



# Mifflin Community Library

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## POLICY

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### FIXED ASSET CAPITALIZATION POLICY Effective December 5, 2018

Mifflin Community Library establishes this policy to provide accountability and to safeguard capital assets.

#### **Definition of a Fixed Asset**

Tangible assets of a durable nature employed in the operation of the library, relatively permanent, and needed for the normal operation of the library are termed property and equipment or fixed assets. These items are separated according to the physical characteristics of the items. Fixed assets include such items as: buildings, land, improvements (other than buildings), machinery, equipment and furniture, construction in progress.

#### **Buildings**

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

#### **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.

#### **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 a 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 \$2,500 and
2. Useful life is greater than two years

The library will capitalize the cost of improving or renovating improvements other than buildings only if the result meets the following conditions:

1. Total cost exceeds \$2,500,
2. Useful life is extended two 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.

#### **Machinery, Equipment and Furniture**

Machinery and equipment includes, but is not limited to, computers, office machines, telephone systems, copiers, and vacuum cleaners.

Furniture is also part of this category, including tables, chairs, desks, shelving, carts, and file cabinets. The library will capitalize items with an individual value equal to or greater than \$1,000.

Shipping charges, consultant fees, and any other cost directly associated with the purchase, delivery, or set up 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.

### **Construction in Progress**

Construction in Progress will be used when the library has expended in excess of \$2,500 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.

<b>Category</b>	<b>Threshold</b>
Land	\$0.00
Building/Improvements	\$2,500.00
Machinery, Equipment, and Furniture	\$1,000.00
Construction in Progress	Major projects that are not yet completed

Mifflin Community Library does not capitalize its Library Collections, whether donated or purchased, since the following conditions apply:

1. Library Collections are maintained for public use, education, or research in furtherance of public service, rather than financial gain
2. Library Collections are protected, kept unencumbered, cared for and preserved, and
3. An ongoing annual budgetary commitment to acquire items to replace or enhance the Library Collections is maintained

The circulating library materials are not capitalized because they fail to meet the library's useful life and/or capitalization thresholds.

Depreciation is recorded for capital assets using straight-line depreciation over the useful life of the asset. Useful life is defined for each asset as follows:

<b>Category</b>	<b>Useful Life</b>
Land	Not depreciated
Buildings and Improvements	30-40 years
Improvements other than Buildings	15 years
Appliances	10-15 years
Furniture, Fixtures	7-10 years
Computer/Electronic/Small Equipment	5 years
Software	3 years
Vehicles	5 years

### **Impairment**

Fixed assets will be reviewed for impairment whenever events or circumstances indicate that the carrying amount of a fixed asset may not be recoverable. When an asset's fair value, as measured by estimated future cash flow expected to result from its use and eventual disposition, exceeds carrying value of the asset, the asset will be considered impaired. Such impairment loss will be recognized to the extent carrying value exceeds fair value of the asset.

***Policy reviewed and approved December 5, 2018 by the Mifflin Community Library Board of Directors.***