

## **SOFMA Survey on Depreciation Expensing**

### **1. As a member of SOFMA, what are your responsibilities at your DOT?**

California: Chief of Accounting

Connecticut: Director of Financial Management and Support. Oversee Budget and Contract Financial Management

Delaware: Assistant Director of Finance

Florida: Robin Naitove – Comptroller responsible for the management, safeguarding and accounting for the FDOT's financial resources and information. Areas of responsibilities include, financial reporting, cash management, accounts receivables and payables, property accounting & insurance, cash forecasting, contract funds management, project costing, federal aid billing, public private partnerships, and state infrastructure bank.

Brian Peter's – Assistant Secretary of Finance responsible for following offices/functions:

- Comptroller described above
- Office of Work Program and Budget – work program and budget development & management, production management, program & resource allocation, and federal aid management.
- Personnel Resource Management Office – employment, classification & pay, attendance & leave, insurance & benefits, employee assistance program, employee recognition program, and labor relations
- Office of Information Systems – business systems support, computer security administration, technology services & support, and enterprise email
- Office of Administration – Equal Opportunity program, procurement, reprographics, and facilities management
- Performance Management Office – Training & development and activities supporting the FDOT Business model including leadership, quality assurance/quality control, performance measures, employee surveys, process mapping, communication, and business plans.

Georgia: Treasurer – oversees the Office of Budget Services, Office of Financial Management, and Office of General Accounting

Illinois: Currently, I am the external audit coordinator however I assist the Fiscal Operations Unit to oversee the financial reporting until a new unit chief is hired. We have a consultant that is primarily responsible for the financial reporting until such time as well.

Kansas: Chief of the Kansas Department of Transportation's Bureau of Fiscal Services. This bureau is responsible for agency procurement and inventory, project accounting and billing, financial reporting, contract audit which includes audits of consultant, railroad & utility contracts, and general accounting which includes accounts payable, accounts receivable, general ledger and payroll.

Kentucky: Responsible for all aspects of operating and capital budgeting, accounting, purchasing, and directing all fiscal activities related to administering the Kentucky Transportation Cabinet's approximately \$2B annual budget

Louisiana: Budget Administration

Maryland: Assistant Director of Finance, responsible for Financial Systems as well as Accounting Management

Michigan: Administrator of the Financial Operations Division, responsibilities include: Serves as Budget Officer for MDOT; responsible for development of annual budget, presentations to Legislative committees on the budget as well as monitoring expenditures to the budget. Serves as Chief Financial Officer, oversee departments internal controls, financial transactions and financial statement presentation as well as liaison with State of Michigan CAFR. Obligation and accounting of all federal funds. Distribution of \$2 billion fuel/registration fees and liaison with local agencies receiving transportation funding. Oversee Information Technology (IT) security for MDOT, Privacy Officer, IT system development and commodity purchases coordination for MDOT. Various Building/Facility functions: Leases, Printing, Mail room, Phones, Central Warehouse

Mississippi: The Deputy Executive Director/Administration is responsible for and has oversight of budget development and administrative support within the MDOT Central Offices. This oversight provides a financial framework and a computerized support system from which all other functions of MDOT may operate. Administrative Services also provides support to the Jackson offices in the form of building maintenance and office supplies. Six divisions fall under the supervision of the Office of Administrative Services including Financial Management, Budget, Procurement, Asset Management, Facility & Records Management and General Services

Nevada: Chief Accountant

Ohio: Responsible for the overall Financial processes and functions as well as accounting, monitoring and reporting for the organization.

South Dakota: Finance is responsible for the fiscal activities of the SDDOT. This includes budgeting, project accounting, federal reimbursement, billing and collections, internal control, and financial reporting

Tennessee: Finance Director, responsible for the accounting, budget, fiscal reporting and related activities for TDOT

Texas: Accounting. I am over the financial reporting, reconciliation, ledgers and federal billing area of TxDOT

Utah: Financial Manager

Vermont: Oversee all the financial functions for the Agency of Transportation, excluding the budget. I have Accounts Payable, Accounts Receivable, Billing, Accounting, Records Management and internal services

Washington: Director, Accounting And Financial Services. Set Accounting Policy and Fiscal Reporting for the Washington State Department of Transportation (WSDOT)

Wisconsin: Chief Accountant responsible for general accounting, managerial accounting, financial reporting and accounting policy

Wyoming: Accounting functions

## **2. Do you produce a Comprehensive Annual Financial Report?**

California: There is a single CAFR produced for the State. Caltrans does not produce an individual CAFR

Connecticut: No, the State's Comptroller does

Delaware: Yes

Florida: Florida DOT (FDOT) is included in the State CAFR. Individual DOT CAFR is not completed

Georgia: Our State Accounting Office prepares a CAFR for the State of Georgia

Illinois: No, but our financial statements roll up in to the statewide CAFR produced by the state Comptroller

Kansas: Yes

Kentucky: The Controller's Office, which is attached to the Finance and Administration Cabinet, produces a single CAFR for the entire Commonwealth, including operations of the Transportation Cabinet

Louisiana: No, LA DOT produces a limited scope AFR that is rolled up into the State of Louisiana CAFR

Maryland: Yes

Michigan: Yes

Mississippi: The State of Mississippi produces a CAFR

Nevada: Our financial results are in the CAFR for the State of Nevada. We do not issue a separate CAFR for the DOT

Ohio: No, however, the Ohio Department of Transportation (ODOT) GASB 34 annual statement feeds into the State of Ohio Comprehensive Annual Financial Report (CAFR) published by the Ohio Office of Budget and Management (OBM)

South Dakota: The SDDOT provides financial information and prepares year end accruals, adjusting entries, and disclosures to the Bureau of Finance and Management, which is the central State agency responsible for preparing the CAFR

Tennessee: No, the DOT doesn't produce a CAFR but the State of Tennessee does and TDOT financial information is included

Texas: We produced a CAFR for TxDOT the first time this year. Usually, our unaudited annual report is included in the State of Texas CAFR

Utah: Yes

Vermont: No, that is done by State Finance

Washington: No. The WSDOT provides a variety of disclosure and supplemental information to the Washington State Office of Financial Management who is charged with the responsibility of producing the state's CAFR.

Wisconsin: WisDOT does not produce a CAFR, but is included in the State of Wisconsin's CAFR available on the State Controller's website - [State Controllers Office - Comprehensive Annual Financial Reports](#); FY 2012 will be released later this month

Wyoming: WYDOT has not produced a CAFR for 6 years. However, we do prepare financial statements that are audited by an independent CPA

### **3. Do you obtain an annual Financial Statement audit?**

California: There is a statewide annual financial audit. Caltrans does not obtain an individual audit

Connecticut: The State's Comptroller does

Delaware: Yes

Florida: Yes, FDOT's financial information is audited

Georgia: Yes

Illinois: Yes

Kansas: Yes

Kentucky: The CAFR is audited by the Auditor of Public Accounts on a single, statewide basis. The audit is typically divided into two sections, one focusing on state fund expenditures and the other on federal funds

Louisiana: Yes

Maryland: Yes

Michigan: An annual single audit. (FY 10 and earlier we had a biennial single audit.)

Mississippi: Yes

Nevada: Yes, as part of the State of Nevada's Financial Statement audit

Ohio: No, however, the Ohio Auditor of State (AOS) performs a single audit of the agency each year and GASB 34 is a part of the scope reviewed during the annual audit.

South Dakota: Yes

Tennessee: Yes

Texas: We are being audited on our TxDOT CAFR for the first time this year

Utah: Yes

Vermont: Yes

Washington: The WSDOT financial records are subject to and are annually audited. Although WSDOT does not receive an annual Financial Statement audit, there is one special revenue fund for Tolling that is mandated to receive a Financial Statement audit each year.

Wisconsin: Yes, WisDOT is included in the statewide annual Single Audit

Wyoming: Yes

#### **4. If yes, who performs the audit? The State Auditor or an independent CPA firm?**

California: State Auditor

Connecticut: State Auditor

Delaware: Independent CPA firm

Florida: State Auditor General

Georgia: State Auditor

Illinois: Independent CPA firm

Kansas: Independent CPA firm

Kentucky: The Auditor of Public Accounts performs the statewide audit of the CAFR. Their audit incorporates the work of external audit firms by reference with respect to discrete component units of the Commonwealth

Louisiana: State Auditor

Maryland: Independent CPA firm

Michigan: The State Office of the Auditor General

Mississippi: State Auditor

Nevada: CPA firm

Ohio: Ohio Auditor of State

South Dakota: The Department of Legislative Audit (which is a SD State Agency)

Tennessee: State Auditor

Texas: State Auditor's Office

Utah: State Auditor

Vermont: KPMG has held the contract for a number of years now

Washington: The Washington State Auditor's Office performs the annual CAFR audit for the State of Washington. An independent CPA firm performed the last Financial Statement audit for the Tolling special revenue fund.

Wisconsin: Our annual audit is completed by the State Auditor, WI Legislative Audit Bureau

Wyoming: Independent CPA firm

## **5. Do you calculate depreciation expense for your infrastructure?**

California: No, Caltrans uses the modified approach under GASB 34

Connecticut: Yes

Delaware: Not for infrastructure. Infrastructure is considered non-depreciable assets as long as condition goals are met. The only depreciable assets are buildings and improvements, fixtures and equipment.

Florida: No, Florida uses the modified basis of accounting for its infrastructure assets

Georgia: Yes

Illinois: Yes

Kansas: No

Kentucky: No

Louisiana: Yes

Maryland: Yes

Michigan: No. MDOT uses an alternative method, called the modified approach, to account for its network of roads and bridges, including ancillary assets such as guard rails, signs, lighting, culverts, fencing, etc. Under this method, MDOT expenses certain maintenance and preservation costs and does not report depreciation expense

Mississippi: Yes

Nevada: No, we use the Modified approach as allowed by GASB 34

Ohio: No

South Dakota: Yes

Tennessee: No. For GASB 34 reporting, the modified method is used and depreciation is not calculated

Texas: We calculate depreciation on all infrastructure assets except for highways. For highways, we use the Modified Approach

Utah: No, we use a modified approach in lieu of depreciation

Vermont: Yes, we perform monthly depreciation for infrastructure assets

Washington: No. WSDOT has reported highway infrastructure under the GASB 34 Modified Approach since implementation in State Fiscal Year 2002, but is evaluating a transition to the depreciation method, instead of the modified approach.

Wisconsin: WisDOT has chosen to report infrastructure using the "modified approach" option allowed by GASB 34 and does not calculate depreciation expense

Wyoming: No, WYDOT uses the modified approach

## **6. If yes, what methodology do you use? Give an example.**

Connecticut: See answer to #7

Delaware: Straight line method of depreciation for depreciation of assets (Buildings, fixtures and equipment)

Georgia: We use the straight line method with residual value on a project by project basis

Illinois: Straight line depreciation

Kansas: Modified Approach where assets are not depreciated but properly maintained and preserved

Louisiana: Straight line, from beginning of fiscal year

Maryland: Straight-line method

Mississippi: MDOT values and capitalizes new assets, aggregated by program, at the end of a fiscal year and based on historical cost. MDOT depreciates these assets at the end of subsequent fiscal years and prepares a total book value of infrastructure assets based on the calculated depreciated values in each program. MDOT uses straight line depreciation over the "useful life" of infrastructure asset(s) represented by a Program to depreciate the appropriate Program Surface Cost or Program Subsurface Cost LESS the corresponding residual value (Net Book Value). In determining these costs, the following is used:

- Program Capitalized Construction < Cost = Total Program Cost - ROW Cost Component
- Program Surface Cost = X% of Program Capitalized Construction Cost, where X is in Table 1
- Program Subsurface Cost = Program Capitalized Construction Cost - Program Surface Cost
- Net Book Value = Program (Surface or Subsurface) Cost - Residual Value

Ohio: ODOT does not depreciate the expense of infrastructure for GASB 34. Instead, ODOT follows the Modified approach

South Dakota: Straight-line method

Texas: We use straight line depreciation

Vermont: We use straight line depreciation with mid-month convention

**7. Do you break assets out by type, such as roadways, bridges and interchanges, or do you just include everything in one category?**

Connecticut: Yes, we have three types: Roadways & Bridges that have a useful life of 22 years, Railway Assets which have a useful life of 28 years, Aviation Assets which have a useful life of 20 years, and Buildings are recorded by our Property & Facilities area

Delaware: One category. Non-depreciable Capital assets are broken down by land, infrastructure and construction in progress. Depreciable capital assets are buildings and improvements, fixtures and equipment.

Florida: No, FDOT reports one amount for its infrastructure assets

Georgia: We currently maintain two categories: Roads and Bridges

Illinois: Roads and bridges

Kansas: Roadways (Interstate & Non-Interstate) and bridges

Kentucky: It is all reported as "Infrastructure"

Louisiana: Yes, break out by type: right of way, road, bridge

Maryland: No, all goes into infrastructure, except for land related costs. Costs for construction of infrastructure are captured during construction by project and project phase. So while each project would identify whether it is for a road or bridge, etc., the amount capitalized each year is an aggregate amount.

Michigan: Assets are categorized as roads or bridges

Mississippi: We break assets out by program

Nevada: We track condition of Bridges and Roadways separately, but the dollars are all combined in one category

Ohio: Projects are allocated as either Bridge, Pavement, or Other. Bridge and Pavement are further allocated as either Capital or Maintenance

South Dakota: Assets are broken out into the following categories: Highways, Bridges, Railroad, Port of Entry/Scales/Rest Areas, Land, Land Improvements

Tennessee: We report assets by three types: Structures, Roadway, Land

Texas: We have three categories of infrastructure assets – i.e. roadways, bridges and railroads

Utah: We break out our assets into Land, Structures, and Pavements

Vermont: We break out for our WP, but on the statement and in the notes it is reported by a single category of Infrastructure

Washington: Yes, WSDOT does segregate the assets by type. The types of assets WSDOT reports infrastructure under is: Roadways, Bridges, and Rest Areas.

Wisconsin: On the CAFR's Statement of Net Assets, Infrastructure is reported as one line. However, to determine that value, internally we use two categories – roadways and bridges/interchanges

Wyoming: Yes, we break infrastructure assets out by roadways, bridges, and Right of Way

**8. If you break infrastructure asset out by more than one category, how do you determine additions by type? Do you have an allocation method?**

Connecticut: We capture expenditures by Project and classify each project by the above categories or N/A

Delaware: N/A

Florida: N/A

Georgia: Additions are maintained on a project level basis, which are separated by category depending on the project type

Illinois: Categories are determined by expenditure object codes for each expenditure within department systems when project is bid

Kansas: We use the descriptions and details of individual projects to decide what category or categories are applicable and the amounts for each category. There are some costs that are allocated between roads and bridges if both are included in a project. Preliminary Engineering, Construction Engineering, and Utility Expenses are allocated based off the percentage of costs specifically associated with road and bridges for that project.

Kentucky: N/A

Louisiana: For rights of way, by the acquisition cost for each parcel. Other asset classes by road and bridge length (pro-rata)

Maryland: N/A. This is why we don't break out into categories

Michigan: Each job number is assigned a work type code, which classifies the type of work being performed. Each work type code is assigned to a category as work for roads or work for bridges. MDOT groups expenditures by work type codes for roads and work type codes for bridges and additions are made to the appropriate category

Mississippi:

<b>Infrastructure Category/Program</b>		<b>Capitalized Cost Allocation %</b>
Interstate Highway	Surface	33
	Subsurface	67
National Highway	Surface	33
	Subsurface	67
Surface Transportation (STP)	Surface	33
	Subsurface	67
Bridge (Primarily replacement)	Surface	N/A
	Subsurface	100
Safety (includes railroad crossings, pavement markers, signals, guardrails, etc)	Surface	100
	Subsurface	N/A
Urban (State maintained)	Surface	33
	Subsurface	67
Demo Projects	Surface	33
	Subsurface	67
Emergency Repair Projects	Surface	case-by-case
	Subsurface	case-by-case
Other (construction)	Surface	33
	Subsurface	67
State Projects (funded by State)	Surface	33
	Subsurface	67

Phase I (87 - 4 lane)	Surface	33
	Subsurface	67
Phase II (87 - 4 lane)	Surface	33
	Subsurface	67
Phase III (87 - 4 lane)	Surface	33
	Subsurface	67
Phase IV (87 - 4 lane)	Surface	33
	Subsurface	67
Gaming Projects	Surface	33
	Subsurface	67
Construction Pavement Rehab (State and Federal funding)	Surface	100
	Subsurface	N/A
Maintenance Pavement Rehab (91 system)	Surface	100
	Subsurface	N/A

Nevada: We do not break infrastructure asset out by categories

Ohio: Bridge work on ODOT (State) owned bridges are allocated as Bridge. Pavement is any work related to highways that ODOT is responsible for reporting and is not bridge work. Other is anything else that ODOT is not responsible for reporting or is not highway related. Bridge and Pavement work is allocated as Maintenance unless it meets the requirements as a Capital project. Additions are determined by whether it adds capacity or efficiency

South Dakota: The final detailed estimate of the project is reviewed, in addition to the project descriptions to determine the infrastructure category. Do not have an allocation method

Tennessee: We establish separate project numbers for each phase of work and capture cost by project. Land acquisition and related cost are capitalized annually. Construction projects that increase capacity or safety or otherwise are to be capitalized are carried as Construction in Process until open to traffic and then capitalized. Certain engineering costs are allocated to either Roadway Maintenance, Structure Maintenance, Roadway Infrastructure or Structure Infrastructure. These annual engineering costs are allocated in the same ratio as annual costs for the four categories.

Texas: We have a combination of specific identification and allocation

Utah: Land is directly coded to Land/Right of Way. Structures and Pavements are broken out based on the breakout of the contractor payment. Additional construction costs are pro-rated between structures and pavements based on the total contractor payments.

Vermont: We determine additions by each infrastructure project that is built. When the project has been completed, the costing is move from WIP to capitalization depending on type of project. I.e. Roadway, bridges > 20 feet, interstate, etc.

Washington: The WSDOT does not make a distinction between capital increases by category. As an example, a given construction project may include both roadway and bridges, both of which are captured in the same accounting general ledger. However, as required by the Modified Approach, Condition Assessments are prepared and disclosed on discreet cycles by each category.

Wisconsin: We categorize infrastructure projects using the “improvement concept” assigned to each by program staff (engineers); for example, for roadways – RECST = Reconstruction and RECSTE – Reconstruction with expansion, for bridges – BRNEW = bridge new, BRRPL = bridge replacement, and BRRPLE = bridge replacement with expansion. We’ve found this is somewhat imperfect, since interchange additions may be included in a roadway project, and are currently discussing allocation options with our auditors (any allocation method would be implemented in FY 2013)

Wyoming: Right of way costs are identified separately from roadway and bridges. Roadway and bridge costs are allocated. One method we use it by funding source. It is project by project

## **9. What useful life do you use for infrastructure?**

Connecticut: See answer to #7

Delaware: For infrastructure the state uses a modified approach based on condition. Goals are set for condition categories, if the goals are attained the assets are capitalized and no useful life limitations are placed on the assets.

Florida: N/A – don’t depreciate

Georgia: Roads 13 years, Bridges 50 years

Illinois: Bridges 40 years, Roads 20 years

Kansas: N/A

Kentucky: N/A

Louisiana: Land and Land Improvements are not depreciated. All other classes are depreciated over 40 years

Maryland: 10 to 50 years

Michigan: MDOT must maintain its network of roads and bridges in perpetuity. This network as a whole is considered to have an indefinite useful life, which is why MDOT has elected the modified approach for accounting for these subsystems of infrastructure assets

Mississippi: Asphalt roadway (12 years), Concrete roadway (34 years), Roadway subsurface (50 years), Bridge Structure – including surface (50 years), Right of way is not depreciated

Nevada: We use the Modified approach as allowed by GASB 34

Ohio: Indefinite, with proper maintenance

South Dakota: Highways (20-50 years), Bridges (65-99 years), Railroad (110 years), Port of Entry/Scales/Rest Areas (50 years), Land (N/A), Land Improvements (N/A)

Tennessee: N/A

Texas: Railroads have a 10 year useful life and bridge useful life varies from 20 to 45 years

Utah: N/A – Because we use a modified approach this is not applicable. We do, however, maintain a condition assessment of structures and pavements

Vermont: We use the IRS guideline for determining our useful lives

Washington: N/A

Wisconsin: We have not established a useful life

Wyoming: N/A

**10. Do you consider residual value? If yes, what do you include as residual value?**

Connecticut: No

Delaware: Yes, Buildings and improvements have a useful life of 5-40 years, Fixtures and equipment have a useful life of 3-40 years

Florida: N/A – don't depreciate

Georgia: Yes. The residual value for both Roads and Bridges are 20% of total project cost

Illinois: No

Kansas: N/A

Kentucky: N/A

Louisiana: Residual value is not considered in depreciation

Maryland: No

Michigan: No, MDOT does not consider residual value because the modified approach is utilized

Mississippi: Yes, 10%

Nevada: We use the Modified approach as allowed by GASB 34

Ohio: No

South Dakota: Residual value is the non-exhaustible portion of the construction costs such as land improvements that prepare the asset for its intended use

Tennessee: Not used

Texas: We do not consider any residual value for bridges or railroads

Utah: No

Vermont: We have a few infrastructure projects that have a residual. It depends upon the infrastructure project

Washington: N/A

Wisconsin: We do not because we do not calculate depreciation

Wyoming: N/A