

<u>Policy</u> Capital Assets Policy	<u>Date Approved by WGRLS Board</u> November 12, 2024
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Purpose:

This policy provides the basis for effective use and control of library funds. The policy operates under the statutory authority of the West Georgia Regional Library System (WGRLS) Board of Trustees and exists to define capital assets and to provide a schedule by which WGRLS capital assets are to be marked for depreciation.

Policy:

Capital assets are assets that are used in operations and that have estimated useful lives extending beyond a single reporting period (i.e., one year). Examples of capital assets in a public library include vehicles, equipment, furniture, and materials collections. Leased equipment should be capitalized if the lease agreement meets any one of the following criteria:

- The lease transfers ownership of the property to WGRLS 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 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.

A. Capitalization Threshold

Capitalization threshold is the monetary criterion used to determine whether a given asset should be reported on an entity's balance sheet. For purposes of financial reporting and inclusion on WGRLS' list of capital assets, the capitalization threshold shall be \$5,000. Therefore, items with an original cost of \$5,000 or more will be considered capital assets and will be capitalized for financial reporting purposes.

B. Library's Materials Collection

In compliance with GASB 34 (Governmental Accounting Standards Board Statement 34), WGRLS's materials collection — the aggregate of all books, CDs, DVDs, and other materials with a useful life of more than one year — regardless of the original cost of individual items, will be considered a capital asset and will be capitalized for financial reporting purposes.

Total Capitalization Value for Library Materials shall be determined by expenditures per year times the rate of depreciation minus estimated 3.1% deletion rate.

C. Valuation of Capital Assets

Capital assets will be recorded at actual cost. Normally the cost recorded is the purchase price or construction costs of the asset, but also included is any ancillary costs (reasonable and necessary costs incurred to place the asset in its intended location and intended use; e.g., shipping, professional services) that can be directly related to the asset.

D. Valuation of Donated Assets

Donated assets are assigned values for accounting and asset management purposes. Donated or contributed assets should be recorded at their fair market value on the date donated or acquired.

E. Capital Asset Impairment

In compliance with GASB 42 (Governmental Accounting Standards Board Statement 42), capital assets will be evaluated annually for impairment. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. WGRLS will evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred.

Events or changes in circumstances that may be indicative of impairment include:

- Evidence of physical damage
- Enactment or approval of laws or regulations or other changes in environmental factors
- Technological changes or evidence of obsolescence
- Changes in the manner or duration of use of a capital asset
- Construction stoppage

A capital asset generally should be considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset. If a library asset is determined to be impaired, an impairment loss (or gain, although unlikely) — net of any insurance recoveries — will be recorded and reported on the library's financial statements as indicated by GASB 42.

F. Depreciation

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

Category	Useful Life
Land	Not depreciated
Buildings and Improvements	30-100 years
Improvements other than Buildings	15 years
Appliances	15 years
Furniture, Fixtures	10-20 years
Electronic / Other Equipment	10-20 years
Computer / Electronic / Small Equipment	5 years
Vehicles	8 years
Books	5 years
Audiovisual Materials	2 years
Periodicals	1 year