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## NUMBERED LETTER 2015-1

### STATE GENERAL FUND APPROPRIATION FOR ROADS, STREETS AND BRIDGES

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2015-1      Accounting for One-Time State Appropriation for Roads, Streets and Bridges

Public Act 252 of 2014, Article XVII, section 120 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 5, 2014, February 4, 2015, May 5, 2015, and August 5, 2015. 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 2014 rather than the State's fiscal year of September 2014 will record the payments in their modified accrual based statements as follows:

- The November 5, 2014 payment will be recorded as Other State Grants revenue when received in the December 31, 2014 fiscal year.
- The February 4, 2015 payment will be accrued as a receivable and as Other State Grants revenue in the December 31, 2014 fiscal year. The receivable would be reduced when the payment was received.

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- The May 5, 2015 and August 5, 2015 payments will be booked as a receivable and a Deferred Inflow in the December 31, 2014 fiscal year and booked as Other State Grants revenue when the payment is received in the December 31, 2015 fiscal year.

If you have any questions, please contact our office.

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