

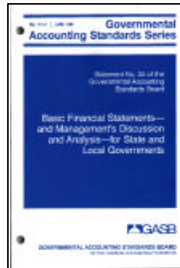
GASB STATEMENT NO. 34

What are the implications of GASB Statement No. 34?

WHAT IS GASB 34?

In June 1999, the Governmental Accounting Standards Board (GASB)—which sets “generally accepted accounting principles” (financial reporting rules) for all state and local governments—adopted the most sweeping changes in financial reporting in its history.

Known as *Statement No. 34: Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, this represents a fundamental revision of the current financial reporting model, which has been in place since 1979. While there are a number of significant changes (the Statement is **403** pages long), the major ones are:



Two Kinds of Financial Statements. Two distinct forms of information will be provided in the basic financial statements:

✓ **Government-wide statements.** These are consolidated financial statements for all of an entity’s operations on a full accrual basis of accounting. They will not be presented on a fund basis; instead, fiscal operations will be organized into two major activities: governmental and business-type. They will have a “net asset” focus, and exclude interfund transactions (such as internal service funds) and fiduciary funds. Expenses (which may include allocated “indirect costs”) will be shown both gross and net of related revenues such as fees and grants.

✓ **Fund statements.** In meeting stewardship and accountability concerns, financial statements will also be presented on a fund basis—but not using the same basis of accounting as the government-wide statements for governmental funds.

Because there will be differences in the basis of accounting and scope of transactions, there will be significant differences between these two financial statements—but they will not be obvious. For this reason, a detailed reconciliation between them will be required as part of the audited basic financial statements.

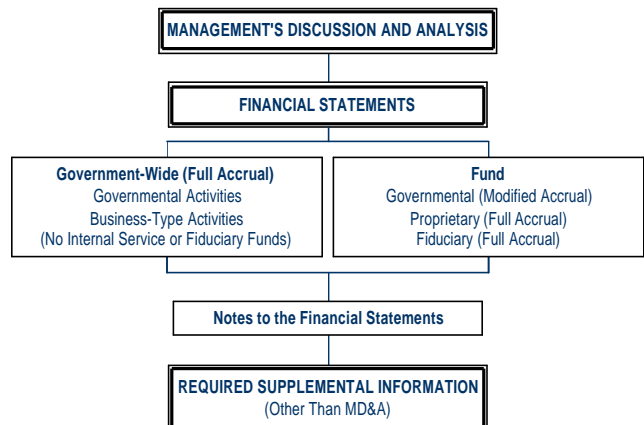
Focus on Major Funds. In the “fund section” of the report, statements will focus on major (large) individual funds rather than on consolidated fund types.

Required Supplementary Information (RSI). There are two new elements to RSI:

✓ **Management’s discussion and analysis (MD&A).** Many governments already prepare a comprehensive transmittal memorandum as part of their annual financial report. For some of them, this new “MD&A” requirement may not pose a significant additional work element. However, due to the addition of government-wide statements (and required topics), the scope (and related work effort) will certainly increase.

✓ **Budget reporting.** Comparisons of “budget-to-actual” results for the governmental funds will no longer be required as part of the basic financial statements—but this will be RSI. And there will be an added requirement: both the original and final budget must be presented.

Basic Financial Statements. The following summarizes the presentation of the basic financial statements under the new model:



Fund Classifications. The statement both creates new and eliminates some current fund types. Eliminated are expendable and non-expendable trust funds. New funds are private-purpose trust funds and permanent funds. The statement also identifies when enterprise funds are required and when they can be used. Certain restrictions are placed on the use of internal service funds.

No Account Groups. General fixed assets and long-term debt will no longer be shown as account groups. They will now be included in the government-wide financial statements as assets and liabilities.

Depreciation for Governmental Activities. Under the current reporting model, depreciation is not recorded for “governmental” capital assets, such as those purchased through the General Fund. The traditional rationale for this is an appropriate focus on “available spendable resources”—which is based on the simple fact that

programs and projects cannot be funded through the budget process based on the current net value of fixed assets. However, in order to allocate the cost of these assets over their useful lives, the new model will require depreciation of general fixed assets. Correspondingly, the “government-wide” financial statements will not show capital expenditures (nor will they show the principal component of debt service payments as expenditures)—but the fund-based statements will.

Recording Infrastructure as Capital Assets—and Expensing Them Through Depreciation. Current accounting principles do not require reporting the cost of infrastructure such as roads, bridges, storm drains, street lights and traffic signals as capital assets—not because they aren’t major community investments, but because they are immovable, and only of value to the government (except in the oft-told tale, there really isn’t much of a market for the Brooklyn Bridge).

The new reporting model requires that infrastructure be reported at its “historical” (not current) value, and then depreciated like other assets as discussed above. (There are several complicated options for how to do this, including not depreciating infrastructure assets at all if there is an adopted maintenance plan, and assets are being maintained in accordance with that plan.) Almost all municipal finance officers across the country vigorously opposed this change as being very expensive with limited practical value.

Notes to the Financial Statements. Additional disclosures are required for capital assets and long-term debt. Also, required are certain note disclosures on key accounting policies.

IMPLEMENTATION

As set forth in the following table, the effective date for the new model varies depending on the financial size of the agency and its fiscal year. (The chart assumes a fiscal year beginning July 1 and ending June 30). Also, there are different effective dates for implementing the new model and *prospective* reporting of infrastructure (assets added or deleted from the effective date of the new model) versus *retroactive* reporting of infrastructure back to at least 1980:

Total Revenues	Basic Model (Prospective Infrastructure Reporting)	Retroactive Infrastructure Reporting
	Effective for Fiscal Year	
\$100 million or more	2002	2006
\$10 to \$100 million	2003	2007
Under \$10 million	2004	Not Required

Entities that have long-term debt for infrastructure assets will probably want to retroactively report infrastructure in

conjunction with the new model to better match long-term liabilities and assets. It appears most counties and larger cities in Minnesota would implement in year two or fiscal years ending December 31, 2003, while smaller cities and all towns and small entities would implement in the third year; fiscal years ending December 31, 2004.

SO WHAT’S THE BIG DEAL?

Under GASB 34, local and state government basic financial statements will become more extensive—and thus more difficult to prepare and audit. This will mainly be the case the first year when converting to the new model.

This increased complexity probably translates into increased costs—both one-time during implementation and ongoing thereafter—for staff resources as well as audit fees and consultant services. Over time these costs should lessen.

Will the effort and cost be worth it? Goals for the new model include:

- ✓ Improving financial reporting.
- ✓ Enhancing awareness of fiscal issues facing states and local governments.
- ✓ Recognizing the importance of adequately maintaining infrastructure.

Only time will tell whether the new model will achieve these goals. Finance officers are especially concerned about the potential for infrastructure reporting to result in misunderstandings about an entity’s fiscal condition. Only after people have become familiar with the new model reports will we know if it makes it easier or harder for statement users to understand a entity’s fiscal situation, and to compare it with other governments. However, it is very clear that these will be expensive changes to make.

How much will it cost? Again, the short answer is: it depends—on the:

- ✓ Size and complexity of the entity’s operations.
- ✓ Finance staff resources.
- ✓ Age of its infrastructure.
- ✓ Availability of reliable information about current infrastructure systems.

For communities with relatively new infrastructure, this may be a less difficult undertaking than in older governments; and implementation and ongoing support may be easier for entities that have already extensively documented their infrastructure through geographic information systems (GIS) or established maintenance systems like pavement management plans.

In evaluating costs, governments will need to consider both the one-time and ongoing costs to: prepare the additional financial information; develop and maintain the infrastructure data; and to audit the results. In most cases, at least initially, outside accounting and engineering resources will be needed to implement the new model.

WHY IMPLEMENT IT?

If GASB 34 is going to be so difficult to implement, and the benefits so unclear, why do it?

The new model is supported by a number of users and professional associations. The National Association of State Auditors, Comptrollers and Treasurers has endorsed the new model, and so have the credit rating agencies (who are the primary “users” of these reports). There are many public works’ officials who believe the new reporting model will result in a better understanding of infrastructure needs. And a number of well-respected municipal finance professionals think the new reporting model better tells a entity’s fiscal story, and is a significant improvement over the current model.

It’s “GAAP.” This is probably the most compelling reason for implementing the new model. GASB is the acknowledged authoritative body in setting generally accepted accounting principles (GAAP) for local and state agencies. Maintaining citizen confidence in our stewardship of the assets entrusted to us requires credibility and integrity in our accounting and financial reporting systems. And preparing audited financial statements in accordance with industry standards is an essential foundation in gaining and sustaining this trust.

Furthermore, since it is “GAAP”, auditors are prevented by their code of professional conduct and state accountancy laws from issuing “clean opinions” on financial statements not prepared in accordance with generally accepted accounting principles. The American Institute of Certified Public Accountants (AICPA) has issued an Audit and Accounting Guide, *Audits of State and Local Government (GASB 34 Edition)*. In this guide they indicate that if the GASB 34 reporting model was not followed by a local government, an auditor would normally expect to issue an adverse opinion. They felt that a qualified opinion would not be appropriate if the government issued, for example:

- ✓ Fund financial statements, but not government-wide statements
- ✓ Government-wide financial statements, but not fund financial statements
- ✓ Combined financial statements only using fund level from the pre-GASB 34 model, or
- ✓ Cash or modified cash basis financial statements that did not follow the GASB 34 reporting formats.

Cash Basis Financial Statements. The AICPA’s Task Force also addressed the issue of financial statements prepared and issued under an “other comprehensive basis of accounting” (OCBOA). In particular there are a number of towns, cities, and other small entities in Minnesota that issue “cash basis” financial statements. The task force agreed that if an entity issues an OCBOA report using the cash or modified cash basis of accounting that the format and disclosures should communicate the information required by GASB 34. Their basis is that Statement of Auditing Standards 62 requires “when the OCBOA financial statements contain items that are the same as, or similar to, those in financial statements prepared in conformity with generally accepted accounting principles, similar informative disclosures are appropriate.

WHO NEEDS THIS INFORMATION?

After nearly two decades of intensive research, study, and analysis, the Governmental Accounting Standards Board concluded that financial information provided by the long established practices of government entities did not meet the needs of a significant number of would-be users of such information. It actually did not take two decades for the Board to reach this conclusion, but it did take that long to figure out how to change those practices.

As a part of the research effort, the Board solicited input, not only as to what specific additional kinds of information was desired, but also as to what format should be used to display the new information. Along the way, Preliminary Views (a type of exposure draft) were issued suggesting as many as three alternative displays. Interestingly enough, the end result was not any one of the three proposals, but one that embodied the preferred features of each one.

One thing was clear! People who sought information about governments needed and wanted more financial information than they could derive from the traditional fund accounting-based statements contained in the existing comprehensive annual financial report (CAFR). This is not to imply that there was anything *wrong* with the traditional information. It just did not go far enough. Consider that

- ✓ Times change!
- ✓ Needs change!
- ✓ Philosophies of governing change!
- ✓ The interests and priorities of the governed (the “owners” of the government entity) change!

The Board felt that by retaining some of the information provided by the traditional fund financial statements and requiring additional information with a long-term

management focus, the financial statements of government entities would not only be more comprehensive, but would also be easier to understand and more likely to be used.

The answer to the question "Who needs this information?" is the "users" of government financial statements.

WHO ARE THE USERS?

The Board concluded from the input received that there were three primary generic groups of users. They were

- ✓ Legislators/regulators,
- ✓ Creditors/investors, and
- ✓ Citizens.

Legislators include State and Federal representatives and senators, city councilpersons, county or parish board members, township trustees or other policy setters, and lawmakers. These persons are analogous to the directors of a corporation or LLC, the partners of a partnership or LLP, or the owner of a sole-proprietorship.

Legislators need financial information about governments for a variety of reasons. They are

- ✓ Management.
 - Management consists of those who establish policy, as well as those who carry out the policy. As policymakers, legislators may need financial information for decision-making purposes; they will use the data as a basis for drafting new legislation or for voting on proposed legislation.
 - Legislators need to monitor operations and to hold operating management accountable for compliance with their directives.
- ✓ Communication.
 - Everyone is accountable to someone. Members of legislative bodies are accountable to the electorate. Legislators need to be able to explain a government entity's performance to the voters or perhaps to the media. If they do not have available and understandable financial information necessary to properly communicate with these groups, the result can be embarrassing if not drastic.

Regulators include agencies, commissions, or other bodies, appointed or mandated by law, which monitor compliance with the law. Some examples are higher tiers of

government, utility commissions, securities commissions, investment trusts (pools), and oversight boards.

Creditors and investors are those who loan funds to, or invest money in, government entities. They may consist of

- ✓ Bondholders.
- ✓ Financial institutions.
- ✓ Other governments.
- ✓ Private-sector partners.
- ✓ Lessors.

Included in the category of creditors and investors would be those who provide consulting services to creditors and investors, such as

- ✓ Brokers, investment managers, and mutual funds.
- ✓ Bond rating services and insurers.
- ✓ Credit analysts.

Citizens are the "owners" so to speak. They are taxpayers to, suppliers for, and customers of government entities. Their needs parallel the requirements of business owners whose questions may reflect concern over

- ✓ Efficiency.
- ✓ Stability.
- ✓ Accountability.

In varying degrees and for varying reasons, individuals who comprise the three generic groups are all potential users of government financial information. Some individuals may argue that, "no one reads government financial statements anyway, so why bother?" The GASB's research did not bear this out. Consider also that more people would be likely to read government financial statements if the statements contained more of the kind of information that those people desired. Furthermore, there might well be more interest in government financial statements if the financial statements themselves were more interesting.

The answer to the question, "What Users?" is in part, *citizens, legislators, regulators, management, investors, creditors, and consultants.*

WHY ARE PRESENT FINANCIAL STATEMENTS NOT SUFFICIENT TO MEET THE USERS' NEEDS?

Legislators are interested in legal accountability. For the most part, legislators have been getting that information

from the traditional funds-based financial statements. Some legislators would also be interested in data that would help them assess management's efficiency and the government unit's mid-term or long-term stability. The traditional statements do not provide information regarding efficiency and long-term stability.

Creditors in the past have relied principally upon rating services. Rating services have based ratings upon legal compliance, history, and past performance. Purchasers of government bonds no longer represent the only significant capital providers to government entities. Commercial lending institutions, private-sector "partners," and leasing companies do business with government entities. These types of creditors demand information that will assist them in assessing the long-term stability and debt-repayment ability of the government. Traditional statements do not provide that information.

Included in the citizenry group are individuals and commercial businesses that extend unsecured credit to governments with whom they conduct business. They may be interested in the government's repayment or cash flow ability. Individual citizen-taxpayers or their representatives, such as the media or taxpayer advocate groups, would like to be able to assess the government's efficiency of financial operations. Comfortable with it or not, no one can legitimately contest, in a democracy, that group's right to such information. Traditional government financial statements do not provide the information necessary for that kind of assessment.

The answer to the question "Why are the present financial statements not sufficient to meet the needs of these users?" is, *because the present financial statements do not contain enough information, or the type of information that is needed to assess efficiency of operations or the ability to meet future cash flow requirements.*

WHAT KIND OF INFORMATION DO THESE USERS WANT?

In general terms they want the type of information that will help them

- ✓ Assess *accountability*.
- ✓ Assess *stability*.
- ✓ See the *whole picture*.
- ✓ *Plan* for the future.

Fiscal Accountability

The ability to hold a government accountable to the law was adequately provided by the traditional fund accounting financial statements. Citizens certainly have a right to and a

need for accountability. So no one really wanted to change that. Accountability in the government sector is uniquely tied to the short-term. The mechanism is the *budget* that is commonly an annual budget. The duration of an elected or appointed administration is of slightly longer term; that may be a term of two, four, six, or, occasionally eight years – which is still a relatively short term.

Fiscal accountability is one of those criteria by which the electorate determines whether or not the elected official is responsive to the mandate. Assessing fiscal accountability is also a responsibility of the elected official or group of officials, such as a board to whom appointees or other elected office-holders, must report.

Financial Stability

The word *stability* itself implies a degree of, if not permanence, at least the likelihood of a sustained period without excessive fluctuation. Predictable stability of any entity tends to increase confidence in reliability of that entity's performance. Confidence in reliability computes to dependability. If governments have survived for so long without readily available data as to their long-term stability, why the sudden need for that kind of data, which, by the way, is not inherent in the fund-accounting model?

A lot of things may contribute to that which is perceived by some as a *sudden* need. The need is *not* a sudden one because many concerned individuals and groups have sensed the need for a long time. GASB and its predecessors have been aware of the changing needs of financial statement users for many years but that need has become more evident with the following changes:

Changes

GASB and its predecessors have been aware of the changing needs of financial statement users for many years but that need has become more evident with

- ✓ The increased speed of data transmission and the fast pace at which all operating entities move.
 - What used to be short-term has become long-term. Government entities must plan for further into the future than they did just a few years ago and certainly much further than at the time the traditional government standards of reporting were established. Last month's balance sheet used to be a planning tool. Today it is a historical record.
- ✓ The heightened sophistication of the users of data.
 - People today are more educated and have more access to more data than ever before in history. The government is much closer to the electorate. With television, newspapers, and the Internet available to nearly everyone, the

government entity must be prepared to deal with people in matters of accountability far beyond that of merely complying with annual budgets.

- ✓ The evolving complexity of government activities and transactions.
 - Governments operate differently than they used to when fund-based reporting was devised. Many government entities are involved in complex proprietary-type activities. As such they have the same needs to communicate long-term information, as do their business counterparts. In providing its citizen constituency with a myriad of services, the government entity must plan for periods of time longer than just the current fiscal year.

The Whole Picture: Entity-wide Concept

The concept of entity-wide or government-wide information in financial statements is certainly not new. It is new, however, in most government financial statements. Government entities have long been viewed as fragmented units with different purposes. Those purposes may involve the following activities:

Government Purposes

The concept of entity-wide or government-wide information in financial statements is certainly not new. It is new, however, in most government financial statements. Government entities have long been viewed as fragmented units with different purposes. Those purposes may involve

- ✓ Providing services such as
 - Fire protection.
 - Safety.
 - Education.
- ✓ The sale of products like
 - Water.
 - Gas.
 - Electricity.
- ✓ Maintenance of
 - Infrastructure.
 - Parks and playgrounds.
 - Public buildings
- ✓ Dispensing justice.

As one can readily see, many of these functions seem unrelated to one another. They are only related in that they are administered by a single oversight political entity.

Since the funding for these separate units often comes from different and unrelated sources, and the law usually prohibits commingling of resources, it is natural for the departments of a government to be viewed as separate entities. As such, funds (separate department resources) have tended to represent the central oversight authority. The funds are not the highest authority of the political entity, however, and since the ultimate responsibility of the political unit must rest with the highest common denominator of authority, tying responsibility and accountability to only the separate funds is not adequate.

Completeness Increases User Confidence

Accountants have long realized the need for the confidence of completeness that is inherent in financial information that represents the entire fiscal environment. The assurance that one is seeing the whole picture when viewing data for a business entity is necessary when

- ✓ Evaluating.
- ✓ Attesting.
- ✓ Consulting.

The entity-wide concept was one of the earliest codified generally accepted accounting principles. Partly because governmental entities have become more and more like businesses in the manner in which they operate, and partly because their complexity makes it difficult to *not* commingle resources, the need for the confidence afforded by the entity-wide concept is greater than it ever was in the past.

Completeness Increases User Confidence

One cannot deny that the entity-wide concept offers the most potential for instilling fiscal confidence in the minds of

- | | |
|------------------------------|---------------------------|
| • Investors. | • Planners. |
| • Creditors. | • Regulators. |
| • Developers. | • Engineers. |
| • Contractors and suppliers. | • Relocation specialists. |
| • Commercial "partners." | • Citizens. |

Another factor contributing to the need for entity-wide information is that, while governments may be generally prohibited from commingling resources or funds, most public debt is ultimately backed by the general credit of the entire government entity, not by just individual funds or designated revenues. This is true even though certain public obligations are collateralized by liens upon specific revenues or assets. As a *practical matter*, the debt will someday have to be repaid from other resources or from the liquidation of other assets.

PLANNING : LONG-TERM FOCUS

Governments must plan for longer periods than a year. As a rule, larger governments that provide a wide variety of services to their citizens must plan further into the future than some smaller government units that may have only one or two specific purposes. Still, there is probably some need for just about every government entity to develop plans that extend much further than the current fiscal period. Infrastructure may be expected to last for perhaps fifty years and the corresponding debt may need to be serviced for twenty to forty years.

Citizens asked to vote for a tax issue to pay for an infrastructure or building project have a right to know and may want to know the effect of the project and its costs on their children and their grandchildren. Other questions asked may be

- ✓ How will future debt service be financed?
- ✓ What will the maintenance costs of the infrastructure be five years from now?
- ✓ How will those maintenance costs be paid?
- ✓ When will the infrastructure be replaced?
- ✓ What will the cost be for replacement?
- ✓ How will the cost for replacement be financed?

Some individuals subscribe to the philosophy that government's role is to provide for the corporate needs of the citizens for the present and that future generations can and will solve their own problems. Counter to that concept is the idea that the sins of the father are visited upon the children, and therefore if people were to do a better job of planning, future generations would benefit.

If we were just talking about future generations, the consequences from lack of planning might be so far removed from the present day, that few people would get excited about it. But, the long-term future includes the rest of the days of those currently being asked to make decisions.

The Mechanics of Long-term Focus: Accrual Basis of Accounting

Traditional government fund based reporting of a government's fiscal affairs does not present the long-term focus necessary for sound planning. What is missing is the *accrual basis of accounting*. Capitalization of long-lived assets (commonly called fixed assets or capital assets) and the spreading of the costs of long-lived assets over the time period benefited by the use of those long-lived assets is fundamental to the accrual basis of accounting. GASB No. 34's message, and consequently its prescription and its requirement, is the

- ✓ Entity-wide fiscal concept.
- ✓ Long-term management focus.
- ✓ Accrual basis of accounting.

The answer to the question, "Just what kind of information do these users want?" is *information that will present the entire financial position of the entity-wide, government entity and will represent the long-term management focus.*

EFFECT ON ACCOUNTING FOR CAPITAL ASSETS

The effect on capital asset accounting should be obvious. Capital asset accounting means the long-term management focus and the accrual basis of accounting will be applied to assets with useful lives exceeding one year.

- ✓ The entity-wide fiscal concept demands that *all* assets and *all* liabilities of the primary government and its component units (except for the fiduciary funds of the primary government and component units that are fiduciary in nature) be reported in the Statement of Net Assets.
- ✓ The long-term fiscal focus means that assets that will benefit future periods and liabilities that will require the use of future resources will be reported in the Statement of Net Assets. The focus goes beyond accountability of an appropriated annual amount for operating expense. It encompasses future periods.
- ✓ The accrual basis of accounting means that there is to be a matching of revenues with expenses in the fiscal period in which revenues are *earned* rather than *received* and expenses are *incurred* rather than *expended*. Traditional governmental fund-based financial statements reflect only the modified accrual basis of accounting.

Capital asset accounting includes the amortization of historic costs or other depreciable bases to future fiscal

periods (generally presumed to mean *years*) using annual charges against revenue. The annual charges against revenue are known as *depreciation expense*.

As the original recorded cost of the long-lived asset is amortized to future periods, the annual depreciation amount is usually accumulated in a contra-asset account called *Accumulated Depreciation*. It is called a contra-asset account because it normally carries a *credit* balance even though it is generally listed along with the asset accounts. It is no great mystery why it is done this way. The reason is to provide the maximum amount of information to the users of the financial statements, over the *useful life* of the depleting asset. The effect on the Statement of Net Assets is the same as if the original recorded value (usually historic cost) of the asset was actually itself written-down (decreased) in annual increments.

Since capital assets are almost always comprised of many different assets, the presence of capital assets in the Statement of Net Assets usually means that the figure is supported by a subsidiary account containing the costs and the accumulated depreciation of each of the individual assets making up the total. A subsidiary account is maintained for the purpose of providing

- ✓ Useful detail not apparent on the face of the financial statement.
- ✓ Accounting control over the assets.
- ✓ Physical security over the assets.

Some governments, particularly those conducting capital-intensive proprietary activities, are accustomed to maintaining such subsidiary accounting records. Some of the other names for these subsidiary records are

- ✓ Plant Accounts.
- ✓ Fixed Asset Accounts.
- ✓ Equipment Ledgers.
- ✓ Property & Plant Records.

The only actual change is that the Plant Account records will now support the asset balances carried in the Statement of Net Assets, rather than the amounts reported in the former General Fixed Asset Account Group.

SUMMARY

Like anything new and different GASB Statement No. 34 has an aura of mystery which, when removed as a result of close examination, is not as ominous as one might first conclude. GASB Statement No. 34 does not so much change the old order as it builds upon it.

GASB Statement No. 34 is the result of more than two decades of careful and considerate study including the gathering of significant input from representatives of all groups known to be users of government financial statements.

The primary users of government financial statements are considered to be legislators and regulators, creditors and investors, and citizens.

Traditional government financial statements provided information needed to assess legal accountability in the short-term, but did not provide sufficient information from which to plan for the long-term, assess long-term stability or assess operational efficiency.

GASB Statement No. 34 requires that governments prepare government-wide financial statements using a long-term management focus and the accrual basis of accounting, which includes the capitalization of long-lived assets.

GASB Statement No. 34 requires that a annual financial report include a Management Discussion and Analysis (MD&A).

The effective dates for compliance with the various provisions of GASB Statement No. 34 depend upon the total annual revenues of the government for the first fiscal year ending after June 15, 1999. Larger governments with \$100 million in base-year revenue have or are in the process of implementing.

GASB 34 represents a major change in financial reporting for local and state governments. While there are concerns about the value of some of these changes (most notably infrastructure reporting), there is widespread agreement that state and local governments should implement these changes in order to prepare audited financial statements in accordance with generally accepted accounting principles.

For many governments, implementing the new model should not be an overwhelming task—but for *all* governments, it will mean careful planning, staff training and allocating the resources necessary to successfully make this change.

Will Entity Finances Look Better or Worse?

The Short Answer: It depends—on the unique circumstances of each entity. At the fund level, it should make little difference. At the government-wide level, showing infrastructure assets on the balance sheet may improve the equity position in some cases; for others, including long-term debt and other liabilities may reduce equity. For the handful of governments that have prepared sample statements under the new model, the answer seems to be: not better or worse—just different.