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Director of Research and Technical Activities
Project No. 24-16h
Governmental Accounting Standards Board
Via email: director@gasb.org

Plante & Moran, PLLC is pleased to offer comments on the above referenced Exposure Draft document on *Implementation Guidance Update - 2025*, dated November 13, 2024. We support the efforts of the Governmental Accounting Standards Board ("GASB") to provide guidance that clarifies, explains, or elaborates on GASB Statements. As a result, we offer the following comments for your consideration:

Question 4.3 – GASB Codification 1400.103 defines capital assets as those that are "used in operations". The answer to Question 4.3 indicates that the real estate purchased as part of an economic development activity would be a capital asset because "economic development is part of a government's operations". We would suggest the GASB clarify whether "used in operations" from GASB Codification 1400.103 is meant to include all services offered by the government or is focused on the government's intended use for the asset. Today, there are many governments that are treating these types of assets which are not intended to ever be used by the government as "held for sale" or "inventory". Given the answer to Question 4.3, it is difficult to envision a situation where a real estate purchase not classified as an investment would result in something other than a capital asset. If this was not GASB's intention, providing an example of when a real estate purchase would not result in an investment or capital asset would be useful.

Question 4.4 – GASB Statement No. 103, paragraph 13 says in part, "Revenues or expenses that otherwise would be classified as nonoperating in most proprietary fund financial statements should be classified as operating revenues or operating expenses if those transactions constitute the proprietary funds' principal ongoing operations." The answer to Question 4.4 indicates that interest expenses should always be reported as nonoperating expenses because they relate to financing. We would recommend that GASB provide more clarity on why it would be appropriate to include the revenue as operating in this scenario, but not the associated expenses. It seems a government could make an argument that these both relate to the principal operations as presented in the question, and lack of further clarification could result in diversity in practice.

Question 4.9 - While we agree with the overall conclusion that payments made by a third-party insurer to a healthcare provider should not be reported as a subsidy, we have concerns as to how one should arrive at this conclusion based on GASB Statement No. 103 paragraph 14a. This paragraph defines a subsidy as resources received from another party or fund for which the proprietary fund does not provide goods or services to the other party or fund. In this scenario, the healthcare provider delivers services to the insured individual, not directly to the insurance company. Based on the text of Statement 103, one could argue that this situation fits the definition of a subsidy, as the healthcare provider does not provide goods or services to the third-party insurer. Our understanding is that these Implementation Guide questions should not

create GAAP but merely clarify existing requirements in Level A GAAP. The answer to this question seems to diverge from that premise.

Question 4.15 – We agree with the guidance provided in this question and answer. We suggest that GASB specify that the question refers to the financial statement presentation as opposed to the tabular format required in the footnote disclosures in order to provide additional clarity.

Question 4.16 and 4.17 – We appreciate the implementation guidance provided in these questions, which addresses various practice issues. However, the scenarios described in Questions 4.16 and 4.17, where a column may be required to present only the previously reported fund balance or net position and the adjustment to that balance, but no activity for the reporting period, do not encompass all such scenarios. Other scenarios may include a change in fund presentation from nonmajor to major, where combining statements are presented, or a change in the presentation of a component unit between discretely presented and blended. We recommend that the guidance be expanded to address other possible scenarios requiring this presentation, or, alternatively, we recommend addressing this practice issue more holistically to encompass all applicable scenarios.

Effective Date and Transition – Given that GASB Statement No. 100 is already effective and GASB has been informally communicating the requirement for the presentation required by Questions 4.16 and 4.17 for some time now, we recommend that these be immediately effective upon issuance. Providing a delayed implementation date could lead to diversity in practice as it implies that this presentation is not currently required by the provisions of GASB Statement No. 100.

Thank you again for the opportunity to comment. If you'd like further clarification on our comments, please feel free to contact Marie Stiegel at 616-643-4146 or marie.stiegel@plantemoran.com.

Very truly yours,

PLANTE & MORAN, PLLC