GASB 34 Historical Costs Methodology Update

Date: June 11, 2019

Background

Governmental Accounting Standards Board Statement Number 34 (GASB 34) was issued in June 1999 and, for the purpose of this document, established protocols for Governments to financially account for infrastructure assets (e.g. bridges, pavement and lands). The State of Ohio Office of Budget & Management (OBM) generated an implementation policy to aid affected Agencies in transitioning their fiscal reporting data to comply with the GASB 34 standard and establish the State’s determination to use the modified methodology for retiring infrastructure assets. In the year 2000, the Ohio Department of Transportation (ODOT) inaugurated a method adhering to the GASB 34 standard during fiscal reporting submissions. The method consisted of calculating the historical costs of assets utilizing estimated values from the year 1983.

At issue is the fact this methodology has neither been updated nor the estimated value calculation adjusted since that inception period. In short, ODOT’s retirements of assets in all subsequent years’ annual fiscal submissions were based upon values calculated 19 years ago utilizing data from 36 years ago.

The Ohio Auditor of State (AOS) included its concerns with the status of this methodology in the Management Letter portion of the audit findings report. Additionally, ODOT researched and analyzed potential remedies to this concern by constructing a rational plan to annually update these values.

On May 30, 2019 representatives from OBM and ODOT met to discuss the proposed update to ODOT’s methodology. The group arrived at a consensus to the approach as chronicled in this document and agreed ODOT may implement this updated methodology beginning in FY2019.

Purpose

The purpose of this document is twofold:

-1- Establish the methodology ODOT will use to update its historical values for bridge, pavement (general and priority) and land assets.

-2- Memorialize the methodology for the AOS and OBM.
Methodology Details

Bridge Assets

Bridge assets have an estimated useful life of 35 years. Of course, depending on variables, a specific structure may be in use for a period longer or shorter than 35 years. Thus, it is imperative for the State to capture the cost of any retiring structure at the value realized when emplaced.

ODOT will calculate the historical costs on bridge assets using actual costs and actual square feet of all bridge structures supplied by the Office of Structural Engineering.

ODOT will utilize the average cost per square feet (total cost / total square feet) for a 15 year time period beginning 30 years from the current fiscal year.

For example: FY2019 Reporting would use the average cost per square feet based upon data spanning FY1990 through FY2004.

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\begin{align*}
\text{Total Cost FY90-FY04} & = 1,111,150,837.86 \\
\text{Total Sq Ft FY90-FY04} & = 15,643,171.93 \\
\text{Average Cost/Sq Ft} & = 71.03 \\
\end{align*}
\]

Pavement Assets

Pavement assets have an estimated useful life of 10 years. Of course, depending on variables, a specific asset may be in use for a period longer or shorter than 10 years. Thus, it is imperative for the State to capture the cost of any retiring asset at the value realized when emplaced.

ODOT will calculate the historical costs on pavement assets using actual costs and actual lane miles as reported on ODOT’s submitted “Schedule H-1, Agency Capital Asset” documents.

ODOT will utilize the average cost per lane mile (total cost / total lane miles) for a 5 year time period beginning 10 years from the current fiscal year.

For example: FY2019 Reporting would use the average cost per lane mile based upon data spanning FY2010 through FY2014.

General Pavement:

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\begin{align*}
\text{Total Cost FY10-FY14} & = 42,761,337,585.38 \\
\text{Total Lane Miles FY10-FY14} & = 148,463.24 \\
\text{Average Cost/Lane Miles} & = 288,026.43 \\
\end{align*}
\]

Priority Pavement:

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\begin{align*}
\text{Total Cost FY10-FY14} & = 39,959,786,542.53 \\
\text{Total Lane Miles FY10-FY14} & = 67,801.67 \\
\text{Average Cost/Lane Miles} & = 589,362.87 \\
\end{align*}
\]
Land Assets

Land assets are not assigned an estimated useful life.

ODOT will calculate the historical costs on land assets using actual costs as reported on ODOT’s submitted “Schedule H-1, Agency Capital Asset” documents. Acreage totals will be obtained from the ODOT Office of Real Estate.

ODOT will utilize the average cost per acre \( \frac{\text{total cost}}{\text{total acres}} \) for a 5 year time period beginning 10 years from the current fiscal year.

\[
\text{For example: } \quad \text{FY2019 Reporting would use the average cost per acre based upon data spanning FY2010 through FY2014.}
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\begin{align*}
\text{Total Cost FY10-FY14} & = \$8,381,927,315.57 \\
\text{Total Acres FY10-FY14} & = 1,438,881.21 \\
\text{Average Cost/Acre} & = \$5,825.31
\end{align*}
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Implementation

Fiscal Year 2019

ODOT will apply the updated methodology when completing the “Schedule H-1, Agency Capital Asset” submission for FY2019. ODOT captures land retirements quarterly throughout each Fiscal Year; thus the Agency will recalculate all quarterly land retirements for FY2019 utilizing the updated cost calculation prior to the end of year submission.

Subsequent Fiscal Years

Upon completion of the ODOT “Schedule H-1, Agency Capital Asset” submission, ODOT will calculate the historical cost value for bridge, pavement and land assets using the new methodology. This update will occur annually, and the new values communicated to affected staff.

Ohio Department of Transportation Procedure

ODOT will construct a procedure document outlining, in detail, the tasks to be completed annually to update the historical cost values. This will include publication of these cost values to affected ODOT staff.

Ohio Office of Budget & Management

OBM will add language to the “State of Ohio Financial and Accounting Policies for Capital Assets” document encompassing infrastructure assets and historical cost valuation requirements for infrastructure assets.