



# Quarterly



## ***GASB 34: What is it & how does it affect YOU?***

*with excerpts gratefully taken from "Understanding GASB 34's Infrastructure Reporting Requirements" by Patrick McNamee, Daniel Dornan, Daniel Bajadek & Edward Chait of PricewaterhouseCoopers LLP*

**Editor's Note:** *This article was taken, with permission, from Utah LTAP's excellent web site: [www.utaht2.usu.edu](http://www.utaht2.usu.edu)*

With the increased awareness and utilization of Asset Management principles by local agencies, the Governmental Accounting Standards Board (GASB) has moved to formalize the reporting procedures for infrastructure asset reporting. This change should encourage and facilitate the further utilization of this important management and accountability tool.

### **Background on GASB 34**

In June 1999 GASB unanimously approved Statement No. 34 (GASB 34): Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments. Among its many provisions, GASB 34 requires that state and local governments begin to report on the value of their infrastructure assets, including roads, bridges, water and sewer facilities, and dams.

"GASB 34 provides wide latitude in how infrastructure assets must be reported. However, for state and local governments to comply, it may take significant efforts to de-

fine appropriate policies, develop consistent methodologies, deploy asset management systems, and assemble necessary documentation."

In the PricewaterhouseCoopers report, the authors summarize the key aspects of GASB 34's infrastructure reporting requirements, discuss the rationale for these requirements, and identify issues and challenges associated with implementing these requirements in a rational, consistent, and cost-effective manner. Because of their excellent work, and with their permission, we will include much of that material in this article. (All material in quotations is taken directly from that report.)

"To meet their [accountability] obligations...governments are required to provide useful, relevant, reliable, and understandable information that addresses the principal needs of a variety of users...annual financial reports should allow users to assess a government's accountability to assisting them in determining compliance with finance-related laws, rules and regulations, as well as in making economic, social, and po-

litical decisions. The three groups of primary users identified by GASB are: citizens, legislative and oversight bodies, and investors and creditors."

The driving focus of these account-

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ing and reporting changes, is to "give [government] officials a more comprehensive way to demonstrate their long-term stewardship of public resources."

The most "significant and far reaching" of these new requirements deal with the reporting of general infrastructure assets--i.e. "roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems." (NOTE: "Buildings are excluded from the definition of infrastructure assets, unless they are an ancillary part of a network of infrastructure.")

### How Does this Affect Local Governments?

Nationwide, GASB 34 affects about 84,000 local jurisdictions. Infrastructure reporting requirements apply to about 28,000 local jurisdictions that own major general infrastructure assets. It allows depreciation or preservation approaches for managing and reporting on those assets.

### What Concerns Have Been Raised About GASB 34?

- ✓ Cost-effectiveness of compliance efforts
- ✓ Value of retroactive reporting on infrastructure built since 1980 (not an issue for smaller governments with under \$10 million in annual revenues)
- ✓ Capability of local governments to respond
- ✓ Infringement on local government's sovereignty
- ✓ Degree of prescription or mandate

After hearing all these concerns, the Governmental Accounting Standards Board (GASB) concluded that infrastructure reporting is essential for the fair presentation of financial results for state and local governments.

### Local Government Implementation

To effectively implement the GASB 34 infrastructure reporting requirement, local government implementation teams will need to be developed. These teams will then need to focus on the following:

- ✓ Asset management roles and policies
- ✓ Depreciation approaches
- ✓ Asset inventory
- ✓ Asset valuation
- ✓ Performance measures and standards
- ✓ Condition assessment
- ✓ Asset management planning/programming
- ✓ Asset management systems
- ✓ Asset renewal/replacement analysis
- ✓ Asset disposal policies and procedures

### Considerations for Local Governments

There is not a "one-size-fits-all approach" for responding to GASB 34. Instead, local jurisdictions have the latitude to tailor their response to their particular jurisdiction.

The information gathered in compliance with the GASB 34 requirement is also a base response to the management information needs of

infrastructure managers. This information gathering is already underway in many local jurisdictions as they have moved toward using the principles of asset management.

The impetus behind the implementation of this requirement is to more fully support and encourage the principles of asset management and accountability at all levels of public responsibility.

Local governments will want to consider that the gathering and dissemination of infrastructure information provides value to both the government entity and its constituents. It is an opportunity to share infrastructure asset management information with the public and the financial community. The level of detail gathered is driven by the needs of infrastructure managers.

With the ever increasing demand on local government budgets, the GASB 34 reporting requirements hope to help with effective asset management. This will, in turn, provide local decision-making bodies with the information they need to manage their important infrastructure assets. "What gets measured gets done."

### Effective Dates

The PricewaterhouseCoopers report indicates that, "to determine the year when infrastructure reporting must begin, governments will have to determine their total annual revenues for the first fiscal year ending after June 15, 1999."

**Large-sized Governments.** These are defined as having \$100 million or more in total annual revenues.

- ✓ Fiscal Year (FY) beginning after June 15, 2001. Must provide

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"prospective" reporting for all major infrastructure assets built or improved during the fiscal year and report on these assets in subsequent years, using either the depreciation approach or the Modified Approach.

- ✓ FY beginning after June 15, 2005. Must "retroactively" capitalize and report on all major general infrastructure assets acquired, renovated, or improved in fiscal years ending after June 30, 1980, and report on these assets in subsequent years.

#### **Medium-sized Governments.**

These are defined as having at least \$10 million, but less than \$100 million, in total annual revenues.

- ✓ FY beginning after June 15, 2002. Must provide "prospective" reporting for all major infrastructure assets built or improved during the fiscal year and report on these assets in subsequent years.
- ✓ FY beginning after June 15, 2006. Must "retroactively" capitalize and report on all major general infrastructure assets acquired, renovated, or improved in fiscal years ending after June 30, 1980, and report on these assets in subsequent years.

**Small-sized Governments.** These are defined as having less than \$10 million in total annual revenues.

- ✓ FY beginning after June 15, 2003. Must provide "prospective" reporting for all major infrastructure assets built or improved during the fiscal year and report on these assets in subsequent years.

### **How Should Local Governments Proceed? Organize, Strategize & Realize**

For local governments to organize, they must first obtain executive sponsorship. Then they will need to determine who should be involved. This will include assembling a multi-departmental GASB 34 Response Team. After all this, the team will need to educate executives and staff.

The next step is to strategize. This involves developing a strategic plan (i.e. set goals, objectives, budget, and timeline for response). Key decision points will need to be defined, internal/external resource points will need to be determined and contingency plans developed.

To fully realize GASB 34 implementation, the GASB 34 Response Team and agency teams will need to be deployed. Progress and test results will need to be tracked. The plan should be refined as needed.

### **Short-Term Strategies For Action**

To accomplish any task you must know where to begin. Here are a few "short term strategies for action:"

- ✓ Assess current capabilities--data, methodologies, and systems
- ✓ Determine requirements to be satisfied
- ✓ Perform gap analysis between current capabilities and perceived requirements
- ✓ Identify new inventories, condition assessment methodologies, and systems
- ✓ Develop a strategic plan for

achieving compliance

- ✓ Determine the level of internal/external financial and technical staff needed to achieve compliance

### **Accessing Available Resources**

Local governments are not alone in implementing the GASB 34 requirements. There are a variety of resources available to assist you. Here are some of the things you can do:

- ✓ Contact GASB staff and review available documents
- ✓ Consider what other larger jurisdictions are doing in terms of methods and standards--learn from others
- ✓ Contact state agencies leading GASB 34 response efforts for insights into methods and standards
- ✓ State auditor's office, comptroller's office and/or department of transportation
- ✓ Other resource organizations: accounting firms, engineering firms, specialty firms (GIS, asset valuation, asset management) and LTAP Centers.

### **Opportunities for Coordination**

GASB 34 implementation is also an opportunity for expanded intergovernmental cooperation and coordination. This can be at all levels of local government--state, city and county.

This can mean shared responsibilities and resources for infrastructure inventory, valuation, and condition

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assessment as well as preventive maintenance activities. It can also mean linked databases on infrastructure characteristics, conditions and utilization, driver information and mobility, and commercial shipper accessibility/mobility.

It can also mean cooperative efforts for emergency response, economic development attractiveness and national defense.

**GASB 34 Implementation Resource Groups**

**Key State Resource Groups**

- ✓ Local government associations

- ✓ League of cities/municipal league
- ✓ Association of counties
- ✓ LTAP/T<sup>3</sup> Center

**Key National Resource Groups**

- ✓ American Accounting Association
- ✓ AASHTO
- ✓ American Institute of CPAs
- ✓ APWA
- ✓ Bond Market Association
- ✓ Government Accounting Standards Board
- ✓ Government Accounting Advisory Board

- ✓ National Assoc. of State Auditors, Comptrollers & Treasurers
- ✓ National Federation of Municipal Analysts
- ✓ National Governor's Association
- ✓ US Conference of Mayors

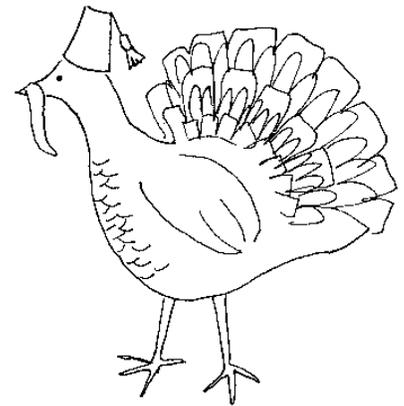
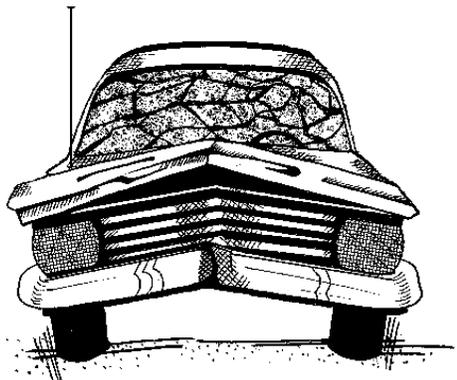
**Summary**

Although GASB 34 is a significant and intensive requirement, it also has the potential to provide valuable decision-making and accountability information. Be sure to utilize all available resources to further your implementation efforts! You can find additional information on GASB 34 at our website [<http://www.utaht2.usu.edu/>].

**Don't Drive While Distracted**

The New England Journal of Medicine reports that accidents caused by distracted drivers have doubled in the last 10 years. Here are some activities to avoid:

-  Talking on a cell phone (even a hands-free phone) or having an intense discussion or argument with a fellow passenger.
-  Eating, drinking, or smoking.
-  Constantly adjusting the radio.
-  Shaving, putting on make-up, or combing or brushing one's hair.
-  Reading a map or any other sort of material.



**Please Pass the Guinea Fowl**

The name "turkey" first referred to guinea fowls that were imported to Europe from the Turkish Empire. When Britons first encountered the American bird we call the turkey in the mid-16th century, they were reminded of the guinea fowl. They called it a Turkey bird — and the name stuck.

## October: National Car Care Month



The Car Care Council urges motorists to maintain and repair their cars before winter strikes. Indeed, it says that routine maintenance at all times throughout the year improves highway safety, air quality, and fuel conservation. Here's the council's checklist of things to fix:

- a Low or dirty engine oil
- a Low tire pressure
- a Inadequate cooling protection
- a Old, worn belts
- a Dirty air filters
- a Low or contaminated fluids

"Small problems get bigger when they are neglected," the council says. "As a result, the motorist faces towing charges, huge repair bills, and poor performance from the vehicle."

### How to Protect Against Carjacking

The U.S. Department of Justice reports that there are 35,000 cases of carjacking each year. Follow these tips to protect yourself:

- ▶ Drive with your doors locked and keep your windows shut whenever you can.
- ▶ Drive on well-lit and much-traveled roads when you can.
- ▶ Don't stop to assist the driver of a car that has broken down. If you want to help, give the police or a service station the car's location.
- ▶ Be suspicious of anyone who approaches your car with flyers or who is asking for change or directions. Be ready to drive away carefully, even if you're at a stop sign or red light.
- ▶ If you're hit from behind, keep your doors locked and windows up until the police arrive and turn on your emergency flashers. (If you suspect evil intentions, get the vehicle's license number and drive to the nearest police station or well-lit area where other people are present.)
- ▶ Be wary of strangers who signal that you have a flat tire. Wait until they leave or, if possible, drive to the nearest gas station or populated area to check it out.
- ▶ Park in well-lit areas and avoid remote locations, especially at shopping malls.

### *It's all a matter of attitude*

There are no menial jobs, only menial attitudes.  
— William John Bennett

Our attitudes control our lives. Attitudes are a secret power working twenty-four hours a day, for good or bad. It is of paramount importance that we know how to harness and control this great force.  
— Tom Blandi

This is the attitude by which I have lived: Prepare for the worst, expect the best, and take what comes.  
— Robert Speer

Attitudes are more important than facts.  
— Karl Menninger

It's not the load that breaks you down, it's the way you carry it.  
— Lena Horne

You play the hand you're dealt. I think the game's worthwhile.  
— Christopher Reeve

What happens is not as important as how you react to what happens.  
— Thaddeus Golas

Ability is what you're capable of doing ...  
Motivation determines what you do ...  
Attitude determines how well you do it.  
— Lou Holtz

## Manuals of Practice: Recipes for Longer Lasting Pavement Repairs

**Editor's Note:** This article was reprinted, with permission, from FHWA's Focus, Jul/Aug 2000.

After 5 years of monitoring and evaluating 22 test sites on asphalt and concrete roads throughout the United States and Canada, the Federal Highway Administration (FHWA) has concluded that the Strategic Highway Research Program (SHRP) researchers got it right—i.e., the pavement repair materials and procedures recommended by SHRP work.

“What we found,” says Charlie Churilla, head of FHWA's long-term pavement performance (LTPP) program, “is that the practices recommended in the original SHRP manuals of practice are good practices. The repairs at the test sites have held up well, validating the materials, equipment, and procedures specified in the manuals.”

Back in 1993, SHRP researchers had published a two-volume set of manuals aimed at assisting highway agencies and contractors in determining the most effective and cost-efficient means for repairing asphalt and portland cement concrete pavements. The recommendations were based on an extensive review of the literature, a nationwide survey of highway agencies, and 18 months of monitoring various types of pavement repairs made at the 22 test sites.

The monitoring ended when the SHRP research phase ended in late 1992. Realizing that significant knowledge could be gained through continued monitoring of the test sites, FHWA stepped in and assumed responsibility for the project

in 1993, under the auspices of the LTPP program.

During the 5 years of monitoring under FHWA, teams of pavement specialists from ERES Consultants (who had also been involved in the SHRP project) conducted periodic field inspections.

“We learned that all of the materials and procedures recommended by SHRP worked well, which is not surprising because we recommended only those materials and procedures that had the best chance of succeeding,” says Tom Wilson of ERES.

**Editor's Note:** The original two-volume SHRP manuals are available free of charge from T<sup>3</sup>S. They can be ordered by using the form on the next page.

The manuals call for high-quality materials, if you want high-quality results. “But that doesn't mean you necessarily have to pay a lot,” says Wilson. For example, the Pennsylvania Department of Transportation's specification for pothole patching materials (Penn-485) costs less than half of many proprietary products, yet holds up exceedingly well.

FHWA has updated the original SHRP reports as a series of four manuals of practice:

📖 Materials and Procedures for Sealing and Filling Cracks in

Asphalt-Surfaced Pavements (Pub. No. PB200103413)

📖 Materials and Procedures for Repair of Potholes in Asphalt-Surfaced Pavements (Pub. No. PB 2000103415)

📖 Materials and Procedures for Repair of Joint Seals in Portland Cement Concrete Pavements (Pub. No. PB 2000103412)

📖 Materials and Procedures for Rapid Repair of Partial-Depth Spalls in Concrete Pavements (Pub. No. PB 2000103414)

Each manual includes a discussion of the most appropriate time to apply a particular treatment, what types of materials and construction methods should be used, and how to evaluate the performance and cost-effectiveness of a repair procedure. Also included are step-by-step procedures for ensuring a high-quality repair and a list of sources for materials and equipment.

The four manuals of practice are available on the Web at [www.tfhr.gov/pavement/ltp/reports.htm](http://www.tfhr.gov/pavement/ltp/reports.htm). They can also be purchased from the National Technical Information Service at 703-605-6000 (toll free: 800-553-6847; Web: [www.ntis.gov](http://www.ntis.gov)). (The original SHRP two-volume manuals are still available from the Transportation Research Board's bookstore at 202-334-3213 or [www.nas.edu/trb/bookstore](http://www.nas.edu/trb/bookstore).)

For more information, contact FHWA's Bill Bellinger at 202-493-3156 (email: [william.bellinger@fhwa.dot.gov](mailto:william.bellinger@fhwa.dot.gov)).

## Information Request and Address Change Form

To order any of the publications, videos, or other materials listed in this or other issues of *T<sup>3</sup>S Quarterly*, complete this form and mail it or fax it to **Sandra Priddy** at the address or phone number shown below.

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864.656.1456  
Fax: 864.656.2670**

### Publications

- Asphalt Pavement Repair Manuals of Practice, SHRP-H-348
- Concrete Pavement Repair Manuals of Practice, SHRP-H-349
- Incident Management Successful Practices—Improving Mobility and Saving Lives, FHWA-JPO-99-018
- Evaluation of the ISOGRID Retaining Wall System, Civil Engineering Research Foundation, CERF #40363

### Videos/CDs/Software

- CD: RC Flagman—Evaluation Report, Ohio DOT, Nov. 1999
- CD: Pavement Preservation—State of the Practice, FHWA-IF-00-012
- CD: Construction of Portland Cement Concrete Pavements, NHI 2.5-Day Training Course
- CD: Geosynthetics: Use in Streets and Highways, Minnesota Local Road Research Board
- Software: PaveCool—Asphalt Pavement Cooling Tool, University of Minnesota and FHWA

### Other

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  - Please add my name to your mailing list***

### Suggestions for Possible Future Workshop Topics

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## Fifteen Traits Most Valued by Employers

According to a study by Michigan State University Replacement Services, these are the traits employers most often look for in prospective employees:

- ✓ Emotional control
- ✓ Ability to get things done
- ✓ Common sense
- ✓ Honesty/Integrity/Dependability
- ✓ Initiative
- ✓ Good work habits
- ✓ Reliability
- ✓ Good interpersonal skills
- ✓ Enthusiasm
- ✓ Good judgment
- ✓ Desire to achieve
- ✓ Flexibility
- ✓ Intelligence
- ✓ Oral and written communication skills
- ✓ Problem-solving skills

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