

Capital Asset Policy

Purpose and Definition

- A. The purpose of establishing a capital asset policy is:
1. To safeguard the investments of the taxpayers of the Porter County Public Library System;
 2. To comply with the standards of the Government Accounting Standards Board Statement 34;
 3. To fix responsibility for the for the custody of the assets;
 4. To maintain accurate records of all fixed assets that are capitalized, including infrastructure;
 5. To provide data for financial reporting for increased accuracy and clarity;
 6. To demonstrate appropriate stewardship responsibility for public assets.
- B. Definition of capital assets

Capital assets are defined as assets having a useful life of more than one year and an acquisition cost of \$10,000 or more. Capital assets include land, buildings, improvements other than buildings, machinery and equipment, vehicles, construction work in progress, infrastructure, and books and other materials.

All items with a useful life of more than one year and a cost of \$10,000 or more shall be capitalized, including acquisitions by lease-purchase agreements and by donated items. All land will be capitalized but not depreciated. Construction work in progress will be included in the capital asset inventory and will be depreciated once the project is complete. Items costing less than \$10,000 that are permanently installed as a part of the cost of the original construction or installation of a larger building or equipment unit, or that prolongs a fixed asset's economic life or expand its usefulness, will be included in the cost of the larger unit.

All capital assets meeting this criteria will be included in the Library's fixed asset inventory and reported in the Library's financial statements. Assets that are not capitalized are expensed in the year of acquisition.

Capitalization Threshold and Inventory

- A. Capitalization Threshold

To be considered a fixed asset for financial reporting purposes, an item must be at or above the capitalization threshold and have a cost greater than \$10,000. The cost of the asset will include all expenses necessary to make the asset fully operational. Assets acquired through lease purchase agreements that meet these specifications are to be

capitalized. This cost will be determined as present value or discounted value of the future stream of lease payments, and not the total lease.

Capital assets are recorded at actual cost. Normally, the cost recorded is the purchase price or construction cost of the asset, but may also include any other reasonable and necessary costs incurred to place the asset in its intended location and intended use, including:

1. Legal and title fees and closing costs;
2. Appraisal, negotiation fees, and surveying costs;
3. Land preparation costs and demolition costs;
4. Architect, engineering, and accounting fees;
5. Transportation charges.

Donated or contributed assets should be recorded at the fair market value on the date donated. If no cost is available for a fixed asset, a replacement cost or a historic cost index may be used. Items that do not meet the definition of capital assets are to be expensed in the year the asset is acquired.

B. Capital Assets Valuation

Capital assets are defined by the following categories:

1. Land
 - a. Land is defined as specified land, lots, parcels, or acreage.
2. Buildings and Improvements
 - a. All structures designed and erected to house equipment, services, or functions are included. This includes systems and fixtures within the buildings and attachments such as stairs, fire escapes, canopies, lighting fixtures, flagpoles, and other items that serve the building. Plumbing systems, lighting systems, heating, cooling, ventilating and air handling systems, sound systems, surveillance systems, elevators, built-in casework, fixed shelving, and other fixed equipment are included as building components.
3. Equipment
 - a. Equipment includes all other types of physical property, such as mechanical equipment, heavy equipment, office furniture, appliances, furnishings, machinery items, maintenance equipment, communication equipment, and data processing equipment. Supplies that typically get used within one year are not included.
4. Vehicles
 - a. Motor vehicles include all vehicles for which title and license must be obtained including cars, trucks, and road-going trailers. Vehicle

accessories will be identified as a component asset of the vehicle to which they are attached.

5. Infrastructure
 - a. Infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets and that are normally stationary in nature.
6. Books
 - a. The aggregate of all books and similar materials with a useful life of more than one year, regardless of the original cost will be included in this category.

Depreciation Methods

The Library will depreciate capital assets by using the straight-line method. Salvage value will be determined on an asset-by-asset basis. Assets will be depreciated based on the estimated useful life of each asset. The following are the estimated useful lives for each asset class:

1. Buildings – 50 years
2. Infrastructure being depreciated – 50 years
3. Building components and improvements – 20 to 50 years
4. Machinery and Equipment – 5 to 15 years
5. Vehicles – 5 to 10 years

Responsibilities for Inventory of Capital Assets

Managers are the stewards for each piece of property utilized by their department. The steward will be the focal point for questions for availability, condition, and usage of the asset.

Administration shall be designated to record the receipt of the asset, to examine the asset to make sure no damage was incurred during shipment, and to make sure the asset was received in working order. Administration is also responsible for arranging the necessary preventative maintenance and any needed repairs to keep the asset in working condition.

Managers and Administration ensure that the asset is used for the purpose which it was acquired and that there is no personal or unauthorized use. Management is responsible for reporting any loss, theft, or damage to the assets.

Administration is to report newly acquired assets, retired assets, transferred assets, and assets in use that previously were not included in the Library's asset inventory to the Library Board of Trustees.

Recording and Accounting

The cost of property, plant, and equipment includes all expenditures necessary to put the asset into position and ready for use.

An asset register shall be maintained to provide a detailed record of the capital assets of the library.

Safeguarding of Assets

Accounting controls are designed and implemented to provide reasonable assurances of the following:

1. Adequate detailed records are maintained to assure accountability for library-owned assets.
2. The recorded accountability for assets is compared with the existing assets at least every two years, with appropriate action taken with respect to any differences.