



Capital Asset Policy

INTRODUCTION

Purpose

The purpose of this capital asset policy is to provide control and accountability over capital assets, and to gather and maintain information needed for the preparation of financial statements. The Lemont Public Library District capital asset policy is established to safeguard assets and to insure compliance with GASB34 for governmental financial reporting.

Overview

This policy is established to safeguard and address the Lemont Public Library District's investment in property, which comprises a significant resource. This policy is meant to ensure compliance with various accounting and financial reporting standards including Generally Accepted Accounting Principles (GAAP), and Governmental Accounting, Auditing, and Financial Reporting (GAAFR).

Further, this policy is meant to reflect the Lemont Public Library District's desire to meet the reporting requirements set forth in the Governmental Accounting Standards Board (GASB) Statement No. 34. Specifically, the GASB Statement No. 34 states that governments should provide additional disclosures in their summary of significant accounting policies including the policy for capitalizing assets and for estimating the useful lives of those assets which is used to calculate the depreciation expense. The statement also requires disclosure of major classes of assets, beginning and end-of-year balances, capital acquisition, sales/dispositions, and current-period depreciation expense.

Definitions:

- **Generally Accepted Accounting Principles (GAAP)**
Refers to the uniform minimum standards of and guidelines to financial accounting reporting.
- **Government Accounting Standards Board (GASB)**
The private sector organization that establishes accounting and financial reporting standard for U. S state and local governments that follow Generally Accepted Accounting Principles (GAAP).
- **Generally Accepted Accounting Financial Reporting (GAAFR)**
A Publication that provides comprehensive information on public sector accounting and auditing for state and local governments.

INVENTORY, VALUING, CAPITALIZING, AND DEPRECIATION

Inventory

Responsibility for control of capital assets will rest with the department where the asset is located. The Administration Office shall ensure that such control is maintained by establishing a capital asset inventory list. Asset purchases, which fall below the capitalization threshold, will not be included in the capital asset inventory.

The Library Director will be responsible for the control of capital assets and will ensure that such control is maintained by establishing a capital asset inventory list. The inventory list will include the following for each asset:

- Asset Description — A description of the asset (serial #, model#)
- Asset Classification (Land and Land Improvements, Building and Building Improvements, Electronics and Equipment, Infrastructure Assets and Books & Material)
- Department name and physical location of asset
- Date asset was purchased/acquired and or disposed
- Cost of Asset
- Method of acquisition purchased or donated
- Estimated useful life

This list will be maintained, updated, and reviewed by the Library Director and the Administration office on an ongoing basis.

Valuing Capital Assets

Capital assets should be valued at cost or historical costs, plus those costs necessary to place the asset in its location (i.e., freight, installation charges.) In the absence of historical costs information, a realistic estimate will be used. Donated assets will be recorded at the estimated current fair market value.

Capitalizing

- ***When to Capitalize Assets:***
Assets are capitalized at the time of acquisition. To be considered a capital asset for financial reporting purposes an item must be at or above the capitalization threshold as determined by the Library's annual audit and have a useful life of at least one year.
- ***Assets not Capitalized:***
Capital assets below the capitalization threshold but warranting "control" shall be inventoried at the department level and an appropriate list will be maintained.

Capital Assets should be capitalized if they meet the following criteria:

- Tangible
- Useful life of more than one year (benefit more than a single fiscal period)
- Cost exceeds designated threshold as determined by the annual audit

Capital Assets include the following major classes of assets:

- **Land and Inexhaustible Land Improvements** — Capitalized value is to include the purchases price plus costs such as legal fees and filing fees; improvements such as excavation work, preparation of land for construction, landscaping.
- **Land Improvements** — Capitalized value is to include the purchases price plus costs such as legal fees and filing fees; improvements such as parking lots, fences, pedestrian bridges.
- **Building and Building Improvements** — Costs include purchase price plus costs such as legal fees and filing fees; improvements include structures and all other property permanently attached to, or an integral part of the structure. These costs include re-roofing, electrical/plumbing, carpet replacement, and HVAC.
- **Electronics and Equipment** — Assets included in this category are heavy equipment, traffic equipment, generators, office equipment, phone system, and kitchen equipment.

- **Infrastructure Assets** — Infrastructure Assets are long-lived capital assets that are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets.
- **Books and Materials** — Books and Material assets art comprised of physical material for use by library patrons. All physical library material is capitalized as a single addition opposed to individual purchases and therefore no minimum threshold is established.

Depreciation

Depreciation is computed on a straight-line method with depreciation computed on a monthly basis from the month of acquisition. Additions and improvements will only be capitalized if the cost either enhances the asset's functionality or extends the asset's useful life.

Capital Assets Useful Lives are as follows:

	<u>Useful Life</u>	<u>Capitalization Threshold</u>	<u>Inventory Threshold</u>
Land (and Inexhaustible Land Improvements)	N/A	\$ 1	\$ 1
Land Improvements	20	\$ 50,000	\$ 1
Buildings			
Buildings	45	\$ 50,000	\$ 1
Building Improvements		\$ 50,000	\$ 1
HVAC	20		
Re-Roofing	20		
Electrical/Plumbing	30		
Carpet Replacement	10		
Electronics & Equipment		\$ 5,000	\$ 5,000
Computers	5		
Servers	5		
Electronic Systems	20		
Generators	20		
Furniture & Fixtures		\$ 15,000	\$ 5,000
Office Furniture	20		
Office Equipment	5		
Phone System	10		
Kitchen Equipment	10		
Infrastructure	50	\$ 250,000	
Books & Material	7	No Established Threshold	

OTHER

- **Removing Capital Assets from Inventory**

Capital assets are to be removed from inventory once they are obsolete or claimed as surplus property. The item must be removed from the department inventory list.

- **Donations or Transfer**

The Library Director will make additions and deletions from donated or transferred assets to the inventory list.

- **Lost or Stolen Property**

When suspected or known losses of inventoried assets occur, the Library should conduct a search for the missing property. The search should include transfer to another department, storage, and scrapping. If the missing property is not found, the department must contact the Administration Office.

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