-1-601).

## Competitive Bids

For capital asset purchases, competitive bids should be sought when appropriate. Three bids are preferable, and the minimum is two.

## Approval

The annual budget includes proposed capital purchases that are anticipated to take place during the fiscal year. Those purchases itemized within the approved budget are considered approved for purchasing.

Capital purchases not within the approved budget must be specifically approved by the Board. The Director must provide the price and rationale for the purchase and assurance of availability of financial resources to support the purchase. Additionally, the Director will evaluate whether the acquisition will have an impact on insurance coverage, determine if present coverage valuations are adequate, and obtain additional coverage if necessary.

## Disposal of District Capital Assets

Disposal of District land, buildings, or vehicles requires approval of the Board regardless of the estimated resale value or method of disposal.

The determination of whether obsolete, surplus, or retired property or equipment will be needed by the District in the foreseeable future is the Director's responsibility. All sales or disposal of such equipment shall be a matter of record and reported to the Board.

- Any disposal of an item that has an estimated resale value of \$10,000 or more requires specific approval from the Board before the asset can be disposed of in any manner.
- Discarded or weeded library materials, computer components, furniture, or other equipment with an estimated value of less than \$1,000 each may be disposed of using one or more of the following methods with the Director's approval:

- 1.) Sold to the public, which will be advertised on the District web site;
- 2.) transferred to vendors for credit toward future purchases, if applicable;
- 3.) donated to other charities or nonprofits; or
- 4.) given to other political subdivisions of the State of Colorado.

Items that are broken, destroyed, or otherwise have no value may be recycled or disposed of with the Director's approval.

No part of the revenues or assets of the District shall be to the benefit of, or be distributed to, its members or officers.

First Reading: January 12, 2021

Adopted: January 12, 2021