

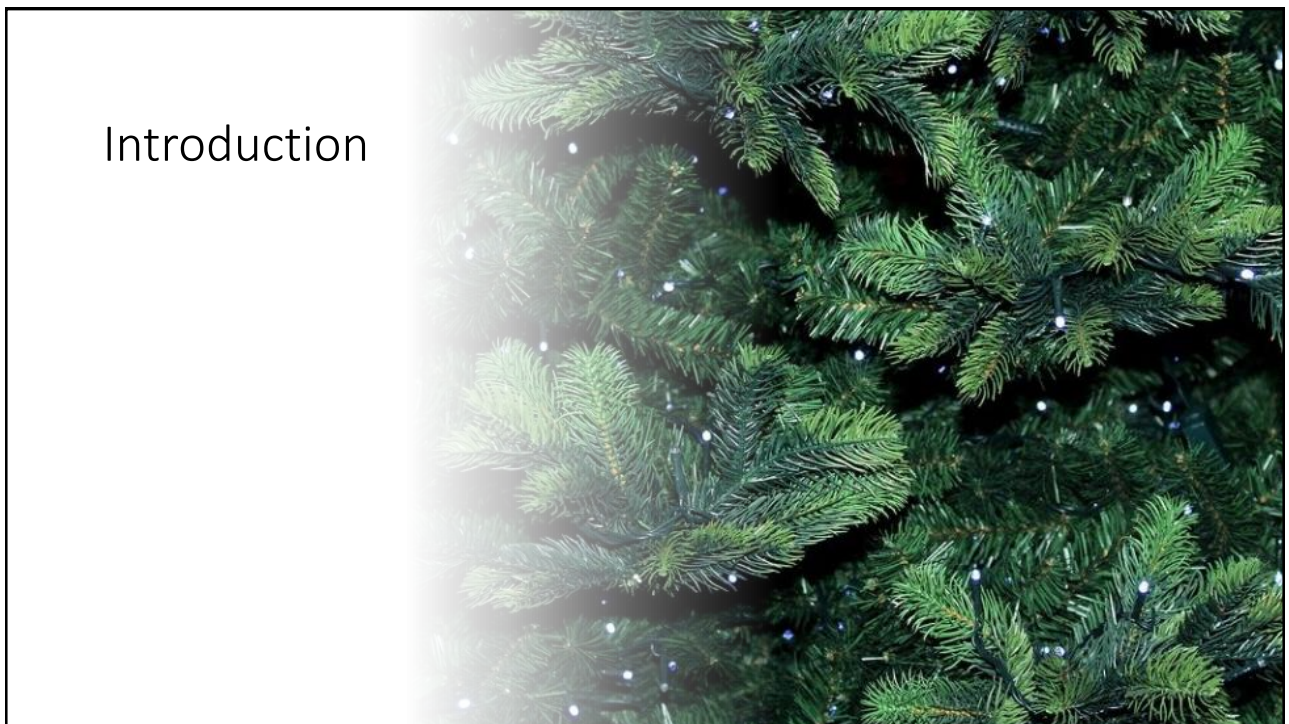


Capital Assets  
and  
Depreciation  
for Libraries

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December 2021

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Introduction

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# Capital Assets Schedule – 2020 Version

## Governmental Activities

Government or Enterprise	Beginning Balance as of January 1, 2020	Additions	Reductions	Ending Balance as of December 31, 2020
Land	\$66,266.00	\$261,300.00	\$55,148.00	\$272,420.00
Infrastructure	\$0.00	\$0.00	\$0.00	\$0.00
Building	\$6,318,390.00	\$9,950,000.00	\$6,236,176.00	\$10,032,214.00
Improvement	\$68,373.00	\$0.00	\$0.00	\$68,373.00
Machinery	\$287,977.00	\$451,382.00	\$63,315.00	\$676,044.00
Construction	\$0.00	\$0.00	\$0.00	\$0.00
Books	\$1,948,225.00	\$34,853.00	\$0.00	\$1,983,078.00

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Governmental Activities Totals:</b>	\$8,689,231.00	\$10,697,535.00	\$6,354,637.00	\$13,032,129.00

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Unit Totals:</b>	\$8,689,231.00	\$10,697,535.00	\$6,354,637.00	\$13,032,129.00

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## 2021 AFR Capital Asset Schedule

### Governmental Activities - Non-Depreciable Assets

Government or Enterprise	Beginning Balance as of January 1, 2021	Additions	Reductions	Ending Balance as of December 31, 2021
Land		Required	Required	\$0.00
Construction in Progress		Required	Required	\$0.00
Other Non-Depreciable Assets		Required	Required	\$0.00

### Governmental Activities - Depreciable Assets

Government or Enterprise	Beginning Balance as of January 1, 2021	Additions	Reductions	Ending Balance as of December 31, 2021
Infrastructure		Required	Required	\$0.00
Buildings		Required	Required	\$0.00
Improvements Other Than Buildings		Required	Required	\$0.00
Machinery, Equipment, and Vehicles		Required	Required	\$0.00
Books and Other		Required	Required	\$0.00

### Governmental Activities - Accumulated Depreciation

Government or Enterprise	Beginning Balance as of January 1, 2021	Additions	Reductions	Ending Balance as of December 31, 2021
Infrastructure		Required	Required	\$0.00
Buildings		Required	Required	\$0.00
Improvements Other Than Buildings		Required	Required	\$0.00
Machinery, Equipment, and Vehicles		Required	Required	\$0.00
Books and Other		Required	Required	\$0.00

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## What is a Capital Asset?

- Owned by the Library
- Useful life extending beyond one year
- Meets threshold set by the library board in capitalization policy
- Categories:
  - Land
  - Infrastructure
  - Buildings
  - Improvements other than Buildings
  - Machinery, Vehicles, and Equipment
  - Books and Other

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## What is Depreciation?

- An allocation of the cost of an asset across the life of the asset for those assets which have a determinable useful life
  - *Useful Life: An estimate of how long an item of property can be expected to be usable. Can be based on experience or table. Should be included in policy.*
- Information needed by financial statement users
  - *Example: bond rating companies*
- Prescribed by the State Examiner per the authority of IC 5-11

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## Capital Asset Policies

- Capitalization Threshold
  - Board policy stating the threshold at which an item is considered a capital asset for financial reporting purposes.
  - Only items that exceed the threshold are placed on the capital asset ledger.
- Estimated Useful Lives of Assets
  - Board policy establishing the number of years over which the cost of an asset will be allocated.
- Depreciation Method
  - The allocation of the cost of an asset over the estimated useful life of the asset.

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## Capital Asset Ledger

- Record of Purchases and Disposals of Capital Assets
- Historical Cost
- Estimating Historical Cost
  - Consumer Price Index Tables
    - Libraries Bulletin June 2020
  - Reasonable Estimate
- Categorized by Type of Asset

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# LIBRARY BULLETIN

AND UNIFORM COMPLIANCE GUIDELINES  
ISSUED BY STATE BOARD OF ACCOUNTS

SEPTEMBER 2019 PAGE 5

CAPITAL ASSETS LEDGER

General Form No. 369 (Rev. 2019)

FUND \_\_\_\_\_

DEPARTMENT OR BUILDING \_\_\_\_\_

Date of Purchase	Description of Asset	Serial Number	Location of Asset	Original Cost of Asset	Estimated Life of Asset	Date of Disposal of Capital Asset	Amount Received on Disposal or Trade in	Types of Capital Assets					Total Capital Assets	
								Land	Infrastructure	Buildings	Improvements Other Than Buildings	Machinery Equipment & Vehicles		Construction in Progress
1														
2														
3														
4														

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## Special Districts Bulletin, June 2020

### ESTABLISHING THE ESTIMATED COST OF CAPITAL ASSETS

When it is not possible to determine the historical cost of capital assets owned by a governmental unit, the following procedure should be followed. Develop an inventory of all capital assets which are significant for which records of the historical costs are not available. Obtain an estimate of the replacement costs of these assets. Through inquiry determine the year or approximate year of acquisition. Then multiply the estimated replacement cost by the factor for the year of acquisition from the Table of Cost Indexes. The resulting amount will be the estimated cost of the asset. In some cases estimated replacement cost can be obtained from insurance policies; however, if estimated replacement costs are not available from insurance policies, you should obtain or make an estimate of the replacement costs

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## Special districts bulletin, June 2020

As an example, if the replacement cost is estimated to be \$76,000.00 and the asset was constructed about 1946, then the estimated cost of the asset should be reported as \$6,080.00 ( $\$76,000.00 \times .08 = \$6,080.00$ ).

1950	0.09
1949	0.09
1948	0.09
1947	0.09
1946	<b>0.08</b>
1945	0.07
1944	0.07
1943	0.07

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## Capital Assets - Depreciation

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Straight Line Depreciation (applied to individual assets)

Annual Depreciation = Historical Cost / Estimated Useful Life

Accumulated Depreciation = Annual Depreciation x Years in Service

Composite Method of Depreciation (applied to groups of assets like books)

Annual Depreciation = Historical Cost of Group / Estimated Useful Life of Group

Accumulated Depreciation = Annual Depreciation x Years of Service

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# Capital Assets - Depreciation

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Do not calculate annual depreciation once asset is fully depreciated

Remove accumulated depreciation upon disposal

Can adopt policy to recognize a full year of depreciation in the year of acquisition

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## Non-Depreciable Assets

Land

Works of Art  
Historical Treasures  
Artifacts, etc.

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Construction in Progress

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# Library Land

- Included on the capital asset ledger at historical cost
  - Historical Cost is the same as acquisition cost
- Estimated Historical Cost
  - *Can use FMV multiplied by Consumer Price Index Factor*
  - *County Assessor will have FMV information*
  - *Historical Records in library may have approximate land values*
- Land is not depreciated
  - Shown in the category of non-depreciable assets on the AFR

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## Library Land – Capital Asset Ledger

Capital Asset Ledger															
Date of Purchase	Description of Asset	Serial No.	Location of Asset	Original Cost of Asset	Estimated Life of Asset	Date of Disposal of Asset	Amount Received on Disposal or Trade In	Land	Infra-structure	Buildings	Improvements Other Than Buildings	Machinery & Vehicles	Construction in Progress	Books and Other	Total Fixed Assets
1/1/1964	Library Land		123 Main Street	100,000				100,000							100,000

To record historical cost of library land in the capital asset ledger. Historical cost is the amount for which the property was purchased, or an estimated purchase price based on a calculation using the consumer price index table

### Governmental Activities - Non-Depreciable Assets

Government or Enterprise	Beginning Balance as of January 1, 2021	Additions	Reductions	Ending Balance as of December 31, 2021
Land	\$100,000.00	Required	Required	\$100,000.00
Construction in Progress		Required	Required	\$0.00
Other Non-Depreciable Assets		Required	Required	\$0.00

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# Library Land – Capital Asset Ledger

Capital Asset Ledger															
Date of Purchase	Description of Asset	Serial No.	Location of Asset	Original Cost of Asset	Estimated Life of Asset	Date of Disposal of Asset	Amount Received on Disposal or Trade In		Types of Capital Assets					Books and Other Assets	Total Fixed Assets
							Land	Infra-structure	Buildings	Buildings Other Than Buildings	Machinery & Vehicles	Construction in Progress			
1/1/1964	Library Land		123 Main Street	100,000			100,000								100,000
11/26/2021	1 acre next to library						50,000								50,000

To record the purchase of one acre next to library in 2021

## Governmental Activities - Non-Depreciable Assets

Government or Enterprise	Beginning Balance as of January 1, 2021	Additions	Reductions	Ending Balance as of December 31, 2021
Land	\$100,000.00	\$50,000.00	Required	\$150,000.00
Construction in Progress	Required	Required	Required	\$0.00
Other Non-Depreciable Assets	Required	Required	Required	\$0.00

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# Works of Art and Historical Treasures

- Included on the capital asset ledger at historical cost under Books & Other
  - Historical Cost is the same as acquisition cost
  - Donated items shown at the FMV on the date of acquisition
  - No audit exception if shown on separate column on Capital Asset ledger as long as included in Books & Other on AFR
- Estimated Historical Cost
  - Possibly estimate based on auction sites or publications related to type of asset
  - Donated items shown at the FMV at time of donation
- Works of Art and Historical Treasures are not depreciated
  - Shown in the category of non-depreciable assets on the AFR
- Examples: Paintings, Rare Book Collection, Artifacts

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# Construction in Progress

- Included on the capital asset ledger at historical cost
  - Historical Cost is the same as acquisition cost
- Construction in Progress is not depreciated
  - Shown in the category of non-depreciable assets on the AFR
- Upon Project Completion, costs are moved to the appropriate category when asset is placed into service
- Example: building construction

# Construction in Progress

Capital Asset Ledger															
Date of Purchase	Description of Asset	Serial No.	Location of Asset	Original Cost of Asset	Estimated Life of Asset	Date of Disposal of Asset	Amount Received on Disposal or Trade In	Land	Infra-structure	Buildings	Improvements Other Than Buildings	Machinery & Vehicles	Construction in Progress	Books and Other	Total Fixed Assets
started 2020	New Children's Wing		123 Main Street	500,000									500,000		500,000

To record construction in progress as of January 1, 2021. Construction costs are shown as construction in progress until the project is completed.

## Governmental Activities - Non-Depreciable Assets

Government or Enterprise	Beginning Balance as of January 1, 2021	Additions	Reductions	Ending Balance as of December 31, 2021
Land	Required	Required	Required	\$0.00
Construction in Progress	\$500,000.00	Required	Required	\$500,000.00
Other Non-Depreciable Assets	Required	Required	Required	\$0.00

# Construction in Progress

Capital Asset Ledger																
Date of Purchase	Description of Asset	Serial No.	Location of Asset	Original Cost of Asset	Estimated Life of Asset	Date of Disposal of Asset	Amount Received on Disposal of			Types of Capital Assets					Books and Other	Total Fixed Assets
							Trade In	Land	Infra-structure	Buildings	Improvements Other Than Buildings	Machinery & Vehicles	Construction in Progress			
8/1/2021	New Children's Wing		123 Main Street	750,000	75					750,000				(500,000)		(500,000)
8/1/2021	New Children's Wing		123 Main Street													750,000

To record completion of project in 2021

Once the project is completed, you will remove those costs accumulated in the Construction in Progress category and show them in Buildings.

In this example, our project was started in 2020 and completed in 2021. In 2021, we removed \$500,000 that was accumulated in Construction in Progress for 2020 and placed it into the Buildings category. In 2021 we also incurred an additional \$250,000 in Construction costs that were also added to buildings for a total of \$750,000.

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# Construction in Progress

## Governmental Activities - Non-Depreciable Assets

Government or Enterprise	Beginning Balance as of January 1, 2021	Additions	Reductions	Ending Balance as of December 31, 2021
Land		Required	Required	\$0.00
Construction in Progress		\$500,000.00	Required	\$500,000.00
Other Non-Depreciable Assets		Required	Required	\$0.00

## Governmental Activities - Depreciable Assets

Government or Enterprise	Beginning Balance as of January 1, 2021	Additions	Reductions	Ending Balance as of December 31, 2021
Infrastructure		Required	Required	\$0.00
Buildings	\$400,000.00	\$750,000.00	Required	\$1,150,000.00
Improvements Other Than Buildings		Required	Required	\$0.00
Machinery, Equipment, and Vehicles		Required	Required	\$0.00
Books and Other		Required	Required	\$0.00

To record completion of project in 2021  
(also includes existing library building with cost of \$400,000)

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## Depreciable Assets

Buildings

Improvements Other than Buildings

Machinery, Equipment & Vehicles

Books and Other



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## Library Buildings

- Included on the capital asset ledger at historical cost
  - Historical Cost is the same as acquisition cost
- Estimated Historical Cost
  - *Can use FMV or Replacement Value multiplied by Consumer Price Index Factor*
  - *County Assessor may have FMV information*
  - *Insurance Company may have Replacement Value information*
- Buildings are included on the AFR under Depreciable Assets
- Best Practice: Straight Line Depreciation

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# Carnegie Library Buildings

- Estimated Historical Cost = Fair Market Value x Consumer Price Index factor
- Or reasonable estimate based on historical information/knowledge of the time period
- Example: Replacement Value for building in 2021 is \$2,500,000. Building was constructed around 1914.
- The estimated historical cost would be \$2,500,000 x .04 = \$100,000

0.11	1930	0.07
0.11	1929	0.07
0.10	1928	0.07
0.11	1927	0.07
0.10	1926	0.07
0.10	1925	0.07
0.10	1924	0.07
0.09	1923	0.07
0.09	1922	0.07
0.09	1921	0.07
0.09	1920	0.08
0.08	1919	0.07
0.07	1918	0.06
0.07	1917	0.05
0.07	1916	0.04
0.06	1915	0.04
0.06	1914	0.04
0.05	1913	0.04
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# Library Buildings

Capital Asset Ledger														
Date of Purchase	Description of Asset	Serial No.	Location of Asset	Original Cost of Asset	Estimated Life of Asset	Date of Disposal of Asset	Amount Received on Disposal or Trade In	Land	Infra-structure	Types of Capital Assets				Total Fixed Assets
										Buildings	Improvements Other Than Buildings	Machinery & Vehicles	Construction in Progress	
1/1/1964	Library		123 Main Street	400,000	80 years					400,000				400,000

To record historical cost of the library building

## Governmental Activities - Depreciable Assets

Government or Enterprise	Beginning Balance as of January 1, 2021	Additions	Reductions	Ending Balance as of December 31, 2021
Infrastructure	Required	Required	Required	\$0.00
Buildings	\$400,000.00	Required	Required	\$400,000.00
Improvements Other Than Buildings	Required	Required	Required	\$0.00
Machinery, Equipment, and Vehicles	Required	Required	Required	\$0.00
Books and Other	Required	Required	Required	\$0.00

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# Depreciation of Library Building

Capital Asset Ledger															
Date of Purchase	Description of Asset	Serial No.	Location of Asset	Original Cost of Asset	Estimated Life of Asset	Date of Disposal of Asset	Amount Received on			Types of Capital Assets					Total Fixed Assets
							Trade In	Land	Infra-structure	Buildings	Improvements Other Than Buildings	Machinery & Vehicles	Construction in Progress	Books and Other	
1/1/1964	Library		123 Main Street	400,000	80 years						400,000				400,000

Annual Depreciation = Historical Cost / Estimated Useful Life  
 $\$400,000 / 80 \text{ years} = \$5,000$

Accumulated Depreciation = Years in Service x Annual Depreciation  
 $\$5,000 \times 57 \text{ years} = \$285,000$  as of January 1, 2021

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# Library Buildings

## Governmental Activities - Depreciable Assets

Government or Enterprise	Beginning Balance as of January 1, 2021	Additions	Reductions	Ending Balance as of December 31, 2021
Infrastructure	Required	Required	Required	\$0.00
Buildings	\$400,000.00	Required	Required	\$400,000.00
Improvements Other Than Buildings	Required	Required	Required	\$0.00
Machinery, Equipment, and Vehicles	Required	Required	Required	\$0.00
Books and Other	Required	Required	Required	\$0.00

## Governmental Activities - Accumulated Depreciation

Government or Enterprise	Beginning Balance as of January 1, 2021	Additions	Reductions	Ending Balance as of December 31, 2021
Infrastructure	Required	Required	Required	\$0.00
Buildings	\$285,000.00	\$5,000.00		\$290,000.00
Improvements Other Than Buildings	Required	Required	Required	\$0.00
Machinery, Equipment, and Vehicles	Required	Required	Required	\$0.00
Books and Other	Required	Required	Required	\$0.00

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# Improvements other than Buildings

- Included on the capital asset ledger at historical cost
  - Historical Cost is the same as acquisition cost
- Estimated Historical Cost
  - *Can use FMV or Replacement Value multiplied by Consumer Price Index Factor*
- Improvements Other than Buildings are included on the AFR under Depreciable Assets
- Examples: Parking lot, drives, walkways, fencing, fountains
- Best Practice: Straight Line Depreciation

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# Improvements other than Buildings

Capital Asset Ledger													
Date of Purchase	Description of Asset	Serial No.	Location of Asset	Original Cost of Asset	Estimated Life of Asset	Date of Disposal of Asset	Amount Received on Disposal or Trade In	Types of Capital Assets					Total Fixed Assets
								Land	Infra-structure	Buildings	Improvements Other Than Buildings	Machinery & Vehicles	
7/1/2000	Fence and Landscaping		123 Main Street	5,000	10 years						5,000		5,000

To record existing fence on capital asset ledger

## Governmental Activities - Depreciable Assets

Government or Enterprise	Beginning Balance as of January 1, 2021	Additions	Reductions	Ending Balance as of December 31, 2021
Infrastructure	Required	Required	Required	\$0.00
Buildings	Required	Required	Required	\$0.00
Improvements Other Than Buildings	\$5,000.00	Required	Required	\$5,000.00
Machinery, Equipment, and Vehicles	Required	Required	Required	\$0.00
Books and Other	Required	Required	Required	\$0.00

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## Improvements Other than Buildings - Depreciation

Capital Asset Ledger															
Date of Purchase	Description of Asset	Serial No.	Location of Asset	Original Cost of Asset	Estimated Life of Asset	Date of Disposal of Asset	Amount Received on Disposal or Trade In	Land	Infra-structure	Buildings	Improvements Other Than Buildings	Machinery Equipment & Vehicles	Construction in Progress	Books and Other	Total Fixed Assets
7/1/2000	Fence and Landscaping		123 Main Street	5,000	10 years						5,000				5,000

Annual Depreciation = Historical Cost / Estimated Useful Life  
 $\$5,000 / 10 \text{ years} = \$500$

Accumulated Depreciation = Years in Service x Annual Depreciation  
 $\$500 \times 10 \text{ years} = \$5,000$  as of January 1, 2021

Note: This asset was fully depreciated after ten years. You do not continue to depreciate an item after it has reached its useful life. You do keep the asset on the capital asset ledger and in the accumulated depreciation balance until the asset is disposed of by the library.

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## Improvements Other than Buildings - Depreciation

### Governmental Activities - Depreciable Assets

Government or Enterprise	Beginning Balance as of January 1, 2021	Additions	Reductions	Ending Balance as of December 31, 2021
Infrastructure	Required	Required	Required	\$0.00
Buildings	Required	Required	Required	\$0.00
Improvements Other Than Buildings	\$5,000.00	Required	Required	\$5,000.00
Machinery, Equipment, and Vehicles	Required	Required	Required	\$0.00
Books and Other	Required	Required	Required	\$0.00

### Governmental Activities - Accumulated Depreciation

Government or Enterprise	Beginning Balance as of January 1, 2021	Additions	Reductions	Ending Balance as of December 31, 2021
Infrastructure	Required	Required	Required	\$0.00
Buildings	Required	Required	Required	\$0.00
Improvements Other Than Buildings	\$5,000.00	Required	Required	\$5,000.00
Machinery, Equipment, and Vehicles	Required	Required	Required	\$0.00
Books and Other	Required	Required	Required	\$0.00

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## Improvements other than Buildings

Capital Asset Ledger														
Date of Purchase	Description of Asset	Serial No.	Location of Asset	Original Cost of Asset	Estimated Life of Asset	Date of Disposal of Asset	Amount Received on Disposal or Trade In	Land	Infra-structure	Types of Capital Assets				Total Fixed Assets
										Buildings	Improvements Other Than Buildings	Machinery Equipment & Vehicles	Construction in Progress	
7/1/2000	Fence and Landscaping		123 Main Street	5,000	10 years							5,000		5,000
7/1/2022	Removal Fence/Landscaping		123 Main Street			7/1/2022						(5,000)		(5,000)

To remove the old fence, you will subtract the historical cost from the capital asset ledger. Then you will remove the amount of depreciation associated with the fence (\$5,000) by showing a reduction in accumulated depreciation.

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## Improvements other than Buildings

Capital Asset Ledger														
Date of Purchase	Description of Asset	Serial No.	Location of Asset	Original Cost of Asset	Estimated Life of Asset	Date of Disposal of Asset	Amount Received on Disposal or Trade In	Land	Infra-structure	Types of Capital Assets				Total Fixed Assets
										Buildings	Improvements Other Than Buildings	Machinery Equipment & Vehicles	Construction in Progress	
7/1/2000	Fence and Landscaping		123 Main Street	5,000	10 years							5,000		5,000
7/1/2022	Removal Fence/Landscaping		123 Main Street			7/1/2022						(5,000)		(5,000)
7/1/2022	New Fence/Landscaping		123 Main Street	20,000	10 Years							20,000		20,000

To show the purchase of the new fence in the capital asset ledger, you will record the cost in the capital asset ledger.

For depreciation purposes, a Best Practice is to add a full year of depreciation for the new asset in the year of purchase.

Show the annual depreciation for the new fence as an addition to accumulated depreciation in 2022. (Cost of \$20,000 / estimated useful life of 10 years = \$2,000)

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# Improvements other than Buildings

## Governmental Activities - Depreciable Assets

Government or Enterprise	Beginning Balance as of January 1, 2021	Additions	Reductions	Ending Balance as of December 31, 2021
Infrastructure	Required	Required	Required	\$0.00
Buildings	Required	Required	Required	\$0.00
Improvements Other Than Buildings	\$5,000.00	\$20,000.00	\$5,000.00	\$20,000.00
Machinery, Equipment, and Vehicles	Required	Required	Required	\$0.00
Books and Other	Required	Required	Required	\$0.00

## Governmental Activities - Accumulated Depreciation

Government or Enterprise	Beginning Balance as of January 1, 2021	Additions	Reductions	Ending Balance as of December 31, 2021
Infrastructure	Required	Required	Required	\$0.00
Buildings	Required	Required	Required	\$0.00
Machinery, Equipment, and Vehicles	Required	Required	Required	\$0.00
Books and Other	Required	Required	Required	\$0.00
Improvements Other Than Buildings	\$5,000.00	\$2,000.00	\$5,000.00	\$2,000.00

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# Machinery, Equipment, and Vehicles

- Included on the capital asset ledger at historical cost
  - Historical Cost is the same as acquisition cost
- Estimated Historical Cost
  - *Can use FMV or Replacement Value multiplied by Consumer Price Index Factor*
- Machinery, Equipment, and Vehicles are included on the AFR under Depreciable Assets
- Examples: vehicles, groundskeeping equipment, copier
- Best Practice: Straight Line Depreciation

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# Machinery, Equipment & Vehicles

Capital Asset Ledger															
Date of Purchase	Description of Asset	Serial No.	Location of Asset	Original Cost of Asset	Estimated Life of Asset	Date of Disposal of Asset	Amount Received on Disposal or Trade In	Types of Capital Assets						Total Fixed Assets	
								Land	Infra-structure	Buildings	Improvements Other Than Buildings	Machinery Equipment & Vehicles	Construction in Progress	Books and Other	
5/1/2020	Bookmobile	#456	123 Main Street	50,000	10 years							50,000			50,000

To record Bookmobile on capital asset ledger.

Depreciation:

Annual Depreciation = Historical Cost / Estimated Useful Life  
 $\$50,000 / 10 \text{ years} = \$5,000$

Accumulated Depreciation = Years in Service x Annual Depreciation  
 $\$5,000 \times 1 \text{ year} = \$5,000$  as of January 1, 2021

Note: You can adopt a policy to show a full year of depreciation for the year in which the asset was purchased.

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# Machinery, Equipment & Vehicles

To record beginning balance for bookmobile for 2021 and annual depreciation in 2021.

## Governmental Activities - Depreciable Assets

Government or Enterprise	Beginning Balance as of January 1, 2021	Additions	Reductions	Ending Balance as of December 31, 2021
Infrastructure	Required	Required	Required	\$0.00
Buildings	Required	Required	Required	\$0.00
Improvements Other Than Buildings	Required	Required	Required	\$0.00
Machinery, Equipment, and Vehicles	\$50,000.00	Required	Required	\$50,000.00
Books and Other	Required	Required	Required	\$0.00

Edit not recorded: A number must be provided for all required fields

## Governmental Activities - Accumulated Depreciation

Government or Enterprise	Beginning Balance as of January 1, 2021	Additions	Reductions	Ending Balance as of December 31, 2021
Infrastructure	Required	Required	Required	\$0.00
Buildings	Required	Required	Required	\$0.00
Improvements Other Than Buildings	Required	Required	Required	\$0.00
Machinery, Equipment, and Vehicles	\$5,000.00	\$5,000.00	Required	\$10,000.00
Books and Other	Required	Required	Required	\$0.00

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# Machinery, Equipment & Vehicles

Capital Asset Ledger															
Date of Purchase	Description of Asset	Serial No.	Location of Asset	Original Cost of Asset	Estimated Life of Asset	Date of Disposal of Asset	Amount Received on Disposal or Trade In	Land	Types of Capital Assets			Machinery Equipment & Vehicles	Construction in Progress	Books and Other	Total Fixed Assets
									Infra-structure	Buildings	Improvements Other Than Buildings				
5/1/2020	Bookmobile	#456	123 Main Street	50,000	10 years							50,000			50,000
5/1/2021	Tractor	#123	123 Main Street	8,000	10 Years							8,000			8,000

To record purchase of tractor in 2021 for \$8,000

Annual Depreciation = Historical Cost / Estimated Useful Life  
 $\$8,000 / 10 \text{ years} = \$800$

You can adopt a policy to recognize a full year of depreciation in the year the asset was purchased. For the AFR you would show the annual depreciation for the new tractor as an addition to accumulated depreciation in 2021. (Cost of \$8,000 / estimated useful life of 10 years = \$800)

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## Governmental Activities - Depreciable Assets

Government or Enterprise	Beginning Balance as of January 1, 2021	Additions	Reductions	Ending Balance as of December 31, 2021
Infrastructure		Required	Required	\$0.00
Buildings		Required	Required	\$0.00
Improvements Other Than Buildings		Required	Required	\$0.00
Machinery, Equipment, and Vehicles	\$50,000.00	\$8,000.00		\$58,000.00
Books and Other		Required	Required	\$0.00

## Governmental Activities - Accumulated Depreciation

Government or Enterprise	Beginning Balance as of January 1, 2021	Additions	Reductions	Ending Balance as of December 31, 2021
Infrastructure		Required	Required	\$0.00
Buildings		Required	Required	\$0.00
Improvements Other Than Buildings		Required	Required	\$0.00
Machinery, Equipment, and Vehicles	\$5,000.00	\$5,800.00		\$10,800.00
Books and Other		Required	Required	\$0.00

The beginning balance for depreciable assets is the bookmobile of \$50,000. Then we add the purchase of the tractor in 2021 of \$8,000 on the AFR.

For accumulated depreciation, the beginning balance of \$5,000 is for the bookmobile as of January 1. In 2021 annual depreciation is added for the bookmobile of \$5,000 and the tractor of \$800.

40

## Depreciable Assets

### Books and Other

- Special Considerations for Library Materials



41

## Library Materials

- Included on the capital asset ledger at historical cost
  - Historical Cost is the same as acquisition cost
- Estimated Historical Cost
  - *Can use FMV or Replacement Value multiplied by Consumer Price Index Factor*
  - *Can use average book cost from reasonable source (document)*
  - *Can use average book cost from own experience (document)*
- Library Materials are included in Books & Other on the AFR under Depreciable Assets
- Examples: books, dvds, circulating items owned by the library
- Items with a useful life of less than one year would not be included

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# Library Materials

- Best Practices
  - Composite method – group similar items together and depreciate as a group
- Make methods and assumptions part of your capital asset policy

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# Library Materials

- Some common assumptions library collections:
  - The library collection is recorded on the capital asset ledger based on the number of circulating items x a per item average cost
  - The library collection is recorded on the capital asset ledger based on the actual cost of the items.
  - All library materials are depreciated over the same estimated useful life
    - We have seen estimated useful lives of 4, 5, 10 and 15 years – your library should determine what is reasonable for its materials
  - A full year of depreciation is taken in the first year regardless of when the asset is put into use during the year
  - An asset (e.g. book) that is disposed of is considered fully depreciated in the year of disposal regardless of how long it has been in service
  - An annualized amount is automatically deducted from accumulated depreciation each year
  - Annual depreciation and reduction in accumulated depreciation is calculated at year end

44



# Historical Cost of Library Materials

To arrive at a beginning balance as of January 1, 2021:

Determine what is included in Library Materials: Is it all items that circulate? Does it exclude newspapers and periodicals? Include this information in capital asset policy.

Determine a starting point for the historical cost of your collection

- Accounting Software Report is the best information
- If you only know the number of items purchased but not the cost, consider calculating number of items in collection x average price
  - Possibly calculate based on Indiana State Library Statistics Reports
  - Possibly use School Library Journal average book price: [www.slj.com](http://www.slj.com)
  - Possible use an average cost based on experience
  - Use Consumer Price Index factor to arrive at average price for each year if applicable

45

## Library Materials

Example 1




46

## Library Materials – Example 1

Assumptions for this example (*your library should make its own assumptions to calculate Depreciation*):

- Estimated useful life of library materials is 5 years.
- Annual Depreciation = Historical Cost / Estimated Useful Life
- Accumulated Depreciation = Annual Depreciation x Years in Service (up to 5 years)
- Accumulated Depreciation includes only five years of depreciation since that is the estimated useful life of the group and it is assumed that library materials that are six years old have been removed from the collection.



	Amount spent on library materials	Estimated Useful Life	Annual Depreciation	Years in Service	12/31/2020 Accumulated depreciation
2020	250,000	5	50,000	1	50,000
2019	225,000	5	45,000	2	90,000
2018	225,000	5	45,000	3	135,000
2017	275,000	5	55,000	4	220,000
2016	275,000	5	55,000	5	275,000
<b>Total</b>	<b>1,250,000</b>				<b>770,000</b>

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## Library Materials – Example 1

Capital Asset Ledger														
Description of Asset	Serial No.	Location of Asset	Original Cost of Asset	Estimated Life of Asset	Date of Disposal of Asset	Amount Received on Disposal or Trade In	Land	Infra-structure	Types of Capital Assets				Books and Other	Total Fixed Assets
									Buildings	Improvements Other Than Buildings	Machinery & Vehicles	Construction Progress		
Library Materials		123 Main Street	\$1,250,000	5									1,250,000	\$ 1,250,000

To record historical cost of library collection starting January 1, 2021.

### Governmental Activities - Depreciable Assets

Government or Enterprise	Beginning Balance as of January 1, 2021	Additions	Reductions	Ending Balance as of December 31, 2021
Infrastructure		Required	Required	\$0.00
Buildings		Required	Required	\$0.00
Improvements Other Than Buildings		Required	Required	\$0.00
Machinery, Equipment, and Vehicles		Required	Required	\$0.00
Books and Other		\$1,250,000.00	Required	\$1,250,000.00

48

## Library Materials – Example 1

Assumptions for this example (*your library should make its own assumptions to calculate Accumulated Depreciation*):

- Estimated useful life of library materials is 5 years.
- Annual Depreciation = Historical Cost / Estimated Useful Life
- Accumulated Depreciation = Annual Depreciation x Years in Service (up to 5 years)
- Accumulated Depreciation includes only five years of depreciation since that is the estimated useful life of the group and it is assumed that library materials that are six years old have been removed from the collection.

	Amount spent on library materials	Estimated Useful Life	Annual Depreciation	Years in Service	12/31/2020 Accumulated depreciation
2020	250,000	5	50,000	1	50,000
2019	225,000	5	45,000	2	90,000
2018	225,000	5	45,000	3	135,000
2017	275,000	5	55,000	4	220,000
2016	275,000	5	55,000	5	275,000
<b>Total</b>	<b>1,250,000</b>				<b>770,000</b>

To record the amount of accumulated depreciation as of January 1, 2021 for the AFR

49

## Library Materials – Example 1

### Governmental Activities - Accumulated Depreciation

Government or Enterprise	Beginning Balance as of January 1, 2021	Additions	Reductions	Ending Balance as of December 31, 2021
Infrastructure	Required	Required	Required	\$0.00
Buildings	Required	Required	Required	\$0.00
Improvements Other Than Buildings	Required	Required	Required	\$0.00
Machinery, Equipment, and Vehicles	Required	Required	Required	\$0.00
Books and Other	\$770,000.00	Required	Required	\$770,000.00

To report accumulated depreciation for library materials as of January 1, 2021.

50

# Library Materials –Example 1

Capital Asset Ledger														
Description of Asset	Serial No.	Location of Asset	Original Cost of Asset	Estimated Life of Asset	Date of Disposal of Asset	Amount Received on Disposal or Trade In	Types of Capital Assets						Books and Other	Total Fixed Assets
							Land	Infrastructure	Buildings	Improvements	Machinery	Construction		
Library Materials		123 Main Street	\$1,250,000	5									1,250,000	\$ 1,250,000
2021 holdings			125,000										125,000	125,000

To record purchase of library materials in 2021 in the amount of \$125,000.

51

# Library Materials – Example 1

Assumptions for this example:

- Estimated useful life of library materials is 5 years.
- Annual Depreciation = Historical Cost / Estimated Useful Life
- Accumulated Depreciation = Annual Depreciation x Years in Service (up to 5 years)
- Accumulated Depreciation includes only five years of depreciation since that is the estimated useful life of the group and it is assumed that library materials that are six years old have been removed from the collection.

	Amount spent on library materials	Estimated Useful Life	Annual Depreciation	Years in Service	12/31/2021 Accumulated depreciation
2021	125,000	5	25,000	1	25,000
2020	250,000	5	50,000	2	100,000
2019	225,000	5	45,000	3	135,000
2018	225,000	5	45,000	4	180,000
2017	275,000	5	55,000	5	275,000
2016	275,000		None		None
Totals			220,000		715,000

To calculate annual depreciation for 2021 and accumulated depreciation as of 12/31/2021

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## Library Materials –Example 1

Capital Asset Ledger														
Description of Asset	Serial No.	Location of Asset	Original Cost of Asset	Estimated Life of Asset	Date of Disposal of Asset	Amount Received or Disposal or Trade In	Land	Infra-structure	Types of Capital Assets					Books and Other
									Buildings	Buildings & Vehicles	Progress	Improvements Other Than Buildings	Machinery & Equipment	
Library Materials		123 Main Street	\$1,250,000	5										1,250,000
2021 holdings			125,000											125,000
2021 holdings reductions			-275,000											-275,000

To record removal of library materials in 2021 in the amount of \$275,000.

In this example, we assume that library materials that are fully depreciated in the sixth year are removed from the library collection.

53

## Library Materials –Example 1

### Governmental Activities - Depreciable Assets

Government or Enterprise	Beginning Balance as of January 1, 2021	Additions	Reductions	Ending Balance as of December 31, 2021
Infrastructure		Required	Required	\$0.00
Buildings		Required	Required	\$0.00
Improvements Other Than Buildings		Required	Required	\$0.00
Machinery, Equipment, and Vehicles		Required	Required	\$0.00
Books and Other	\$1,250,000.00	\$125,000.00	\$275,000.00	\$1,100,000.00

Data Posted

To report beginning balance for January 1, 2021, additions and reductions to library materials.

54

## Library Materials – Example 1

Assumptions for this example:

- Estimated useful life of library materials is 5 years.
- Annual Depreciation = Historical Cost / Estimated Useful Life
- Accumulated Depreciation = Annual Depreciation x Years in Service (up to 5 years)
- Accumulated Depreciation includes only five years of depreciation since that is the estimated useful life of the group and it is assumed that library materials that are six years old have been removed from the collection.

	Amount spent on library materials	Estimated Useful Life	Annual Depreciation	Years in Service	12/31/2021 Accumulated depreciation
2021	125,000	5	25,000	1	25,000
2020	250,000	5	50,000	2	100,000
2019	225,000	5	45,000	3	135,000
2018	225,000	5	45,000	4	180,000
2017	275,000	5	55,000	5	275,000
2016	275,000		None		None
Totals			220,000		715,000

To calculate annual depreciation for 2021 and accumulated depreciation as of 12/31/2021

55

## Library Materials – Example 1

Assumptions for this example:

- Estimated useful life of library materials is 5 years.
- Annual Depreciation = Historical Cost / Estimated Useful Life
- Accumulated Depreciation = Annual Depreciation x Years in Service (up to 5 years)
- Accumulated Depreciation includes only five years of depreciation since that is the estimated useful life of the group and it is assumed that library materials that are six years old have been removed from the collection.

	Amount spent on library materials	Estimated Useful Life	Annual Depreciation	Years in Service	12/31/2021 Accumulated depreciation
2021	125,000	5	25,000	1	25,000
2020	250,000	5	50,000	2	100,000
2019	225,000	5	45,000	3	135,000
2018	225,000	5	45,000	4	180,000
2017	275,000	5	55,000	5	275,000
2016	275,000		None		None
Totals			220,000		715,000

To calculate annual depreciation for 2021 and accumulated depreciation as of 12/31/2021

56

# Library Materials – Example 1

## Governmental Activities - Accumulated Depreciation

Government or Enterprise	Beginning Balance as of January 1, 2021	Additions	Reductions	Ending Balance as of December 31, 2021
Infrastructure	<i>Required</i>	<i>Required</i>	<i>Required</i>	\$0.00
Buildings	<i>Required</i>	<i>Required</i>	<i>Required</i>	\$0.00
Improvements Other Than Buildings	<i>Required</i>	<i>Required</i>	<i>Required</i>	\$0.00
Machinery, Equipment, and Vehicles	<i>Required</i>	<i>Required</i>	<i>Required</i>	\$0.00
Books and Other	\$770,000.00	\$220,000.00	\$275,000.00	\$715,000.00

Data Posted

To report additions and reductions to accumulated depreciation for 2021.

57

# Library Materials

Example 2



58



## Library Materials – Example 2

Assumptions for this example (*your library should make its own assumptions to calculate Depreciation*):

- Estimated useful life of library materials is 5 years.
- Annual Depreciation = Historical Cost / Estimated Useful Life
- Accumulated Depreciation = Annual Depreciation x Years in Service (up to 5 years)
- Assets are removed based on historical cost of items removed in the year of removal or an estimated per unit cost

	Amount spent on library materials	Estimated Useful Life	Annual Depreciation	Years in Service	Dec. 31, 2021 Accumulated Depreciation
2020	100,000	5	20,000	1	20,000
2019	75,000	5	15,000	2	30,000
2018	200,000	5	40,000	3	120,000
2017	150,000	5	30,000	4	120,000
2016	200,000	5	40,000	5	200,000
Prior	525,000			fully dep	525,000
	1,250,000				1,015,000

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## Library Materials – Example 2

### Governmental Activities - Depreciable Assets

Government or Enterprise	Beginning Balance as of January 1, 2021	Additions	Reductions	Ending Balance as of December 31, 2021
Infrastructure	Required	Required	Required	\$0.00
Buildings	Required	Required	Required	\$0.00
Improvements Other Than Buildings	Required	Required	Required	\$0.00
Machinery, Equipment, and Vehicles	Required	Required	Required	\$0.00
Books and Other	\$1,250,000.00	Required	Required	\$1,250,000.00

### Governmental Activities - Accumulated Depreciation



Government or Enterprise	Beginning Balance as of January 1, 2021	Additions	Reductions	Ending Balance as of December 31, 2021
Infrastructure	Required	Required	Required	\$0.00
Buildings	Required	Required	Required	\$0.00
Improvements Other Than Buildings	Required	Required	Required	\$0.00
Machinery, Equipment, and Vehicles	Required	Required	Required	\$0.00
Books and Other	\$1,015,000.00	Required	Required	\$1,015,000.00


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## Library Materials - Example 2

Assumptions for this example (*your library should make its own assumptions to calculate Depreciation*):

- Estimated useful life of library materials is 5 years.
- Annual Depreciation = Historical Cost / Estimated Useful Life
- Accumulated Depreciation = Annual Depreciation x Years in Service (up to 5 years)
- Assets are removed based on historical cost of items removed in the year of removal or an estimated per unit cost

	Amount spent	Estimated	Annual	Years in	Dec. 31, 2021	
	on library	Useful	Depreciation	Service	Accumulated	
	materials	Life			Depreciation	
	2021	125,000	5	25,000	1	25,000
	2020	100,000	5	20,000	2	40,000
	2019	75,000	5	15,000	3	45,000
	2018	200,000	5	40,000	4	160,000
	2017	150,000	5	30,000	5	150,000
	2016	200,000			fully dep	200,000
	Prior	525,000			fully dep	525,000
	2021 Reductions	(25,000)				(25,000)
		1,350,000		130,000	15	1,120,000



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### Governmental Activities - Depreciable Assets

Government or Enterprise	Beginning Balance as of January 1, 2021	Additions	Reductions	Ending Balance as of December 31, 2021
Infrastructure	Required	Required	Required	\$0.00
Buildings	Required	Required	Required	\$0.00
Improvements Other Than Buildings	Required	Required	Required	\$0.00
Machinery, Equipment, and Vehicles	Required	Required	Required	\$0.00
Books and Other	\$1,250,000.00	\$125,000.00	\$25,000.00	\$1,350,000.00

### Governmental Activities - Accumulated Depreciation

Government or Enterprise	Beginning Balance as of January 1, 2021	Additions	Reductions	Ending Balance as of December 31, 2021
Infrastructure	Required	Required	Required	\$0.00
Buildings	Required	Required	Required	\$0.00
Improvements Other Than Buildings	Required	Required	Required	\$0.00
Machinery, Equipment, and Vehicles	Required	Required	Required	\$0.00
Books and Other	\$1,015,000.00	\$130,000.00	\$25,000.00	\$1,120,000.00

Data Posted

62

## Gateway Capital Asset schedule

- Confirm AFR beginning balance agrees to Capital Asset Ledger
- Post additions and reductions from Capital Asset Ledger for 2021
- Confirm AFR ending balance agrees to Capital Asset ledger
- Calculate Accumulated Depreciation as of January 1, 2020
- Calculate annual depreciation for 2021

63

Questions Submitted  
for Today!

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64

- Currently our book purchases are all separate line items in the Fixed asset listing. In other words every time we purchase books it is a line item. Is it acceptable to record them to an expense account during the year and then reclassify them as one fixed asset at the end of the year?
- *SBOA would not have any audit issues with doing so, provided supporting documentation was available for review during an audit.*

65

We pay our bills on the cash basis and not the accrual basis. Do we need to track the capital assets and depreciation or does it only matter for libraries who use the accrual method of accounting.

I believe the depreciation of assets is for everyone , but my finance manager believes its only for libraries who need to do GAAP Reporting. Who needs to do the depreciation?

- *All units must keep track of capital assets and depreciation per the prescribed accounting system*

66

Our 1902 Original Building and Land are listed as one item with the Asset Cost listed as \$3,400. The original building was razed in 1980. How do I properly record the disposal of the Building, but not the Land in the Capital Assets Ledger? Should the asset cost be changed?

- *Since the value of the land and building were not listed separately, you will need to estimate the historical cost amount attributable to the building and remove it from the capital asset listing. The estimated historical cost of the land will remain on the capital asset ledger if it is still owned by the library.*

67

We have two buildings that were renovated in the 2000's, however the renovation costs were not recorded. Should we do our best to locate the expenses for the renovations and enter them into the Capital Assets Ledger? If so, would the Asset Type be Buildings?

- *It depends on what the renovations were. In general, the costs of renovations would be included on the capital asset ledger if the renovation increased the capacity of the asset or the life of the asset. For example, if the library added a new children's wing that increased the size of the library, that would be put on the capital asset ledger. If the library recarpeted and painted the inside of the building, that would not be included on the capital asset ledger.*

68

Are we required to depreciate our collection or can we just add and reduce accordingly each year if our Capital Assets Policy indicates that we will only record additions and reductions to the collection?

- *According to the prescribed enhanced regulatory update, you are required to depreciate the library collection. The most common method for depreciating a library collection is the composite method.*

69

Our Books & Other category includes artwork. Is this the proper place for artwork?

Is there another category that artwork can be moved to? It would be easier to have just books and other library materials in that category.

- *Artwork is to be shown in the column for Books and Other on the Annual Financial Report.*
- *We would not take audit exception if your records track artwork separately as long as the amount is included in Books and Other on the AFR.*

Some artwork appreciates others may depreciate. Are we required to report on appreciation or depreciation of artwork? If so, does that mean we need to have it appraised yearly?

- *No, you are not required to have it appraised annually. It will be shown at historical cost (or fair market value at the time of donation if donated) on the capital asset ledger. Artwork is a non-depreciable asset so you will not be required to depreciate those items.*

70

Our Capital Assets Software requires a Fund to be listed – is that the Fund the item was paid from? What if the items were donated or so old we don't know which fund?

- *Yes, the fund would normally be the fund that incurred the cost. If the asset was donated you should note that the asset was donated.*

71

Are we required to report the Current Value and Replacement Costs of items each year?

- *No, items should be reported at historical cost for financial reporting purposes.*

72



We have an upcoming renovation/remodel, would those costs be recorded in the Capital Assets Ledger as Construction in Progress? When the Construction is Completed - do we change it from Construction in Progress to Buildings?

- *In general, the costs of renovations would be included on the capital asset ledger if the renovation increased the capacity of the asset or the life of the asset. For example, if the library added a new children's wing that increased the size of the library, that would be put on the capital asset ledger. If the library recarpeted and painted the inside of the building, that would not be included on the capital asset ledger.*
- *If the costs are included in the capital asset ledger, they will be put in the construction in progress column until construction is completed. Upon completion, the costs should be recorded in the proper column, for example buildings.*

73

Our capital assets software adds items to when we make a payment over the threshold for a project. If we have several payments to different vendors, but they are made in the same year and for the same project, can we combine them into one entry in the Capital Assets Ledger?

- *You can enter the total of the payments for one project in the capital asset ledger.*

74

Is it recommended to hire someone to perform a Fixed Asset Appraisal for us as we have no idea what the current value or replacement costs might be?

- *This would be a decision for the library board. Historical costs are recorded on the capital asset ledger, not the current value or replacement cost.*

75

- We are in the process of doing an inventory of our capital assets for the first time in several years and are finding that there are several items that are on our capital asset ledger but that we no longer have. These items were not disposed of this year. Do we record these items as disposals this year or do we adjust our beginning balance of capital assets?

- *Record them as disposals in 2021. Keep good documentation of the information and amounts in case questions arise during the next audit.*

76

- We are also in the process of writing a more comprehensive capital asset policy. If there are items on our current capital asset ledger such as a repair that would no longer be considered a capital asset under the new policy or an asset that would not be capitalized under the new policy's threshold, do we remove those items from the capital asset ledger or leave them on there? If we remove them, do we record them as disposals this year or adjust the beginning balance?
- *Record them as disposals in 2021. Keep good documentation of the information, amounts, and your new capital asset policy for our examination during the next audit.*

77

- If we find assets acquired in previous years that we feel would meet our capitalization threshold but they are not on our capital asset ledger, do we record them as additions this year or adjust the beginning balance?
- *Record them as additions to capital assets in 2021. Keep good documentation of the information and amounts in case questions arise during the next audit.*

78

Once an asset is disposed of, do we have to keep it on our capital asset ledger?

- *No, once an asset is disposed of it should be removed from the capital asset ledger. The accumulated depreciation associated with the asset would also be shown as a reduction in the year of disposal (unless a different assumption exists under the composite method of depreciation for library materials).*

79

We have been working on our Capital Assets Policy. We nearly have a draft ready to present to our library board for adoption. My plan is to take a draft to the board at their December meeting after next week's SBoA training. Is there any reason why I would want to get this policy adopted before November 30? I have a draft that I could take to our board meeting on Monday, but I would rather wait until December. I know of some other library Directors in the same boat so thought I would reach out for some guidance. Thank you so much!

- *There is no requirement for the capital asset policy to be adopted before November 30.*

80

Our library received 810 books from a benefactor who buys them specifically for our library. This has been extremely helpful because the library itself was not able to spend much at all. We are operating on a restricted 2021 budget due to our former bookkeeper failing to submit the required budget forms in Gateway in 2020.

- How do I address this as far as depreciation of our collection is concerned? The books have value, but were not purchased by us.

- *Assuming the books were donated to the library in 2021, you would record them at the value at the time of donation. If that information isn't available, SBOA wouldn't have any issues with determining a reasonable value based on what it might cost to replace the currently if such determination was documented (because it was donated currently, using the CPI multipliers would not be applicable). Then you could depreciate as previously discussed.*

81

Our library software gives us a value of the collection. We can get an actual value for each year. Is there a way to use that?

- *If your software provides historical cost information for library materials purchased during the year, you can use that figure on the capital asset ledger and in the calculation of depreciation.*

82

Those of us with 100 year old Carnegie buildings are going to have an interesting time with this.

- *Please see the June 2020 Library Bulletin for information on how to estimate the historical cost of a library building.*

83

If I had my building appraised a few years ago. Can I use that number for that year and depreciate from there going forward? It's the most solid number I have.

- *We would not take audit exception to the use of a recent appraisal to obtain the fair market value of the building. You would need to apply the factor from the consumer price index table to the fair market value to arrive at an estimated historical cost for the building. You would then calculate annual and accumulated depreciation based on the estimated useful life of the building.*

84

What is the overall purpose of depreciation?

- *The purpose of depreciation is to allocate the cost of an asset over the useful life of the asset.*

85

Because sq. footage costs typically rise over time, why are we depreciating buildings? This doesn't seem consistent with real estate.

- *Depreciation is an allocation of costs of the estimated useful life of an asset for financial reporting purposes.*

86

Does it matter at all that we might still have items in our collection that are completely depreciated since we don't necessarily want to delete after a set number of years?

- *You can continue to include fully depreciated items in the capital asset ledger until the items are disposed of.*

87

- Our oldest building opened in 1904, has been renovated. I do not know if I have the original cost. I assume we do not add to the building the changes/improvements? I would think the building is fully depreciated. Does this mean the value we had been listing for capital assets is then no longer included?

- *No, you would continue to show the value you have on your capital asset records for the building even if it's been fully depreciated. Fully depreciated assets stay on your capital asset records until they are disposed of.*

88



- Why not depreciate the art?
- *Art has an indefinite useful life. The purpose of depreciation is to allocate the cost of an asset of its useful life.*

89

- The problem is there are going to be huge adjustments on the ending 2020 balances for depreciation.
- *We anticipate the capital asset records and accumulated depreciation will show varying degrees of changes based on the implementation of these reporting procedures. Please keep all supporting documentation for any amounts reported on the Annual Financial Report in your audit files for review during the next audit.*

90

## Contact Information

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