POSITION PAPER: REPORTING DEPRECIATION ON LIBRARY ASSETS

Problem: Tennessee Board of Regents (TBR) capitalizes library resources. Effective with GASB 35 implementation, all capitalized assets must be depreciated in accordance with GASB 34 paragraphs 21, 116 and 117.

Issues: As a basis for developing a policy on depreciation of library assets, the TBR subcommittee for implementation of GASB 35 has reviewed policies in other states, discussed this issue with other college and university business personnel, and held discussions with the Directors of Library services at TBR institutions. Numerous acceptable options have been identified. Some institutions have elected to consider library resources an inexhaustible asset and, therefore, not depreciate these assets. Other institutions continue to capitalize library resources and use an acceptable method of depreciation and service life to expense the asset over its usefulness. In all cases the service life selected reflects the respective institution’s experience as to the usefulness of the library assets or the mandate by the higher education commission of that state. Some institutions have elected to depreciate current library assets but expense all future purchases since library books individually are less than the minimum level established for capitalizing individual assets.

Considering library books an inexhaustible asset brings up other issues such as how colleges and universities write down impaired values or write off lost or stolen library resources. Expensing library resources when they are initially purchased results in removing from the balance sheet a large dollar asset that has value to the institution for an extended number of years. Selecting to capitalize at historical cost and depreciate library assets over their useful life is in accordance with the accrual basis of accounting and economic resource measurement focus mandated by GASB 35.

A ten-year average life for library assets is realistic based on the academic requirements at many schools. For example, most doctoral dissertation committees require students to justify using references that are more than 7 to 10 years old. Library directors regularly review holdings that are 10 or more years old and consider these resources for weeding from the collection. Information explosion resulting from technologic advances has made vast amounts of knowledge available and users must regularly evaluate any information dated by more than 5 or 10 years for relevance. It is not feasible to separate library holdings into categories of classics that are not dated knowledge and other holdings that are out-of-date within one year of their publication. A ten-year average life considers both ends of the spectrum.

Recommendation: Tennessee Board of Regents institutions will capitalize library assets at their historical cost. With implementation of GASB 35, the value of library assets shown on the financial statements will be adjusted to cost for the latest ten-year time period. Future acquisitions will be recorded at cost. Library assets will be depreciated using a straight-line method over the estimated useful life of the asset. Once fully depreciated, the asset and related accumulated depreciation will be removed from the accounting records. Items lost or stolen will not be removed individually due to
materiality. All library holdings will be considered a collection and recorded and
depreciated as one composite asset. Ten-year life has been selected as an average for all
TBR institutions; however, institutions will have the flexibility to adjust this estimation to
better reflect the experience of individual institutions. Any modifications to the
estimated life will be unique to the institution and must be documented by the respective
institution. Documentation will be verifiable for audit purposes.

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