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Capital Asset Policy

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 Villa Park Public Library capital asset policy is herein established to safeguard assets and to ensure compliance with current GASB principles for governmental financial reporting.

This policy is herein established to safeguard and address the Villa Park Public Library's investment in property which comprises 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).

Further, this policy is meant to reflect the Villa Park Public Library's desire to meet the reporting requirements set forth in the current Governmental Accounting Standards Board. Specifically, the 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 acquisition, sales/dispositions, and current-period depreciation expense.

Inventory

Responsibility for control of capital assets will rest with the operating department wherein the asset is located. The Business Office 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. The inventory schedule will include the following for each asset:

- Asset Description: a description of the asset (serial number, model number)
- 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 the 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 Business Office on an annual basis.

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.

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 be at or above the capitalization threshold (see schedule on pages 3 and 4) and have a useful life of at least one year.

Assets not Capitalized: Capital assets below the capitalization threshold (see schedule on pages 3 and 4) 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 schedule on pages 3 and 4)

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 parking lots, fences, pedestrian bridges, landscaping.
- Building and Building 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.
- Vehicles: Costs include purchase price plus costs such as title and registration.
- Machinery and-Equipment: Assets included in this category are heavy equipment, traffic equipment, generators, office equipment, phone system, and kitchen equipment.
- The 2024 Annual Financial Report included a capital asset that had not previously classified: Circulated Materials.

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.

Capital Assets Useful Lives are as follows:

	<u>Useful Life In Yrs</u>	<u>Capitalization Threshold</u>	<u>Inventory Threshold</u>
Land (and Inexhaustible Land Improvements)		N/A	\$ 1
Buildings			
Buildings	45	50,000	1
Building Improvements		50,000	1
HVAC	20		
Re-Roofing	20		
Electrical/Plumbing	30		
Carpet Replacement	10		
Vehicles		10,000	1
Vehicles – General	7		
Small Trucks	7		
Machinery & Equipment		25,000	1,000
Recreational Equipment	20		
Generators	20		
Furniture & Fixtures		15,000	5,000
Library Furniture	20		
Computer Equipment	5		
Phone System	10		
Kitchen Equipment	10		
Circulated Materials*	5	5,000	

*Circulated Materials are depreciated as a group

Removing Capital Assets from Inventory

Capital assets are to be removed from inventory once they are obsolete or claimed as surplus property. The item shall be removed from the department inventory listing by Business Office staff.

Surplus Property

Each department must report all capital assets classified as surplus to the Business Office. The Villa Park Public Library will donate the item to the village, another library, or have an auction or sealed bid as needed to sell the surplus property.

Lost or Stolen Property

When suspected or known losses of inventoried assets occur, the department should conduct a search for the missing property. The search should include transfer to another department, storage, scrapping, surplus property. If the missing property is not found, the department must contact the Business Office.

Approved 06/24/2015
Revised 10/22/2025