

Policy 2-3	<b>Capital Assets</b>	<b>Created:</b> 10/5/2018 <b>Approved:</b> 10/11/2018
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**I. Purpose**

Capital assets purchased or constructed by the Jackson County Library District (“District”) represent a major investment by the taxpayers. The purpose of this policy is to set forth the accounting policy as to how capital assets are to be accounted for and reported.

**II. Accounting Services Contractor**

The District currently outsources accounting services to the Rogue Valley Council of Government. As used in this policy, “District’s accountant” refers to the District’s contract accountant.

**III. Capital asset definition**

Capital assets, also referred to herein as fixed assets, are major assets that benefit more than a single accounting period. They include such items as land, buildings, furnishings and equipment, and vehicles.

**IV. Capital asset categories**

The District will use the following capital asset categories when accounting for capital assets:

- a) Land
- b) Buildings and building improvements
- c) Leasehold improvements
- d) Equipment and furniture
- e) Vehicles
- f) Artwork, and
- g) Construction in progress

Items that are not considered capital (fixed) assets including the following:

- Cash and securities
- Merchandise held for resale
- Routine repairs not extending the life of the building or asset
- Library collection, materials and databases

**V. Capitalization thresholds**

The District will capitalize all assets with an estimated useful life in excess of one year and an individual unit cost of \$5,000 or more, including accessories, freight and installation, and other ancillary costs. Replace of components of a system which meet the \$5,000 shall be treated as fixed assets. Any item that is donated and has a current market value of \$5,000 or more shall be considered a fixed asset.

The only exceptions will be assets acquired by grant funds from other governmental agencies. Assets purchased using grant funds will be identified based on the requirements of the grantor.

The capitalization thresholds may be measured at the following levels at the District’s discretion:

- 1. Individual assets
- 2. Similar types of assets grouped together in a class
- 3. A subsystem of assets, which make up a segment of a network
- 4. A network of assets
- 5. Expensed minor equipment, computer software, or intangible assets
- 6. Capital Projects – Construction in progress assets

**VI. Estimated useful lives**

"Estimated useful life" means the estimated number of years that an asset will be able to be used for the purpose for which it was intended when purchased. Estimated useful life is used to allocate the cost of the asset over the period of time in which the District is expected to receive benefit from the asset. The periodic charge of the benefit is called depreciation expense, and is reported in the District’s financial statements. The following table sets forth the useful life of each category of capital asset that is depreciated.

<b>Capital asset classification</b>	<b>Assumed useful life (in years)</b>
Buildings and improvements	40
Leasehold improvements	7 to 10
Furniture	10 to 20
Equipment	5 to 10
Vehicles	Up to 8 (subject to mileage thresholds)

Assets subject to depreciation will be depreciated recognizing one-half year’s depreciation in the year of acquisition.

## **VII. Recording capital assets**

Capital assets are to be reported and depreciated in the District's financial statements. The District's accountant will assign the value of capital assets as follows:

1. By recording the actual purchase cost;
2. When actual costs are not available, by estimating the fair market value as of the date received;
3. Upon disposal of a capital asset, by removing the cost or estimated historical cost of the item from the value of fixed assets;
4. By recording any revenue from the disposition of surplus property in the same fund that was used to purchase the capital asset.

The District's accountant will work with the external auditor to prepare an annual report that establishes the value of all fixed assets at historical cost, and depreciated over their useful lives. In the case of a donated asset, it shall be recorded at its estimated fair value at the time of acquisition. The following parameters further refine the recording of capital assets.

- a) Land is recorded at historical cost and is not depreciated.
- b) Artwork is recorded at historical cost and is not depreciated.
- c) Expenditures classified as construction in progress will be recorded at historical cost, and will not begin to be depreciated until the construction is complete and the expenditure is reclassified to another capital asset classification.

## **VIII. Depreciation Method**

Assets subject to depreciation will be depreciated using a straight-line method.

## **IX. Selling or disposing of capital assets**

The District will attempt to retain capital assets until the end of their expected useful life, or they become obsolete or unrepairable. There is a separate fiscal policy statement approved by the District Board of Directors covering the process of selling or disposing of District capital assets.

## **X. Computer and office equipment inventory**

This policy is intended to address those capital assets that must be tracked for external financial reporting purposes. There are other assets that do not need to be included in external financial statements, but do need to be inventoried and controlled for internal control purposes. Although most computer equipment and office equipment will fall below the dollar threshold for capitalization, the District is to maintain a separate inventory of all computer equipment and office equipment to improve internal control and safeguard these assets due to their relatively small size and the ease in which they could be lost or stolen.