Fixed Assets Library Accounting

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POLICY

.100 POLICY STATEMENT

The following policy provides for the consistent accounting of general and special library collections.
.110 POLICY RATIONALE

Criteria used in developing accounting policies for general and special library collections include:

- GASB Statements, especially GASB No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments
- NACUBO Financial Accounting and Reporting Manual (FARM)
- OMB Circular A-21 Cost Principles for Educational Institutions
- OMB Circular A-110 Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations
- State of Oregon, Department of Administrative Services (DAS) State Accounting Manual [OUS is not required to follow the DAS State Accounting Manual; however, we use the State Accounting Manual as a reference in developing OUS fixed assets accounting policies.]

.120 AUTHORITY

- ORS 351.085 - Duties and Powers of Chancellor
- ORS 351.090 - Standardization of Accounts and Records; Preparation of Budget; Allocation of Funds
- OAR 580-040-0005 - Delegation and Assignment of Responsibility
- IMD 6.001 - Assignment of Responsibility

.130 APPROVAL AND EFFECTIVE DATE OF POLICY

This policy was approved by the Controller on October 29, 2003, with an effective date of November 1, 2003.

.140 KNOWLEDGE OF THIS POLICY

All institutional Business Office and Chancellor's Office personnel with library asset accounting responsibilities should be knowledgeable of this policy.

.150 DEFINITIONS

General Collections - Library general collections are library holdings of an institutional library (not departmental reference library) that are exhaustible by nature and have a useful life greater than one year. General collections include general books, periodicals, reference materials, microfilm, maps, manuscripts, etc.

Special Collections - Library special collections are library holdings of an institutional library (not departmental reference library) normally considered inexhaustible and
accounted for like works of art and historical treasures. They are not easily replaced and meet the following conditions:

- Held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
- Subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.
- Protected, kept unencumbered, cared for, and preserved.

For additional definitions applicable to accounting for fixed assets refer to OUS fiscal policy 55.100 - Fixed Assets Accounting Policies, Appendix .790.

.160 RESPONSIBILITIES

University and OUS Controller's Division responsibilities for capital assets include the following:

13. UNIVERSITY RESPONSIBILITIES:
- Establishing annual replacement unit values by Inter-Institutional Library Council (used for annual library valuation reporting purposes).
- Recording capital asset transactions in Banner Fixed Assets and Banner FIS, including
  - Acquisition, depreciation, and disposal of capital assets, as well as, corrections of capital asset records.
  - Completion of year end accounting procedures related to capital assets.
- Reconciling Banner Fixed Assets to Banner FIS.
- Maintaining supporting documentation for all transactions in Banner Fixed Assets and Banner FIS.
- Reconciling university supplemental databases to Banner Fixed Assets.
- Providing property control over capital assets, which involves conducting periodic capital asset physical inventory counts and making adjustments to Banner Fixed Assets as appropriate.
- Providing certifications, if requested by the Controller's Division, that capital asset accounting functions have been completed.

14. CONTROLLER'S DIVISION RESPONSIBILITIES:
- Developing accounting policies pertaining to capital assets.
- Maintaining and updating Banner Fixed Assets validation tables.
- Preparing capital asset sections of annual financial statements.

.170 POLICY PROVISIONS

- Library collections are divided into depreciable "General" collections and non-depreciable "Special" collections.
All library collections must be recorded in the Banner Fixed Assets subsidiary system and be capitalized in the General Ledger.

Accounting for annual library additions and deductions (withdrawals) occurs at the end of the fiscal year as part of the year-end closing procedures.

Additions are comprised of purchases and donations. Purchases are valued at cost at time of acquisition. Donations are valued at fair market value (FMV) at time of donation. The FMV of donated additions must also be recognized as revenue in the year of donation.

Deductions are valued at historical cost of items withdrawn from the collections. The historical cost of withdrawals and associated calculated accumulated depreciation are used to reduce the total cost and accumulated depreciation values of associated library holding records at fiscal year end.

Library general collections are depreciated using a ten year useful life based on year of acquisition. Depreciation is calculated under the straight-line method using a zero salvage value. The depreciation start date is January 1st of the fiscal year in which acquired thus achieving a half year first year option. Depreciation is recorded monthly subsequent to the initial half year first year option processed at fiscal year end.

Note: If the historical cost or FMV at time of donation of library collection holdings is unavailable, a recognized appraisal should be obtained. (Though recognized appraisals are preferred, estimated FMV is acceptable if cost of obtaining recognized appraisals is prohibitive. Method of estimating FMV should be documented and maintained at the institution.)

.180 REQUIRED DOCUMENTATION (GENERAL AND SPECIAL COLLECTIONS)

22. DOCUMENT AND RETAIN AT THE INSTITUTION
   - Copy of the annual library valuation reports for both general and special library collections (see Appendix .710 for sample Annual Library Valuation report formats.)
   - Documentation supporting adjustments to the General Ledger library values and Fixed Asset subsidiary library collection records.
   - Description of method(s) used to determine average age and historical cost of library withdrawals. (Basic premise is to value withdrawals at the historical cost of the volumes withdrawn. This can be approximated based on an averaged age of withdrawn volumes at time of withdrawal, valued back in time using a general index value per volume, times the number of volumes withdrawn. Any rational valuation method that approximates an historical cost should be acceptable.)
   - Documentation supporting valuation of special collections. Ideal presentation would include identification of collection, year acquired (or addition to), valuation, indication if valuation is from historical cost, appraisal at time of donation, donor reported value, or other (can not be current market unless derived by recognized appraisal).
23. DOCUMENTATION TO BE FORWARDED TO THE CONTROLLER'S DIVISION

- Copy of the annual library valuation reports for both general and special library collections. (see Appendix .710 for sample Annual Library Valuation report formats.

.690 CONTACT INFORMATION

Direct questions about this policy to the following offices:

<table>
<thead>
<tr>
<th>Subject</th>
<th>Contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>General questions from institutional personnel</td>
<td>Institution Office of Business Affairs</td>
</tr>
<tr>
<td>General questions from institutional central administration and Chancellor's Office personnel</td>
<td>Chancellor's Office Controller's Division</td>
</tr>
</tbody>
</table>

.695 HISTORY

10/30/03 Reformatted
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APPENDIX

.700 DETAILED ACCOUNTING PROCEDURES FOR GENERAL AND SPECIAL COLLECTIONS

For fixed asset accounting purposes, university libraries are separated into general collections and special collections. Accounting procedures for general collections vs. special collections differ and will be presented separately. The differing accounting treatment is primarily due to the additional record keeping required for general collections as a result of depreciation.

24. GENERAL COLLECTIONS
(Library adjustments are to be performed annually after June depreciation is posted and before July depreciation is executed. After all fixed asset adjustments for the fiscal year are performed, a final depreciation run is to be executed using a June depreciation date and posted to period 14 to account for year end additions.)

Additions

Although the unit price of a typical general collection volume is less than the OUS capitalization threshold, the total cost of the entire general collection far exceeds the threshold. Therefore, all additions to library general collections are capitalized regardless of amount and depreciated over ten years in the Net Investment In Plant fund 890000. For practical purposes, Banner Fixed Assets is not to be used to separately track the acquisition, depreciation, and disposal of each library book. Instead, Banner Fixed Assets has one fixed asset record for each year's acquisitions for the general collection. (For the GASB 35 conversion, effective June 30, 2001, eleven asset records were established for the general collection: FY1991 and earlier, FY1992, FY1993, FY1994, FY1995, FY1996, FY1997, FY1998, FY1999, FY2000, and FY2001.) The sum of the general library asset records' adjusted cost is to reflect the total historical cost of the general library collection on hand (net of withdrawals) at the end of a fiscal year. The sum of the general library asset records' accumulated depreciation is to reflect the total accumulated depreciation of the general collection on hand (net of withdrawals) at the end of the fiscal year.

At the end of each fiscal year, a new general collection record is to be added to the Banner Fixed Assets system using the 'New Tag, Non-Procurement' action type and asset type NL 'NonExp-Library Books and Periodicals' in the Fixed Asset Master Maintenance form (FFAMAST) reflecting the fiscal year's acquisitions. The value of the additions is to be obtained from the 'General Collection Historical Cost' section of the 'Annual Library Valuation Report' and includes values for expenditures recorded using account code 40190 'Library Purchases' (across fund types) as well as FMV of in-kind gifts (see Appendix .711).

The new library record is then to be capitalized on the General Ledger to the fiscal year just ending, using the Banner Fixed Assets 'Ptag capitalization' (SCAP) function of the Fixed Asset Adjustment form (FFAADJF). The resulting capitalization entry debits the asset account A8042 'Library Books (General)' and credits the equity account E1001 'NIP Change in Fixed Assets'.

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After the capitalization is performed, the depreciation information is then to be established for the record using the Banner Fixed Assets Fixed Asset Depreciation form (FFADEPR). The depreciation method should be straight-line, the salvage value should equal zero and the useful life set to ten years. The depreciation start date is to be set to January first of the fiscal year being reported on the valuation report. Therefore when depreciation is run at the end of the fiscal year, 6 months of depreciation is calculated and posted to period 14 thus resulting in a half year first year depreciation option. For example, if there are additions in Fiscal year 03, a new record is created in July using a January 1, 2003 depreciation start date. (With the exception of disposals/withdrawals, after 10 years from the depreciation start date, the total accumulated depreciation of a general collection record will agree to the total cost of the volumes acquired 10 years earlier, leaving a zero net book value.)

Revenue recognition of donations - Revenue is to be recognized for library general collection donations received during the fiscal year and is to be recorded against the Net Investment In Plant fund 890000. A journal entry is to be recorded at fiscal year end after the associated capitalization has occurred. The journal entry should credit the appropriate revenue account in the 036xx account series and debit the equity account E1001 'NIP Change In Fixed Assets' in fund 890000. (The debit to the equity account offsets the donation portion of the equity credit that occurs during the capitalization of additions.)

Deductions

Volumes are removed from the general collection periodically based on institutional library policy. Volumes that are withdrawn during the fiscal year are to be aged and valued at their historical cost, associated accumulated depreciation is to be determined, and the total general collection values adjusted accordingly at the end of the fiscal year. Accounting treatment for withdrawals of fully depreciated and partially depreciated deductions is essentially the same however the required Banner Fixed Assets maintenance differ slightly:

Deductions of fully depreciated withdrawals -- Institutional library withdrawal policy generally indicates that the age of withdrawn volumes exceed ten years. Therefore withdrawals are usually related to volumes that are fully depreciated. For fully depreciated withdrawals, the Banner Fixed Assets subsidiary record values and the General Ledger values must be reduced by the historical cost of the volumes withdrawn. This is achieved by use of the Banner Fixed Assets GL Change-Cap Amount/Account (GLCE) function (sometimes in conjunction with the Write Off (WOFF) function) of the Fixed Asset Adjustment form.
For example, if in a fiscal year, the library had general collection withdrawals of $200,000, the year end accounting entry would be to reduce both the fixed asset adjusted cost and accumulated depreciation of the oldest library record by $200,000 using a Fixed Asset GLCE adjustment. This presumes that the oldest library record still contains greater than $200,000 in asset cost and accumulated depreciation. If not, the oldest tag should be disposed of using the fixed asset Write Off (WOFF) function adjustment and the residual amount of the entry would be made to the next oldest record using the GLCE function, etc. until the total amount of the withdrawals have been applied.

Deductions of partially depreciated withdrawals - In some instances, a university might identify disposals that are less than ten years old based on original year of acquisition. Recording of disposals of volumes that are not fully depreciated (less than ten years old) are to be accounted for in the same manner as withdrawals of fully depreciated volumes with the exception that the fixed asset GLCE adjustment be performed against the corresponding fiscal year's library record. The total adjusted cost is to be reduced by the historical cost of the volumes withdrawn and the accumulated depreciation is to be reduced by the amount of accumulated depreciation associated with the withdrawn items. For example, if in FY2003, the university disposes of $100,000 of library books that were originally acquired in FY1998, the Banner Fixed Assets GLCE adjustment would be processed against the FY1998 record reducing the total adjusted cost by $100,000 and accumulated depreciation by $55,000 (Historical Cost/useful life X age, $100,000/10 X 5.5 (Jan 01, 1998 - Jun 30, 2003)).

Insurance, replacement values

Insurance and replacement values are to be adjusted annually based on the 'General Collection Replacement Cost' section of the 'Annual Library Valuation Report'. The replacement values are established each year by the Inter-Institutional Library Council. These values are to be adjusted at fiscal year end only after the FWRFAAX 'Fixed Assets - Inflation Factor' program has run and after all other library general collection adjustments have been performed.

The insurance and replacement values of each library general collection fixed asset tag is to be set to the prorated value of the total general collection replacement cost per the annual library valuation report. The proration is to be based on total adjusted cost of all the general collection records. The update is performed via the Banner Fixed Assets 'Permanent
Tag - Update Asset' action in the Fixed Asset Master maintenance form (FFAMAST). For example, if in FY '03 the total general collection replacement cost per the annual valuation report is $10,000,000 and the sum of the total adjusted cost of all library general collection records is $8,000,000, the insurance and replacement values of each individual general collection record should be set to 125% of the individual records adjusted cost. The formula is: individual record's insurance & replacement cost = (individual records adjusted cost / sum of all general collection record's adjusted cost) X total replacement cost. Restated it is: Individual record's insurance & replacement cost = individual records adjusted cost X (total replacement cost / sum of all general collection record's adjusted cost). In the example, individual records adjusted cost X ($10,000,000 / $8,000,000) or 1.25 or 125% of the individual records adjusted cost.

See Appendix .711B

25. SPECIAL COLLECTIONS

Additions

Although the unit price of a special collection volume may be less than the OUS capitalization threshold, the total cost of the entire special collection far exceeds the threshold. Therefore, all additions to library special collections are capitalized regardless of amount in the Net Investment In Plant fund 890000. For practical purposes, Banner Fixed Assets is not to be used to separately track the acquisition, and disposal of each special collection volume. Instead, Banner Fixed Assets has one fixed asset record for each special collection, or group of special collections. It is generally desirable (but not required) to have a separate record for each separately identifiable special collection. The sum of the library special collection asset records' adjusted cost is to reflect the total historical cost of the library special collections on hand (net of withdrawals) at the end of a fiscal year. (Library special collections do not depreciate.)

At the end of each fiscal year, any additions to library special collections need to be accounted for in the Banner Fixed Assets system and the General Ledger. The value of the additions is to be obtained from the 'Special Collection Historical Cost' section of the 'Annual Library Valuation Report' and includes values for expenditures recorded using account code 40190 'Library Purchases' (across fund types) as well as FMV of in-kind gifts (see Appendix .712).
Additions to existing special collections are processed against the existing special collection records using a Banner Fixed Assets write up (WRIT) function of the Fixed Asset Adjustment form (FFAADJF). Additions of new special collections may be added in the same manner to existing special collection records via a write up or may be added to Banner Fixed Assets as separate records. Additions of new special collections added as separate records are to be created using the 'New Tag, Non-Procurement' action type and asset type NA 'NonExp-Art/Exceptional' in the Fixed Asset Master Maintenance form (FFAMAST).

New special collection records are then to be capitalized on the General Ledger to the fiscal year just ending, using the Banner Fixed Assets 'Ptag capitalization' (SCAP) function of the Fixed Asset Adjustment form (FFAADJF). The resulting capitalization entry debits the asset account A8033 'Library Special Collections' and credits the equity account E1001 'NIP Change in Fixed Assets'.

**Revenue recognition of donations**- Revenue is to be recognized for library special collection donations received during the fiscal year and is to be recorded against the Net Investment In Plant fund 890000. A journal entry is to be recorded at fiscal year end after the associated capitalization has occurred. The journal entry should credit the appropriate revenue account in the 036xx account series and debit the equity account E1001 'NIP Change In Fixed Assets' in fund 890000. (The debit to the equity account offsets the donation portion of the equity credit that occurs during the capitalization of additions.)

**Deductions**

Volumes are removed from the special collection periodically based on institutional library policy. Volumes that are withdrawn during the fiscal year are to be aged and valued at their historical cost and the total special collection values adjusted accordingly at the end of the fiscal year. For example, if in a fiscal year the library had withdrawals of $150,000 worth of special collection volumes, the year end accounting entry would be to reduce the fixed asset adjusted cost of the associated library special collection record(s) by $150,000 using a Fixed Asset write down (WRIT) adjustment.

**Insurance, replacement values**

Insurance and replacement values are to be adjusted annually based on the 'Special Collection Replacement Cost' section of the 'Annual Library Valuation Report'. The replacement values are established each year by the Inter-Institutional Library Council. These values are to be adjusted at fiscal year end.
only after the FWRFAAX 'Fixed Assets - Inflation Factor' program has run and after all other library special collection adjustments have been performed.

The insurance and replacement values of each library special collection fixed asset tag is to be set to the prorated value of the total special collections replacement cost per the annual library valuation report. The proration is to be based on total adjusted cost of the special collection records. The update is performed via the Banner Fixed Assets 'Permanent Tag - Update Asset' action in the Fixed Asset Master maintenance form (FFAMAST). For example, if in FY '03 the total special collection replacement cost per the annual valuation report is $10,000,000 and the sum of the total adjusted cost of all library special collection records is $8,000,000, the insurance and replacement values of each individual special collection record should be set to 125% of the individual records adjusted cost. The formula is: individual record's insurance & replacement cost = (individual records adjusted cost / sum of all special collection record's adjusted cost) X total replacement cost. Restated it is: Individual record's insurance & replacement cost = individual records adjusted cost X (total replacement cost / sum of all special collection record's adjusted cost). In the example, individual records adjusted cost X ($10,000,000 / $8,000,000) or 1.25 or 125% of the individual records adjusted cost.

See Appendix .712 B

.710 OUS LIBRARY VALUATION

- .711 GENERAL COLLECTIONS FORMS
  1. HISTORICAL COST (Excel document)
  2. REPLACEMENT COST (Excel document)
- .712 SPECIAL COLLECTIONS FORMS
  0. HISTORICAL COST (Excel document)
  1. REPLACEMENT COST (Excel document)

.995 HISTORY

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Appendix Last Updated: 10/30/03