

FP-A01	TANGIBLE CAPITAL ASSETS SCHEDULE		
APPROVED	19 January 2022	EFFECTIVE	2009
AMENDED	2016, 2021	NEXT REVIEW	2026

1. PURPOSE

To set out formulae that will be used to determine the average depreciation rates for different types of capital assets held by the Library.

2. SCOPE

This schedule is applied by the auditors to determine the amortized value of the Library's capital assets.

3. DEFINITIONS

Amortization - The cost of an asset is spread over a number of periods instead of being expensed all at once.

Capitalization - The cost of an item is recorded as an asset rather than an expense because it has a useful life longer than one year.

Straight-Line Method of Amortization - The asset is depreciated by dividing the depreciable base (acquisitions cost - residual value) by the number of years in the estimated life. This determines each year's depreciation expense.

Useful Life - The estimated lifespan of an asset during which it is expected to contribute to the Library's operations.

4. COLLECTIONS MATERIAL

a. The Library's collections comprise of all material purchased by the Library that is made available for public use, including lending the material unless specified for in-library use.

b. Different types of material have different average useful lives. Thus, collections are divided into three material categories which shall be capitalized at different periods.

i. Serial & Digital Resource Subscriptions

- ◆ Since the average useful life of serials is less than 24 months, the costs associated with these subscriptions are expensed annually in their entirety.
- ◆ Digital resource subscriptions become inaccessible when the subscription is not renewed. Therefore, these costs are expensed annually.

ii. Audio-Visual Material

- ◆ As audio-visual material has a greater susceptibility to damage due to regular usage it tends to have a shorter useful life than print material. Thus, the cost of an audio-visual item is amortized over a three-year period.

iii. Print Material

- ◆ All print material, including hardcover, trade paperback and mass paperback items, will be amortized over a period of ten years.

iv. The straight-line method is used for all amortization calculations. This method is selected by virtue of its simplicity and transparency to readers.

v. All collections have a residual value of \$0 at the end of their useful life.

vi. For simplicity, a full year of amortization is recognized in the year of acquisition.

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- vii. The cost of processing materials for addition to the Library’s collections is not capitalized. This decision is based on materiality and cost-benefit constraints.
- viii. Material donated to the Library is treated in the same manner as purchased material. Prices for this material is determined using the following sources, listed in order of preference: by the cover price on the item, fair market value found using standard information sources or a standard value based on material type set by the Library.
- ix. No adjustment will be made for items discarded prior to their full amortization period. Allowance for such dispositions is built into the useful life period of the entire collection.

c. Capitalization Periods

Material Type	Useful Life	Capitalization Schedule
Serial and Digital Resource Subscriptions <i>(magazines, newspapers, standing orders, databases, digital collections)</i>	12 months	Expensed annually
Audio-Visual Material <i>(kits, compact discs, digital video discs)</i>	3 years	Straight-line amortization over 3 years, no residual value
Print Material <i>(paperbacks, trade paperbacks, hardcovers)</i>	10 years	Straight-line amortization over 10 years, no residual value

d. Amortization Rate

Print Material	Annual Amortization Amount = $\frac{\text{Total Cost}}{10 \text{ years}}$
Audio-Visual Material	Annual Amortization Amount = $\frac{\text{Total Cost}}{3 \text{ years}}$

5. FURNISHINGS & EQUIPMENT

- a. All furnishings and equipment owned by the Library shall be amortized in the same manner as Tangible Capital Asset schedule used by the City of Cranbrook for comparable material.

RELATED POLICIES

FP-01 Financial Controls