

IMPORTANT INFORMATION

TO: Property/Liability/Workers Compensation Program Council Representatives

FROM: Martha H. Rademacher, CPCU
Director of Finance & Programs

DATE: July 30, 2002

RE: Fixed Asset Appraisals and GASB 34

INTRODUCTION

Many of you are becoming aware of Governmental Accounting Standards Board Statement No. 34 (GASB 34) and its requirements. The good news is that the implementation is staggered based on size of total revenues. Most PDRMA members will not have to implement anything until fiscal years beginning after June 15, 2002.

WHAT IS GASB STATEMENT NO. 34?

Issued in June 1999, GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* established an entirely new financial reporting model for state and local governments. This effort to promote fiscal and operational accountability by governments represents the most significant change in the history of public-sector accounting and financial reporting.

WHY IS PDRMA CONCERNED?

Statement No. 34 covers the basic financial statements, note disclosures, and a new Management Discussion and Analysis (MD&A) section. By far, the major change relates to fixed assets and their valuation.

PDRMA saw this as an opportunity to coordinate members’ GASB 34 compliance efforts with continuing efforts to improve reporting of fixed asset values for insurance purposes. Under current insurance market conditions, underwriters are demanding more details about member buildings and contents and it has become more imperative than ever to have accurate value estimates. There are also fixed asset recording products and systems available that can significantly enhance members and PDRMA’s information systems.

WHAT IS PDRMA DOING?

- ✓ PDRMA has met with two appraisal companies and is receiving proposals from each that would include services required to comply with the fixed asset related requirements of GASB 34 as well as updated fixed asset valuations for insurance purposes.
- ✓ PDRMA’s Board has preliminarily agreed to consider funding the cost of the project out of Property/Casualty member balances.

- ✓ PDRMA staff is researching GASB Statement No. 34 and will continue to inform members of its requirements as they relate to fixed assets. Members are encouraged to discuss implementation with their financial auditors as soon as possible. Many resources are available and a great place to start is the Government Accounting Standards Board website at <http://accounting.rutgers.edu/raw/gasb/index.html>.

WHAT IS NEXT?

Watch for more information very soon from the PDRMA office. Any questions, please call Martha Rademacher at (630)769-0332 or e-mail at mrademacher@pdrma.org.