GLENCOE PUBLIC LIBRARY

CAPITALIZATION OF ASSETS POLICY

Purpose

The purpose of this Capitalization of Assets policy is to provide control of and accountability for capital assets, to gather and maintain information for the preparation of financial statements, to safeguard assets, and to insure compliance with governmental financial reporting.

Overview

This policy addresses the Library's investment in property, which is 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), and the Governmental Accounting Standards Board (GASB) Statement No. 34.

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 acquisitions, sales/dispositions, and current-period depreciation expenses.

Inventory

Responsibility for control of capital assets will rest with the Executive Director. The Library Board's Finance Committee shall ensure that such control is maintained by establishing an inclusive capital asset inventory schedule. Asset purchases, which 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 Head shall ensure that such control is maintained by establishing a capital asset inventory schedule. The inventory schedule 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, 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 Head and given to the Finance Committee on an annual basis.

Valuing Capital Assets

A capital asset will be valued at cost or historical cost, plus those costs necessary to place the asset in its location (i.e. freight, installation charges.) In the absence of historical cost 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 have value at or above the $5,000.00 threshold and have a useful life of at least one year.

Assets not Capitalized:
Capital assets below the capitalization threshold (see schedule-page 3) on a unit basis but warranting "control" will 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 schedule-page 3)

Capital Assets include the following major classes of assets:

Land and Land Improvements – Capitalized value will include purchase price plus costs such as legal fees and filing fees; improvements such as parking lots, fences, pedestrian bridges, landscaping.

Building and Building Improvements – Improvements include structures and all other property permanently attached to, or an integral part of the structure. These costs include roofing, electrical/plumbing, carpet replacement, and HVAC.

Machinery 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 significantly more years than most capital assets.

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.

Depreciation Schedule

	Useful Life	Capitalization Threshold	Inventory Threshold
Land	N/A	$5,000.00	$5,000.00
Building	40	$5,000.00	$5,000.00
Building Improvements	10-20	$5,000.00	$5,000.00
Equipment	5-10	$5,000.00	$5,000.00
Furniture	5-10	$5,000.00	$5,000.00

Removal of Capital Assets from Inventory
Capital assets will be removed from inventory once they are obsolete or claimed as surplus property. Any removed items must be reported by the Executive Director to the Finance Committee.

Donations or Transfers
Additions and deletions from donated or transferred assets will be added to the inventory list.

Surplus Property
All capital assets classified as surplus will be reported to the Finance Committee by the Executive Director. The Library will have an auction or sealed bid process as needed to sell the surplus property.

Lost or Stolen Property
When suspected or known losses of inventoried assets occur, the Executive Director will conduct a search for the missing property. The search should include transfer of any capital assets classified as surplus property. If the missing property is not found, the Executive Director will report the loss to the Finance Committee.

Adopted	April 21, 2014
Reviewed	
Revised	October 21, 2015; May 15, 2018; July 15, 2020; July 19, 2023