



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

NICK A. KHOURI
STATE TREASURER

NUMBERED LETTER 2015-2

STATE GENERAL FUND APPROPRIATION FOR ROADS, STREETS, AND BRIDGES

Issued By: Local Government Financial Services Division,
Bureau of Local Government Services

Issue Date: November 5, 2015

2015-2 Accounting for One-Time State Appropriation for Roads, Streets, and Bridges

Public Act 84 of 2015, Article XVII, section 121 included state of Michigan General Fund appropriations for state roads, local roads, streets and bridges. Approximate distribution dates to local road and street agencies are November 4, 2015, February 3, 2016, May 4, 2016, and August 3, 2016. The proper accounting of the payments are dependent on the fiscal year end of the local unit of government.

According to Governmental Accounting Standards Board (GASB) Statement No. 33, paragraph 24, a voluntary nonexchange transaction that does not specify a time requirement should be recognized at the full accrual level (government-wide statements) as a receivable and a revenue for the entire award on the first day of the provider's (the state's) fiscal year. At the modified accrual level (fund-based statements), paragraphs 29 and 30 limit the recognition of revenue to the time period when the resources are available. According to GASB Codification section 1600.106, available means "collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period," which is typically within 60 days but is dependent on the policy of the local unit.

Therefore, these distributions should not be recognized when received, but must be accrued according to the standards illustrated above. Other State Grants (a program revenue) should be used. If the distribution is not "available" as previously defined, it should be recorded as a Deferred Inflow.

For example, local units that have a fiscal year ending in December 2016 rather than the state's fiscal year of September 2016 will record the payments in their modified accrual based statements as follows:

- The November 4, 2015, payment will be recorded as Other State Grants revenue when received in the December 31, 2015, fiscal year.
- The February 3, 2016 payment will be accrued as a receivable and as Other State Grants revenue in the December 31, 2015, fiscal year. The receivable would be reduced when the payment was received.

State General Fund Appropriation For Roads, Streets, And Bridges

Page 2

November 5, 2015

- The May 4, 2016, and August 3, 2016, payments will be booked as a receivable and a Deferred Inflow in the December 31, 2015, fiscal year and booked as Other State Grants revenue when the payment is received in the December 31, 2016, fiscal year.

If you have any questions, please contact our office.

Michigan Department of Treasury
Local Government Financial Services Division
P.O. Box 30728
Lansing, MI 48909
517-373-3227