Capital Assets

This policy establishes a safeguard of the assets and ensures compliance with various accounting and financial reporting standards including Generally Accepted Accounting Principles (GAAP); Governmental Accounting, Auditing, and Financial Reporting (GAAFR); and Governmental Accounting Standards Board (GASB) statements such as GASB34.

Section 1: Requirements

GASB Statement number 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 acquisitions, sales/disposition, and current-period depreciation expense.

Section 2: Inventory

Responsibility for control of capital assets will rest on the operating department wherein the asset is located, with the exception of computer equipment, which will be under the control of the Technology department. The Business Office shall ensure that such control is maintained by establishing an inclusive capital asset inventory schedule. Asset purchases that fall below the capitalization threshold will not be included in the capital asset inventory.

Each Department will be responsible for control of capital assets for their department. The Department Manager shall ensure that such control is maintained by sharing the invoice for any purchased assets with the Business Manager, coded as an asset. Each Department Manager will also inform the Business Manager, in writing, when a listed asset has been disposed of, including which item, when it was disposed of, how it was disposed of, and any income generated from the sale/destruction of said asset.

The Business Manager will maintain a capital asset inventory schedule. The inventory schedule will include the following for each asset:

- Asset Description – a description of the asset (such as serial #, model #)
- Asset Classification (Land and Land Improvements, Building and Building Improvements, Vehicles, Machinery and Equipment, and Infrastructure Assets)
- 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 Department Heads and any changes will be given to the Business Office on a yearly basis.

Section 3: 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.

Section 4: Capitalizing

Section 4.1: When to Capitalize an Asset

Assets are capitalized at the time of acquisition. To be considered a capital asset for financial reporting purposes as item must

- be a tangible item,
- have a useful life of at least one
- cost at or above the capitalization threshold of $2,500.00

Section 4.2: Assets not Capitalized

Assets with a lifespan of longer than a year, but with a value less than $2,500 per unit, and considered a theft risk shall be inventoried at the department level. Examples of this (but not limited to) would be smaller technology equipment such as laptops, notebooks, or printers.

Section 4.3: Capital Assets include the following major classes of assets

- Land and Inexhaustible 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 the land for construction; landscaping
- Land Improvements – Capitalized value is to include the purchase price plus costs such as legal fees and filing fees; improvements such as parking lots and fences
- Building and Building Improvements – Costs include purchase price, plus costs such as legal and filing fees; improvements including structures, and other property permanently attached to, or an integral part of the structure. These costs include re-roofing, electrical/plumbing, carpet replacement, and HVAC.
- Vehicles – Costs include purchase price plus costs such as title and registration.
- Furniture and Fixtures: Assets considered Furniture and Fixtures include furniture, office equipment or phone systems.
- 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.

<u>Section 5:</u> 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.

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.

<u>Section 5.1:</u> Capital Assets Useful Lives are as follows:

Type	Useful Life (in years)
● Land	n/a
● Land Improvements	20
● Buildings	45
● Building Improvements	
o HVAC	20
o Roofing	20
o Electrical/Plumbing	20
o Carpet	10
● Vehicles	10
● Furniture & Fixtures	
o Office Furniture	20
o Office Equipment	5
o Phone System	10
● Infrastructure	50

<u>Section 6:</u> 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 inventory list upon being reported to the Business Office by the individual departments.

<u>Section 6.1:</u> Donations or Transfer

Individual departments must inform the Business Office of the donation of any asset that has been received by the library, or the deletion of an asset if it is transferred to another organization. Please see the Library's Disposal Policy (policy 4.3) for further information on the decommissioning of library property.

<u>Section 6.2:</u> Surplus Property

Each department must report all capital assets classified as surplus to the Business Office. Please see the Library's Disposal Policy (policy 4.3) for further information on the decommissioning of library property.

<u>Section 6.3:</u> Lost or Stolen Property

If an inventoried assets is missing, a search for the item should be conducted. If the missing property is not found, the Business Office is to be informed of the loss so the item may be taken off the Capital Assets listing.