GASB #34

WHAT IS IT?
WHAT SHOULD WE BE DOING?

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WHAT IS GASB?

WHAT IS GASB 34?

GASB IS THE ACRONYM FOR “GOVERNMENTAL ACCOUNTING STANDARDS BOARD”

GASB 34 IS AN AUTHORTITATIVE PRONOUNCEMENT THAT REQUIRES GOVERNMENTAL ENTITIES TO ACCOUNT FOR ALL CAPITAL EXPENDITURES, INCLUDING INFRASTRUCTURE (i.e. ROADS, CURBS, SIDEWALKS, DRAINAGE, ETC.)

MERITS OF GASB 34

15 YEAR EFFORT OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) ESTABLISHES HIGHER REPORTING STANDARDS FOR LOCAL GOVERNMENT, INCLUDING MUNICIPAL UTILITIES.

IMPLEMENTATION REQUIRES THE COORDINATED EFFORTS AND EXPERTISE OF OPERATING PERSONNEL, MANAGEMENT, ENGINEERS, ACCOUNTANTS & INFORMATION SYSTEMS.

IMPROVED FINANCIAL REPORTING FROM LOCAL GOVERNMENTAL ENTITIES.

IMPACT ON CITIES, COUNTIES & MUNICIPAL UTILITY OPERATIONS?

MOST STATES REQUIRE COMPLIANCE WITH ALL GASB PRONOUNCEMENTS.

COMPLIANCE WITH GASB 34 WILL ENHANCE YOUR ABILITY TO IDENTIFY COST OF SERVICE ISSUES, JUSTIFY RATES & IMPACT FEES AND PROVIDE A MORE COMPREHENSIVE BASIS OF FINANCIAL REPORTING.

COMPLIANCE WILL LIKELY POSITIVELY IMPACT BOND RATINGS AND TERMS.

BENEFITS OF GASB 34

HIGHER LEVEL OF FINANCIAL REPORTING.
STANDARDS FOR FIXED ASSET AND DEPRECIATION RECORDS.
STANDARDIZED BUDGET PRACTICES.
IMPROVED INFORMATION FOR INFORMED DECISION-MAKING.
NECESSITATES IMPROVED COMMUNICATION / COORDINATION BETWEEN OPERATIONS AND FINANCIAL DISCIPLINES.

RELATIONSHIP BETWEEN OPERATORS, ENGINEERS, ACCOUNTING & INFO. SYSTEMS PROFESSIONALS AND MANAGEMENT

- INCREASED COMMUNICATION BETWEEN VARIOUS DISCIPLINES
- ESTABLISHMENT OF ACCURATE FIXED ASSET ACCOUNTING RECORDS
- MEANINGFUL BUDGETING PRACTICES AND COST OF SERVICE CAPABILITIES
BIGGEST HURDLE FOR ORDERLY IMPLEMENTATION

- Fixed asset / depreciation records.
- Most entities need to address a “starting point”.
- What is value of existing assets?
- Need inventory and valuation of existing plant in service.

WHERE DO WE START?

- Conduct overall needs assessment by qualified financial person that understands GASB 34.
- System mapping and fixed asset inventory are likely to be major tasks necessary to get to a “starting point”.
- Most municipalities will need outside help (i.e. CPA’s, appraisors & engineering consultants) to comply with GASB 34.

COST OF SERVICE BENEFITS

- Compliance with GASB 34 will result in consistent / more accurate fixed asset data.
- Fixed asset records are key to accurate cost of service analysis and development of user charge systems that are fair & non-discriminatory.

BENEFITS OF STANDARDIZED REPORTING PRACTICES

- Facilitates “benchmarking” with other similarly-situated entities.
- Provides both internal & external users with meaningful information in a standardized format.

COMPLIANCE TIMETABLE

- June 15, 2002: for governmental units that exceed $100 million in annual revenues.
- June 15, 2003: for governmental units with annual revenues between $10 million and $100 million.
- June 15, 2004: for governmental units with annual revenues below $10 million.
- Existing fixed asset / infrastructure compliance timetables - deferred to 2006.

SOMETIMES CHANGE IS INEVITABLE

Just relax and go with it...