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## FISCAL IMPACT REPORT

SPONSOR: Varela DATE TYPED: 2/15/01 HB HJM24  
 SHORT TITLE: Government Accounting Standards Board SB \_\_\_\_\_  
 ANALYST: Patel

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
		Indeterminate	Indeterminate		

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC File

### SUMMARY

#### Synopsis of Bill

House Joint Memorial 24 recognizes the need for New Mexico governmental entities and its political subdivisions, including colleges and universities, to take action to timely and accurately adopt and implement the Governmental Accounting Standards Board (GASB) statements 34 and 35.

The GASB statements 34 and 35 change format and the contents of government financial statements. This changes require that the basic general purpose financial statements and required supplementary information include:

- Management’s discussion and analysis (MD&A) as required as supplemental information presented before the basic financial statements.
- Basic financial statements consist of government-wide (GW) statements of 1) a statement of net assets and 2) a statement of activities.
- Government-wide statements are prepared using the economic resources measurement focus and accrual basis of accounting, and report all assets, liabilities, revenues and expenses of the government.
- Governments should report all capital assets including infrastructure assets in the GW statement of net assets and depreciation expense, the cost of “using up” capital assets in the GW statement of activities.

## House Joint Memorial 24 -- Page 2

- A budgetary comparison statement of schedule comparing original, final and actual information on the budgetary basis for the government's general fund and major special revenue funds presented either as required supplementary information (RSI) or in the basic statements.

### Significant Issues

Failure to implement GASB statements 34 and 35 may result in certified public accountants rendering an adverse opinion on the financial statements of an entity. The federal government uses the audits of government agencies as one of several criteria to evaluate fund proposals. Also, investment firms, banks and other investors use audits of government agencies to assess a bond rating and interest and ultimately to decide whether to invest in governmental indebtedness.

### **PERFORMANCE IMPLICATIONS**

Implementation of GASB 34 and 35 will have a major performance impact on all governmental entities. General and program revenues will be reported by major sources; program expenditures need to be reported by function; capital and other assets, long-term and other liabilities need to be distinguished; capital assets will need to be recorded more accurately for applicable depreciation purposes.

### **FISCAL IMPLICATIONS**

HJM 24 does not provide for any appropriation. However, governmental entities will incur costs for training staff, obtaining outside expertise, establish infrastructure valuation and related depreciation, and in some cases, additional staff may be needed to implement GASB 34 and 35 requirements timely and accurately.

MP/ar/njw