

State Owned Buildings Valuation Project

FY2001 Request: \$60,000
Reference No: 32530

AP/AL: Appropriation **Project Type:** Planning
Category: General Government
Location: Statewide **Contact:** Dan Spencer
House District: Statewide (HD 1-40) **Contact Phone:** (907)465-5655
Estimated Project Dates: 07/01/2000 - 06/30/2003

Brief Summary and Statement of Need:

The funding will be used to contract with a consultant to develop a methodology by which the state can recreate historical costs of approximately 200 of its fixed assets (buildings) and correct the State's fixed assets records as required by Generally Accepted Accounting Principles (GAAP). This will enable the state to accurately report its general fixed assets in the comprehensive annual financial report which will make the report more useful to the Legislature and other readers. In addition, it will reduce the potential negative impact on the State's bond rating which could result from the ongoing auditor's opinions that the state's financial statements do not fully comply with GAAP.

Funding:	<u>FY2001</u>	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>	<u>FY2005</u>	<u>FY2006</u>	<u>Total</u>
Gen Fund	\$60,000						\$60,000
Total:	\$60,000	\$0	\$0	\$0	\$0	\$0	\$60,000

<input type="checkbox"/> State Match Required	<input checked="" type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased - new	<input type="checkbox"/> Phased - underway	<input type="checkbox"/> On-Going
0% = Minimum State Match % Required		<input type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill	

Operating & Maintenance Costs:

	<u>Amount</u>	<u>Staff</u>
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	0
Totals:	0	0

Additional Information / Prior Funding History:

The cost estimate is based on discussions with an accounting firm hired by the state for other purposes. This is a one time request.

Project Description/Justification:

<u>Project Name</u>	<u>Amount</u>	<u>Fund Source</u>
State Owned Buildings Valuation Project	\$60,000	General Fund

Problem: Alaska Statute 37.05.150 requires the accounts of the state to be reported in compliance with generally accepted accounting principles (GAAP). However, because adequate historical cost records for state-owned buildings do not exist, we are not reporting our general fixed assets at cost as required by GAAP. This is the #1 audit recommendation in the FY 98 statewide single audit and again prevented a clean opinion of the State of Alaska's financial statements.

Solution: Hire a consultant to assist the Division of Finance in creating a methodology to recreate historical costs of state-owned buildings. At this point, historical cost requires determining replacement cost and using regression analysis to adjust this back to the building value in the year of acquisition. The consultant would also review the state's capitalization policies and recommend changes to comply with GAAP. This includes identifying methods for tracking current and future facility costs as they are incurred to ensure adequate historical costs are maintained on future asset acquisitions.

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Benefit: The State's general fixed assets will be reported accurately in the comprehensive annual financial report and it will be more useful to the Legislature and other readers. It will reduce the potential negative impact on the State's bond rating which results from a qualified opinion on our financial statements. It will also provide a head start on meeting the requirements of Governmental Accounting Standards Board Statement 34 which will require accounting for all state infrastructure-such as bridges, roads, and harbors-starting in FY 06.

What We Are Buying: The funding will allow the Division of Finance to contract with a consultant to correct the State's fixed assets records.

Other Details: The cost estimate for consulting is the result of preliminary discussions with an accounting firm hired for other purposes. This information, combined with the recent state-owned building valuations compiled for the rent program depreciation process, results in the amount requested for this capital project.