

## **LYONS REGIONAL LIBRARY DISTRICT CAPITAL BUDGET AND ASSET POLICY**

The purpose of the Capital Budget is to provide funding for non-recurring expenditures for repairs and improvements of the building, facilities, and grounds of the Lyons Community Library (“the Library”). Qualifying Capital Budget expenditures occur when there is a purchase or acquisition of an asset that will benefit the Library for an extended period of probable usefulness and meets the minimum item cost guidelines. Disbursements that add to the value or improve the usefulness of an asset also qualify as Capital Budget expenditures. Additionally, this policy establishes procedures for the distribution of Capital funds.

### **1. Budgeting and Surplus Transfers**

During the annual budgeting process, the Board of Trustees of the Lyons Regional Library District will vote and approve the upcoming fiscal year’s overall budget and expected expenditures, including any rollover of Capital Funds and any additional appropriation to the Capital Fund. This process will fully encompass all anticipated projects and will include recommendations from any owner’s representatives and/or construction managers.

In order to ensure adequate capital project funding, the Library’s annual Operating budget may include an allocation for “Transfers to the Capital Reserve.” At the end of the fiscal year, the amounts of non-capital operating income and expenses will be compared to establish whether there is a budget surplus. Surplus funds may be transferred to the Capital Fund at the discretion of the Board of Trustees.

### **2. Capital Fund Investment**

Funds held in the Capital Fund shall be invested in accordance with the policies outlined in the Library’s Investment Policy.

### **3. Capital Fund Expenditure Selection Process**

The Director shall make recommendations to the Finance and/or Building Committee for possible Capital Fund expenditures. The Finance and/or Building Committee shall, in turn, make recommendations to the Board of Trustees. The Board of Trustees shall select capital expenditures based on the long-term benefit of the expenditure and the amount of available Capital Funds.

The Board of Trustees must approve all expenditures from this fund. In the event that guidance or a decision is required in the management of these funds before the Finance and/or Building Committee and the Board of Trustees can meet, the Director will consult with the appropriate Board member to determine what guidance is to be provided for a decision to be reached.

Any project-specific change orders will have the recommendation of any owner’s representatives or construction managers and will be presented to the Chair of the Building Committee. If the Chair of the Building Committee is unavailable, change orders may be presented to the Board

President, Vice President, or Treasurer. All discussions and decisions regarding any change order will include consideration of the project schedule and contingency funds budgeted to cover such change orders as well as careful consideration of the lasting impacts of any change order. After such consultation and consideration, any change order up to \$5,000 can be approved by the Chair of the Building Committee, President, Vice President, or Treasurer. Any change order greater than \$5,000 or that would exceed the approved contingency line item for the project must be approved by a quorum of the Board of Trustees in a public meeting.

4. **Maximum Annual Allocation**

Funds allocated to the Capital Budget may not exceed one hundred fifty percent (150%) of anticipated expenditures.

## **CAPITAL ASSETS**

The Lyons Regional Library District 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 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 the accounting standards applied by the Library's auditor.
2. Control and accountability for the identification and management of assets.

### *Definition of a Fixed Asset*

Tangible assets, of a durable nature, employed in the operation of the Library, that are relatively permanent and are needed for the normal operation of the Library, are termed property and equipment or fixed assets. Fixed assets are separated into classes according to the physical characteristics of the items.

#### A. BUILDINGS

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

#### B. 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.

#### C. IMPROVEMENTS OTHER THAN BUILDING

These are improvements to land for better enjoyment, attached or not easily removed, and having a life expectancy of greater than two years. Examples include 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 library facilities.

The Library will capitalize new improvements other than buildings only if they meet 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 enhancing or renovating improvements other than buildings only if the result meets the following conditions:

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

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

#### D. 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 part of a basic structure or building.

Machinery and equipment includes computers, office machines, telephone systems, copiers, 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 filing cabinets.

The Library will capitalize and record 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 greater value than the above mentioned limit will be one unit.

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 current market value.

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

#### *Library Collections*

Library collections are acquired and disposed of according to the Lyons Regional Library District Collection Development and Maintenance Policy.

Governments are not required to capitalize a collection (or any additions to that collection) whether donated or purchased that meet all of the following certain conditions:

- Collections are held for public exhibition, education, or research in furtherance of public service, rather than financial gain;
- Collections are protected, kept unencumbered, cared for, and preserved; and
- There is an ongoing annual budgetary commitment to acquire items to replace or enhance collections.

The Lyons Regional Library considers its collections to fall under these exception categories. Additionally, 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:

<u>Category</u>	<u>Useful Life</u>
Land	Not Depreciated
Buildings and Improvements	30-100 years
Improvement Other Than Buildings	15 years
Appliances	15 years
Furniture, Fixtures	10-20 years
Electronic/Other Equipment	10-20 years
Computers/Electronic/Small Equipment	5 years
Vehicles	8 years

Approved and Adopted by the Lyons Regional Library Board of Trustees: October 19, 2021