

In the context of establishing a system of effective management of state assets and reporting of the financial status of the state and in accordance with the relevant provisions of the Law on the Management and Disposal of the Property Owned by the Republic of Croatia (Official Gazette, No. 94/13), the Regulation on the Registry of State Property (Official Gazette, No. 55/11) and the Budget Law (Official Gazette, Nos. 87/08 and 136/12), this binding document is hereby issued:

## **INSTRUCTION ON THE RECOGNITION, MEASUREMENT AND RECORDING OF ASSETS OWNED BY THE REPUBLIC OF CROATIA**

### **1. ENTITIES OBLIGED TO APPLY THIS INSTRUCTION**

The entities obliged to apply this Instruction shall be **budgetary and extrabudgetary beneficiaries of the government budget, budgetary and extrabudgetary beneficiaries of the budgets of local and territorial (regional) self-government units, local and territorial (regional) self-government units (hereinafter: LT(R)SGU) and other users of state assets.**

### **2. SCOPE OF ASSETS OWNED BY THE REPUBLIC OF CROATIA**

In accordance with Article 61 of the Budget Law, state assets consist of **financial and non-financial assets** owned by the state and LT(R)SGUs.

Pursuant to the structure of the Budget Chart of Accounts, the above means that the **total state assets consist of:**

- 01 Non-produced non-current assets,
- 02 Produced non-current assets,
- 03 Precious metals and other deposited valuables,
- 04 Fixtures and fittings,
- 05 Non-current non-financial work-in-progress,

- 06 Produced current assets,
- 11 Cash in bank and in hand,
- 12 Deposits, guarantee deposits and receivables from employees and for overpaid taxes and other,
- 13 Loan receivables,
- 14 Securities,
- 15 Shares and equity interest.

### **3. RECONCILIATION OF BOOK TO PHYSICAL BALANCES OF ASSETS**

3.1. The government budget and the budgets of LT(R)SGUs and their budgetary and extrabudgetary beneficiaries, as well as other owners and/or beneficiaries of state assets shall, as of 31 December each year, make a comprehensive inventory of the state assets at their disposal/managed by them, regardless of the legal basis of using such assets (registered ownership, unregistered ownership, other legal grounds of use, no documented legal grounds) and regardless of their legal status. When doing so, the government budget and the budgets of LT(R)SGUs and their budgetary and extrabudgetary beneficiaries shall comply with Article 15 of the Rulebook on Budget Accounting and Chart of Accounts (Official Gazette, Nos. 114/10 and 31/11), while companies and legal persons with public authority, as well as the institutions one of whose founders is the Republic of Croatia or the Government of the Republic of Croatia shall comply with the provisions of the regulations regulating the accounting system, in accordance with their respective legal status.

3.2. On the basis of the conducted inventory and the established physical balance of assets, **it is necessary to adjust/organise analytical ledgers and/or subsidiary books** of all forms of assets in such a way that:

- Analytical ledgers and subsidiary books of real property must contain at least the data and information prescribed by the Rulebook on the Registry of State Property (Official Gazette, No. 55/11).

- Analytical ledgers and subsidiary books of financial assets – shares and equity interest – must contain at least the data and information prescribed by the Rulebook on the Registry of State Property.
- Analytical ledgers and subsidiary books of other forms of assets must contain the data necessary for effective management.

The form of ledger card with the data and information prescribed by the Rulebook on the Registry of State Property shall be determined by the Government Office for State Property Management (hereinafter: Government Office).

Analytical ledger accounting and records of assets shall be reconciled with the data in the General Ledger.

#### **4. PRINCIPLES OF PRESENTATION OF ASSET VALUE**

4.1. All forms of government assets, individually and aggregately, must be presented in value terms.

4.2. In accordance with Article 104 of the Budget Law, the valuation of assets shall be conducted on the accrual basis, using the historical cost method.

This means that, when presenting items of property in analytical ledgers and aggregately in the General Ledger, the assets shall be presented at their available book value after revaluation of their cost (cost value and depreciation/impairment).

4.3. Property items that have so far not been recorded in the books shall be recognised in accordance with the principles of the International Public Sector Accounting Standards and the internationally accepted good practice.

There are several key approaches to the valuation of state assets that can be used in the valuation of the previously unregistered assets:

- valuation based on appraised value of assets (replacement cost),

- valuation based on expected income from their use,
- current market price of assets with similar characteristics (comparable price method) and
- symbolic recognition at one monetary unit.

The valuation approach and methodology depend on whether the assets may be valued according to the market principle or not. If not, then the value of state assets shall be established based on the estimated replacement cost, also taking into account the accumulated depreciation (amortisation), based on the alternative use costs or at one monetary unit.

## **5. ASSET APPRAISAL PROCEDURE**

The procedure of appraising previously unrecorded assets is an obligation of all asset owners/users, and they shall conduct it as part of their regular procedure of updating their books and ensuring that their financial statements reflect reality.

The procedure of appraising previously unrecorded assets shall be conducted:

1. **BY INTERNAL APPRAISAL** – by a working group of the budgetary and extrabudgetary beneficiary based on approximate comparable price method (using available information from the market, the Tax Administration, the Land Registry and other)
2. **BY CERTIFIED APPRAISER** – in exceptional cases if the assets are in the process of disposal, replacement, awaiting disposal and similar.
3. **AT THE INDIVIDUAL VALUE AMOUNT OF ONE KUNA (1 KN)** – for each individual asset item whose appraisal is not justified or possible due to its specific characteristics. These include only specific types of assets belonging to the categories of cultural and historical heritage, inalienable natural resources, and certain infrastructure assets and similar. Pursuant to the Chart of Accounts, these assets shall be presented in the following items:

<b>0113</b>		<b>Other natural tangible assets</b>
	01131	National parks and nature parks
	01132	Water resources (waters)
	01133	Electromagnetic frequencies
	01139	Other natural tangible assets n.e.s.
<b>0212</b>		<b>Business facilities</b>
	02124	Buildings of cultural institutions (theatres, museums, galleries, culture centres, libraries and similar)
<b>0214</b>		<b>Other built structures</b>
	02141	Gas pipeline, water supply, sewerage
	02142	Canals and ports
	02143	Excavation sites, mines and other facilities for exploitation of mineral resources
	02144	Power and communication lines
	02146	Monuments (historical, cultural and similar)
	02149	Other built structures n.e.s.

<b>024</b>		<b>Books, works of art and other exhibition valuables</b>
	<b>0241</b>	<b>Books</b>
		02411 Books
	<b>0242</b>	<b>Works of art (exhibited in galleries, museums and similar)</b>
		02421 Fine art works
		02422 Sculptures
		02429 Other works of art
	<b>0243</b>	<b>Museum exhibits and natural rarities</b>
		02431 Museum exhibits
		02432 Natural rarities
	<b>0244</b>	<b>Other exhibition valuables n.e.s.</b>
		02441 Other exhibition valuables n.e.s.

<b>0312</b>		<b>Deposited books, works of art and similar valuables</b>
	03121	Deposited books
	03122	Deposited fine art works
	03123	Deposited sculptures
	03124	Deposited jewellery
	03125	Archive material
	03126	State official cartography
	03129	Other deposited valuables

The book values of assets determined by the appraisals conducted in the methods referred under *1. By internal appraisal* and *3. In the amount of KN 1* are only relevant for the purpose of carrying them in the balance sheet and in the Registry of State Property.

## 6. RECORDING IN BUDGET ACCOUNTING

Based on the performed inventory and conducted asset appraisal procedure, analytical ledgers and subsidiary books shall be updated by the determined differences.

The differences shall be recorded in the General Ledger in accordance with the Rulebook on Budget Accounting and Chart of Accounts of the Budget as follows:

1. for the deviations in the quantity and value of recorded assets, appropriate entries will be made in Class 0 (account intended for a particular form of assets) crediting or debiting the source of ownership in the accounts of Subgroup 9111 (through Group 915) and
2. for the deviations in the quantity and value of assets previously not recorded, debiting the appropriate accounts in Class 0 to the debit of the accounts in Subgroup 9112 – Other Own Sources (through Group 915).