# Mooresville Public Library

## Capital Asset Policy

***General Information:***

This Mooresville Public Library Capital Asset Policy was put into effect on January 1, 2002, and was last reviewed and updated in May 2015. The policy will be used to provide accountability and to safeguard capital assets as defined herein.

***Definitions of Capital Assets:***
Capital assets include such items as land, land improvements, buildings, building improvements, construction in progress, machinery and equipment, vehicles, infrastructure, books, periodicals, audio-visual materials, and works of art.

The purpose of establishing a formalized Capital Assets Management Policy threefold:

1. To safeguard the investments of the citizens of Mooresville and Brown Township and demonstrate appropriate stewardship responsibility for public assets.
2. To provide a basis for formulating capital asset acquisition, maintenance and retirement policies,
3. To provide for financial reporting.

***Capitalization Threshold:***

***Class Threshold***

- Land Capitalize all, including legal fees and real estate taxes incurred before ownership given.
- Land improvements $50,000
- Building/building improvements $50,000
- Infrastructure $50,000
- Machinery and equipment $5,000
- Vehicles $5,000
- Books/periodicals/audio-visual materials Capitalize all, gifts at fair value
- Works of art/monuments Capitalize all, gifts at fair value

***Valuation of Capital Assets:***
Capital assets should be recorded at actual cost. Normally, the cost recorded is the purchase price or construction costs of the asset, but also included is any other reasonable and necessary costs incurred to place the asset in its intended location and intended use, which can be directly related to the asset. Donated or contributed assets should be recorded at the fair market value on the date donated or acquired.

***Asset Definitions by Major Category:***

It is important to the maintenance of accurate records that each asset category be precisely defined. This section further clarifies the asset definitions by major category.

- **Land:** Specified land, easements, right of ways, lots, parcels, or acreage owned by the library or its various departments, regardless of the method (purchase or gift) of date of acquisition. The library must have the title before the item is capitalized.
- **Land Improvements:** Examples include parking lots, fencing, gates, and parking lot lighting.
- **Improvements Other Than Buildings:** Examples of unit assets in this category are bookcases, shelving, walks, parking areas, drives, fencing, retaining walls, fountains, planters, underground sprinkler systems, and other similar items.
- **Infrastructure:** all items such as streets, street lighting, roads, sidewalks, curbs, utility distribution systems, and storm sewers.
- **Buildings:** All permanently attached structures designed and erected to house equipment, services, or functions. This includes systems: *i.e.* plumbing, lighting, heating, cooling, elevator, *etc.*, services, and fixtures within the building, and attachments such as porches, stairs, fire escapes, canopies, lighting fixtures, flagpoles, and all other such units that serve the building.
- **Equipment:** All other types of physical property within the scope of the Capital Asset Policy not previously classified. Items such as furnishings, machinery, communicating and data storing devices, computers, books, periodicals, and similar items.
- **Vehicles:** Passenger vehicles, such as automobiles and vans, used for library business and promotion.
- **Library Material:** Library books include hard and softcover books, newspapers, periodical subscriptions, and audio-visual material (music recordings, audiobooks, video recordings). The aggregate of all books and similar materials with a useful life of more than one year, regardless of the original cost, will be considered capital assets.
- **Works of Art/Monuments:** Asset that is used for public exhibition or education. Such an item is cared for, protected, and preserved past the initial purchase.

***Asset Transfers and Dispositions:***

Property should not be transferred, auctioned, or discarded without prior approval of the library director. Removal of assets for any reason should be reported on the capital assets ledger.

Transfer is defined as any movement of an asset by virtue of a change in location or account. If an asset is stolen, the library director should ensure that a police report is promptly filed based upon value.

***Periodic Inventories:***

A physical inventory of capital assets will be conducted by library staff at least every 3-4 years. If the condition of an asset has deteriorated to the point that its use is impaired, that fact will be noted. Adjustments to the capital assets ledger based upon additions and removals will be made.

**Depreciation**

Depreciation is the process of allocating the cost of tangible property over a period of time, rather than deducting the cost as an expense in the year of acquisition. Generally, at the end of an asset's life, the sum of the amounts charged for depreciation in each accounting period will equal original cost less the salvage value.

**Information Needed to Calculate Depreciation**

To calculate depreciation on a fixed asset, the following five factors must be known:

- the date the asset was placed in service
- the asset's cost or acquisition value
- the asset's salvage value
- the asset's estimated useful life, and
- the depreciation method.

**Estimated Useful Life**

Estimated useful life means the estimated number of months or years that an asset will be able to be used for the purpose for which it was acquired. Eligible fixed assets should be depreciated over their estimated useful lives.

**Depreciation Method**

The Mooresville Public Library has established the straight-line methodology for depreciating all fixed assets. Depreciation will begin in the month the asset is placed in service with the exception of library books. Under the straight-line depreciation method, the basis of the asset is written off evenly over the useful life of the asset. The amount of annual depreciation is determined by dividing an asset's cost reduced by the salvage value, if any, by its estimated life. The total amount depreciated can never exceed the asset's historic cost less salvage value. At the end of the asset's estimated life, the salvage value will remain.

*Adopted January 2002*
*Reviewed 2005*
*Reviewed 2010*
*Reviewed 2015*