
Indiana LTAP Road School 2007
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Michael M. Nielsen
Government Fixed Asset Services, Inc.
Chicago, Illinois 60655-1728
773 298 0289
GASB Statement No. 34 General Infrastructure Reporting

Indiana Local Transportation Assistance Program
initap@ecn.purdue.edu
1 800 428 7369

Government Fixed Asset Services, Inc.
nielsen@fixedassetservices.com
1 773 298 0289

GASB Statement No. 34 – the basics

...the most significant change in the history of governmental accounting. It represents a dramatic shift in the way local governments present financial information to the public.
GASB Statement No. 34 – the basics

Experience in working with Indiana Counties, Cities, and Towns is similar in that following scenario almost always occurs:

- First, there is an amount of apprehension
- Second, about halfway through implementation comments are that project is very achievable
- Third, at conclusion comments are that information should have been assemble in past and that information can be used in present for other purposes

GASB Statement No. 34 – the basics

- Depreciation of all general infrastructure (which includes roads, bridges, regulated drains, etc.)
- Depreciation of all general capital assets (which includes land improvements, buildings, machinery and equipment, and vehicles)
- Prospective reporting of all new general infrastructure assets and general capital assets
- Retroactive reporting of existing general infrastructure back to 1980 (and earlier)
GASB Statement No. 34 – the basics

- Infrastructure reporting options of historical cost and depreciation or the modified approach (condition assessment)
- Policy disclosures
  - Capitalization of assets
  - Establishing estimated useful lives
  - Depreciation method and convention

Capital Assets per GASB 34 – General Infrastructure

- Roads
- Bridges
- Water and Sewer Systems
- Storm Sewer Systems
- Regulated Drains
- Streetlights
- Traffic Signals
- Sidewalks
- Rights-of-way
Capital Assets per GASB 34 – General Capital Assets*

- Land
- Land improvements
- Buildings
- Building improvements
- Machinery and Equipment
- Vehicles
- Works of art
- Other tangible and intangible assets

*...more on this later

Task at hand...

Regarding the retroactive reporting of general infrastructure it comes down to answering three questions

- what assets do we have?
- when did we acquire these assets?
- what did these assets cost?

Reference INDOT GASB Statement No. 34 implementation in 2001 and 2002

Reference Government Finance Officers Association

GAAFR Review 10-1-01
What do we have?

Roads by functional class

- Arterial urban
- Collector rural
- Collector urban
- Local paved rural
- Local paved urban
- Local unpaved (gravel)

What do we have?

- Bridges
- Water and Sanitary Sewer Systems*
- Storm Sewer Systems
- Regulated Drains
- Streetlights
- Traffic Signals
- Sidewalks
- Rights-of-way

*...in most cases these are enterprise fund or business-type activity assets and as such have been depreciated for many years. Further, the balances have been audited for years, hence, calculations will remain 'as is' with exception of current year activity related to additions and retirements.
What do we have?

- Regulated Drains - practical experience
  - Inventory of drain tiles by length and by year of acceptance or installation
  - Often use of average tile diameter
  - Current replacement cost different than traditional storm sewer systems with structures - catch basins, manholes, inlets, etc.
  - Exclusion of easements
  - Usually a 100 year estimated useful life

Inventory example

Inventory columns A, B, C, D, E, G
When were assets acquired?

- Roads - by mile and square yard of surface by functional class by year
- Bridges - by individual bridge by year of construction or re-construction
- Water and Sewer Systems - length in feet by year of installation
- Storm Drainage Systems - length in feet by year of installation
- Regulated Drains - length in feet by year of installation
- Streetlights - number by year of installation
- Traffic Signals - by intersection by year of installation
- Rights-of-way - by number of acres acquired by year (caution - year of acquisition may be different for older roads and we should note that the IN LTAP worksheets make assumption that rights-of-way were acquired when road was constructed)

Allocation and aging example
What did we pay for assets?

Process of normal costing or estimating historical cost involves the application of cost deflators to replacement cost (provided by IN LTAP/Government Fixed Asset Services, Inc.). Per line or unit of measure, then, a deflator corresponding to estimated year of acquisition is applied.

Replacement cost (unit costs provided by IN LTAP/Government Fixed Asset Services, Inc.) reflects various functional classes including rural local roads at $28/sq. yd., storm sewers at $73/ft., streetlights at $5,000 per fixture, bridges at $106/sq. ft. of deck, etc.

Regulated Drains vary per County Surveyors at $15 to $30 to $35 or more per foot depending on tile diameter (again, many Counties use an average diameter, hence, one replacement cost)
What did we pay for assets?

General infrastructure worksheets as provided by IN LTAP/Government Fixed Asset Services, Inc. will automatically match year of acquisition or construction with deflator (deflators are by year from 1980 to current and averaged by decade for pre-1980 assets).

What did we pay for assets?

General infrastructure worksheets as provided by IN LTAP/Government Fixed Asset Services, Inc. are as of 2003 and it should be noted that for 2004 and 2005 the deflator = ‘1’ (no deflation) and 2006 and 2007 are to be actual historical cost.
Costing example

Costing columns H, I, J

<table>
<thead>
<tr>
<th>Asset ID</th>
<th>Asset Description</th>
<th>Original Cost</th>
<th>Salvage Value</th>
<th>Useful Life</th>
<th>Depreciable Amount</th>
<th>Annual Depreciation</th>
<th>Accumulated Depreciation</th>
<th>Net Book Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>Building</td>
<td>$500,000</td>
<td>$100,000</td>
<td>20 years</td>
<td>$400,000</td>
<td>$20,000/year</td>
<td>$400,000</td>
<td>$100,000</td>
</tr>
<tr>
<td>A2</td>
<td>Equipment</td>
<td>$300,000</td>
<td>$50,000</td>
<td>10 years</td>
<td>$250,000</td>
<td>$25,000/year</td>
<td>$250,000</td>
<td>$50,000</td>
</tr>
<tr>
<td>A3</td>
<td>Vehicle</td>
<td>$100,000</td>
<td>$10,000</td>
<td>5 years</td>
<td>$90,000</td>
<td>$18,000/year</td>
<td>$90,000</td>
<td>$10,000</td>
</tr>
</tbody>
</table>

**Methods for Calculating Depreciation**

- Depreciation for GASB Statement No. 34 reporting is to be calculated as to annual depreciation, accumulated depreciation, and net book value.
- The IN LTAP/Government Fixed Asset Services, Inc. worksheets have installed in them the depreciation formulas for calculation of annual depreciation, accumulated depreciation, and net book value.
- Caution – use IN LTAP and Government Fixed Asset Services, Inc. GASB Statement No. 34 General Infrastructure Manual – Version II.
### Depreciation example

**Depreciation columns K, L, M, N**

<table>
<thead>
<tr>
<th>Property Name</th>
<th>First Year</th>
<th>Depreciation Basis</th>
<th>Cost (in $K)</th>
<th>Straight-Line Rate</th>
<th>Accumulated Depreciation (in $L)</th>
<th>Net Book Value (in $M)</th>
<th>Total Cost (in $N)</th>
</tr>
</thead>
<tbody>
<tr>
<td>House A</td>
<td>2023</td>
<td>$1,000,000</td>
<td>0.05</td>
<td>$50,000</td>
<td>$50,000</td>
<td>$950,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Car B</td>
<td>2024</td>
<td>$20,000</td>
<td>0.20</td>
<td>$4,000</td>
<td>$4,000</td>
<td>$16,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>Motorcycle C</td>
<td>2025</td>
<td>$5,000</td>
<td>0.15</td>
<td>$750</td>
<td>$750</td>
<td>$4,250</td>
<td>$5,000</td>
</tr>
</tbody>
</table>

**Rights-of-Way example**

**Rights-of-Way columns O, P, Q, R, S**

<table>
<thead>
<tr>
<th>Property Name</th>
<th>First Year</th>
<th>Length (in ft)</th>
<th>Value (in $)</th>
<th>Adjusted Value (in $)</th>
<th>Net Cost (in $)</th>
<th>Accumulated Cost (in $)</th>
<th>Total Cost (in $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Road A</td>
<td>2023</td>
<td>1,500</td>
<td>$30,000</td>
<td>$24,000</td>
<td>$24,000</td>
<td>$24,000</td>
<td>$30,000</td>
</tr>
<tr>
<td>Bridge B</td>
<td>2024</td>
<td>1,000</td>
<td>$20,000</td>
<td>$16,000</td>
<td>$16,000</td>
<td>$16,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>Tunnel C</td>
<td>2025</td>
<td>2,000</td>
<td>$40,000</td>
<td>$32,000</td>
<td>$32,000</td>
<td>$32,000</td>
<td>$40,000</td>
</tr>
</tbody>
</table>
Prospective Reporting

- General infrastructure worksheets will need to be updated each year in the future to reflect additions and retirements.
- General fixed asset worksheets will need to be updated each year in the future to reflect additions and retirements.
- Depreciation as to annual depreciation, accumulated depreciation, and net book value must be updated to the end of the new fiscal year end.

Prospective Reporting

- IN LTAP/Government Fixed Asset Services, Inc. worksheets include depreciation formulas for the calculation of annual depreciation, accumulated depreciation, and net book value.
- IN LTAP/Government Fixed Asset Services, Inc. worksheets will calculate depreciation through the end of the year.
- Straight-line method, full-year convention, no salvage value (ref. policy).
Prospective Reporting

- Worksheets are a tool to be used in updating general infrastructure financial reporting information through the end of the year.
- Process of updating involves making a copy of current worksheets and then adding additions and deleting retirements (need to subtotal additions and retirements each year for auditors and financial reporting).
- When worksheets are updated and re-named to the current year end, the depreciation calculation will be updated to the new fiscal year end automatically.

General Infrastructure – Ownership (footnote) per GASB 34 ...

Governments that have the primary responsibility for managing an infrastructure asset should report the asset.
Capital Assets - general capital assets - not to be forgotten (GASB Statement No. 34 includes ‘all’ governmental assets)

- Land
- Land Improvements
- Buildings
- Building improvements
- Machinery and Equipment
- Vehicles
- Works of art
- Other tangible and intangible assets

General Capital Assets

- Importance of policy
  - Generally all land is included
  - Capitalization threshold for building improvements
  - Capitalization threshold for machinery and equipment
  - Generally all vehicles are included

- Practical considerations
Effective Date

Depending on total annual revenues, governments will apply the Statement beginning with fiscal years ending after June 15, 2002, 2003, or 2004.

Effective Date

For the retroactive reporting of infrastructure, governments are allotted an additional four years beyond the effective date of the Statement to do so. This means for fiscal years ending after June 15, 2006, 2007, 2008.
Summary and Conclusion

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