

# South Butler Community Library

## Policy & Procedure – Capitalization of Capital Assets

### I. Purpose

The purpose of this policy is to clearly define a capital asset by class and corresponding significant value.

### II. General Terms and Conditions

A capital asset is a piece of property that meets all of the following requirements:

- a. The asset is tangible and complete.
- b. The asset is used in the operation of the SBCL.
- c. The asset has a useful life of longer than the current fiscal year.
- d. The asset is of significant value.

<u>Class of Capital Asset</u>	<u>Significant Value</u>
Books, Audio, Furniture & Equipment	\$5,000 or more
Buildings & Building Improvements	\$10,000 or more
Land Improvements	\$20,000 or more

Material items of property and equipment are capitalized based on the threshold of significant value. Lesser amounts are expensed. Purchased property and equipment is capitalized at initial cost plus related expense to place the asset in operation. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the SBCL reports expirations of donor restrictions when donated or acquired assets are placed in service as instructed by the donor. The SBCL reclassifies temporarily restricted net assets to unrestricted net assets at that time.

### Books, Audio, Furniture & Equipment

- Due to the complex nature of library service and the constant circulation of materials that comprise the collection, an accurate inventory of that collection is difficult to represent. For that reason, the collection will be reported on a composite basis. The composite basis records net additions and deletions to reflect an overall increase or decrease in the value of the collection.

- Audio, Furniture and Equipment includes all personal property that is not permanently attached to land or buildings and has a useful life beyond one year.

**Buildings**

- Buildings will be recorded at either their acquisition cost or construction cost. If a building is acquired by purchase, the capitalized cost should include the purchase price and other incidental expenses at the time of acquisition.
- If a building is constructed, the capitalized cost should include all construction costs. The constructed building will be capitalized upon completion of the project.

**Building Improvements**

- Any major renovations or alterations within an existing building will be added to the cost of the original building. These renovations/alterations will be depreciated separately over the remaining life of the building/structure.

**Land Improvements**

- Land Improvements will be categorized as construction of parking lots, outdoor lighting, fences and hardscapes, etc. Land Improvements will be depreciated over their estimated useful lives.
- Land is not depreciable.

**Depreciation Policy**

Property and Equipment are depreciated using the straight line method over the following years:

	<u>Years</u>
<b>Equipment</b>	<b>3 to 15</b>
<b>Books</b>	<b>5</b>
<b>Buildings &amp; Improvements</b>	<b>5 to 40</b>
<b>Land Improvements</b>	<b>10 to 20</b>

Effective: 11/12/2015

SBCL Board of Trustees approval date: 11/12/2015