

**Clarkston Independence District Library  
Capitalization Policy  
Effective 1/1/2013**

## **Definitions and Provisions**

### **Tangible Assets**

Tangible assets are assets that can be observed by one or more of the physical senses.

### **Fixed Asset**

Tangible assets of a durable nature employed in the operation of the library and are relatively permanent and are needed for the production of goods and services are termed property, plant, 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; books; periodicals; nonprint materials; and construction in progress).

### **Capital Outlay**

Capital outlays are expenditures which benefit both the current and future fiscal periods. This includes the costs of acquiring land or structures; constructions or improvement of buildings, structures or other fixed assets; and equipment purchases having an appreciable and calculated period of usefulness. These expenditures result in the acquisition of or addition to the library's general fixed assets.

### **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 relocation, 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)), such as demolishing buildings, excavating, clean up, and/or inspection.

Donated land will be recorded at fair market value on the date of transfer plus any associated costs.

### **Buildings**

The library will capitalize buildings at full cost with no subcategories for tracking the cost of attachments. Examples of attachments are roofs, heating, cooling, plumbing, lighting, sprinkler systems, or any part of the basic building. The library will include the cost of items designed or purchased exclusively for the building.

The library will capitalize a new building 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 an existing building 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.

Capital building costs will include preparation of land for the building, architectural and engineering fees, bond insurance fees, interest cost (while under construction), accounting costs of materials, and any costs directly attributable to the construction of a building.

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

Purchases made using Federal or State funding will follow the source funding policies and above provisions.

### **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 building 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.

Purchases made using Federal or State funding will follow the source funding policies and above provisions.

### **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 a part of this category and includes tables, chairs, desks, shelving, and file cabinets.

The library will capitalize items with an individual value equal to or greater than \$1000. 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.

A computer (CPU, monitor, keyboard, and printer) is considered one unit. A telephone system is considered one unit. A row or course of shelving is considered 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 \$1,000,
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.

Purchases made using Federal or State funding will follow the source funding policies and above provisions.

### **Material collections – Books, Periodicals, and Nonprint Materials**

Due to the dynamic nature of library service and the constant circulation of materials in the library collections, an accurate cost inventory of the library's material collections poses special problems.

The library's automated database is continually updated to reflect items purchased, items removed and items donated to the material collections. These updates are based on volume and not cost.

For the purpose of assessing the capital value of the library's material collections, the library will obtain reports from the automated database and multiply the additions, deletions, and donated items by the average prices for materials as reported in current publications.

### **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.

### **Initial Inventory**

The library will obtain from the Township a beginning inventory as of January 1, 2013.

### **Fixed Asset Ledger**

The fixed asset ledger will be maintained in an electronic format. The application will maintain item records containing the requisite information for each item.

### **Recording and Accounting**

The library will classify capital expenditures as capital outlays in accordance with the Chart of Accounts of the Library Accounting Manual. 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 fixed 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.

The historical cost of an asset is the cash equivalent price exchanged for goods or services at the date of the acquisition. Land, buildings, and equipment are common examples of items recognized under the historical cost attribute.

### **Safeguarding of assets**

Accounting controls should be designed and implemented to provide reasonable assurances that:

1. Capital expenditures made by the library are in accordance with management's authorization.
2. Adequate detail records are maintained to assure accountability for library owned assets.
3. Access to assets will be permitted in accordance with management's authorization.
4. The recorded accountability for assets be compared with the existing assets annually and appropriate action be taken with respect to any differences.

