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December 8, 2023

Governmental Accounting Standards Board
801 Main Avenue
Norwalk, CT 06856

RE: Comments on GASB Project No. 39, Exposure Draft – *Disclosure and Classification of Certain Capital 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.

G.1. Which of the proposals in the Exposure Draft do you agree with?

We agreed with all aspects of the proposal.

G.2. Which of the proposals in the Exposure Draft do you disagree with?

We had no significant disagreements with the proposal, although we do have a few comments for Board consideration in questions G.4 and S.1.

G.3. From a user perspective, would you use the information resulting from the proposed disclosure and classification requirements in the Exposure Draft in your analysis for decision making or assessing accountability? If so, how?

In our view, the requirement of paragraph 4 is not fundamentally different from extant requirements to disclose separately by major class. We see the proposal as a move from being more principles-based to more prescribed. We expect this will enhance consistency of presentation and therefore benefit preparers, auditors and users. This level of clarification is particularly helpful given that the disclosure has been recently impacted by GASB 87, 94 and 96.

Similarly, requirements of paragraph 5-7 provide a defined reporting classification and criteria for an ordinary situation that is not clearly addressed by extant standards. We also view this as enhancing consistency of reporting, which will benefit preparers, auditors and users.

G.4. Do you believe that the proposed provisions in the Exposure Draft would be operable and auditable?

In general, we see the proposal as increasing the operability and auditability of standards, since it provides more precise requirements and criteria for presentation.

However, we found Paragraph 4.b difficult to understand and seemingly contradictory. We would therefore encourage the Board to consider re-writing this paragraph. For example:

(4) Intangible assets other than lease assets and subscription assets, by major class of asset. In determining major classes, owned intangible assets should not be reported with right-to-use intangible assets.

~~b. Intangible assets that represent the right to use intangible underlying assets are not required to be disclosed separately but should not be reported with owned intangible assets. However, this subparagraph does not apply to subscription assets that represent the right to use intangible underlying assets. Subscription assets should be disclosed separately in accordance with subparagraph a(3).~~

S.1. Do you agree or disagree with the proposed display requirements for the note disclosures about capital assets?

Agree. We especially appreciate the inclusion of the disclosure illustration in Appendix C.

However, we were expecting to see “depreciation / amortization” throughout the illustration rather than just “depreciation.” If the illustration is intending to show the first year of implementation, we were also expecting to see the beginning balance column labeled as “restatement.” Finally, it might be helpful to include an example of a public-private partnership in the illustration as well.

S.2. Do you agree or disagree with the proposed criteria to classify capital assets as held for sale?

Agree. Since this is an ordinary event, it will be helpful to have classification and criteria clearly addressed in standards. We also appreciate that the Board has focused on convergence with FASB 360-10-45-9.d for this topic, with appropriate simplifications and modifications in recognition of the government environment - in particular the consideration of regulatory approvals in proposed paragraph 6.f.



S.3. Do you agree or disagree with the proposed effective date and transition provisions?

Agree. We agree with reporting implementation as a reclassification and appreciate the option for early adoption. Given that the standard simply clarifies presentation, we expect many preparers will choose early adoption.

Sincerely,

Scott DeViney, CPA
Chair, Financial Management Standards Board

AGA
Financial Management Standards Board

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