



Asset**WORKS** QUICK GUIDE

An introduction to GASB 34

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Financial reporting can be tricky, especially if you are unfamiliar with the various state and federal requirements for your institution's annual reports.

With the GASB 34 Quick Guide from AssetWorks, you can gain a better understanding the financial reporting requirements outlined in GASB 34, including what is required for your financial statements and where you can find more information.



This Quick Guide should not replace your review and analysis of the official GASB 34 pronouncement.

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SECTION 1

GASB 34: An Overview

GASB 34: An Overview

What is GASB?

GASB is the Governmental Accounting Standards Board which mandates financial reporting requirements for local governments. GASB was formed after a number of incidents in corruption and mismanagement of funds.

How many pronouncements have they issued?

To date, GASB has issued a total of 71 Pronouncements – most of which are specific to government type.

This Quick Guide will explore Pronouncement 34, and other related pronouncements.



GASB 34: An Overview



GASB as a governing body had produced both the pronouncements and supplemental information to make compliance more attainable. This quick guide should not replace these resources. It is intended to serve as an introduction to the pronouncement, further aiding governments in compiling complete and accurate financial reporting – thus enabling proper and respectful stewardship of tax payer dollars.

GASB 34: An Overview

What is GASB 34?

GASB 34 is a list of financial reporting objectives designed to keep state and local institutions accountable for tax payer funds. GASB 34 has an in depth focus on fixed assets and reporting their values, depreciation, and disposal.



Who does GASB 34 apply to?

GASB 34 applies to state and local government institutions including but not limited to:

- State Legislatures
- City Councils
- School Districts
- Fire Districts
- Utilities
- Public Benefit Corporations
- Authorities
- Public Employee Retirement Systems
- Hospitals and Other Healthcare Systems
- Colleges and Universities

GASB 34: An Overview

GASB 34 is not the only pronouncement applicable to these governments, but it is an important one, requiring accurate and detailed financial reports designed to help tax payers understand where their taxes are being used. GASB 34 is an extensive report that helps foster good relationships between the entities and the source of their funding.

What are common ways entities fail their audits?

1. Not including current year additions
2. Not properly tracking or miss reporting disposals
3. Listing a “0” in one or more asset accounts
4. Inconsistency in reporting useful lives



SECTION 2

GASB 34: Components

GASB 34: Components

What is in GASB 34?

In the 34th Pronouncement, GASB added three new required components to the Financial Reporting on the six fixed asset accounts mandated for state and local governments.

What are the components?

- Financial Statements
 - Government Wide Financial Statements
 - Fund Financial Statements
- Managers Discussion and Analysis
- Required Supplementary Information



GASB 34: Components

What are the fixed asset accounts?

1. **Land** – does not depreciate
2. **Land Improvements**
3. **Construction** – defined as any project with a completion of 90% or greater
4. **Construction in Progress** – does not depreciate
5. **Infrastructure** – often not applicable to schools
6. **Licenses Vehicles**



What are government wide financial statements?

Governments must report on all net assets and provide a statement of activities. This includes assets, infrastructure assets, their depreciation or cost of upkeep, liabilities, revenues, expenses, gains and losses. These are prepared using accrual accounting.

GASB 34: Components

Government wide financial statements help to determine the following:

- The finances of the entity in its entirety
- Whether the financial position has improved or deteriorated
- Whether the current year's revenues can cover the expenses
- The cost of providing services to the public
- How the entity finances its programs
- Understand how much capital is invested in assets (including infrastructure assets)
- Make better comparisons between entities

Net assets of an entity should be reported in three categories: invested net of debt, restricted and unrestricted.

GASB 34: Components

Fund Financial Statements

Government entities must include a balance sheet and statement of revenues, expenditures and changes in fund balances for their major funds in their financial reports. These should be segregated into reserved and unreserved fund categories.

Also to be included is a statement of net assets, revenues, expenses, changes in fund net assets, and of cash flows for proprietary funds. These statements should distinguish between current and non-current assets and liabilities, as well as display restricted assets, operating and non-operating revenues and expenses.

This section may also include notes that are essential to helping users understand these Statements.

Examples of these funds include:

- General Fund
- Special Revenue
- Capital Projects
- Debt Service
- Permanent Funds



GASB 34: Components

Manager's Discussion & Analysis (MD&A)

An objective and readable analysis of the government's financial activities in order to help users determine whether the government's financial position improved or deteriorated. Financial Managers are well versed and familiar with the transactions, events and conditions that are reflected in their reports. The MD&A section is intended to share these insights in order to aid others in understanding the government's financial performance for the year.

- Comparisons from year to year
- State any significant changes
- Describe capital asset and long-term debt activity
- Conclude with a description of currently known facts, decisions or conditions that are expected to have an impact on financial position or results of operations.

GASB 34: Components

Required Supplementary Information (RSI)

Requires budgetary comparison schedules to be presented for the General Fund and for each major Special Revenue fund that has a legally adopted budget. This should include the original, final appropriated, and actual budgets and balances.



SECTION 3

GASB 34: Fixed Assets

GASB 34: Fixed Assets

What are fixed assets?

Fixed Assets: assets that are purchased for long-term use and are not likely to be converted quickly into cash such as land, buildings and equipment.

Why track them?

Tracking and depreciating assets over time is not only important for complying with GASB 34, but also to maintain proper stewardship of assets that have been purchased with tax payer dollars.

When you properly track your assets, and their depreciation, you can ensure that your organization gets the most out of these assets, and replaces them at the appropriate time.



GASB 34: Fixed Assets

Why track them? (continued)

Tracking assets does not have to be a burden. Through the use of a simple barcode and scanner you can conduct inventories and keep your asset records up to date. Get the most out of your assets, while maintaining complete and organized financial records, track down missing items and dispose of items properly, and pass your next audit by following the GASB 34 financial reporting guidelines.

GASB 34: Fixed Assets

What assets should you track?

Each organization has a unique threshold for tracking fixed assets. Commonly government entities determine which 20% of their assets make up 80% of their budget. These assets may be spread out across the six different accounts. This capitalization threshold will determine which assets you need to track and report. If there is any additional cost to implement, use and maintain these assets that information should be included in the report as well. The capitalization threshold should also be manageable, meaning that not every asset is tracked. For government entities that are asset heavy, AssetWorks recommends using a software solution to manage the tracking all asset data.

* For some entities, a threshold may be mandated by the State or other governing body. Be sure to check your policy against their mandate.

GASB 34: Fixed Assets

Should you track assets in groups?

Smaller assets such as computers, tablets, scanners and other electronics that are purchased in groups may be classified and reported collectively. These items would be depreciated collectively over their useful life. Grouping assets becomes tricky when you need to dispose of one or a few of the assets in the group. AssetWorks recommends not grouping assets.

What other assets might you want to track?

In addition to the assets or asset groups that meet this threshold some organizations choose to track certain assets below their threshold, for example critical control or high theft items (walkable). Items that contain or store personally identifiable or secure information may also be tracked even if they do not meet the capitalization threshold individually or collectively.

GASB 34: Fixed Assets

Why is depreciation important?

Over their useful life, most assets decrease in value. For every additional year of use, their worth depreciates. Tracking this is important not only to determine how much of your funds are invested in assets, but also to understand how much of that investment can be recouped or lost upon the sale or disposal of that item.

Tracking depreciation is also an important factor keeping accurate records for accounting.



GASB 34: Fixed Assets

How can you track depreciation?

You can use a mathematical formula to track the depreciation of assets over their useful life and enter the information into your asset management solution, or you can utilize a solution that tracks this information for you. Some asset management software solutions have the functionality to help you track depreciation throughout an assets useful life.

Should all assets be depreciated?

No. Assets like land, some land improvements and construction in progress do not need to be depreciated in your reporting.

GASB 34: Fixed Assets

Disposals

Disposals are important and tracking them properly is often overlooked. Disposal policies are a great way to ensure the required information is tracked and reported. Fixed assets can be disposed of in a number of different ways, including sale, donation, recycling or trash. Remember, it is important to track any funds generated by the disposal of an asset



GASB 34: Fixed Assets

Disposals: Asset Write Offs

Upon disposal of a fixed asset, you may be required to write off the remaining value. Below are a few scenarios to help you understand when a write off may be needed. Be sure to check with your auditor to determine what you should track and report.

When an asset is disposed of at the end of its useful life

- Assets that are in place and in use can not be on your books with a value of \$0. Therefore, salvage value is used to determine how much an asset can be depreciated over it's useful life. Upon disposal, you can write off the residual or salvage value.

- Example:

original cost	\$10,000
salvage value	- \$500
depreciation	\$9,500 over useful life
	(\$500 written off upon disposal)

Salvage Value:
the estimated
resale value of
an asset at the
end of its
useful life.

When an asset is disposed of before the end of its useful life

- If an asset is disposed of before the end of it's useful life, upon disposal, the remaining depreciation and salvage value can be written off. This is sometimes referred to as a disposal cost.

SECTION 4

GASB 34: Additional Resources

GASB 34: Additional Resources

This Quick Guide should not replace your review and analysis of the official GASB 34 pronouncement and additional resources. To review all other GASB pronouncements, including GASB 34, please visit the following site:

<http://www.gasb.org/jsp/GASB/Page/GASBLandingPage&cid=1176160042327>

GASB User's Perspective:

http://www.gasb.org/jsp/GASB/GASBContent_C/UsersArticlePage&cid=1176156736184

GASB Implementation Guides:

<http://www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176163026371>

AssetWorks Can Help

If you are looking to comply with the financial reporting requirements of GASB 34, AssetWorks can help. We offer robust yet easy-to-use fixed asset and inventory management software solutions as well as onsite asset inventory and reconciliation services. With over 25 years of experience working with organizations of all sizes across the United States, AssetWorks is uniquely qualified to provide you with the support you need to comply with GASB 34.

If you'd like to speak with an expert in greater detail about GASB 34, contact Michael Borello at Michael.Borello@assetworks.com or 1-877-809-0600 ext. 1324

