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University of California GASB 35 Depreciation Reporting

Addendum B to Issues Resolution Memo No. 6

(Re-issued January 23, 2003)

Approach to Library Materials

This addendum provides further clarification to items previously discussed in Issues Resolution Memo (IRM) No. 6 and Addendum A to IRM No. 6.

Depreciation and Library Collections

As the requirements of IRM No. 6 have been defined and refined, campus librarians have voiced concerns regarding depreciating library materials and collections.

- According to GASB's Statement 34 Implementation Guide, "if library books are considered to have a useful life of greater than one year, they are capital assets and are depreciable." Depreciation does not impugn the value of University library collections, nor does it imply that collections decline in educational or research value. It is an accounting standard that is applied to assets for financial reporting purposes to allocate the costs of assets over a period of time. The same standard is applied to buildings and structures which typically appreciate, rather than depreciate over time.

Because annual University library expenditures are significant (over \$100 million in FY 1998-99), depreciation will provide a method of distributing the University's investment over an established period.

- Depreciation is used for financial reporting purposes only and is not linked to the replacements costs used by Risk Management.

Defining Rare Library Materials & Collections Costs

Within a library collection there are some materials and/or collections that are museum type in nature, where the item(s) itself is of value rather than the information it contains. Accounting rules have been established to segregate these rare or museum-type library materials and to treat them differently from general library collections (i.e., capitalize, but do not depreciate) because these materials materially increase in value and have incalculable lives.

Addendum A to IRM No. 6 required campuses to segregate rare or museum-type library materials and collections and reclassify the costs to a separate Plant Asset account (account group code 120520). At issue is the definition of “rare library materials and collections.” Below we present two approaches for developing a definition of rare library materials and collections:

- Define “rare library materials and collections” using the following criteria:
 - Materials and/or collections that are separately insured; or
 - Materials and/or collections that are preserved and protected (e.g., require special environmental conditions, special access, or special handling requirements); or
 - Materials and/or collections with an original acquisition cost of \$100,000 or more.

Reclassifying current rare library materials and collections should be limited to what is known and accessible.

- In consultation with University Librarians, form a task force to develop an uniform and operational feasible operational definition of “rare library materials and collections.” In addition, if needed, the task force will identify a rationale and/or rule to apportion current rare materials and collections from current general collections.

Next Steps

- OP will circulate this IRM to campus workgroups, as well as University Librarians.
- OP will meet with University Librarians at their August meeting to discuss the issues of IRM No. 6, including Addenda A and B.
- OP will finalize the definition of “rare library materials and collections” based on discussions with the University Librarians and the Director of Library Planning and Policy Development.