

This document reflects the result of analyses, discussions and review by UCOP staff and PricewaterhouseCoopers (PwC) to date. The document is subject to change pending additional discussions with PwC; however, it represents the best information available to date.

## **University of California GASB 35 Depreciation Reporting**

### **Addendum C to Issues Resolution Memo No. 6**

#### **Approach to Library Materials**

This addendum describes the procedures to segregate the capitalized library expenditures into two categories, “general” and “rare,” in accordance with the GASB Statements No. 34 and 35, and described in Issues Resolution Memo No. 6 and Addenda A and B. The distinction between these categories is needed since the “general” category will be depreciated, but the “rare” category will not be depreciated.

The Director of Library Planning and Policy Development and University Librarians developed the approach described in this addendum in consultation with the Office of Financial Management.

#### **Allocation of Library Collection Expenditures**

##### **Procedures for Fiscal Years Beginning 2000-2001**

- Each campus library will review its book fund accounts (by account and fund), and assign each to either the “general” or “rare” category, based on the professional assessment of the primary purpose of the fund.
- Campus libraries should use purchases by and/or for the Special Collections departments as a guide for classifying accounts as either “general” or “rare.”
- Once this initial classification is completed, it will be used annually to report collection expenditures in each category to the local campus accounting office. The classification will be subject to review by the campus Controller’s office and modified as book fund accounts are restructured, added, deleted, or the purpose of the fund is modified in a significant way.
- Each campus library will consult with its local accounting office to develop modified reporting procedures that are consistent with these guidelines. Campus libraries are not required to change current accounting structures or practices to accommodate these procedures.

- The acquisition and processing expenditures for academic and staff employees will continue to be reported to the local accounting office. These expenditures will be allocated to each category (general or rare) on a pro rata basis.

### **Procedures for Estimating the Accumulated Depreciation Balance as of June 30, 2000**

- In order to calculate the average apportionment of “general” and “rare” expenditures, campus libraries will use the annual procedures described above to allocate expenditures to the categories for each of the prior three to five years.
- The number of years to include in the analysis will depend on the following:
  - the library’s judgement about the amount of year-to-year variability in the balance of “general” and “rare” expenditures;
  - the ready availability of needed expenditure data for prior years; and
  - the stability of the library account structure over the period.
- The results of the analysis will be reported to the local campus accounting office and will be applied to library expenditures for fifteen years (FY 1985-86 through FY 1999-00) in order to estimate the balance of accumulated depreciation for the “general” and “rare” library categories.
- Campus accounting offices should complete the attached worksheet (Attachment 1) using the information provided by campus libraries. Completed worksheets should be submitted to UCOP–Financial Management by January 15, 2001.

### **University Librarians Statement**

University Librarians requested that the following statement be included in this addendum to IRM No. 6 to recognize that depreciation is a convention to apportion cost, not a method of valuation:

*While depreciation of library collections may be necessary to conform to national accounting standards, this practice significantly understates the academic and institutional value of UC’s library collections. A library collection is a permanently preserved and growing asset. A collection does not depreciate over time but becomes, if anything, more valuable. Library materials of enduring value are preserved and conserved (at considerable expense), and ongoing investments in improved bibliographic access to older materials further enhance the value of these collections. Thus the value of a collection is in the aggregate, and greater than the sum of the parts.*

*In addition, the proposed method of classifying collections as “Rare” or “General” is an estimate, adopted in the interest of expediency. These accounting categories do not necessarily correspond to distinctions in the characteristics of the University’s library collections. For example, not all materials purchased for Special Collections are “rare, museum-type materials,” and some materials purchased from “general”*

*accounts may be considered “rare” at the time of purchase, or may become so with the passage of time.*

### **Next Steps**

- Campus libraries will perform an analysis of prior years’ accounts to allocate expenditures to the “general” and “rare” categories and report the results to the local accounting office by December 31, 2000.
- Based on the results of the library analysis, local accounting offices will complete the allocation worksheet provided by UCOP using total library expenditures (from FY 1985-86 to FY 1999-00). The worksheet should be provided to OP Financial Management by January 15, 2001.
- OP will finalize the useful life for general library collections based on developing industry standards (15 years is the current placeholder).
- OP will update the UC Accounting Manual to include the procedures described in this addendum.

**IRM No. 6, Addendum C--Approach to Library Materials  
Attachment 1**

**Sixteen Year Historical Analysis of Library and Collections (101888)**

Campus:

	Library Materials/Collections	Library Rare Books	Other Collections (Art/Museum Collections)	Total (agrees to a/c 101888)
1984-85				-
1985-86				-
1986-87				-
1987-88				-
1988-89				-
1989-90				-
1990-91				-
1991-92				-
1992-93				-
1993-94				-
1994-95				-
1995-96				-
1996-97				-
1997-98				-
1998-99				-
1999-00				-