



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

R. KEVIN CLINTON  
STATE TREASURER

**DATE:** January 29, 2014

**TO:** Road and Street Agencies in the State of Michigan  
Local Unit Audit Entities

**FROM:** Suzanne Schafer, Administrator  
Local Audit and Finance Division

**SUBJECT:** Federal And State Funding – Road And Street Construction

## EXPOSURE DRAFT

### Federal And State Funding – Road And Street Construction

The Michigan Department of Treasury has prepared this exposure draft for comment from persons interested in accounting, auditing, and reporting issues.

Comments should be received by March 31, 2014, and should be addressed to Cary Jay Vaughn, CPA, Audit Manager, Department of Treasury, Local Audit and Finance Division, PO Box 30728, Lansing, MI 48909-8228 or via email to [treas\\_lafd@michigan.gov](mailto:treas_lafd@michigan.gov).

Comments or suggestions on any aspect of this exposure draft will be appreciated. To facilitate Treasury's consideration of responses, comments should be as specific as possible and include supporting reasons for each suggestion or comment.



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

R. KEVIN CLINTON  
STATE TREASURER

**NUMBERED LETTER 2014-X**

**FEDERAL AND STATE FUNDING – ROAD AND STREET CONSTRUCTION**

Issued By: Local Audit and Finance Division, Bureau of Local Government Service

**Issue Date:** DRAFT

2014-X Accounting standards for the recording of Federal and State grants related to road and street construction passed through the Michigan Department of Transportation (MDOT) and not through the local road or street agency.

Federal and State grants for the construction of county, city, and village streets that do not pass through the local unit (road or street agency) do not constitute revenues or expenditures in the fund-based records. Fund-based records use the current financial resources measurement focus and modified accrual basis of accounting. Consequently, grants that do not pass through the local unit do not represent resources obtained or expended and are not available for use in the current period. Therefore, no corresponding entries would be booked.

However, government-wide statements use the economic resources measurement focus and accrual accounting. Because of this, “revenue is reported for transactions and events involving not only the receipt of cash but also the receipt of capital assets (that is, capital asset donations)<sup>1</sup>.” Related capital assets would also be recorded.

The inflows of donated capital assets (those paid by the MDOT) would be recognized as “Capital Grants and Donations” with the outflow classified as a capital asset to be depreciated over its useful life.

If you have any questions, please contact our office.

Michigan Department of Treasury  
Local Audit and Finance Division  
P.O. Box 30728  
Lansing, MI 48909  
517-373-3227

---

<sup>1</sup> Audit and Accounting Guide, State and Local Governments, March 1, 2012, para. 6.10 published by the American Institute of Certified Public Accountants.