

## **GASB Statement 34 – Draft Policy**

**SUBJECT:** GASB Statement 34 Policy

**DATE:** June 17, 2004

**BOARD APPROVED:** July 20, 2004

**PURPOSE:** The purpose of this policy is to establish a program that is consistent and complies with the requirements of GASB Statement 34 requirements.

- ? Assets with an initial or replacement cost of \$5000.00 or more will be considered GASB 34 assets and will need to comply with this policy.
- ? Assets with an initial or replacement cost between \$200 and \$4999 will be considered a general Fixed Asset.
- ? Nothing in this policy shall preclude an asset from being reported as both a GASB 34 and a Fixed Asset. It shall be incumbent on the Administrative Manager to maintain the departmental records and reporting to manage, account and properly report assets on a consistent basis.

**POLICY:** The Teton Conservation District Board of Supervisors recognizes a system needs to be established to physically and financially account for the assets of the Teton Conservation District. The system shall be capable of meeting the requirements of GASB 34 accounting practices and reporting the status of the District's assets and infrastructure.

**PROCEDURES:**

- ? All fixed assets will be identified and included in the Fixed Asset Management System.
- ? The Fixed Asset and GASB 34 Asset management will be used to account for all reportable assets within the District.
- ? Permanent changes of the physical location and disposition of fixed assets shall be consistent with proper accounting practices and in conformance with current District policy.
- ? At least every four years, more often if deemed necessary by the TCD Board of Supervisors, TCD shall compile a physical inventory of all GASB 34 assets of the District. The inventory shall be completed and reconciled in accordance with accepted practice.
- ? The TCD staff will be responsible for the safekeeping of assets and conduct a physical inventory annually, or shall maintain an ongoing inventory of assets that can be reported on an "as needed" basis.
- ? Care shall be taken to document methods and costs used in the various analysis so changes, corrections, additions, deletions, improvements, losses and depreciation of assets can be reproduced and justified

## **CLASSIFICATION & RECORDING:**

**Fixed Assets:** A fixed asset is any thing tangible in nature, of significant value, has a useful life of more than one year and is owned by the Teton Conservation District.

### **GASB Statement 34 Assets:**

**Infrastructure:** Defined as those fixed assets deemed immovable and typically only of value to the Teton Conservation District. Infrastructure assets shall be considered GASB 34 assets and be reported in accordance with this policy.

**Building Improvements:** Additions and betterments are capitalized if the total historical value of the asset, including the addition or betterment, is \$10,000 or more and extends the life of the asset by 5 years. If costs are incurred to keep an asset in its normal operating condition and the life of the asset is not extended, the costs are expensed as normal maintenance. Furnishings and office equipment will be accounted for a part of the District's fixed asset policy and included in the total building cost.

**Fleet Vehicles:** Defined as motor vehicles having a value greater than \$10,000 and a useful life greater than 5 years.

## **COSTS TO BE CAPITALIZED:**

1. Purchase costs before trade-in allowances and less discounts; or a qualified appraisal of value at the time of acquisition if the asset is gifted.
2. Job order costs if constructed by District Personnel.
3. Professional fees of attorneys, architects, engineers, appraisers and surveyors.
4. Site preparation costs such as clearing , leveling, grading and demolition of unwanted structures.
5. Fixtures attached to a building or structure.
6. Transportation and installation charges.
7. Any other expenditure required to put the asset into its intended state of use.

## **DEPRECIATION:**

Assets lose value over time; this loss of value is depreciation expense. The principal objective in accounting for depreciation is to charge each accounting period for the estimated loss in value of the depreciable asset incurred during that period. Depreciation will not be considered for general fixed assets, but will be required for GASB 34 assets. The District will use the Straight Line Depreciation method. In determining the costs allocated to depreciation, TCD will develop or estimate the following costs:

1. Estimated Replacement Costs: Estimated replacement costs in current dollars (ie: 2004 dollars) can be obtained from costs of new assets or estimated based on reasonable costs obtained from various sources. In the case of infrastructure, estimated unit costs will be used by the District to evaluate current year replacement costs.
2. Year of Construction/Acquisition: The year of acquisition or construction of the asset, if known.
3. Adjusted Replacement Costs: Current year replacement costs adjusted for field condition of the assets. Used as a rough measure to determine the overall condition of the District assets.
4. Estimated Life: Estimated useful lives used in depreciation calculation come from many sources. Timeframes for various categories of assets are listed below:

<u>Asset Description</u>	<u>Sample Useful Lives</u>
Buildings and Improvements	10-30
Equipment	5-20
Vehicles	5-10
Office Furniture	10-20
Computer Software	3-5
Computer Hardware	3-10

5. Depreciated Value Reported: The assets value is at the end of the reporting year, therefore, End of Year book values are reported.
6. Salvage Value: The amount of money the District can anticipate recovering at the end of the useful life of the asset. For infrastructure improvements, so salvage value will be included.
7. Land Costs: Land cost will be values on an estimated fair market value of land owned by the District.

Board Approval of the GASB Statement 34 Policy this 20<sup>th</sup> day of July, 2004:

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Dave Adams, Chairman

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Bob Lucas, Vice-Chairman

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Kate Mead, Treasurer

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Mike Taylor, Member

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Blaine Despain, Member

## **DEFINITIONS:**

1. **Capital Asset:** A long-term, productive asset.
2. **Capitalize:** To record an asset as a capital asset (long term) rather than an expense. If the County benefits from an expenditure that will be realized over several future periods, the expenditure is capitalized and the cost is allocated to future periods through depreciation.
3. **Depreciation:** As systematic allocation to current operating cost, over the asset's estimated useful life, of the original asset. (see Useful Life)
4. **Expense:** To record an expenditure as an expense to current operations (as opposed to capitalizing the expenditure). (see Capitalize)
5. **Fixed Assets:** Land, capital assets and equipment costing \$200 or more and having a useful life greater than one year. Fixed assets should be accounted for at cost or, if not available, at an estimated cost.
6. **GASB 34 Assets:** Assets such as land, capital assets, equipment, vehicles, buildings, collections, furnishings and infrastructure generally having a greater value than \$10,000 and a useful life greater than five years.
7. **Generally Accepted Accounting Principles (GAAP):** The standards and conventions recognized by certified public accountants as required in the preparation of financial statements.
8. **Government Accounting Standards Board (GASB):** An organization established in 1984 to establish generally accepted accounting standards for state and local governments. GASB operated with oversight from the Financial Accounting Foundation.
9. **Infrastructure:** Those assets that are immovable and of value only to the Teton Conservation District.
10. **Modified Approach:** An alternative to depreciating infrastructure assets. The modified approach recognizes that such assets are routinely preserved (or renewed) so as to indefinitely extend useful life. Under this approach, preservation (or renewal) expenditures are expensed rather than being capitalized and the original cost and improvements and additions to the asset are not depreciated (see Capitalize & Expense)
11. **Retroactive Reporting:** Reporting on long-lived capital assets that were acquired or materially improved.
12. **Useful Life:** An estimate of how long the asset will be in use assuming a given maintenance and repair schedule.