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ACCOUNTING AND REPORTING INFRASTRUCTURE ASSETS
COUNTY ROAD COMMISSIONS

GASB 34

INFRASTRUCTURE REPORTING

INTRODUCTION

Capital assets are defined by GASB 34 as land and improvements, easements, buildings and improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

Infrastructure assets are long-lived capital assets that normally are stationary in nature and can normally be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems. Infrastructure assets do not include buildings, drives, parking lots or any other examples given above that are incidental to property or access to property.

The purpose of this statement is to address issues surrounding infrastructure reporting of assets by county road commissions in the State of Michigan.

Effective Dates

All governmental entities must adopt the financial statement reporting model and prospective reporting of infrastructure for periods beginning after June 15, of either year 2001, 2002, or 2003 depending upon the size of their revenues for the base year, with the larger entities (based on revenues) adopting first (2001). Revenues include all revenues (not other financing sources) of the primary government's governmental and enterprise funds, except for extraordinary items. If a primary government (*county*) chooses early implementation, its entire component units (*which includes the county road commission*) also should implement this standard early to provide the financial information required for the government-wide financial statements.

Units of governments with annual revenues under \$10 million have the option of adopting retroactive capitalization of major general infrastructure dating to 1980. All government entities are required to capitalize newly acquired or constructed infrastructure beginning with their GASB 34 implementation date.

Major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980 must be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB Statement No. 34. This requirement applies to all government entities with \$10 million or more in revenues during their base year, which is the first fiscal year ending after June 15, 1999.

Retroactive Capitalization

Retroactive capitalization means that major infrastructure assets on hand at the date of implementation of GASB Statement No. 34 must be inventoried, recorded as capital assets in the accounts and reported in the statement of net assets. Prospective capitalization of general infrastructure assets means that from the GASB Statement No. 34 implementation date forward, all such assets must be capitalized in the accounts and reported in the statement of net assets.

INFRASTRUCTURE ASSET REPORTING

GASB 34 allows two approaches for infrastructure asset reporting, the "depreciation method" and the "modified approach." GASB 34 requires the use of depreciation reporting for infrastructure assets where the modified approach can not be used in reporting infrastructure assets.

Infrastructure assets that are part of a network or subsystem of a network are not required to be depreciated, as long as the following two requirements are met:

1. The government must manage the eligible infrastructure assets using an asset management system that has the following characteristics:
 - a) Have an up-to-date inventory of eligible infrastructure assets;
 - b) Perform condition assessments of eligible infrastructure assets and summarize the results using a measurement scale; and
 - c) Estimate each year the annual amount to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the government.
2. The unit of government documents that the assets are being preserved at or above a condition level established and disclosed by the government.

Most road commissions in the State of Michigan do not meet both criteria noted above to use the modified approach. Therefore, the county road commissions should use the depreciation method for infrastructure assets with the following guidelines when the modified approach criteria are not fulfilled. Please note that these are guidelines that may vary depending on the region of the State, the weather, or other factors.

Life in Years for Depreciation: (Straight-Line Depreciation)

Roads:

Gravel Surface	8 years
Asphalt Surface	20 years
Concrete Surface	30 years

Traffic Signals: 15 years

Bridges:

Timber Bridge	25 years
Timber Redecking	12 years
Metal Structure Bridge	30 years
Metal Redecking	15 years
Concrete Bridge	50 years
Concrete Redecking	25 years
Movable Bridge	50 years

Bridge invoices are received for many years following the completion of the bridge; therefore, they are to be reported by a subaccount in the fixed assets and depreciated over the remaining years of the original depreciation schedule. For example, a concrete bridge opened in the year 2001 would have 2001 costs depreciated over 50 years. Invoices received in the year 2002 would be depreciated over the remaining 49 years, etc.

Initial installation of guardrails and traffic signs will be included with the project cost; all other guardrail and traffic sign work will be included in Routine Maintenance.

Purchase of land for roadway or right-of-way will be set up in a separate capital asset account, by year, which will not be depreciated. This information **MUST** be included from 1980 to present. Any purchase of land or right-of-way, prior to 1980, for which the road commission has documentation of purchase price should be included.

Land improvements (including excavation, ditching, grading, tree removal, and subgrade preparation) are to be recorded as fixed assets, by year, and will not be depreciated.

Use 1999 or 2000 project data for your road commission to arrive at a percentage of projects normally included as land improvements and apply this percentage to all years prior to current year. Use actual data from date of implementation forward.

All Bridges **MUST** be included in the capital asset schedule.

All Traffic Signals **MUST** be included in the capital asset schedule.

All roads under the jurisdiction of the road commission constructed by a developer or under special assessment must have the cost included in the capital asset group and the offsetting revenue account will be "Other Contributions." These roads are to be split the same as roads constructed by the road commission separating land/right-of-way purchase, land improvements, and depreciable road costs. This process is to commence with 1980 roads.

CLARIFICATION OF DEFINITIONS TO BE USED IN INFRASTRUCTURE REPORTING

1. Land/right-of-way purchase. (Capitalized)
 - a) Actual cash expenditure for acquisition of land or right-of-way for road purposes.
 - b) Actual cost of work-in-kind exchange for acquisition of land or right-of-way for road purposes.
2. Land Improvements (construction and/or reconstruction projects). (Capitalized)
 - a) Excavation, ditching, grading (lane widened portion and/or elevation change only), tree removal, subgrade preparation of land for the roadway.
3. Construction/Capacity Improvements. (Capitalized)
 - a) Totally new road where no road previously existed.
 - b) Addition of lanes to existing roadway (only additional lanes are considered construction--all other project work would be classed as reconstruction or heavy maintenance).
4. Preservation/Reconstruction. (Capitalized)
 - a) Change to vertical or horizontal curve of roadway including new surface of the changed roadway.
5. Preservation/Structural Improvements. (Capitalized)
 - a) Improvement to existing roadway including drainage structures, surface, hard surface of gravel roadway and resurfacing of roadway.
6. Routine and Preventive Maintenance. (Expensed)
 - a) All roadwork which does not fit the category of construction/capacity improvements, preservation/reconstruction, or preservation/structural improvements.
7. Timber Bridge. (Capitalized)
 - a) Bridges constructed from timber with a 20' or more clear span length crossing a drain, stream or dry gully.
8. Metal Structure Bridge. (Capitalized)
 - a) Metal culvert or multi-plate arch structure with a 20' or more clear span length allowing for water to cross a drain, stream or dry gully.

9. Concrete Bridge. (Capitalized)

- a) Concrete constructed structure with a 20' or more clear span length crossing a drain, stream or dry gully. This includes concrete I-beam with concrete deck, steel I-beam with concrete deck, Jack arch (steel I-beam with metal arches and concrete deck), concrete slab on metal sheeting, pre-cast concrete arch, concrete box beam with concrete deck, and concrete box beam with bituminous deck.

10. Movable Bridge. (Capitalized)

- a) Bascule, lift, or rotating structure with a 20' or more clear span length crossing a drain, stream, or dry gully.

CAPITAL ASSET ACCOUNTS

- 130 Land
.01 Land owned by the road commission
.02 Land/right-of-way purchases (nondepreciating) to be recorded by year (roadway preparation)
- 131 Land Improvements (nondepreciating) to be recorded by year
- 150 Open
- 151 Open
- 156 Bridges (depreciating) to be recorded by year and subaccount by type
.01 Timber -- 25 years -- 4% per year
Timber redecking -- 12 years -- 8.3% per year
.02 Metal -- 30 years -- 3.3% per year
.03 Concrete -- 50 years -- 2% per year
Concrete redecking -- 25 years -- 4% per year
.04 Movable -- 50 years -- 2% per year
- 157 Accumulated Depreciation -- Bridges
.01 Timber
.02 Metal
.03 Concrete
.04 Movable
- 159 Roads (depreciating) to be recorded by year and subaccount by type
.01 Seal Coat -- 5 years -- 20% per year
.02 Gravel -- 8 years -- 12.5% per year
.03 Asphalt -- 20 years -- 5% per year
.04 Concrete -- 30 years -- 3.3% per year
- 160 Accumulated Depreciation -- Roads
.01 Seal Coat
.02 Gravel
.03 Asphalt
.04 Concrete
- 161 Traffic Signals (depreciating) to be recorded by signal -- 15 years -- 6.7% per year
- 162 Accumulated Depreciation -- Traffic Signals

All depreciated road commission capital assets are to be removed from the capital asset group and depreciation group at the time the individually recorded fixed asset item has been fully depreciated. For example, the 1980 Seal Coat road fixed asset group would be removed from fixed asset account with the depreciation account in 1986 as it would be fully depreciated; however, all remaining 1980 recorded infrastructure assets would remain as they would not be fully depreciated). Depreciating bridges and traffic signals are to be removed from the fixed asset group only when they have been replaced or removed from the road system.

IMPLEMENTATION

1. The road commission should look up all recorded deeds for purchase of land and/or right-of-way to record as capital asset expense.
2. Calculate land improvement cost percentage from 1999 or 2000 projects using actual data. Apply this percentage to construction/capacity improvements and preservation/structural improvements expenditures listed in the 1980 to present Act 51 Financial Report data and record as fixed assets by year. From the current year forward, use actual expenditures for land improvements on construction/capacity improvements and preservation/structural improvements projects.
3. Road preservation/structural improvements and construction/capacity improvements (less land improvement costs) as taken from the Act 51 Financial Reports should be recorded as capital assets by year. This number is to be split into category by percentage using actual miles for each year or using actual data if available. Once the capital asset by year and subaccount has been determined, the depreciation factor must be applied up to the implementation date.
4. Traffic signals are to be recorded at original placement cost, by signal, and the depreciation factor is to be applied up to the implementation date. Signals are to remain as fixed assets until they are removed or replaced. If they are removed or replaced prior to being fully depreciated, they are to be considered as equipment capital assets while recording gain or loss on disposal.
5. Bridges are to be taken from the bridge inventory in your Engineering Department and recorded by subaccount and bridge. Original cost for construction/capacity and year of construction can be obtained from the bridge inventory data. These are to be recorded at their original cost and depreciated up to current year. Bridges are to remain as capital depreciated; they are to be considered as equipment capital assets while recording gain or loss on disposal.