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## Administrative Rules

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### Rule 1.8.1 Fixed Assets

#### A. Purpose

The purpose of the Fixed Asset Policy is to:

1. Delegate authority and responsibility for the management of Fixed Assets
2. Establish standards for the management of the District's Fixed Assets in compliance with Generally Accepted Accounting Principles (GAAP), Generally Accepted Auditing Standards (GAAS), District Executive Limitations, comply with the Library District Public Contracting Rules, and applicable State and Federal regulations

#### B. Definition of Fixed Assets

Fixed assets are those assets that are long-term in nature (i.e. will yield benefits for more than one year). Real property (e.g. land & buildings that generally maintain value) and personal property (e.g. equipment) are the most common types of fixed assets.

It is the Districts policy to capitalize expenditures for individual items that cost greater than \$5000, including freight and installation costs. Replacement of components of a system which meet the \$5000 threshold will be treated as Fixed Assets.

Items that are not considered fixed assets would include:

- ◆ cash and securities
- ◆ merchandise held for resale
- ◆ materials to be consumed in operations and maintenance
- ◆ routine maintenance

#### C. Overview: Responsibility and Authority

1. It is the responsibility of Administrative Services to
  - i. design an inventory system to track Fixed Assets which is in compliance with paragraph D of this policy.
  - ii. update the inventory of Fixed Assets by
    1. adding assets which meet the definition of Fixed Assets
    2. tracking the transfer of any Fixed Asset
    3. removing Fixed Assets from the inventory that are declared surplus and disposed of by the District. (See paragraph E.)
    4. organizing and supervising the annual inventory of Fixed Assets
  - iii. present a report to the Director which
    - a. summarizes current Fixed Assets
    - b. clearly identifies and explains any exceptions or irregularities
2. It is the responsibility of the Assistant Director of Public Services to
  - i. annually review theft and casualty insurance coverage with the Insurance Agent of Record to ensure that insurance levels for Fixed Assets conform to regulatory requirements and best practices.

- ii. develop and implement a multi-year maintenance plan which is updated annually to ensure that facilities and equipment are properly maintained.
  - iii. establish procedures for the disposition of surplus property that are consistent with paragraph E of this policy.
3. It is the responsibility of every manager to promptly identify and report practices or conditions to the Facilities Manager which would represent a health or safety issue, or which would subject facilities and/or equipment to improper wear and tear or insufficient maintenance.

**D. Accounting for Fixed Assets**

1. Administrative Services will assign the value of Fixed Assets as follows:
  - i. by recording the actual purchase cost
  - ii. when actual costs are not available, by estimating the fair market value as of the date received
  - iii. upon disposal of a capital asset, by removing the cost or estimated historical cost of the item from the value of Fixed Assets.
  - iv. by recording any revenue from the disposition of surplus property in the Capital Reserve Fund.
2. Administrative Services will track the following Fixed Asset categories:
  - land (original cost, filling, grading, drainage, legal costs, etc.).
  - buildings (original cost, plus remodels/additions, less deletions, etc.).
  - equipment (cost plus freight, installation, etc.).
  - construction work in progress (end of year entry only).
3. Administrative Services 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.

**E. Disposition of Surplus Property & IT Equipment**

1. The Assistant Director of Public Services and/or Assistant Director of Operations will develop procedures for the disposal of surplus property which includes the following steps:
  - i. Managers will submit a recommendation to Assistant Directors to dispose of property which he/she considers to be surplus.
  - ii. The Assistant Directors will submit a recommendation to the Director:
    1. Estimating the market value, if any, of the surplus property
    2. Recommending the method of disposing of the property that is in the best interest of the District
      - a. Donation to other governmental agencies or non-profit organizations
      - b. Negotiated or advertised sale
      - c. Other means
      - d. Destruction
2. The Director will review the recommendation to
  - i. determine if the item is surplus
  - ii. determine if the recommended method of disposing the property would bring greater benefit to the District than a competitive solicitation process by
    1. providing a cost savings to the District, or
    2. providing a higher net return to the District
  - iii. determine if Board action is required
3. The Assistant Director will proceed to dispose of the surplus property upon approval of the Director