





# Reporting of the Condition Level of NDOT Roadways



# GASB

The Governmental Accounting Standards Board (GASB) was created in 1984 as an independent, professional body to establish standards of accounting and financial reporting applicable to state and local governmental entities.



## GASB 34

GASB Statement No. 34 (GASB 34) establishes financial reporting standards for state and local governments. With the implementation of GASB 34, the State is required to account for all capital assets, including the government's infrastructure assets, such as NDOT's roads and bridges.



# GASB is Required

## *NRS 353.3245*

Requires that the State follow generally accepted accounting principles.

## *NRS 353.3076*

Defines generally accepted accounting principles as those principles prescribed by the Governmental Accounting Standards Board.



# GASB 34 Implementation

- The State adopted GASB 34 in Fiscal Year 2002.
- NDOT established an implementation compliance committee consisting of representatives from:
  - ❖ Nevada Department of Transportation
  - ❖ Nevada Controller's Office
  - ❖ The State's Independent Audit firm



The compliance committee made the following elections:

- Elected not to depreciate NDOT's infrastructure assets.
  - ✓ By electing not to depreciate NDOT's infrastructure assets, no depreciation of the States infrastructure is reported on the financial statements.
- Elected to report the infrastructure assets under the Modified Approach.



## Electing the Modified Approach requires NDOT to :

- Maintain an inventory of its roads and bridges;
- Establish a condition level at which the roads and bridges will be maintained;
- Perform condition assessments;
- Report on the results of the condition assessment of the roads and bridges in the State's Comprehensive Annual Financial Report (CAFR).



# Roadways

As part of the GASB 34 implementation, the Transportation Board of Directors set a policy that:

- 70 % of Category 1 roads will be maintained at an IRI of 80 or less.
- 65 % of Category 2 roads will be maintained at an IRI of 80 or less.
- 60 % of Category 3 roads will be maintained at an IRI of 80 or less.
- 40 % of Category 4 roads will be maintained at an IRI of 80 or less.
- 10 % of Category 5 roads will be maintained at an IRI of 80 or less.



# What is IRI?

IRI stands for International Roughness Index. It is a measurement of the deviation from a smooth surface. The lower the IRI, the smoother the surface. The higher the IRI, the rougher the surface.





# Condition Level of the Roadways

Percentage of roadways with an IRI of less than 80

	Category				
	1	2	3	4	5
State Policy - minimum percentage	70%	65%	60%	40%	10%
Actual results of 2001 condition assessment	83%	77%	86%	65%	19%
Actual results of 2003 condition assessment	83%	72%	90%	65%	38%
Actual results of 2005 condition assessment	81%	78%	89%	61%	26%
Actual results of 2007 condition assessment	82%	82%	88%	61%	25%
Actual results of 2009 condition assessment	82%	82%	87%	56%	21%
Actual results of 2011 condition assessment	56%	79%	67%	30%	9%
Actual results of 2012 condition assessment	84%	85%	84%	32%	9%
Actual results of 2014 condition assessment	84%	71%	62%	33%	7%



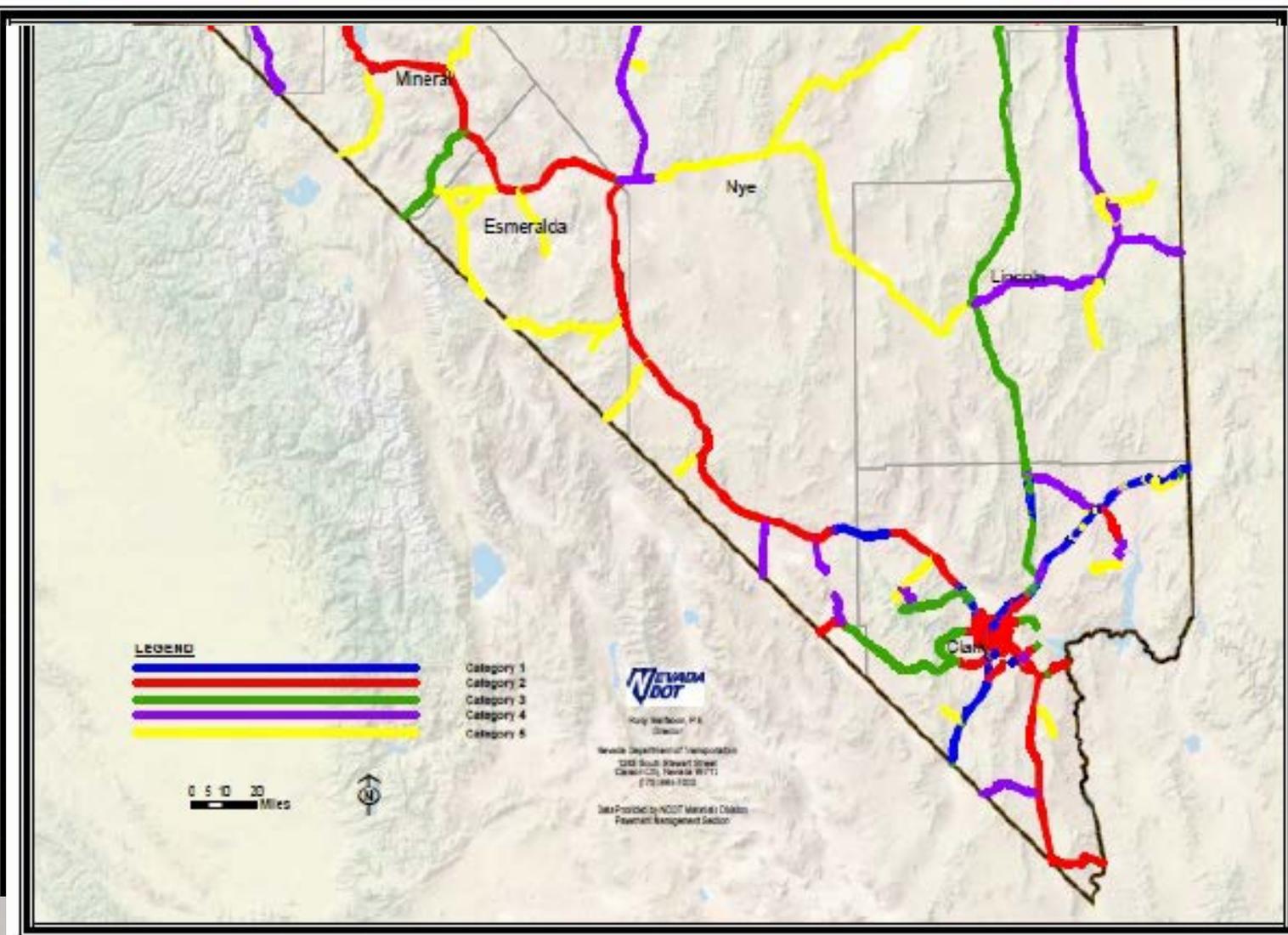
## Several factors have caused the condition level of Category 4 and 5 roads to decrease:

- The annual funding for maintenance has decreased;
- Inflation;
- NDOT has concentrated the funding that is available for maintenance on the higher volume roads;
- In 2001 we had some of the smoothest roads in the country and the policy was set to strive to keep them that way.



## Why we are here?

- Category 4 and 5 roads have been below our policy limit for the last three condition assessments.
- NDOT anticipates that under current funding levels, category 4 and 5 roads will continue to be below our current policy limit for the foreseeable future.
- What's a category 4 and 5 road?





## Why we are here? (Continued)

- GASB 34 requires the State to either revise the policy on condition assessment or switch to the depreciation method.

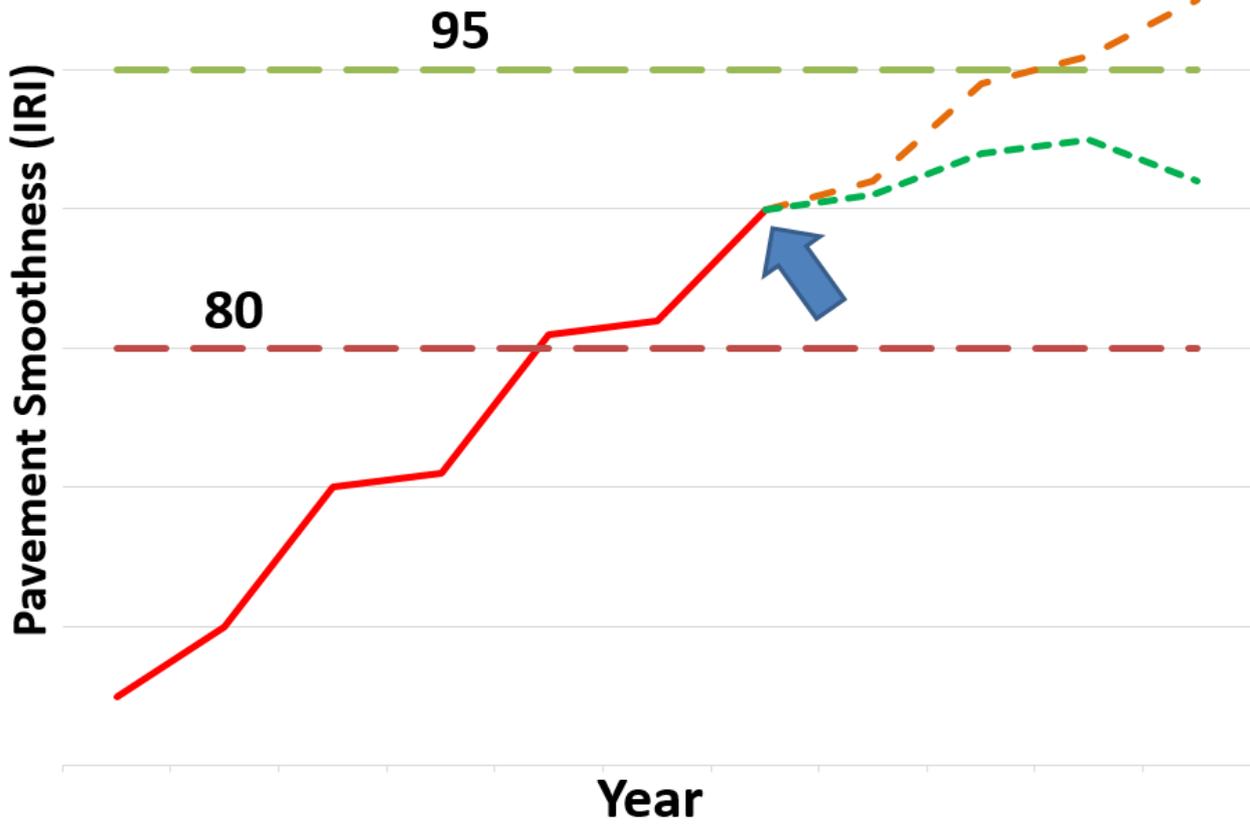


## Options:

1. Depreciate the State's Infrastructure:
  - A new large expense on the Basic Financial Statements.
  - Financial Statements would be less consistent and less comparable with previous years.
  - Additional financial impacts the State.
2. Revise the policy on Condition Assessments:
  - The change would be in the Management Discussion and Analysis.
  - More comparable and more consistent Financial Statements.
  - FHWA proposed rule making is authoritative confirmation that supports that our current policy was set unrealistically.



## Pavement Smoothness (IRI) versus Goals





NDOT recommends the Transportation Board of Directors revise the policy as shown:

- 70 % of Category 1 roads will be maintained at an IRI of 95 or less.
- 65 % of Category 2 roads will be maintained at an IRI of 95 or less.
- 60 % of Category 3 roads will be maintained at an IRI of 95 or less.
- 40 % of Category 4 roads will be maintained at an IRI of 95 or less.
- 10 % of Category 5 roads will be maintained at an IRI of 95 or less.



# Restated 2014 Condition Level of the Roadways

Percentage of roadways with an IRI of less than **95**

	Category				
	1	2	3	4	5
State Policy - minimum percentage	70%	65%	60%	40%	10%
Revised results of 2014 condition assessment	90%	85%	83%	51%	20%



# NEVADA DOT



[www.nevadadot.com](http://www.nevadadot.com)

