

## 3.36 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 Niles-Maine District Library capital asset policy is herein established to safeguard assets and to insure compliance with GASB34 for governmental financial reporting.

#### Overview

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 Niles-Maine District Library's desire to meet the reporting requirements set forth in the Governmental Accounting Standards Board (GASB) Statement No. 34.

### VALUING, CAPITALIZING, AND DEPRECIATING CAPITAL ASSETS

#### Valuing Capital Assets

Capital assets are 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 Capital Assets

##### 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 (see table-page 2) and have a useful life of at least one year.

##### Assets not Capitalized:

Capital assets below the capitalization threshold (see table-page 2) on a unit basis 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 (see table-page 2)

Capital Assets include the following major classes of assets:

Land and Land Improvements – Capitalized value is to include the purchase price plus costs such as legal fees and filing fees; improvements such as excavation work, preparation of land for construction, landscaping.

Building and 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.

Furniture and Fixtures – Assets included in this category include office furniture and other furnishings around the Library.

Equipment – Assets included in this category are information technology equipment, phone system, and kitchen equipment.

Vehicles – Costs include purchase price plus initial costs such as title & registration.

Collections- Books, audio visual items, and equipment purchased for loan to patrons.

#### Depreciation

Depreciation is computed on a straight-line method with depreciation computed using a half year convention whereby 6 months of depreciation is recorded in the first year and 6 months of depreciation is recorded in the last year. Additions and improvements will only be capitalized if the cost either enhances the asset's functionality or extends the asset's useful life.

Projects in process will be added to the asset base as the projected expenses are incurred. However, the project will first need to meet its individual threshold.

Capital Assets Useful Lives and Capitalization Threshold are as follows:

Asset Class	Useful Life	Capitalization Threshold
Buildings and Improvements	40 years	\$2,500
Furniture and Fixtures	20 years	\$2,500
Equipment	5 years	\$2,500
Vehicles	5 years	\$2,500
Collections	7 years	\$1

#### OTHER

##### Removing Capital Assets from the Asset Listing

Capital assets are to be removed from the asset listing once they are obsolete or claimed as surplus property. The item must be removed reported to the Finance Department. If the Asset has a market value in excess of \$100 the board must pass an ordinance in accordance with state law to authorize its conveyance or sale.

##### Lost or Stolen Property

When suspected or known losses of inventoried assets occur, all efforts should be made to find the asset before contacting the business office and filing an incident report.

*Adopted by the Niles-Maine District Library Board of Trustees 10.16.2019*