GOSHEN PUBLIC LIBRARY
JULY 2008

FINANCIAL POLICIES

I. INVESTMENT POLICY

This written policy shall set forth a series of guidelines to be adhered to in order to properly safeguard the funds of the Library.

The Library may place its funds into any of the following accounts or investments: checking and savings accounts, money market accounts and certificates of deposits (CD's) insured by an approved commercial bank or trust company depository licensed to do business in the State of New York. Investments of the Library may also be placed in US government obligations, i.e. Treasury Bills, Notes and Bonds, or in any other Federal Agency obligation which is directly backed by the US government. Investments of the Library may also be made in Repurchase Agreements (Repos), provided the transaction entered into complies with the recommended guidelines of the State of New York as issued in 1984, by the State Comptroller's office, as may be amended from time to time.

The responsibility of the investment of Library funds lies with the Treasurer. The funds of the Library are essentially of three categories: operating, capital reserve and restricted capital. The operating funds are used in the day to day operation of the Library and are raised primarily through the levy of local property taxes. Operating funds may be invested in checking accounts, money market accounts, CD's or any other form of approved investment. Capital reserve and restricted capital funds are segregated moneys which have been allocated specifically to capital projects or to the acquisition of new equipment. Funds in the Capital Fund category are to be invested exclusively in interest bearing accounts, e.g., money market and CD's.

The Treasurer is entrusted with the responsibility to ensure that all deposits and investments of the Library are properly secured either by FDIC coverage in a commercial bank or trust company or by the assignment of pledging of direct obligations of the US government or an agency thereof, the State of New York, or any of it political subdivisions to secure the deposits and investments of the Library. It will be required for approved depositories to pledge such securities only if the total of funds on deposit exceed $100,000.00. It will be required that said Library depositories provide, upon request, a complete detailed listing of all obligations pledged to secure the deposits in excess of $100,000.00.

The elected officers of the Library are authorized to conduct the banking and investment affairs in behalf of the Library in the absence of the Treasurer, each being individually capable of signing checks and withdrawals, opening and closing accounts and authorizing the purchase/redemption of other investments in consultation with the Director.

FINANCIAL POLICIES (continued)

II. CAPITAL ASSET POLICY

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CAPITAL ASSET POLICY

FINANCIAL POLICIES (continued)

I. Capital Asset Definitions and Guidelines

Capital Asset Classification

Capital assets are assets purchased or constructed by the Goshen Public Library and Historical Society (hereinafter referred to as The Library) that have a useable life of 3 or more years and that have a value equal to or greater than the established capitalization threshold. The following categories are used for the Library:

- Land
- Land Improvements
- Buildings
- Building Improvements
- Office Equipment
- Furniture and fixtures
- Computers or Software (Excluding PCs and laptops)
- Other

FINANCIAL POLICIES (continued)

Capitalization Threshold and Useful Lives		
Class of asset	Threshold	Useful Life (yrs)
Land	$5,000	Note 1
Land improvements	$5,000	10
Buildings	$5,000	40
Furniture and fixtures:		
Office equipment	$5,000	5
Furniture	$5,000	10
Shelving	$5,000	20
Computers (Excluding PC's and Laptops)	$5,000	3
Antiques	$5,000	Note 2
Works of art and historical treasures	$5,000	Note 2
Construction in progress	$5,000	Note 3

Note 1 - Not depreciated
Note 2 - Depreciation is not required for Works of Art and Historical Treasures that are inexhaustible.
Note 3 - Depreciation will not be recorded on Construction in progress. Upon completion, the asset will be recorded in appropriate asst classification and depreciation will begin in accordance with the threshold.

FINANCIAL POLICIES (continued)

Capital Asset Acquisition Cost

Capital assets should be recorded at their historical costs. The cost of a capital asset should include any ancillary costs that are necessary to place the asset in its intended condition for use. These include the vendor's invoice (plus the value of any trade-in, if reflected on the invoice), initial installation cost (excluding in-house labor), modifications, attachments, accessories or apparatus necessary to make the asset usable and render it into service. Historical costs also include charges such as freight and transportation charges, site preparation costs and professional fees. The costs of capital assets for government activities do not include capitalized interest.

Capital Asset Donations

Donated capital assets should be reported at fair value at the time of acquisition plus ancillary charges, if any. Donations are defined as voluntary contributions of resources to a governmental entity by a non-governmental entity.

Note: Fair value is the amount at which an asset could be exchanges in a current transaction between willing parties.

Modified Accrual Basis

Do not report revenue from the donation of a capital asset when using the modified accrual basis except in the following situation:

If the Library receives a donation of a capital asset and intends to sell the asset immediately, revenue should be recognized in the period the asset is donated, and the capital asset should be reported in the same fund used to report the revenue as "Assets Held for Sale". Intend to sell should be evidences by a sale of or contract to sell the capital asset before financial statements are issued.

Revenue should be measured at the amount at which the capital asset is sold or its contract price. If the Library does not intend to sell the donated capital asset immediately, or does not meet the criteria for intent to sell stated above, the donation should not be reported in the operations of the governmental funds.

Revenue from donations of financial resources such as cash, securities or capital assets, should be recognized when the entity has an enforceable legal claim to the donation and when it is probable the donation will be received – regardless of when the financial resources are actually received. Revenue should be measured at the fair value of the financial resource donated.

FINANCIAL POLICIES (continued)

Full Accrual Basis

According to GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions,* entities currently using proprietary fund accounting must recognize capital asset donations as revenues and not as contributed capital.

Governmental funds will have to meet the standards of GASB No.33. Donations must be recorded and reported at fair value on the date of acquisition. Recipients of donated capital assets will recognize the donation and related revenue when the transaction is complete and the assets are received, providing all eligibility requirements have been met. Promises of capital asset donations should be recognized as receivables and revenues (net of estimated uncollectible amounts) when all applicable eligibility requirements have been met, providing that the promise is verifiable and the resources are measurable and probable of collection.

In some cases, donated capital assets are given with the stipulation (time requirements) that the assets cannot be sold, disbursed or consumed until a specified number of years have passed or a specific event has occurred. For such cases, the capital asset should be reported in the statement of Net Assets as "*Net Assets – Restricted*" as long as the restrictions or time requirements remain in effect.

Leased Equipment

Equipment should be capitalized if the lease agreement meets any one of the following criteria:

- The lease transfers ownership of the property to the leasee by the end of the lease term.
- The lease contains a bargain purchase option.
- The lease term is equal to 75% or more of the estimated economic life of the leased property.
- The present value of the lease, excluding executory costs, equals at least 90% of the fair value of the leased property.

Leases that do not meet any of the above requirements should be recorded as an operating lease and reported in the notes of the financial statements.

FINANCIAL POLICIES (continued)

Depreciating Capital Assets

Capital assets should be depreciated over their estimated useful lives in accordance with this policy, unless they are inexhaustible.

The straight-line depreciation method (historical cost divided by useful life) is the method that will be used.

Depreciation will be calculated on an annual basis. The first year of depreciation will be included in the first year following the completion or acquisition of the asset. Also, a full year of depreciation expense will be included in the year of disposition. Accumulated depreciation will be summarized and posted to the accounting general ledger for the entity-wide financial statements.

Residual Value

Residual value is the estimated fair value of a capital asset or infrastructure remaining at the end of its useful life. In order to calculate depreciation for an asset, the estimated residual value must be established before depreciation can be calculated. The use of historical sales information becomes a valuable method for determining the estimated residual value In computing net gain or loss from sale.

The library generally purchases assets with the intent to use such asset until its usefulness is exhausted. **Therefore, the Library will estimate residual value to be zero for all capital assets.**

Sale of Capital Assets

When an asset is sold, a gain or loss must be recognized when:

- Cash is exchanged and the amount paid does not equal the net book value of the asset;
- Cash is not exchanged and the asset is not fully depreciated or has a residual value.

A gain or loss is not reported when:

- Cash exchanged equals the net book value and the asset does not have a residual value;
- Cash is not exchanged and the asset is fully depreciated or has a residual value.

FINANCIAL POLICIES (continued)

Computation of Gain and loss from Sale of Assets

To compute a gain or loss, proceeds received must be subtracted from the asset's net book value.

Example:

Asset's Historical Cost	....	$10,000
Less: Accumulated Depreciation	....	$7,000
Net Book Value	....	$3,000
Subtract Proceeds Received	....	$2,000
Loss from Sale of Asset	....	$1,000

FINANCIAL POLICIES (continued)

II. Capital Asset Categories

Land

Land Definition

Land is the surface or crust of the earth, which can be used to support structures, and may be used to grow crops, grass, shrubs and trees. Land is characterized as having an unlimited life (indefinite).

Depreciation Methodology

Land is an inexhaustible asset and is not depreciated.

Capitalization Threshold

The Capitalization threshold for land is $5,000.

Examples of Expenditures to be Capitalized as Land

- Purchase price or fair market value at time of acquisition
- Commissions
- Professional fees (title searches, architect, legal, engineering, appraisal, surveying, environmental assessments, etc.)
- Accrued and unpaid taxes at date of purchase
- Other costs incurred in acquiring the land
- Right-of-way

FINANCIAL POLICIES (continued)

Land Improvements

Land Improvements Definition

Land improvements consist of betterments, site preparation and site improvements (other than buildings) that ready land for its intended use. Land improvements include such items as excavation, non-infrastructure utility installation, driveways, sidewalks, parking lots, flagpoles, retaining walls, fences, and outdoor lighting. They can be exhaustible or non-exhaustible.

Non-Exhaustible Land Improvements – Expenditures for improvements that do not require maintenance or replacement. Expenditures to bring land into condition to commence erection of structures, and expenditures for land improvements that do not deteriorate with use or over the passage of time are additions to the cost of land and are generally not exhaustible and therefore not depreciated.

Exhaustible Land Improvements – Expenditures for improvements that are part of a site, such as parking lots, landscaping and fencing, are usually exhaustible and are depreciated.

Depreciation Methodology

Land improvements that are inexhaustible asses are not depreciated. Exhaustible land improvements are depreciated on a straight-line basis over 20 years. The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used for land improvements.

Capitalization Threshold

The Capitalization threshold for land improvements is $5,000.

Examples of Expenditures to be Capitalized as Land Improvements

- Site improvements such as excavation, fill, grading, and utility installation
- Removal, relocation, or reconstruction of property of others (railroad, telephone etc.
- Fencing
- Landscaping
- Parking lots
- Skating rinks, basketball courts, tennis courts, etc.
- Retaining walls

FINANCIAL POLICIES (continued)

Buildings

Buildings Definition

A building structure that is permanently attached to the land, has a roof, is partially or completely enclosed by walls, and is not to be transportable or moveable. Buildings that are an ancillary part of the state's highway network, such as rest area facilities, will be reported as infrastructure, rather than as buildings.

Depreciation Methodology

The straight-line depreciation method (historical cost lass residual value, divided by useful life) will be used for buildings.

Capitalization Threshold

The capitalization threshold for buildings is $5,000.

Examples of Expenditures to be Capitalized as Buildings

Purchased Buildings

- Original Purchase price
- Expenses for remodeling, reconditioning or altering a purchased building to make ready to use for the purpose for which it was acquired
- Environmental compliance (i.e., asbestos abatement)
- Professional fees (legal, architect, inspections, title searched, etc.)
- Payment of unpaid or accrued taxes on the building to date of purchase
- Cancellation or buyout of existing leases
- Other costs required to place the asset into operation

FINANCIAL POLICIES (continued)

Constructed Buildings

- Completed project costs
- Interest accrued during construction
- Cost of excavation or grading or filling of land *for a specific building*
- Expenses incurred for the preparation of plans, specifications, blueprints, etc.
- Professional fees (architect, engineer, management fees for design and supervision, legal)
- Cost of temporary buildings used during construction
- Unanticipated costs such as rock blasting, piling or relocation of the channel of an underground stream
- Permanently attached fixtures or machinery that cannot be removed without impairing the use of the building
- Additions to buildings (expansions, extensions or enlargements)

FINANCIAL POLICIES (continued)

Building Improvements

Building Improvements Definition

Building Improvements are capital events that materially extend the useful life of a building or increase the value of a building, or both. A building improvement should be capitalized as a betterment and recorded as an addition of value to the existing building if the expenditure for the improvement is at the capitalization threshold, or the expenditure increases the useful life or value of the building.

Depreciation Methodology

The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used for building improvements and their components.

Capitalization Threshold

The capitalization threshold for building improvements is $5,000.

Examples of Expenditures to be Capitalized as Improvements to Buildings

NOTE: For a replacement to be capitalized, it must be a part of a major repair or rehabilitation project, which increases the value, and/or useful life of the building. A replacement may also be capitalized if the new item/part is of significantly improved quality or higher value compared to the old item/part, such as replacement of an old shingle roof with a new fireproof tile roof. Replacement or restoration to original utility level would not be capitalized. Determinations would be made on a case-by-case basis.

- Conversion of attics, basements, etc., to usable office, clinic, research or classroom space
- Structures ***attached*** to the building, such as covered patios, sunrooms, garages, carports, enclosed stairwells, etc.
- Installation or upgrade of heating and cooling systems, including ceiling fans and attic vents
- Original installation/upgrade of wall or ceiling covering, such as carpeting, tiles, paneling, or parquet

FINANCIAL POLICIES (continued)

- Structural changes, such as reinforcement of floors or walls, installation or replacement of beams, rafters, joists, steel grids or other interior framing
- Swimming pools
- Installation or upgrade of window or door frames, upgrading of windows or doors, built-in closets and cabinets
- Interior renovation associated with casings, baseboards, light fixtures, ceiling trim, etc.
- Exterior renovation, such as installation or replacement of siding, roofing masonry, etc.
- Installation or upgrade of plumbing and electrical wiring
- Installation or upgrade of phone or closed circuit television systems, networks, fiber optic cable, wiring required in the installation of equipment (that will remain in the building)

Other costs associated with the above improvements:

Maintenance Expense

The following are examples of expenditures **NOT** capitalized as improvements to buildings. Instead, these items should be recorded as maintenance expense.

- Adding, removing and/or moving of walls related to renovation projects that are not considered major rehabilitation projects and do not increase the value of the building
- Improvement projects of minimal or no added life expectancy and/or value to the building
- Plumbing or electrical repairs
- Cleaning, pest extermination, or periodic maintenance
- Maintenance-type interior renovation, such as repainting, touch-up plastering, replacement of carpet, tile, or panel sections; sink and fixture refinishing, etc.
- Maintenance-type exterior renovations such as repainting, replacement of deteriorated siding, roof or masonry sections
- Replacement of a part or component of a building with a new part of the same type and performance capabilities, such as replacement of an old boiler with a new one of the same type and performance capabilities
- Any other maintenance-related expenditure which dose not increase the value of the building

FINANCIAL POLICIES (continued)

Office Equipment, Furniture and Fixtures

Machinery and Equipment Definition

Fixed or movable tangible assets to be used for operations, the benefits of which extend beyond one year from date acquired and rendered into service.

Improvements or additions to existing personal property that constitute a capital outlay or increase the value or life of the asset should be capitalized as a betterment and recorded as an addition of value to the existing asset.

NOTE: Costs of extended warranties and/or maintenance agreements, which can be separately identified warranties and/or maintenance agreements, which can be separately identified from the equipment, should not be capitalized.

Categories of Machinery and Equipment

- Office equipment
- Furniture
- Computers (excluding PCs and laptops)
- Shelving
- Antiques
- Other

Capitalization Threshold

The capitalization threshold for machinery and equipment is $5,000. Personal computers (PC's and Laptops shall not be capitalized.

Depreciation Methodology

The straight-line depreciation method (historical cost less residual value divided by useful life) will be used for machinery and equipment.

FINANCIAL POLICIES (continued)

Examples of Expenditures to be Capitalized as Machinery and Equipment

- Original contract or invoice price
- Freight charges
- Handling and storage charges
- In-transit insurance charges
- Charges for testing and preparation for use
- Costs of reconditioning used items when purchased
- Computer software and hardware
- Parts and Labor associated with the construction of equipment
- Lawn maintenance equipment and tool kits

FINANCIAL POLICIES (continued)

Works of Art and Historical Treasures

Works of Art and Historical Treasures Definition

Collections or individual items of significance that are owned which are not held for financial gain, but rather for public service. Collections or individual items that are protected and cared for or preserved and subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

Exhaustible collections or items – items whose useful lives are diminished by display or educational or research applications.

Inexhaustible collection or items – where the economic benefit or service potential is used up so slowly that the estimated useful lives are extraordinarily long. Because of their cultural, aesthetic, or historical value, the holder of the asset applies efforts to protect and preserve the asset in a manner greater than that for similar assets without such cultural, aesthetic, or historical value.

Depreciation Methodology

The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used for exhaustible collections. Inexhaustible items are not depreciated.

Capitalization Threshold

Works of art and historical treasures acquired or donated will be capitalized at a threshold of $5,000.

If a collection is held for financial gain and not capitalized, disclosures must be made in the notes that provide a description of the collection and the reasons these assets are not capitalized. When donated collection items are added to non-capitalized collections, program expense equal to the amount of revenues should be recognized.

Examples of Expenditures to be Capitalized as Works of Art and Historical Treasures

- Collection of rare books, manuscripts
- Maps, documents and recordings
- Works of art, such as paintings, Sculptures and designs
- Artifacts, memorabilia, exhibits
- Unique or significant structures such as monuments and statues

FINANCIAL POLICIES (continued)

Construction in Progress

Construction in Progress Definition

Construction in Progress reflects the economic construction activity status of buildings and other structures, infrastructure)highways, enery distribution systems, pipelines, etc.), additions alterations, reconstruction, installation, and maintenance and repairs, which are substantially incomplete.

Depreciation Methodology

Depreciation is not applicable while assets are accounted for as Construction in Progress. Upon asset completion and placement into service, the value of such asset is removed from Construction in Progress. Depreciation then begins based upon depreciation life of the appropriate asset category. See appropriate capital asset category when asset is capitalized.

Capitalization Threshold

Construction in progress assets should be capitalized to their appropriate capital asset categories upon the earlier occurrence of execution of substantial completion contract documents, occupancy, or when the asset is placed into service.

FINANCIAL POLICIES (continued)

III. PURCHASING POLICY

Inasmuch as the budget is approved to provide for the day-to-day operations of the Library, with major expenditures for equipment and services taken into consideration, and

Inasmuch as our major budget concern is that the total expenditure approved shall not be exceeded, and

Inasmuch as it is the duty of the Director to "develop the library budget, supervise the expenditure of Library funds and the collection of Library revenues, and administer grants"

It is our policy that the Director has discretion in authorizing expenditure of all funds allocated. Budget line modifications will be made in consultation with the Treasurer, and will be included in the monthly Treasurer's Report. Expenditures for services and equipment which will exceed the total approved budget allocation (and will require the use of unanticipated revenue or unallocated fund balance) must be presented to the Board for their approval.

Equipment not subject to government pricing and capital expenditures are subject to the following guidelines:

- Telephone, Internet or catalog quotes will be obtained for expenditures from $100.00 - $1,000.00.
- Three written estimates (including Internet or catalog pricing) will be obtained for expenditures between $1,000.00 - $5,000.00.

A Request for Proposal (RFP) will be submitted to at least three vendors for expenditures between $5,000.00 - $10,000.00.

Formal advertised bidding will be implemented for expenditures over $10,000.00. (State guidelines mandate formal bidding for equipment purchases of $10,000.00 or more and capital expenditures of $20,000.00 or more.)

FINANCIAL POLICIES (continued)
PURCHASING POLICY

For capital projects estimated to be $20,000 and under (labor and materials) we will solicit a minimum of three proposals using the following process:

The Physical Resources committee will define the project and will recommend contractors to contact where possible. Recommendations may also be sought from the school district, the village and the town. Priority in requesting proposals will be given to Goshen Central School District residents, whose taxes support the library.

Contractors will be contacted by telephone. A written project description, defining the project as a public works project, will be mailed to interested parties requesting a proposal. Proposals will be reviewed with the use of checklists for contractors and references (See Appendix H).

The Physical Resources Committee will review all proposals, and present them to the Board with the committee's recommendation.

Approved September 10, 2001