

January 14, 2025

Director of Research and Technical Activities
GASB
801 Main Avenue
PO Box 5116
Norwalk, CT 06856-5116

Email: director@gasb.org

RE: Project No. 3-43P

We appreciate the opportunity to provide feedback on the Preliminary View (PV), *Infrastructure Assets*, dated September 30, 2024. The purpose of the PV is to reexamine issues associated with accounting and financial reporting for infrastructure assets and consider improvements related to recognition and measurement, note disclosures, and required supplementary information to existing guidance.

The views expressed herein are written on behalf of the Professional Standards Committee (PSC) of the Texas Society of CPAs. The committee has been authorized by the Texas Society of CPAs' Leadership Council to submit comments on matters of interest to the membership. The views expressed in this document have not been approved by the Texas Society of CPAs' Leadership Council or Board of Directors and, therefore, should not be construed as representing the views or policy of the Texas Society of CPAs. Please find our comments below for each of the chapters.

Chapter 1-Objective and Background

The PSC supports the objective and background of the Infrastructure Assets project. The PSC believes that the optional use of the modified approach should be allowed to continue. In addition, the PSC believes the Infrastructure Assets project has been quite useful, as it has allowed the review of concepts regarding recognition and measurement, notes disclosures, and required supplementary information.

Chapter 2-Definition of Infrastructure Assets

The PSC agrees with the definition of infrastructure assets and finds helpful the examples provided in the PV. However, the PSC believes some clarification and additional examples are needed regarding the concept of *network*, as different interpretations can be construed depending on the context.

Chapter 3-Recognition and Measurement of Infrastructure Assets

The PSC agrees that infrastructure assets should continue to be recognized in financial statements and should continue to be measured at historical cost net of accumulated depreciation unless the modified approach is elected by the government.



Chapter 4-Historical Cost Net of Accumulated Depreciation

The PSC agrees that estimated useful lives and salvage values of infrastructure assets reported using historical cost net of accumulated depreciation should be reviewed periodically and adjusted, if necessary, to better reflect the useful lives and salvage values of those infrastructure assets. The PSC also agrees that each component of an infrastructure asset with a cost that is significant in relation to the total cost of the infrastructure asset should be depreciated separately if the useful lives of those components are significantly different.

Chapter 5-Modified Approach

The PSC agrees that, rather than requiring governments to have an asset management system, governments should have a process in place to perform each of the requirements established by paragraph 23 of Statement 34. However, the PSC believes some clarification is needed when the criteria established to use the modified approach are no longer met. For example, the PV as currently written does not specify as to whether failing to meet the criteria established to use the modified approach one time would trigger the need to revert back to reporting infrastructure assets at historical cost, net of accumulated depreciation, or whether the reversion depends on a judgment about the number of occurrences of non-compliance with the criteria. The PSC believes additional guidance on methodology is needed to avoid different interpretations and to what extent judgment will be used to make a decision.

Chapter 6-Notes to Financial Statements

The PSC agrees that a government that does not, and was not required to, report major general infrastructure assets retroactively when implementing Statement 34 does not need to include that decision in its summary of significant accounting policies in notes to financial statements on an ongoing basis. However, the PSC would like to make the following recommendations regarding disclosures:

- The PSC notes that the use of the modified approach is unique in the accounting of governmental entities. In addition, users of financial statements include a wide variety of stakeholders. The PSC believes that a description of the modified approach is essential to the understanding of the financial statements and adequate economic, social or political decision making. As a result, a description of the modified approach should continue to be included in the summary of significant accounting policies in notes to financial statements.
- The PSC believes that a government should continue to disclose in notes to financial statements the carrying amount of its impaired assets that are idle at year-end.
- The PSC would like further clarification regarding the requirement to disclose infrastructure assets by major class that have exceeded 80% of their estimated useful lives. Specifically, the PSC would like to inquire, among other things, what is the rationale behind 80% as a threshold, cost-benefit considerations and how the disclosure requirement would be affected if a government implements a change in useful lives.

Chapter 7-Required Supplementary Information and Supplementary Information

The PSC is generally supportive of the requirements for the presentation of information related to infrastructure assets as RSI. However, the PSC finds providing a 10-year schedule of the estimated annual amount of maintenance expenses compared to actual maintenance expenses related to those infrastructure assets to be burdensome. The PSC also notes the Board has not yet discussed

transition issues. The PSC would like to recommend adopting a prospective approach to facilitate the implementation of the PV.

We appreciate the opportunity to submit comments on the Preliminary View (PV), *Infrastructure Assets*.

Sincerely,

A handwritten signature in black ink that reads "Jeffrey L. Johanns". The signature is written in a cursive style with a large, stylized initial "J".

Jeffrey Johanns, CPA
Chair, Professional Standards Committee
Texas Society of Certified Public Accountants