

Capital Asset Policy

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*Effective Date: 06/23**Reviewed and Revised:**Policy No. 1.4*

PolicyAccounting For Capital Assets

Capital assets purchased or constructed by the Ela Area Public Library District (the "Library") represent a major investment by the taxpayers. The purpose of this policy is to set forth the accounting policy as to how capital assets are to be accounted for and reported.

Capital assets are major assets that benefit more than a single accounting period. They include such items as land, buildings, furnishings and equipment, and vehicles. Due to the nature of the Library's mission and the dollar amount it invests, books, publications, and audio-visual materials are also considered capital assets of the Library.

The Library will use the following capital asset categories when accounting for capital assets:

- a) Land
- b) Buildings
- c) Building improvements
- d) Furniture and equipment
- e) Vehicles
- f) Books and library materials
- g) Artwork, and
- h) Construction in progress

Capital assets purchased or acquired with an original cost of \$5,000 or more (depending on asset class) are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received.

All books, publications, and audio-visual materials purchased and owned by the Library with a useful life of more than one year will be capitalized without regard to purchase price.

With regard to asset repairs and improvements, costs incurred in the amount of \$5,000 or more will be capitalized if the repair or improvement significantly extends the useful life of the asset. Other costs incurred for repairs and maintenance are recorded as expenses as incurred.

"Estimated useful life" means the estimated number of years that an asset will be able to be used for the purpose for which it was intended when purchased. Estimated useful life is used to allocate the cost of the asset over the period of time in which the Library is expected to receive benefit from the asset. The periodic charge of the benefit is called depreciation expense, and is reported in the government-wide financial statements of the Library.

The following table sets forth the useful life of each category of capital asset that is depreciated.

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<u>Capital asset classification</u>	<u>Assumed useful life (in years)</u>
Land Improvements	12-20 Years
Building and Improvements	7-40 Years
Furniture	7-20 Years
Equipment	3-10 Years
Books and library materials	7 Years

Depreciation

Assets subject to depreciation will be depreciated using a straight-line method.

The Library will attempt to retain capital assets until the end of their expected useful life, or they become obsolete or unrepairable.

The following parameters further refine the recording of capital assets.

- a) Land is recorded at historical cost and is not depreciated.
- b) Artwork is recorded at historical costs and is not depreciated.
- c) Expenditures classified as construction in progress will be recorded at historical cost, and will not begin to be depreciated until the construction is complete and the expenditure is reclassified to another capital asset classification.

Inventory

The Business Office is to maintain an inventory of all capital assets.

This policy is intended to address those capital assets that must be tracked for external financial reporting purposes. There are other assets that do not need to be included in external financial statements, but do need to be inventoried and controlled for internal control purposes. Assets whose acquisition cost exceeds \$1,000 will be tagged for inventory. Tagged assets will be counted annually to improve internal control and safeguard these assets.

Disposal

Library property (i.e., print and non-print materials, equipment, supplies, and/or any personal property), which in the judgment of the Library Director is no longer necessary or useful for library purposes, may be disposed of in the following manner:

1. Books and non-print materials from the library's collection, or gift materials, may be discarded, sold, or, upon the approval of the Board of Library Trustees, be given to local philanthropic, educational, cultural, government, or other not-for-profit organizations.

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2. Any other personal property having an individual current value of less than \$100 may, at the discretion of the Library Director, be discarded, turned in on new equipment, or made available for sale or free via the RAILS classifieds <https://railslibraries.org/classifieds>.
3. In the case of individual surplus items having current value of more than \$100 but less than \$1,000, the Board may authorize a trade-in of such items on new equipment or sale of such items in accordance with the provisions of the Illinois Library Act.
4. No favoritism shall be shown to members of the Board of Library Trustees or members of their immediate families who make bids on or purchase any library item declared surplus.
5. Any personal property having a unit value of more than \$1,000 will be displayed at the Library and a public notice of its availability and the date and terms of the proposed sale shall be posted.