

GASB Statement 34: Iowa's small and midsize communities respond

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Editor's note: An article in the March–April 2003 issue of Technology News described how nine large Midwestern cities (annual revenue \$100 million or more) conducted their first financial reporting under the new Governmental Accounting Standards Board Statement 34 (GASB 34) requirements. This article discusses 12 small (annual revenue less than \$10 million) and midsize (annual revenue \$10 million to less than \$100 million) Iowa communities' approaches to complying with GASB 34.

Generally, GASB 34 requires state and local governments to begin reporting the value of their infrastructure assets, including roads and bridges. For background information on GASB 34, see "What's GASB 34—and why should you care?" in the January–February 2000 issue of Technology News. It is online, www.ctre.iastate.edu/pubs/Tech_News/.

TWELVE SMALL and midsize Iowa communities were recently interviewed regarding their plans for complying with GASB 34. The five midsize cities interviewed are just working on their first GASB 34-compliant reports for fiscal year ending June 2003. The seven small cities interviewed are preparing for their first GASB 34-compliant reporting, required for fiscal year ending June 2004.

Starting points

In all communities interviewed, the city clerk or finance manager is responsible for implementing GASB 34. In this early reporting stage, none of the financial officers has experienced any problems with the requirements other than extra time needed to prepare compliant reports.

Four communities operating on a cash basis, as opposed to an accrual basis, believe they are not required to determine an overall value for assets. Four other communities have systems for reporting the value of fixed assets, but no community interviewed has a system for reporting infrastructure assets.

Implementation plans

In their first reporting year, agencies are required to report only the value of newly acquired infrastructure assets. With the exception of one cash-basis city that is not planning to list the value of existing facilities (it will report only infrastructure assets tied to debt, adding

new assets as debt is incurred and removing them as debt is retired), the communities interviewed are taking various approaches to determining the value of infrastructure assets. None of the communities interviewed plans to use the modified approach allowed in GASB 34.

One midsize city plans to implement an asset management system, and two small cities are considering it.

One city will use "actual" costs, one will use replacement cost, another will determine values based on its records, another is using Street Guard software. The public works department in one cash-basis community will determine infrastructure values. In another community, the engineering department is determining values.

Most communities interviewed don't yet know how they will depreciate their infrastructure assets, but two midsize cities are using straight-line depreciation.

Impact of GASB 34

When interviewed, none of the communities had adopted an asset management system as a result of GASB 34. One cash-basis city believes an asset management system isn't necessary, and one interviewee noted that the city council is not interested in spending money to initiate an asset management system in the current budgetary climate. One midsize city, however, plans to implement such a system, and two small cities are considering it.

Some cities expect that the information in the new reports may result in favorable audit opinions.

While there are still many unknowns regarding the implementation of GASB 34, one thing is certain: GASB 34-compliant financial reports should make it easier for creditors and the public to understand agencies' fiscal performance and creditworthiness.

For more information

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