

STATE OF OKLAHOMA
OFFICE OF MANAGEMENT AND ENTERPRISE SERVICES
GAAP CONVERSION MANUAL

Y. INFRASTRUCTURE ASSETS SUMMARY

JUNE 2021

I. PURPOSE AND OBJECTIVES

The ACFR presents the state's investment in infrastructure assets at June 30, net of accumulated depreciation, in the Statement of Net Assets. Infrastructure assets are typically constructed or purchased outright but may also be acquired by eminent domain, foreclosure, transfer from another fund or agency, or by gift. Acquired infrastructure assets may have interest costs from bonds or loans associated with construction or purchase. Interest should **not** be capitalized as part of the infrastructure cost.

II. AGENCY ACTION REQUIRED

- A. Carefully read the key terms in Part III.
- B. On the Infrastructure Assets Summary form, report balances at the beginning and end of the fiscal year, as well as additions, deletions, transfers, and depreciation for the twelve months ending June 30. Report all infrastructure assets owned by your agency. If historical cost records for an infrastructure asset are not available, contact your financial reporting analyst for assistance in estimating the historical cost and accumulated depreciation.
- C. Round all dollar amounts to the nearest \$1,000 dollar increment.
- D. All working papers are subject to audit by the State Auditor & Inspector (SA&I). The agency is required to keep a copy of the completed summary form and all associated working papers for three years after the completion of the SA&I audit.
- E. The person who completes and signs the summary form should keep a copy. OMES will contact this person if there are any questions.
- F. If needed, call your agency's financial reporting analyst for guidance.
- G. Return the completed summary form to your OMES financial reporting analyst by e-mail **no later than the due date shown on the form**. **If you can return it earlier, please do so.**
- H. If the summary form does not apply to your agency, check the box in the upper left portion of the summary, complete item (2) and return it to OMES.

III. KEY TERMS

- A. Infrastructure Assets are long-lived assets that are normally stationary in nature and can be preserved significantly longer than most capital assets. Examples include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, lighting systems and fiber-optic cable systems. Assets must typically benefit the general public in some manner (not just the agency reporting the asset) to qualify as an infrastructure asset for state purposes. Buildings should not be considered infrastructure assets except for those that are an ancillary part of a network of infrastructure assets. Buildings will usually be reported on Conversion Package H, Capital Assets.

NOTE:

1. RECONSTRUCTION OR REBUILD OF AN INFRASTRUCTURE ASSET

When an infrastructure asset receives major reconstruction or a complete rebuild where the original asset has not been fully depreciated, all historical costs and accumulated depreciation should be deleted except for the remaining undepreciated balance which should be capitalized as part of the cost of the new infrastructure asset.

- B. Additions are “infrastructure assets” that are either acquired or placed in service during the current fiscal reporting period.
- C. Deletions are “infrastructure assets” sold, transferred to a non-state entity or in any way removed from service during the current fiscal reporting period.
- D. Transfers are the movement of an infrastructure asset between agencies. Transfers include both transfers out and transfers in from other agencies. Infrastructure assets that are transferred should not be considered additions or deletions for purposes of this conversion package.
- E. Depreciation is the annual recovery of cost for infrastructure assets over a period of time. Straight-line depreciation following the ½ year convention should be used in the year the asset is acquired or placed in service and in the final year of the economic useful life or year of disposal of the infrastructure asset. (For example; an infrastructure asset placed in service in August and one placed in service in March of the same fiscal period would both have ½ year of depreciation for that fiscal period. Consequently, during the year of disposition or during the last year of an assets economic life, ½ year of depreciation would be recognized.)
- F. Accumulated Depreciation is the cumulative amount of depreciation on a category of assets such as infrastructure or capitalized interest.
- G. Right-of-Way Land is land and easements purchased to construct infrastructure assets in the appropriate planned location. Right of way land, as with all land assets, is not depreciated.
- H. Construction in Progress includes amounts expended on uncompleted infrastructure projects. When a project is complete, the cumulative costs are transferred out of this classification and into the infrastructure classification. Construction in progress assets are not depreciable.

IV. SPECIFIC INSTRUCTIONS

- A. Preparation of the Data - Prior to completing the summary form, it is necessary to compile an inventory of all infrastructure assets. Compilation should include the name of the infrastructure asset or system, the acquisition date or date placed in service, the salvage value if applicable, estimated useful life and accumulated depreciation.

If actual historical cost from purchase documents, construction records or bond filings is not available, estimates of cost may be used to value infrastructure assets. One method involves estimating the average cost of a like asset installed at the time of purchase of the asset in question. A second method involves starting with the present cost of a similar asset and applying the appropriate price index for that class of assets to calculate estimated historical cost. Any estimating methods used should be sufficiently documented for the State Auditor and Inspector.

- B. Completing the Infrastructure Assets Summary Form

- 1. Enter the agency ACFR code, name, and funds/accounts to be included on the summary.
- 2. Provide the name, title, phone number and date for each person who completes and approves this summary form. The finance officer or executive director should approve and sign the form before sending it to OMES. Keep a copy of the form. When submitting the form via email it should come

from the address of the approving officer. This will act as an implicit electronic signature verifying the form has been reviewed for validity, accuracy, and completeness.

3. The ending balances reported on conversion packages last year are preprinted. Any adjustments that need to be made to last years ending balances should be reported on line 4.
4. If there are any adjustments to the beginning balances listed on line 3, enter them here. Note the reason for the adjustment in the "Comments" section or attach additional sheets if necessary.
5. Enter in the original cost columns the total dollar amount of additions to infrastructure and related assets for the current period.
6. Enter in the appropriate columns the total original cost of current year deletions of infrastructure assets and the total accumulated depreciation through the date of disposal. On occasion, an infrastructure asset may be disposed of for compensation. If infrastructure assets are sold, any amounts received should be disclosed in the comments section of this form.
7. Enter in the appropriate columns the net original cost amounts and net accumulated depreciation amounts of infrastructure assets transferred in and out for the fiscal year. Disclose in the comment section the amounts transferred in and out by agency.
8. Enter in the appropriate columns the current year depreciation. If you are completing the sample worksheet provided (see section IV, part C), this amount can be obtained from Column 9.
9. Enter totals as follows:
Original Cost columns - Totals lines 3 + or - 4 + 5 - 6 + or - 7
Accumulated Depreciation columns - Totals lines 3 + or - 4 - 6 + or - 7 + 8
Net Book Value columns - Totals lines 3 + or - 4 + 5 - 6 + or - 7 - 8
10. Enter the original cost of all infrastructure assets for the beginning of the year, enter total current year additions, subtract total current year deletions, add or subtract current year transfers, then total.
11. Enter the beginning of the year accumulated depreciation related to depreciable infrastructure, subtract accumulated depreciation related to deleted assets, add or subtract accumulated depreciation related to infrastructure assets transferred in or out, add current year depreciation, then total.
12. Enter in this column the amounts entered in column 10 minus amounts in column 11.
13. Enter the beginning of year original cost for all right of way land, add total current year additions, subtract current year deletions, add or subtract current year transfers in or out, then total.
14. Enter all construction in progress costs at the beginning of the year, add current year additions, subtract current year deletions, add or subtract current year transfers, then total.
15. Provide comments or explanations as needed for any unusual items or circumstances.

C. Infrastructure Asset Depreciation Worksheet Example

Included is a sample worksheet for calculating accumulated depreciation as of the beginning of the current fiscal year and depreciation expense for the fiscal year. If you would like to receive a disk containing this sample format, contact your financial reporting analyst.

Complete all columns for each infrastructure asset or system.

1. List each infrastructure asset or system of infrastructure assets.
2. Enter the fiscal year the asset was placed in service.
3. Enter the date of disposal for infrastructure assets removed from service during the current period.

4. Enter the total historical or estimated cost of the asset.
5. Enter the estimated salvage value of the asset (if any).
6. Enter the total estimated economic useful life of the asset. If the economic life is unknown, Schedule A is provided for guidance only by general category of asset.
7. List the depreciation method used. Straight-line depreciation with half year convention SL-1/2Y (i.e., ½ year depreciation in year of purchase and ½ year depreciation in final year of economic life or year of disposal if earlier).
8. Enter accumulated depreciation at the beginning of the current fiscal year, calculated as follows:
 - A) Current Fiscal Year less Fiscal Year Placed in Service minus .5 = Previously Depreciated Years
 - B) Historical Cost less Salvage Value = Total to be Depreciated
 - C) Result from (B) divided by Estimated Useful Life (yrs) = Annual Depreciation
 - D) Result from (A) multiplied by Result from (C) = Accumulated Depreciation at beginning of FY

Formula:
$$\frac{(HC - SV)}{EUL} \times (CFY - YPS - .5)$$

Where:

- HC = Historical Cost
- SV = Salvage Value
- EUL = Estimated Useful Life
- CFY = Current Fiscal Year
- YPS = Year Placed in Service

Example:

A road was built during FY 1997 and FY 1998, with total construction costs of \$10,000,000 in FY97 and \$6,500,000 in FY 1998. The road was placed in service in December of FY 1998. It has an estimated useful life of 50 years, with no expected salvage value. Straight-line depreciation following the ½ year convention will be used for depreciation.

- A) 2000 - 1998 - .5 = 1.5
- B) \$16,500,000 - 0 = \$16,500,000
- C) \$16,500,000/50 = \$330,000
- D) 1.5 X \$330,000 = \$495,000 Accumulated depreciation at beginning of fiscal year.

Or
$$\frac{(\$16,500,000 - \$0)}{50} \times (2000 - 1998 - .5) = \$495,000$$

9. For assets placed in service in prior years, current year depreciation is the amount calculated in step 8C above. (In the above example, current year depreciation for the road is \$330,000). For assets placed in service anytime during the current fiscal year, current year depreciation would be the amount calculated in step 8C divided by two (1/2-year convention).
10. Total accumulated depreciation is column 8 plus column 9. (In the above example, the total would be \$825,000).

Working Papers

The agency should keep any documents that support data on the summary form. For example, agencies should thoroughly document:

- * The source(s) of data for each amount.
- * Procedures used to gather the data.
- * Methods of estimation used.
- * All depreciation schedules.