

GASB #34/35 Issue Paper #3
Recording and Reporting Infrastructure Assets
April 24, 2001

GASB #34/35 requires the reporting of infrastructure assets which are defined as long-lived capital assets that are normally stationary and that can normally be preserved for a significantly greater number of years than most capital assets. GASB allows for infrastructure assets to be measured by historical cost, which requires depreciating the assets or by a modified approach, which does not require depreciating the assets.

Infrastructure assets will be reported in the Statement of Net Assets based on historical cost or estimated historical cost. Infrastructure assets will be depreciated over their useful lives unless the modified approach is used. An entity using the modified approach must demonstrate that infrastructure assets are being preserved and that an asset management system is in place; must report all preservation costs as expense; and must report condition information and required versus actual maintenance/preservation rather than depreciation.

Currently, the GASB Implementation Team does not intend to recommend use of the modified approach by the Colorado higher education institutions.

For purposes of distinguishing between infrastructure assets and those land improvement assets which higher education institutions have long been required to capitalize, NACUBO provides the following comparison in its GASB-sanctioned training sessions on Statement #35.

| <u>INFRASTRUCTURE</u> | | | | | | |
|--|-------|----------------|---|----------|--------------------|--------|
| Sidewalks | Curbs | Tunnels | Bridges | Trestles | Culverts | Alleys |
| Fire Hydrants | | Street Signage | Traffic Lights | | Traffic Signals | |
| Street Lighting | | Guard Rails | Drainage Ditches | | Irrigation Systems | |
| Streets/Roads/Highways | | | Distribution Systems for Gas, Electric, and Fiber Optic | | | |
| Collection Piping for Sanitary Sewer, Storm Collection, and Water Distribution | | | | | | |

as distinguished from

| <u>LAND IMPROVEMENTS</u> | | | |
|---------------------------------|--------------|-------------------|---------------|
| Paths | Bleachers | Fountains | Landscaping |
| Septic Systems | Parking Lots | Parking Barriers | Yard Lighting |
| Athletic Fields | Golf Courses | Swimming Pools | Tennis Courts |
| Retaining Walls | | Fencing and Gates | |

GASB #34 establishes two criteria for consideration of capital assets as a major infrastructure asset. They are

- The cost or estimated cost of a network of infrastructure assets is at least 10% of the cost of all general capital assets. (A network of infrastructure assets is all assets that provide a particular type of service.)
- The cost or estimated cost of a subsystem of infrastructure assets is at least 5% of the cost of all general capital assets. (A subsystem of infrastructure assets is all assets that make up a similar portion or segment of a network of assets.)

ISSUE RESOLUTION

Given that Colorado higher education institutions' and Boards' capital assets are not considered a common good in that they are intended to serve their students and the campus community rather than the general public; and

Given that Colorado higher education institutions and Boards have historically capitalized all the capital assets identified in the tables above as infrastructure and land improvement assets; and

Given that Colorado higher education institutions and Boards do not intend to use the modified approach for reporting infrastructure assets; and

Given that Colorado higher education institutions and Boards would not generally have items distinguished above as infrastructure assets that meet GASB #34's materiality criteria for consideration as a major infrastructure asset; then

Colorado higher education institutions and Boards will not record or report infrastructure assets and will continue to use applicable capitalization policies in its current classifications of capital assets and will begin to record and report depreciation on those assets per GASB #34/35.