



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

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## NUMBERED LETTER 2018-5

**To:** Local Road and Street Agencies  
**From:** Community Engagement and Finance Division  
Bureau of Local Government Services  
**Date:** October 22, 2018

### 2018-5 Accounting for One-Time State Appropriation to Road and Street Agencies

On June 21, 2018, [Public Act 207 of 2018](#), became effective. Section 118 of the act appropriates \$300 million in state General funds to local units for the purpose of construction or preservation of county roads and city/village streets and other purposes as stipulated in the act for distribution in October 2018 and January 2019.

#### Government-Wide Reporting (Full Accrual)

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 (Due from State) and a revenue (569-Other State Grants) for the entire award on the first day of the provider's (the state's) fiscal year, October 1, 2018. However, the recognition of revenue may differ between a local unit's governmental funds and government-wide financial statements.

#### Governmental Funds Reporting (Modified Accrual)

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 stated above. If the distribution is not "available" as previously defined, it should be recorded as a Deferred Inflow instead. Local units with fiscal years beginning October 1 or after will book the distributions as 569-Other State Grants revenue<sup>1</sup>.

If you have any questions, please contact our office.

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<sup>1</sup> The only exception would be for the second payment and would only apply to one street agency with an October year end. In this case, the January distribution would need to be credited as a Deferred Inflow and debited as a Due from State if it does not meet the availability criteria as defined above (typically received within 60 days of the fiscal year end).