



**GASB 34:  
A Reason To Comply**

Many governmental entities still believe that GASB 34 compliance is not mandatory. This is due in no small part to the fact that the New York State Comptroller's Office continues to say that compliance is optional. For purposes of completing your New York State Annual Update Document, it is true that compliance is not required. However, if you are being audited to comply with requirements of a federally-funded program, compliance is not an option. In fact, non-compliance could have serious consequences.

For example, Rural Development and other federal agencies explicitly state that audited financial statements submitted to them must be presented in accordance with the following standards: Generally Accepted Government Auditing Standards (GAGAS), the Governmental Accounting Standards Board (GASB), and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. GAGAS includes GASB 34. Failure to comply with these requirements, including GASB 34, is considered a non-monetary default and Rural Development will request an immediate return of funds granted or loaned.

Given the consequences of failure to comply with GASB 34, it makes more sense to prepare the required depreciation schedule, provide accrual information to your auditor, and write your Management Discussion & Analysis (MD&A). In the end, failure to comply may prove "penny wise, pound foolish".

**MD&A:  
What Should You Say?**

Now that everyone has written at least one Management's Discussion & Analysis (MD&A), it is a good time to review what your auditor is looking for when reading your draft MD&A. If any applicable points are missing, your auditor will suggest that you add them

to your MD&A. Your MD&A should include:

- A discussion of the financial statements, comparing and contrasting government-wide and fund financial statements
- A comparison of current year and prior year:
  - total assets
  - total liabilities
  - total net assets
  - program revenues and general revenues by major source
  - total revenues
  - program expenses by function
  - total expenses
  - contributions
  - special and extraordinary items, if applicable
  - transfers
  - change in net assets, and
  - ending net assets
- An analysis of overall financial position and results of operations
- An analysis of balances and transactions of individual funds
- An analysis of significant variations between original and amended budgets
- An analysis of significant differences between amended budgets and actual results
- Capital asset and long-term debt activity
- Infrastructure assets for governments using the modified approach of depreciation
- Discussion of subsequent events, facts, decisions, or conditions that will have a significant effect on financial position
- Comparative analysis of current and prior year

**GASB 43 and 45:  
Here We Go Again!**

Issued in April 2004, GASB 43 and 45 require the accrual of postemployment benefits other than pension plans. The two statements require accrual of post employment healthcare benefits, life insurance, disability, and long-term care benefits. If life insurance and disability insurance are provided in a pension plan, they are *not* covered by 43 and 45. Currently, most

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governmental entities expense postretirement benefits as they are paid. For some entities, this change could mean very large liabilities on their balance sheet as you were required to do under GASB 34 for long-term debt. Entities that do not offer postretirement benefits outside of pension plans will not be affected by the new GASBs.

GASB 43 and 45 also require an annual actuarial valuation of the liability. Employers whose plans have fewer than 200 participants must have an actuarial valuation at least triennially. If there are more than 200 participants, the actuarial valuation must be performed at least biennially. Total participants include all employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries receiving benefits. Most governmental entities will be forced to hire an actuary to perform the required valuation.

GASB 43, like GASB 34 will be implemented in stages based on a governmental entities total annual revenues in the first fiscal year ended after June 15, 1999. This means fiscal years ended December 31, 1999 for Towns and May 31, 2000 for Villages. Phase 1 governments are those that had \$100 million or more in revenues, Phase 2 governments had \$10 million to \$100 million in revenues, and Phase 3 governments had less than \$10 million in revenue in 1999. Phase 1 governments will begin GASB 43 implementation for periods beginning after December 15, 2005; Phase 2 governments for periods beginning after December 31, 2006; Phase 3 governments for periods beginning after December 31, 2007. GASB 45 implementation begins in three-year phases of implementation for periods beginning after December 15, 2006.

Though GASB 43 and 45 are not as complicated to implement as GASB 34, implementation will probably cost you more. There are more GASB statements in draft form. More changes are coming.

licensure. Please congratulate her next time you see her!

We welcome Lyndsay Jones to our audit team. Lyndsay will be with us part-time until she graduates in December from SUNY Brockport. She will be taking the CPA exam next year. We are excited to have her join our team and know you will enjoy working with her.

**Our Firm**

Gray Certified Public Accounting, P.C. has the professional qualifications and experience to provide the prompt, capable service you expect from a CPA firm at the reasonable cost upon which you insist. We do this by employing experienced people who are able to work quickly and efficiently. We are flexible and structure every engagement to meet our client's needs, while intruding minimally on your normal functions.

We annually audit Towns, Villages, and other government entities, including libraries, economic development corporations, and water conservation districts. We have performed many local government audits including government-wide single audits, Department of Housing and Urban Development grant program audits, Rural Development grant program audits, Federal Emergency Management Assistance program audits, New York State grant program audits, and audits and internal control reviews of the Justice Court, Town Clerk, Tax Collector, and Bookkeeper functions. We can be of service to you in performing your annual audit and in making recommendations to improve your financial management and internal controls. We happily provide references!

We have been Peer-Reviewed many times and continuously receive complimentary reports from the American Institute of Certified Public Accountants.

Our audit team members are participants in the Town Finance Association of Monroe County, the American Institute of Certified Public Accountants, and the New York State Society of Certified Public Accountants.

If we can be of any assistance or answer any questions, please call Dawn M. Minemier, CPA at (585) 262-5090.

**Our Audit Team  
Is Changing**

We are pleased to announce that Lezlie Brown obtained her CPA license. Lezlie passed the CPA exam two years ago and recently completed her two year requirement for