

Chestatee Regional Library System Equipment Inventory and Capital Asset Policy

Furniture/Equipment costing \$500 or More

The Library System will maintain an up-to-date record of all capital assets owned by the System. All items purchased with a value of \$500.00 or more will be kept on the permanent inventory. Items with a value under \$500.00, but which are deemed susceptible to theft, may be placed on the inventory at the discretion of the Director. All items on the permanent inventory will be tagged for ownership. The tagging will be made prior to the items' being made available for use. Items may be removed from the inventory when they are no longer useful. Disposition will be either through surplus public auction, advertisements for sealed bids in the legal organ, or donation to Friends of the Library for their sale.

Capital Assets – cost \$5,000 or more

Capital assets are real or personal property that have a cost of \$5,000, or more, and have an estimated life of greater than one year.

The library system does not have many items valued in this category, only furniture equipment and the library vehicle. The respective counties own the land and building occupied by the libraries. The only other capital assets currently held are the library books and materials.

Capitalization Thresholds

Standard capitalization thresholds for capitalizing assets have been established for each Asset Category. All state organizations are required to use these thresholds.

Class of Asset Threshold

Personal property (equipment/furniture/vehicles) \$5,000

Library books/materials (collections)
Capitalize all if Collection exceeds \$100,000

Capital Asset Acquisition Cost

Capital assets should be recorded and reported at their historical costs, which include the vendor's invoice (plus the value of any trade in), plus sales tax, 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 ancillary charges such as freight and transportation charges, site preparation costs and professional fees. The cost of capital assets recorded in governmental activities will not include capitalized interest.

Capital Asset Donations

GASB Statement No. 33, Accounting and Financial Reporting for Non-Exchange Transactions, defines a donation as a voluntary non-exchange transaction entered into willingly by two or more

parties. Both parties may be governments or one party may be a nongovernmental entity, including an individual. A voluntary contribution of resources between state organizations reported as part of the primary government is not a donation. In the case of such a transfer of an asset, the capital asset transferred should be reported at the same net book value previously reported by the transferring fund (historical cost less accumulated depreciation). Assets donated by discretely presented component units or by parties outside the financial reporting entity should be reported at their fair market value on the date the donation is made.

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 lessee by the end of the lease term.
- The lease contains a bargain purchase option.
- The lease term is equal to 75 percent or more of the estimated economic life of the leased property.
- The present value of the minimum lease payments at the inception of the lease, excluding executory costs, equals at least 90 percent 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 to the financial statements.

Depreciating Capital Assets

Capital assets should be depreciated over their estimated useful lives unless they are inexhaustible. For a definition of an “inexhaustible asset,” see the Works of Art and Historical Treasures section of this guide. The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used by all state organizations. State organizations should use the following month convention for indicating when the asset was rendered into service. For estimated useful lives, state organizations can use general guidelines obtained from professional or industry organizations, information for comparable assets of other governments, or internal information. In determining useful life, a state organization should consider an asset’s present condition and how long it is expected to meet service demands. The method of estimating the useful life should be formally documented by the state organization. Computers will be depreciated for six years and all other furniture/fixtures, equipment, ~~and vehicle~~ will have a useful life of ten years, **no salvage value**. **Vehicles will have a useful life of 10 years with a \$4,000.00 salvage value.** Depreciation data should be calculated and recorded within the state organization’s capital asset records for each eligible asset. Accumulated depreciation should be summarized and posted to the accounting general ledger. Depreciation for state assets will be a “memo entry” and will not be funded under the Appropriation Act.

Residual Value

In order to calculate depreciation for an asset, the estimated residual value, if any, must be declared before depreciation can be calculated. The use of historical sales information becomes invaluable for determining the estimated residual value. Proceeds from sale of assets must be netted against residual value in computing net gain or loss from sale.

Sale of Capital Assets

When an asset is sold to a non-state entity or another state agency, a gain or loss must be recognized in the accounting records when: