



MORTON GROVE PUBLIC LIBRARY

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MGPL Capitalization Policy

The Morton Grove Public Library maintains a fixed asset ledger for the capitalization of assets. Properties are examined for approximate value and all items judged to be of sufficient worth are included in the inventory. Subsequent purchases of qualifying assets are added to the inventory and ledger. At a minimum, the library will review and update this ledger on an annual basis. The Business Office and ultimately the library director is responsible for the overall management of the capitalization procedures. Information within this system will be sufficient to permit the following:

1. Preparation of the year-end financial statements in accordance with generally accepted accounting principles.
2. Control and accountability for identification and management of assets.

DEFINITION OF A FIXED ASSET

Tangible assets of a durable nature employed in the operation of the library and are relatively permanent and are needed for the normal operation of the library are termed property and equipment or fixed assets. These items are separated into classes according to the physical characteristics of the items (e.g. land; buildings; improvements other than buildings; machinery, equipment and furniture; and construction in progress).

BUILDINGS

Buildings are defined as standing structures minus any improvements that are being depreciated separately.

LAND

The library will capitalize all land purchases, regardless of cost. Donated land will be recorded at fair market value on the date of transfer plus any associated costs.

IMPROVEMENTS OTHER THAN BUILDINGS

These are improvements to land for better enjoyment, attached or not easily removed, and having a life expectancy of greater than two years. Examples are walks, parking areas and drives, fencing, retaining walls, pools, fountains, planters, underground sprinkler systems, and other similar items. Improvements do not include roads, streets, or other assets that are part of the community infrastructure and are not for the support of the library facilities.

The library will capitalize new improvements other than buildings only if it meets the following conditions:

1. total cost exceeds \$5,000, and
2. useful life is greater than two years.

The library will capitalize the cost of improving or renovating improvements other than buildings only if the result meets the following conditions:

1. total cost exceeds \$5,000,
2. useful life is extended two or more years, and
3. total cost will be greater than the current book value and less than the fair market value.

The library will record donated improvements other than buildings at fair market value on the date of transfer with any associated costs.

MACHINERY, EQUIPMENT AND FURNITURE

The definition of machinery and equipment is an apparatus, tool, or conglomeration of pieces to form a tool. The tool will stand alone and not become a part of a basic structure or building.

Machinery and equipment includes computers, office machines, telephone systems, copiers, replicating equipment, postage machines, microfilm readers/printers, vacuum cleaners, mowers, power tools, and floor machines.

Furniture is also part of this category and includes tables, chairs, desks, shelving, and file cabinets.

The library will capitalize and tag items with an individual value equal to or greater than \$5,000. Machinery, equipment and furniture combined with other machinery to form one unit with a total value greater than the above mentioned limit will be one unit.

Shipping charges, consultant fees, and any other cost directly associated with the purchase, delivery, or set up, (including contractors and/or library workers [salary and benefits]), which make such equipment operable for its intended purpose will be capitalized.

The library will capitalize the cost of improving or renovating machinery, equipment, and furniture only if the result meets the following conditions:

1. total cost exceeds \$5,000,
2. useful life is extended two or more years, and
3. total cost will be greater than the current book value and less than the fair market value.

The library will record donated machinery, equipment and furniture at fair market value on the date of transfer with any associated costs.

CONSTRUCTION IN PROGRESS

Construction in Progress will be used when the library has expended in excess of \$5,000 on an uncompleted building or other capital construction project. When the project is completed, the cumulative costs will be transferred to another appropriate fixed asset column.

Assets of the Morton Grove Public Library are classified as follows:

Category	Threshold
Land	\$.00
Building/Improvements	\$5,000.00
Machinery, Equipment and Furniture	\$5,000.00
Construction in Progress	Major projects that are not yet completed

Library Assets are acquired and disposed of according to the Spending Policies of the library.

Library Collections are acquired, and disposed of according to the Library's Collection Development Policy.

Governments are not required to capitalize a collection (and all additions to that collection) whether donated or purchased that meet certain conditions. Morton Grove Public Library considers its Library Collections to fall under this exception category since the conditions are:

- a. Held for public exhibition, education, or research in furtherance of public service, rather than financial gain,
- b. Protected, kept unencumbered, cared for, and preserved, and
- c. With an ongoing annual budgetary commitment to acquire items to replace or enhance the collections.

The circulating library materials are not capitalized because they fail to meet the library's useful life and/or capitalization thresholds.

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	Not Depreciated
Buildings and Improvements	30-100 years
Improvements Other Than Buildings	15 years
Appliances	15 years
Furniture, Fixtures	10-20 Years
Electronic/Other Equipment	10-20 years
Computer/Electronic/Small Equipment	5 years
Vehicles	8 years

Adopted by the Library Board of Trustees on May 14, 2015.