GASB 34

The decisions cities and counties make now on new federally mandated Governmental Accounting Standards Board (GASB) regulations will have implications for the long term.

The GASB 34 standards are important because bonding agencies want to know how well municipalities are managing their assets when they decide whether to issue bonds for improvements. Governments could also get a leg up on federal funding by showing a strong effort to meet the standards.

"From an accounting standpoint, governments will now function more like private businesses," says Brian Farber, a Burns & McDonnell management analyst. "They will be held to a more conventional standard in accounting for their infrastructure.

"This is an extremely important decision with many long-term implications, and it begins by selecting the right approach."

There are two ways for state and local governments to comply with the new reporting requirements of GASB 34: the depreciation model and the modified approach.

Depreciation model: With this method, considered the simpler of the two, a governmental entity's assets are assumed to decline in value throughout their useful life. Cities and counties must classify assets by one of three levels: network (example: all city roads), subsystem (example: street signs), or individual (a specific street sign).

Modified approach: With this approach, cities and counties must maintain a current inventory of all assets, evaluate and report on their condition at least every three years, and estimate annual maintenance costs.

Regardless of the approach, Burns & McDonnell management services and infrastructure experts can help. With the depreciation model, they can evaluate a municipality's assets and recommend the right method of depreciation, Farber says. With the modified approach, Burns & McDonnell infrastructure experts can set up an asset management system that includes triennial assessments and determines maintenance necessary to meet minimum condition requirements, says J.D. Stokes, Burns & McDonnell manager, transportation planning.

Burns & McDonnell's software development team can also develop a custom asset management application or help implement your existing software.

The schedule for compliance for GASB 34 will be in the following phases:

- Governments with $100 million or more in revenue will begin implementing GASB 34 in the first fiscal year beginning after June 15, 2001.
- Governments with between $10 million and $100 million in revenue will begin implementation in the first fiscal year beginning after June 15, 2002.
- Governments with less than $10 million in revenue will begin implementation in the first fiscal year beginning after June 15, 2003.

"GASB 34 is not going away, and now it will be crucial for the largest governmental entities to get a depreciation plan or asset management system in place fast, and for the smaller agencies to start formulating a strategy," Stokes says.