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January 13, 2025

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Project No. 24-16h

Alan Skelton

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Governmental Accounting Standards Board

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Re: Proposed Implementation Guide of the Government Accounting Standards Board – Implementation Guidance Update 2025.

Dear Mr. Skelton:

On behalf of the Florida Government Finance Officers Association (FGFOA), we are pleased to respond to the Government Accounting Standard Board’s (GASB) Request for Written Comments on Project No. 24-16h, *Implementation Guidance Update - 2025*. The comments provided in our response were prepared based on a review by members of the FGFOA Technical and Legislative Resources Committee and the Board of Directors.

We generally agree with the Implementation Guidance prepared by the Board. We have, however, identified some items we believe would benefit from additional clarifications, noted some disagreements, and made some recommendations for your consideration (see the enclosed Exhibit A of our response).

We thank the GASB for its efforts in preparing the *Implementation Guidance Update* and for providing an opportunity to respond. Please feel free to contact me at (850) 488-2415 or rip.colvin@justiceadmin.org regarding the comments above.

Sincerely,

Alton L. “Rip” Colvin, Jr., CPA, CGFO, CPM
President

Enclosure

Exhibit A: Comments on GASB Implementation Guidance Update - 2025 (Project No. 24-16h)

Ref.	Excerpt from Exposure Draft	Comment
4.5 – 4.6	<p>4.5 Q—If the principal ongoing operation of a business-type activity (BTA) or an enterprise fund is leasing property to other entities, should interest revenue related to leases be reported as operating revenue?</p> <p>A—No. Interest revenue is a revenue related to financing, which is a nonoperating revenue in accordance with paragraph 13 of Statement 103. [...]</p> <p>4.6. Q—Paragraph 54 of Statement 87 requires that the deferred inflow of resources related to a lease be recognized as inflows of resources (for example, revenue) over the term of the lease. If reported as revenue, should a BTA or an enterprise fund report those inflows of resources as operating revenue?</p> <p>A—Yes. Paragraph 13 of Statement 103 provides that operating revenues are revenues other than nonoperating revenues, with nonoperating revenues including revenues related to financing. As discussed in Question 4.5, although the foundational principle of Statement 87, as amended, is that leases are financings, the principal ongoing operation is conveying control of the right to use an underlying asset. Only the interest revenue recognized from the lease is related to financing. Revenue recognized from the deferred inflow of resources related to a lease, therefore, is not related to financing. Such revenue does not meet any of the other categories for nonoperating revenue and, therefore, should be reported as operating revenue.</p>	<p>Changing the order of 4.5 and 4.6 to start with what <i>is</i> operating, rather than what is <i>not</i> operating, would read more logically and understandably.</p>
4.7	<p>Q—How should subsidies be classified if resources are used for the acquisition of capital assets in circumstances in which the provider of a subsidy did not limit the use of the resources to the acquisition of capital assets?</p> <p>A—Subsidies are classified as noncapital subsidies if the provider of the subsidy either does not limit the use of the resources or limits the use of the resources to something other than the acquisition of capital assets. Subsidies are only classified as capital subsidies if the provider of the subsidy has limited the use of the resources to the acquisition of capital assets.</p>	<p>There are situations where subsidies are used for the acquisition of capital assets. Example: ARPA provides funds that are not limited for capital assets. However, those funds may be used for the acquisition of capital assets. It appears counterintuitive to categorize those subsidies as noncapital subsidies when the recipient has used them (or a portion of them) for capital purposes, even if not specifically required/stated by the grantor. In the event the proposed answer is not changed, it would be helpful to add an explicit statement between the two sentences, such as, “A recipient’s use of all or a portion of a subsidy for capital purposes does not, by itself, cause a subsidy to be classified as a capital subsidy.”</p>

Exhibit A: Comments on GASB Implementation Guidance Update - 2025 (Project No. 24-16h) (Continued)

Ref.	Excerpt from Exposure Draft	Comment
4.8	<p>Q—Do payments in lieu of taxes (PILOTs) meet the definition of subsidies?</p> <p>A—It depends on the substance of the transaction. In many circumstances, a PILOT is a payment from a proprietary fund either to the general fund of the primary government or to another government for the purpose of supporting general governmental activities. In these circumstances, the proprietary fund establishes a rate or fee that produces enough revenue above operating expenses to cover the PILOT—an essential characteristic of subsidies. However, in other circumstances, a PILOT is a payment from a proprietary fund to another party or fund for goods or services provided to the proprietary fund. In those circumstances, the transaction would not meet the definition of subsidies. The name of the transaction is not relevant to the determination of whether it is a subsidy for accounting and financial reporting purposes.</p>	<p>We recommend replacing “many” with “some” in the second sentence of the answer, considering that most PILOTs are from external sources, not another fund. We also recommend adding freestanding business-type activities as a source of payment, in addition to proprietary funds. Lastly, the answer would be improved if the final sentence as proposed were moved to be the second sentence.</p>
4.14	<p>Q—Is a change in a government’s capitalization threshold a change in accounting principle as defined in Statement 100?</p> <p>A—No. A capitalization threshold is the application of materiality to a specific asset class. Therefore, the requirements of Statement 100 for a change in accounting principle do not apply to that change.</p>	<p>We recommend specifying how a government should document and account for a change in capitalization threshold. What are the required disclosures, if any?</p>
4.15	<p>Q—Can an individual adjustment to or restatement of beginning net position, fund balance, or fund net position be displayed separately from the remaining aggregate of adjustments to or restatements of those beginning balances?</p> <p>A—No. Paragraph 31 of Statement 100 requires display of the aggregate of all adjustments and restatements. Accordingly, unless each accounting change and each error correction is separately displayed in the financial statements in accordance with the exception permitted by paragraph 32 of Statement 100, a single line item presenting the sum of all adjustments to and restatements of beginning balances for each reporting unit should be displayed.</p>	<p>Although Paragraph 31 requires display of the aggregate of all adjustments, it does not seem to preclude displaying more detailed information. Paragraph 32 essentially states that the disclosure of each accounting change or error correction is necessary unless the effects of each one are separately displayed on the face of the financial statements. We cannot reconcile, however, how that <i>disclosure</i> requirement would preclude an entity from <i>displaying</i> an individual restatement or adjustment as long as the aggregate of all adjustments and restatements also are displayed in each column.</p>
4.16	<p>Q—How should a change in a fund’s presentation from major to nonmajor be displayed in the financial statements?</p> <p>A—Paragraph 31 of Statement 100 requires that the aggregate adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed separately by reporting unit. As a result, a column should continue to be presented in the statement of revenues, expenditures, and changes in fund balances or the statement of revenues, expenses, and changes in fund net position, as applicable, that displays (a) the fund’s beginning balance as previously reported in the major column and (b) the adjustment to that balance, even though that column does not present activity for the reporting period. Correspondingly, in the statement of revenues, expenditures, and changes in fund balances or the statement of revenues, expenses, and changes in fund net position, as applicable, the column that presents nonmajor funds in the aggregate also should display the adjustment to its beginning balance.</p>	<p>We recommend addressing changes in fund presentation from nonmajor to major as well. The column would contain activity for the reporting period and the ending balance, but the beginning balance would be empty. The effect is not as dramatic as a change from major to nonmajor, but it is no less important.</p>

Exhibit A: Comments on GASB Implementation Guidance Update - 2025 (Project No. 24-16h) (Continued)

Ref.	Excerpt from Exposure Draft	Comment
4.18	<p>Q—Is a future pay rate that is known (for example, the next year’s salary increases are approved or a collective bargaining agreement is in place) a rate different from the employee’s pay rate at the time the payment is made as described in paragraph 17 of Statement 101?</p> <p>A—No. Paragraph 17 of Statement 101 describes a circumstance in which leave is more likely than not to be paid at a rate other than the pay rate in effect at the future date when the payment is made, such as a percentage of that pay rate or a set dollar amount. Governments should not use future pay rates, even if known, in the measurement of the liability for leave that is more likely than not to be paid at the future pay rate. Paragraph 20 of Statement 101 requires future pay rate changes to be recognized in the period of the change.</p>	<p>We recommend the Board replace "other than the pay rate in effect at the future date" in the first sentence of the answer with "different from the employee's pay rate" to avoid confusion when referring to future pay rates.</p>
4.19	<p>Q—If a primary government is implementing Statement 103 for its fiscal year ended June 30, 2026, and it will include in its financial statements a component unit with a fiscal year-end of December 31, 2025 (in accordance with the provisions in paragraph 59 of Statement No. 14, <i>The Financial Reporting Entity</i>), when should the component unit implement Statement 103?</p> <p>A—For the purposes of implementing Statement 103, which requires changes to the presentation of certain financial statements, the component unit should implement that Statement in its December 31, 2025 financial statements.</p>	<p>It appears that the rationale for requiring component units to implement early, if the primary government implements early, would also <i>preclude</i> a component from implementing early, if the primary government does not do so. Clarifying that would be equally valuable as the proposed answer to this question.</p>

Exhibit A: Comments on GASB Implementation Guidance Update - 2025 (Project No. 24-16h) (Continued)

Ref.	Excerpt from Exposure Draft	Comment
5.2	<p>Q—Are governments required to use special revenue funds to report restricted or committed revenue sources?</p> <p>A—No. Special revenue funds are not required, except to report the general fund of a blended component unit or to report restricted resources that are legally mandated to be reported in a special revenue fund.</p>	<p>The language and meaning of the addition to this answer differs from the standards it appears to be based on, NCGA Statement 1, paragraph 30 (Codification Section 1300.119), which says "use of special revenue funds is not required unless they are legally mandated." That phrase addresses a government being legally mandated <i>to report a special revenue fund</i>, whereas the proposed answer to question 5.2 addresses a government being legally mandated <i>to report restricted resources</i> in a special revenue fund. Although the proposed answer is consistent with the language and intent of Statement 54, it is inconsistent with the NCGA language, which appears to be the Category A GAAP that this Category B guidance is based on. Furthermore, that NCGA language potentially conflicts with the provisions of Codification Section 1200 regarding conflicts between legal requirements and GAAP, because it could be understood to allow a state to require localities to use a special revenue fund to report revenue that is <i>not</i> restricted or committed as the GASB defines them.</p> <p>This portion of paragraph 30 of NCGA 1 is vestigial and should have been removed in the Codification Instruments of Statement 54. It would be more appropriate to drop this Q&A and amend the Category A GAAP in NCGA 1 with the next omnibus Statement.</p>
6	<p>Question 4.19 is effective upon issuance of this Implementation Guide. Questions 4.1–4.18, 5.1, and 5.2 in this Implementation Guide and the supersession of Question 2.18.2 in Implementation Guide 2015-1 are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged if the pronouncement addressed by the question and answer has been implemented.</p>	<p>Considering that the provisions of Statement 100 addressed by questions 4.16 and 4.17 already are effective, the guidance in those two questions should be effective upon issuance. GASB staff have been saying at conferences that Statement 100 requires the empty column. Statement 100 is effective starting 6-30-24. If these Q&As are not effective until 6-30-26, however, it suggests governments can ignore the empty column requirement for two years.</p>