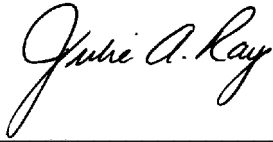


Approved :



Julie Ray, Deputy Director
Division of Finance and Forecasting

Procedure No: 210-003(SP)

Effective: August 28, 2002

Responsible Office: Division of Finance
and Forecasting

INFRASTRUCTURE CAPITALIZATION PROCEDURE

PROCEDURAL STATEMENT:

Government Accounting Standards Board (GASB) 34 requires public agencies to capitalize infrastructure assets on their financial statements for periods beginning after June 15, 2001. This procedure identifies the categories and treatment types for pavement and bridge that denote capitalization of our infrastructure assets versus those preserving ODOT's infrastructure.

AUTHORITY:

Governmental Accounting Standards Board's Statement 34

REFERENCES:

Governmental Accounting, Auditing and Financial Reporting; Government Finance Officers Association
Guide to Implementation of Governmental Accounting Standards Board's Statement 34
GASB 34 Matrix of Infrastructure Reporting

SCOPE:

This procedure is applicable to the Divisions of Finance, Planning, Contracts, Production, as well as, District Planning and Program Administrators.

BACKGROUND AND PURPOSE:

The purpose of the procedure is to provide instruction and background information necessary to identify projects that should be capitalized to comply with GASB 34. To comply with GASB 34 requirements, ODOT will adopt the policy of capitalizing pavement and bridge expenditures that result in additions to capacity (including structural capacity) or increase the asset efficiency. In the case of asset replacements, the original cost of the asset replaced will be removed and replaced with the cost of the replacement asset. Only those treatments under major rehabilitation,

and new construction work will be capitalized. As part of its GASB 34 infrastructure capitalization policy, ODOT will adopt a minimum capitalization threshold of \$500,000. Projects with a total cost less than \$500,000 will be expensed even though they may otherwise meet the capitalization criteria.

Preservation costs are those costs that extend the useful life of an asset beyond its original useful life but do not increase its capacity or efficiency. The modified method requires that such costs be expensed. Treatments under preventive maintenance, reactive maintenance, and minor rehabilitation work categories will be expensed.

GASB 34 requires establishment of acceptable condition levels for infrastructure assets. ODOT's established GASB 34 minimum acceptable condition level for bridges is a general appraisal rating of 5. It is the intention to not allow more than 15% of deck area to fall below this level. ODOT's established GASB 34 minimum acceptable pavement condition rating (PCR) level is 65 for priority system paving and 55 for general system paving. ODOT's intention is to not allow more than 25% of either system to fall below the acceptable PCR level.

DEFINITIONS:

Asset Management Information form - The form completed by the Districts and submitted with the project information. The form provides the percentages to be applied to project expenditures as they are incurred to provide for accurate infrastructure financial reporting.

Capitalize - To record an expenditure as a capital asset rather than an expense. Capitalized expenditures include new construction or major rehabilitation/replacement which results in additions to capacity or increase in asset efficiency. ODOT has adopted a minimum threshold capitalization policy for infrastructure of \$500,000.

Expense - To record an expenditure as an expense to current operations (as opposed to capitalizing the expenditure). Included in the expense category would be preservation/maintenance costs that extend the useful life of an asset but do not increase its capacity or efficiency.

GASB #34 - General Accounting Standards Board issued Statement 34 covering infrastructure reporting requirements.

Government Accounting Standards Board (GASB) - An organization established in 1984 to establish generally accepted accounting standards for state and local governments. GASB operates with oversight from the Financial Accounting Foundation.

Infrastructure Capital Assets - Infrastructure capital assets are long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets that normally are stationary in nature. Examples of infrastructure assets include roads and bridges. Buildings, except those that are an ancillary part of a network of infrastructure assets such as rest areas, are not considered infrastructure assets.

Modified Approach - An alternative to depreciating infrastructure assets. The modified approach recognizes that such assets are routinely preserved (or renewed) so as to indefinitely extend useful life. Under this approach, preservation (or renewal) expenditures are expensed rather than being capitalized and the original cost of improvements and additions to the asset are not depreciated.

Treatments - The specific repair method to be used.

Work Categories - The type of work which determines the magnitude of the repairs needed.

Procedure:

The specific treatments under each of the aforementioned work categories follow:

PAVEMENT

Paving Capitalization Work Categories and Treatments

Category: Major Rehabilitation - Major rehabilitation is performed when pavement condition is such that minor rehabilitation is no longer feasible. It is required when the PCR falls below 55 or structural deduct is 25 or greater and/or minor rehabilitation is no longer economical. Major rehabilitation projects are designed for twenty year equivalent single axle load (ESAL) projections and may involve complete removal and replacement of the existing pavement structure with new and/or recycled materials in order to re-establish the strength of the pavement.

Treatment: (same for Major Rehabilitation and New Construction)

Unbonded Concrete Overlay
Crack & Seat
Rubbilize & Roll
Whitetopping
Removal and Replacement

Section 600 Major Rehabilitation, of the Pavement Design and Rehabilitation Manual should be referred to for a further description of major rehabilitation treatments.

Category: New Construction - This category is intended to capture construction of entirely new structures/routes. This category does **not** include rehabilitating old structures/routes (thru replacement, full depth repair, etc). Examples of New Construction - 1) Construction of a By-pass where a By-Pass did not previously exist. 2) Construction of a new route where an old route did not previously exist.

Treatment:

New Pavement

Paving Expense Work Categories and Treatments

Category: Preventive Maintenance - The application of one or more treatments, generally to the surface of an existing roadway in structurally sound condition with a PCR rating between 75 and 85 (or as otherwise defined by the Pavement Office), to preserve the roadway; retard future deterioration; and maintain or improve the functional condition of the system without substantially increasing structural capacity (from FHWA 1996). Preventive maintenance techniques performed outside of the prescribed Preventive maintenance PCR ranges are considered Reactive Maintenance.

Category: Reactive Maintenance - Also referred to as Corrective Maintenance: These activities are undertaken to correct defects and extend the serviceability life of the pavement until such time that a proper rehabilitation or replacement project may be undertaken. Reactive maintenance is frequently performed on pavements that are failing. It is a stopgap approach that keeps the road open, but is rarely thought of as contributing to long-term pavement performance.

Treatment:

Asphalt Surfaced Pavements

PPC Surfaced Pavements

Crack Sealing

Joint Reseal/Crack Seal

Microsurfacing

Undersealing

Chip Seals

Retrofit Load Transfer

Mill and Fill (Inlay)*

Diamond Grinding (Grinding only or with minimal repairs)

Thin HMA Overlays**

Drainage System Preservation

Drainage System Preservation

Full Depth Repair (Small quantities)

*Fill approximately same thickness as mill

** Overlay generally 1 1/2" or less, includes Polymer Modified Sand Asphalt Overlays

Category: Minor Rehabilitation - Work performed on a pavement intended to restore functional characteristics and protect the structural integrity. This work is undertaken to extend the service life of an existing roadway surface which has deteriorated beyond the point at which preventive maintenance is effective. Minor rehabilitations are designed for twelve year ESAL projections and usually consist of some combination of milling, repair and overlay.

Treatment:

Mill and Fill (Pavement thickness after rehab. should be greater than the thickness prior to rehabilitation)

Overlay - Frequently referred to as resurfacing

Repair - Which includes Full Depth Repair and Joint Repair

Concrete Pavement Restoration - Which includes Full and Partial Depth repair, Diamond Grinding*, Joint Resealing, Crack Sealing and Undersealing

* Grinding with significant repair

Rest Areas: Work related to rest areas is classified under pavement and should be capitalized or expensed in accordance with the other provisions of this policy.

BRIDGES

Bridge categories designate a type of bridge as opposed to a work category. Of the treatments listed below, those expenditures in bold font (001, 002, 003, 004, and 005) will be capitalized. Capital treatments should result in increased capacity or efficiency. For example, a superstructure or deck replacement may result in increased structural capacity. If the cost does not result in an increase in capacity or efficiency, it should be expensed.

Category: Major Bridge - Deck area greater than 9,000 sq. yds., Length over 1,000 ft., Twin bridges with combined deck area greater than 15,000 sq. yds., Continuous/Cantilever Truss Bridges, Bridges spanning the Ohio River, All moveable bridges, All suspension bridges

Bridge - All State System Bridges excluding Major Bridge, ODNR, Turnpike, and Non-Highway bridges not maintained by ODOT

Treatment:

<u>General</u>	<u>Deck Surface - Continued</u>
001 Structure (New)	045 Deck Skid Resistance Retrofit
002 Structure (Replacement)	046 Deck Cathodic Protection Installation
003 Superstructure (Replacement)	047 Deck and Abutment Seat Clean
004 Deck Replacement	048 Expansion Joint Repair/Replace
005 Structure Widening	049 Deck Patching (Concrete)
006 Graffiti Removal	

007	Movable Bridge (fix cost)	050	Deck Patching (Asphalt)
008	Movable Bridge (repair)	059	Deck Surface (Other)
009	Collision Damage		
010	Concrete Patching (non-deck)		<u>Deck Other</u>
011	Bridge Inspection (consultant)	060	Sidewalk Repair/Replacement
012	Bridge Analysis	061	Bridge Railing Upgrade/Repair
		062	Fence Installation/Repair
		063	Bridge Light Installation/Repair

Superstructure

020	Painting Structural Steel
021	Spot Painting Structural Steel
022	Structure Steel Repair
023	Fatigue Retrofit
024	Pin and Hanger Retrofit
025	Bearing Reset/Replaced
026	Overhead Conc Spall Removal
027	Bridge Diapering Installation
028	Drainage System Clean/Repair
029	Backwall Replacement/Repair
039	Superstructure (Other)

Substructure

080	Foundation Stabilization
081	Channel Drift Removal
082	Slope Repair & Protection Installation
083	Scour Prevention and Correction
084	Pile Encasement
085	Pier Replacement/Repair
086	Abutment Replacement/Repair
087	Channel Clean Out
099	Substructure (Other)

Deck Surface

040	Deck Overlay (Concrete)
041	Deck Overlay (Asphalt Conc)
042	Deck Overlay (Asph Conc w/Wp)
043	Deck Overlay (Epoxy)
044	Deck Overlay (Other)

Approach

100	Approach Slab Replace/Repair
101	Appr Rdwy Grd Profile Correct
102	Approach Railing Repair
103	Pressure Relief Joint Install
119	Approach (Other)

Structure Type Culvert

120	Culvert Invert Repair
121	Tunnel Liner Installation
139	Culvert (Other)

Structure Type Culvert - Non-Bridge

141	Culvert Replace (Non-Bridge)
142	Culvert New (Non-Bridge)
143	Culvert Extension (Non-Bridge)
144	Culvert repair (Non-Bridge)
159	Culvert (Other) (Non-Bridge)

APPURTENANCES

Category: Miscellaneous - This category is used to account for activities that do not change the structural integrity of pavements or bridges. The original costs of appurtenances should be capitalized while replacements and repairs of appurtenances should be expensed. Examples of appurtenances include signing, lighting, noise walls and retaining walls.

Capital Treatments:

Original costs of signing, lighting, noise walls and retaining walls

Expense Treatment:

Replacement costs of signing, lighting, retaining walls, guardrails, noise walls, environmental, etc.

OTHER

The “other” category includes projects not directly related to pavement or bridges, or projects that the Department is not responsible for reporting or maintaining. Certain county and township roads and bridges are not the responsibility of ODOT and must be reported by the responsible political subdivision. Projects pertaining to such roads and bridges should be classified as “other”. An example is a state highway in a municipality with a population over 5,000; it is the responsibility of the municipality. ODOT is responsible for all interstates. The cost of land, easements and right of way is not considered infrastructure and should be classified as “other”. The State Auditor’s Office has prepared a matrix (see references sections) to aid in determining which political subdivision is responsible for reporting various roads and bridges.

Projects for mowing, bike paths, herbicide treatments, parking lots at ODOT buildings or state parks and railroads should also be reported as other.

The **Asset Management Information Form (AMIF)** (see Exhibit A) is a document initiated and submitted by the Districts with project information. The form provides the percentages to be applied to project expenditures as they are incurred to provide for accurate infrastructure financial reporting. Instructions for completion of the AMIF (Exhibit B) are attached.

TRAINING

Technical training on GASB 34 is an ongoing objective. Technical training is essential for both District Planning and Programming personnel and Division of Finance personnel.

Standard Procedure No: 210-003(SP)

Effective Date: August 28, 2002

Page 8 of 8

FISCAL ANALYSIS:

Implementation of this procedure may have a fiscal impact to ODOT. Statement 34 establishes methods for governments to be more accountable to bond market analysts, underwriters, citizens, legislators, and other financial users. The statement provides for a comprehensive understanding of a government's financial position, making transparent the ability to repay long term debt and deal with infrastructure maintenance obligations. It provides the financial community better data to support their assessment of credit worthiness, enhances the review of the long term capital plan of an individual state or local government and may serve as a foundation for future bond ratings and increases in user fees.

Asset Management Information

PID #: _____ District _____

	C1	C2	C3	C4	C5	C6	C7
	%	Capital %	Maintenance %	Total	Addition %	Replacement %	Total
R1 Bridge	_____	_____	_____	100%	_____	_____	100%
R2 Pavement	_____	_____	_____	100%	_____	_____	100%
R3 Other	_____	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
Total	100%						

Priority % General % Total

If Pavement _____ _____ 100%

Date: _____ Prepared By: _____

Form Explanation:

In column C1, indicate the % breakdown of the project between Bridge, Paving and Other

The %'s in column C1 for Bridge, Paving and Other must total 100%

In columns C2 and C3 indicate the % breakdown of the % in C1

Column C2 plus column C3 for row R1 must total 100%

Column C2 plus column C3 for row R2 must total 100%

Capital and maintenance % are not applicable for row R3 "Other"

Fill in %'s in columns C5 and C6 ONLY if there is a capital % in column C2

Column C5 plus column C6 for row R1 must total 100%

Column C5 plus column C6 for row R2 must total 100%

Use only whole numbers

Revised 9/6/01

Completion of the Asset Management Information form Exhibit B

(A form MUST be completed for EVERY PID #.)

We all realize that the percentages entered on this form are best guesstimates at the time the PID packages are put together. For design PID's, the percentages should be based on the estimated future construction percentages.

1) Insert PID # and District number

2) All projects fit into the categories of pavement, bridge, or other. A project does not have to be 100% pavement, bridge, or other. It may be any combination of bridge, pavement, or other that totals 100%.

3) **BRIDGE** A bridge is ten feet or more in length. Projected bridge expenditures are either capital* or maintenance or any combination of capital or maintenance and these two percentages must add up to 100%. Capital items must be identified as additions and/or replacements and these percentages must be reflected and must equal 100%. This distinction needs to be made so that replaced assets can be deleted from the infrastructure assets.

4) **PAVEMENT** Pavement also includes highway appurtenances including signing, lighting, noise walls, retaining walls, raised pavement markers, striping, rest areas, etc. Once again, Pavement is broken down to either capital* and/or maintenance with these percentages again adding to 100%. As with the bridge category, capital expenditures are either additions and/or deletions. Unlike bridges, pavement expenditures must be further classified as Priority and/or General with these percentages adding to 100%. This breakdown is necessary because the department's condition assessments are broken into these two categories. A quick reference for the Priority/General determination can be found on the ODOT Intranet (Technical Services/Roadway Information/View-under Roadway Inventory Reports/View Map-under RI-06, then select/click on appropriate county, look for county, route, section and under CD look for G - General, P - Priority, or U - Urban). **The Department is not responsible for reporting any Urban projects so the portion of any project classified as Urban should be classified as OTHER.**

5) **OTHER** "Other" includes expenditures not directly related to the pavement or bridge categories or to expenditures for which the Department is not responsible for financial reporting. Mowing, bike paths, herbicide treatments, parking lots at ODOT buildings or state parks, railroads, land, county or township routes, etc. are all examples of projects to be included in "Other". However, the Department is responsible for reporting all Interstate projects even those in urban areas. If you have a question regarding reporting responsibility, please refer to the GASB 34 Matrix of Infrastructure Reporting.

* For the purpose of GASB 34 reporting, capital expenditures include additions to capacity as well as major rehabilitation for pavement and deck replacements for bridges. Maintenance expenditures are preservation costs that extend the useful life of the asset, but do not increase its capacity. ODOT has adopted a capitalization threshold of \$500,000, so any project less than \$500,000 will be expensed (classified as maintenance) even though it may otherwise meet the capitalization criteria.