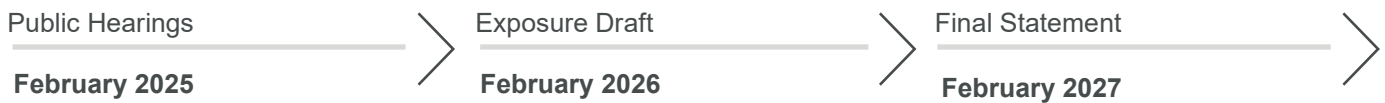


GASB Invites Feedback on Its Infrastructure Assets Project

GASB is seeking feedback on its infrastructure assets project’s [Preliminary Views](#), which identifies areas for improvement and GASB’s planned approaches. GASB’s objective is to make the presentation and disclosure related to infrastructure assets more comparable between governments, consistent over time, useful for decision making, and reflective of the asset’s future service capacity. Comments are requested by January 17, 2025.

A Preliminary Views document seeks comment on GASB’s reasoning and direction at an early stage for larger projects and is a step toward an exposure draft.



Current Guidance

Statement 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, defines infrastructure assets, provides recognition and measurement guidance, and details required note disclosures and required supplementary information (RSI).

Infrastructure assets may be reported at either historical cost and depreciated over their estimated useful lives or under a modified approach at historical cost but not depreciated. The modified approach is allowed if the infrastructure assets are part of a network, managed using an asset management system, and the government can document that the assets are being preserved approximately at (or above) a condition level established and disclosed by the government.

If the modified approach is used, governments must present certain information in RSI, including the assessed condition of infrastructure assets, preservation and maintenance costs, and qualitative disclosures, including the scale used to assess condition, preservation threshold, and factors that significantly affect trends in the information reported.

In general, project pre-agenda research did not find significant issues with the current accounting and reporting of capital assets. However, there were opportunities to improve the recognition and measurement of infrastructure assets and provide additional information on maintenance and preservation costs for those assets.

Project Approach

Definition

GASB would like to include “network” language (currently included in a different section of Statement 34) in the infrastructure definition. GASB would update the definition to add communication networks as an example of an infrastructure asset. GASB was concerned that governments are not consistent in determining if a building is an

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ancillary part of a network of infrastructure assets under current GAAP and would drop this requirement in a revised definition.

According to GASB:

Statement 34 Definitions	
Capital Asset	Infrastructure Assets
<p>Includes land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and have initial useful lives extending beyond a single reporting period.</p>	<p>Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets.</p> <p>Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems.</p> <p>Buildings, except those that are an ancillary part of a network of infrastructure assets, should not be considered infrastructure assets for purposes of this Statement.</p>

Preliminary Views	
Capital Asset	Infrastructure Assets
<p>No change.</p>	<p>Assets that may consist of multiple components that are part of a network of long-lived capital assets utilized to provide a particular type of public service, that are stationary in nature, and that can be maintained or preserved for a significant number of years.</p> <p>Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, lighting systems, and communication networks.</p> <p>Only buildings that are part of a network of infrastructure assets used to provide a particular type of public service should be considered infrastructure assets.</p>

Recognition & Measurement – Modified Approach

GASB would only modify certain aspects related to the modified approach. Governments that elect the modified approach generally would continue to apply Statement 34 requirements. However, an asset management system would no longer be required to manage the infrastructure assets. Instead, a government would need to have processes in place to:

- Maintain an up-to-date inventory of infrastructure assets.
- Perform and summarize condition assessments on those assets.
- Estimate annual amounts to preserve assets at the condition levels the government establishes.

Notes to Financial Statements

Under the Preliminary Views, the following financial statement note disclosures would no longer be required:

- Description of the modified approach in the summary of significant accounting policies.
- Disclosure of infrastructure assets not reported at transition.
- Disclosure of impaired infrastructure assets that are idle at year-end.

However, four new financial statement note disclosures would be required:

- Any changes in the infrastructure asset capitalization policy in estimating the useful lives of infrastructure assets used to calculate depreciation.
- For infrastructure assets reported using historical cost net of accumulated depreciation, governments would disclose the historical cost of infrastructure assets by major class that have exceeded 80% of their estimated useful lives. Governments would separate the historical cost of infrastructure assets that have exceeded their estimated useful lives from those infrastructure assets that have exceeded 80% of their estimated useful lives but have not yet exceeded their estimated useful lives.
- Maintenance¹ or preservation² expenses for infrastructure assets for the current period by major class. Maintenance expenses should be reported using historical cost net of accumulated depreciation. Preservation expenses should be reported using the modified approach.
- Policy for monitoring and maintaining/preserving infrastructure assets.

Required Supplementary Information

GASB would add a new requirement for governments that use historical cost net of accumulated depreciation. Governments would be required to prepare a 10-year schedule comparing estimated maintenance costs (calculated at the beginning of the fiscal year) to the amounts actually expensed for each of the past 10 fiscal years by major asset class.

Governments that use the modified approach would be required to prepare a similar 10-year schedule comparing the estimated annual costs to preserve infrastructure assets at (or above) the government's disclosed condition

¹ Maintenance expenses are considered expenses that allow infrastructure assets to continue to be used throughout their estimated useful lives but do not extend their estimated useful life or increase the capacity or efficiency of those assets.

² Preservation expenses are considered expenses that are intended to keep infrastructure assets at (or above) the condition level established and disclosed by the government but do not increase the capacity or efficiency of those infrastructure assets.

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level (calculated at the beginning of the fiscal year) to the amounts expensed for that fiscal year for each of the past 10 fiscal years by major asset class.

According to GASB, a government also would be required to disclose factors that significantly affect trends in the information reported as RSI for infrastructure assets:

- For infrastructure assets reported using historical cost net of accumulated depreciation, an example of such a factor would include variations in maintenance expenses due to a change in the government's policy to monitor and maintain its infrastructure assets.
- For infrastructure assets reported using the modified approach, those factors would include any changes in:
 - The measurement scale
 - The basis for the condition measurement
 - The condition assessment methods used during the periods covered by the schedules
 - The condition level at which the government intends to preserve infrastructure assets. An estimate of the effect of the change on the estimated annual amount to preserve those assets for the current period also should be disclosed

Governments that do not use the modified approach would no longer be encouraged to present as supplementary information the same information related to infrastructure assets that governments that report infrastructure assets using the modified approach present as RSI.

Conclusion

The assurance team at Forvis Mazars delivers extensive experience and skilled professionals to help align with your objectives. Our proactive approach includes candid and open communication to help address your financial reporting needs.

Our public sector accounting, audit, and consulting experience and resources can help you stay compliant, stretch your dollar, and plan for the future. We serve a variety of entities, including state and local governments, airports, transportation authorities, public power and utility providers, tribal governments, and public colleges and universities.

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