

CAPITAL ASSET POLICY

June 17, 2020

The Bath Township Library (the “Library”) establishes this policy to provide accountability and to safeguard its capital assets. The Library shall maintain a capital asset system. Information within the system shall be sufficient to permit the following:

- A. Identification and management of assets; and
- B. Generation of year-end financial statements in accordance with generally accepted accounting principals (“GAAP”).

II. DEFINITIONS

A. *Capital Assets.* Capital Assets are defined as those tangible assets of the Bath Township Library with an estimated useful life in excess of one accounting period (one year) and an initial cost equal to or exceeding the categories capitalization threshold, defined below. The Capital Asset’s historic cost or estimated historic cost will be carried on the balance sheet of the Library until the asset is retired below.

B. *Controlled Assets.* Controlled Assets are defined as tangible assets with an estimated useful life in excess of one accounting period (one year) and an initial cost of less than \$5,000.00. The controlled asset’s historic cost or estimated historic cost is displayed as an expense of the Library in the year the asset is acquired.

C. *General Assets.* General Assets within the context of this policy includes both Capital Assets and Controlled Assets.

D. *Literary Inventory.* Books, magazines, manuscripts, electronic, or recorded materials.

E. *Historical Costs.* The cash equivalent price exchanged for goods and services at the date of acquisition. Land, buildings, and equipment are common examples of items recognized under historical cost attribute.

III. Management Responsibilities

The Library shall appoint one or more persons to manage the capital asset system known as the Business Manager(s). A Business Manager shall be responsible for the Library’s assets and ensuring control of assets and compliance with the Library’s purpose. The Business Manager shall be responsible for determining what assets should be controlled, unless such determination is allocated by the Business Manager in writing. The Business Manager may allocate control of assets to an automated system at his or her discretion.

IV. ASSETS

The General Assets of the Bath Township Library are classified as follows:

| <u>Category</u> | <u>Threshold</u> |
|------------------------------------|--------------------------------------|
| Land | \$0 |
| Building/Improvements | \$5,000.00 |
| Construction in Progress | Any Major Project, not yet completed |
| Moveable Assets (other than books) | \$1,000.00 |
| Literary Inventory | Collective |

A. *Land.* The library will capitalize all land purchases, regardless of cost. Original cost of land will include the full value given to the seller, including legal services incidental to the purchase (including title work and opinion), appraisal and negotiation fees, surveying and costs for preparing the land for its intended purpose (including contractors and/or library workers, salary and benefits).

B. *Buildings.* Buildings will be capitalized at full cost with no subcategories for tracking the cost of attachments. Examples of attachments are roofs, heating, cooling, plumbing, lighting, or any part of the basic building. Cost of items designed or purchased exclusively for the building will be included. Capital building costs will include preparations of land for the building, architectural and engineering fees, bond issuance fees, interest cost (while under construction), accounting costs if material, and any costs directly attributable to the construction of the building.

C. *Improvements to Land.* This asset group includes improvements to land, attached or not easily removed, and with a life expectancy of greater than one year. Examples are walks, parking areas and drives, fencing, retaining walls, outside fountains, planters, and other similar items.

Improvements do not include roads, streets, or assets that are of value only to the public. Roads, drives, or sidewalks installed on library-owned land that provide support to the public and to our facility are assets.

D. *Improvements to Assets (Other than Land).* The cost of improvements or renovations to existing buildings, furniture and equipment, or improvements other than buildings will be capitalized only if the result of the change meets the following conditions:

1. The total cost exceeds \$5,000.
2. The asset's useful life is extended two or more years.
3. The improvement or renovation is more extensive than normal repairs and maintenance.

E. *Literary Inventory.* Library Collections are acquired, transferred and disposed of according to library policy. The aggregate of all Literary Inventory with a useful life of more than one year, regardless of original cost, will be considered a Capital Asset.

V. Recording and Accounting

The cost of property, plant, and equipment includes all expenditures necessary to put the asset into position and ready for use. For purposes of recording capital assets of the library, the valuation of assets shall be based on historical cost or, where the historical cost is indeterminable, by estimation for those assets in existence. An asset register shall be maintained by the Business Manager to provide a detailed record of the capital assets of the library. With the implementation of GASB 34, depreciation is recorded for capital assets using straight-line depreciation over the useful life of the asset. Useful life is defined for each asset class as follows:

| Category | Useful Life |
|---|---------------------|
| Land | Does Not Depreciate |
| Buildings and Improvements | 30-40 years |
| Improvements (other than buildings) | 15 years |
| Appliances | 10-15 years |
| Furniture and Fixtures | 7-10 years |
| Large Electronics and Large Equipment | 10-20 years |
| Computers/Small Electronics/Small Equipment | 5 years |
| Vehicles | 5 years |

VI. Safeguarding of Assets

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

- A. *Detailed Records.* Adequate detailed records are maintained to assure accountability for library-owned assets.
- B. *Comparison.* 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.