June 19, 2026

Governmental Accounting Standards Board
801 Main Avenue
Norwalk, CT 06856

RE: Comments on GASB Project No. 3-43, Exposure Draft – *Infrastructure Assets*

The Financial Management Standards Board (FMSB) of the AGA appreciates the opportunity to provide comments on the Governmental Accounting Standards Board's proposed standards. Our response to questions posed by the Board are as follows:

1. *Which of the proposals in the exposure draft do you agree with?*

   In general, we agree with proposals in the exposure draft. In particular, we view the requirement to perform periodic review of estimated useful lives in paragraph 7 to be the most important provision, along with the transition requirement to apply this provision as a retroactive restatement upon adoption. We also believe that the provision to apply componentization requirements to assets placed in service on a prospective basis to be important to mitigating costs related to this requirement.

2. *Which of the proposals in the exposure draft do you disagree with?*

   While we generally agree with provisions, we have suggestions for improvements as described in our response to questions 6, 7, 8, 12, 13 and 16.

3. *Do you believe information resulting from the proposed provisions would be valuable to user analysis?*

   We believe the new disclosure requirement in paragraph 11 will significantly enhance user information regarding the condition of infrastructure assets. However, the proposed new disclosure could be improved as described in our response to question 12.

   We believe that if capital assets are accounted for properly and estimated lives periodically reviewed, that the effects of any deferred maintenance - along with all other relevant factors - will be embodied in the estimated useful life. We therefore disagree with the alternative view that essential information about deferred maintenance is missing. We strongly agree with the board's conclusion that deferred maintenance does not meet criteria for inclusion in basic financial statements or RSI. We continue to be skeptical that a reliable conclusion about deferred maintenance can be drawn from the amount budgeted or spent on maintenance expense, since this can be affected by a multitude of positive or negative factors. Instead, we view condition assessment and remaining useful life as superior and decision-useful information elements that will be inclusive of all relevant factors affecting infrastructure assets.

4. *Do you believe the proposed provisions would be operable and auditable?*

   We view the new requirement for componentization and elevated requirement for periodic review as serving to improve the operability and auditability of reporting for infrastructure assets.

   However, we believe the proposal could be further improved to better provide for operability and auditability of componentization and periodic review of estimated useful life as described in our response to questions 7 and 8. We emphasize the importance of operability and auditability for these requirements, due to their effect on the reliability of reporting, and thus the value of information to users.

5. *Comments on scope and applicability (par 2-3)*

   Infrastructure assets are described as a type of capital asset in GASB Codification section 1400 and many of the same issues being addressed for infrastructure in the exposure draft are also relevant for capital assets. For this reason, we believe standards for capital assets and for infrastructure should be aligned to the greatest extent possible. Since the scope of this project is limited to infrastructure, we encourage the board to plan a parallel project for capital assets to ensure requirements and disclosures do not become unnecessarily different.

6. *Comments on the definition of infrastructure assets (par 4-5)*

   In general, we agree with the definition.

   However, it is not entirely clear whether the first and second sentence of paragraph 4 are presenting two different sets of criteria or one combined set of criteria for the definition of infrastructure.

   Also, while we think the definition of network is improved, it continues to be overly vague. We suggest the board consider defining network as a set of interrelated assets that together provide a particular type of service for a government (rather than "all") and allow for networks to be identified by policy, perhaps with guidance on factors to consider. This would allow for flexibility in defining networks in accordance with operational factors. For example, identifying networks by region, by independently operated system, or identifying highways separately from arterial roadways due to differences in planning and funding. This might also provide more clarity that judgment is allowed in defining what "a particular type of service" means, since some might intuitively consider roads, highways, tunnels and/or bridges to be the same type of service (that is, vehicle transportation), whereas the example provided in paragraph 4 and Appendix C indicates these would (or could) be considered different types of service.

We appreciate the road example in paragraph 5 and would suggest adding an additional example to provide further clarity. For example, a water network may consist of wells, pipes, storage facilities and pump stations.

Finally, we think the standard would benefit from a glossary section that includes definitions for infrastructure, network and component.

7. *Comments on componentization (par 6)*

Our members continue to have mixed views on this requirement. Since componentization is one of the root causes of practice issues observed with infrastructure, this requirement seems to be necessary in order for the requirements of standards to be operable and auditable over time. However, this requirement will certainly be costly to implement for governments that do not already account for infrastructure using componentization. At issue are differences in practice between (1) a government's asset management system compared with the government's capital asset listing, and (2) how a government plans and executes capital projects compared to how the government accounts for the costs of those projects.

With this in mind, we suggest the Board consider:

- Adding a requirement that governments have a policy that defines componentization for each network reported by the government. We view this as particularly important to the operability and auditability of componentization, especially over time.
- Adding an illustration of how a government might determine components and allocate capital project costs between components at the time of original construction. For example, using a project to construct a roadway and bridge, in order to show how a government might arrive at the information provided in Appendix C.
- Adding additional illustrations or implementation guidance that describes potential components for common types of infrastructure in order to support decision making and encourage consistency in practice.
- Implementation guidance that describes the interaction of estimated useful life and componentization decisions on determinations of impairment or classification of expenditures as capitalizable improvements or maintenance expenses.

8. *Comments on periodic review of estimates (par 7)*

We agree that it would be appropriate to clearly state estimation requirements in Category A GAAP rather than in Category B, consistent with GASB literature for other types of estimates.

However, we continue to believe that "periodic" should be defined, consistent with GASB literature for other types of estimates. For example, a requirement that a complete review of infrastructure assets are performed in a consistent manner at least every five years. Alternatively, if the board will not define periodic, then standards should at least require disclosure of the government's policy regarding the period of review. We view this as critical to the operability and auditability of estimated useful lives, and thus key to improving reliability of reporting and resolving current issues in practice.

9. *Comments on reporting using the modified approach (par 8)*

   We agree.

10. *Comments on disaggregating disclosures by network (par 9)*

    We agree.

11. *Comments on disclosure of policies for monitoring maintenance and preservation (par 10)*

    We disagree with adding this new disclosure. The proposal is confusing since it applies a requirement for the modified approach to reporting on historical cost basis, but without any detail. Further, we do not view the disclosure as being decision-useful since it is not accompanied by information necessary to determine the extent to which the policy is being followed.

12. *Comments on disclosures for assets exceeding 80% and 100% of their estimated useful lives (par 11)*

    We agree with the addition of a disclosure to report the amount of assets that are near or exceeding their estimated useful life.

    However, we would suggest that the first threshold be 90% rather than 80%. For example, if an asset has a 60-year useful life, 80% it would imply that the asset still has 12 years before retirement – and even longer for assets with 80 or 100-year useful lives. Our concern is that if this category represents too long of a timeframe, it will dilute the value of the information as an indicator of assets that require replacement in the near term and that might be expected to be included in capital plans and budgets.

    Also, we disagree with requiring calculation and disclosure of the weighted average age of assets within each category. We do not view this information element as being decision-useful because it cannot be effectively compared to anything. It is unclear how disclosure of the weighted average age would provide substantially different or better information to users than observations or calculations users could already make with other information disclosed. In our view, the value delivered to users with the proposed disclosure is in the amount of assets that are close to or exceeding their estimated useful life. This is something that can be prepared, audited and used easily. In contrast, we view the disclosure of the weighted average age as a burdensome cost for preparers and auditors and without an essential value for users.

Finally, while we appreciate the inclusion of an illustrative disclosure, we would prefer that this disclosure be in the form of a table.

13. *Comments on rescinding disclosure of a description of the modified approach (par 12)*

We agree that this disclosure requirement should be removed because it is general education information that is not specific to the government, and therefore not essential.

In addition, we continue to be supportive of removing the disclosure requirements imposed by Implementation Guide question 7.85.5 and GASB 42 paragraph 20 which were proposed in the preliminary views document but not carried forward to the exposure draft. We do not believe these disclosures provide decision-useful information.

14. *Comments on RSI using the modified approach (par 13-14)*

We agree.

15. *Comments on supplementary information (par 15)*

We agree with eliminating this statement. While we understand why this was originally included in standards, it has been ineffectual in practice and, in our view, does not currently achieve a purpose.

16. *Comments on the effective data and transition provisions (par 16-20)*

We strongly agree with application of componentization on a prospective basis for assets placed into service after implementation, which will significantly mitigate costs for governments that do not currently use componentization. We also strongly agree with application of periodic review of estimated useful lives as a retroactive restatement upon adoption. This will serve to ensure consistent and reliable reporting upon adoption and should not be a burden unless a government was not previously following this existing requirement.

However, we found that this section was written and arranged in a confusing manner. Specifically:

- It is unclear how any other provision could be retrospectively applied or applied at the beginning of the period if the definition of infrastructure in paragraph 4 and 5 is only applied prospectively.

- We understand that paragraph 17(a) is intended to clarify that the prospective application of paragraph 6 is based on assets placed into service, rather than for all existing assets. However, the arrangement of the paragraph makes this point less clear since it is a list of exceptions to prospective application. We suggest considering an arrangement where provisions for each group of paragraphs are addressed directly, in turn.
- We were unsure why paragraph 9 and 11 are to be implemented as of the beginning of the period, since these are note disclosures which present information as of the end of the period. Perhaps a further explanation of the rationale for this provision could be included in the Basis for Conclusions section.

17. Other comments

In general, we would prefer that standards avoid the use of footnotes to provide requirements, definitions, examples or explanation. Throughout the standards, this kind of content is normally included as in-line paragraphs, so providing the same type of content in a footnote for a minority of instances is an inconsistency. Footnotes are difficult to follow in the codification, add complexity to citations, and can be misconstrued by new users as being less authoritative since they are differentiated in a subordinated way from in-line text.

Sincerely,

Scott DeViney

Scott DeViney, CPA
Chair, Financial Management Standards Board

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AGA
Financial Management Standards Board

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