

FIXED ASSET CAPITALIZATION POLICY

The Presque Isle District Library will regard fixed assets as capitalized when all of the following criteria are met:

1. Assets purchased, built or leased have useful lives of one year or more.
2. The cost of the asset (including installation) is \$1,000 or more. Multiple assets with a cost of less than \$1,000 but an aggregate total of \$5,000 or more capitalized.
3. The cost of repairing or renovating the asset is \$1,000 or more and prolongs the life of the asset.

The library will regard the purchase of software programs as fixed assets subject to the above capitalization policy, and will amortize over an estimated useful life of 3 years. Costs associated with software maintenance and customer support are considered expenditures and will not be capitalized.

OTHER CONSIDERATIONS:

1. **REPAIR** is an expenditure that keeps the property in ordinary efficient operating condition. The cost of the repair does not add to the value or prolong the life of the asset. All repair expenditures are charged to the appropriate department and fund.
2. **IMPROVEMENTS** are expenditures for additions, alterations and renovations that appreciably prolong the life of the asset, materially increase its value or adapt it to a different use. Improvements of the nature are capitalized.

EXAMPLES OF REPAIRS VS. IMPROVEMENTS

Repairs = Expenditures

All items – life less than one year

All items under \$1,000

Property maintenance, wall repair

Replacement of machine parts to keep machine in normal operating condition

Existing building repairs

Replacement of small sections of wiring, light, fixtures, or pipes

Patching walls, minor repair of floors, painting, etc.

Patching driveways

Cleaning drapery, carpet, furniture

Improvements = Capitalized Assets

Life of more than one year

All items \$1,000 or more

Property rebuilding

Replacement of motor and parts that prolong the useful life

Building regulation conformity

Major replacement of wiring, light fixtures, pipes or sewer

Installation of floor, wall roof, wall covering, etc.

New driveway or major repair

New drapery, carpets, furniture

Depreciation Method – Straight Line over the following useful lives:

Buildings 40 – 60 years

Building Improvement 15 – 30 years

Furniture & Equipment 5 – 15 years

Water & Sewer Lines 50 – 75 years

Computer Equipment 3 – 5 years

Books & Materials 3 – 15 years

Approved: October 5, 2005