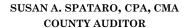
Letter of Comment No. 27 File Reference: 3-20PV

Date Received: 10/3/11

TRAVIS COUNTY AUDITOR'S OFFICE





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September 30, 2011

Director of Technical and Research Activities Governmental Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

RE: Project No. 3-20 Recognition of Elements of Financial Statements and Measurement **Approaches**

Dear Members of the GASB:

This correspondence is in response to GASB's issuance of the Preliminary Views ("PV") on concepts related to the Recognition of Elements of Financial Statements and Measurement Travis County understands the importance of a conceptual framework that provides a quality blueprint and a focused direction for preparers and users of governmental financial statements. Unfortunately we feel that the Preliminary Views offered by GASB does not accomplish this task and in fact raises more questions than provides answers. appreciate the opportunity to participate and further comment on this matter below.

Proposed conceptual framework

We are unclear why the Board feels it is necessary to replace the current financial resources measurement focus with the near-term financial resources measurement focus as proposed in the PV. While we agree that there are contradictions present in the current financial resources measurement focus as pointed out in the PV and while the near-term financial resources measurement focus appears to provide clarity on those issues, it creates a whole new set of issues as stated in the Alternative View. We question whether making wholesale changes to financial statement presentation is worth the lack of consistency year over year and the little to no benefit received by the end-users. This type of change should not be taken lightly due to the far reaching impact it will have on the applicability and consistency of governmental financial statements. We view the proposed change as a step sideways (and perhaps a bit backwards) as opposed to a firm step forwards. Perhaps improving the current financial resources measurement focus to fit into the new conceptual framework would be a more useful and understandable step towards the ultimate goal of the Concept Statement.

Normally, examples should help the reader better understand the author's intent, but in this instance the examples do not provide clarity and instead raise more questions about the nearComments on GASB's Preliminary Views September 30, 2011 Page 2 of 3 Letter of Comment No. 27 File Reference: 3-20PV Date Received: 10/3/11

term financial resources measurement focus. We feel the Board would be better served to have the examples show how the concepts will apply to the financial statements at a functional level to benefit preparers and users alike.

Measurement approaches

Chapter 3, paragraph 36 states that remeasured amounts are more appropriate for variable-payment liabilities, such as compensated absences or pollution remediation obligations. However, it is unclear what method should be used to properly state variable-payment liabilities at period end. We feel that the PV provides no guidance or assistance even though a new approach to valuing variable-payment liabilities is being proposed. If it is the GASB's intent to change the measurement approach for these liabilities at period end under the near-term financial resources measurement focus, then this will create an even further divide between the amount on the financial statements and the amount needed for budgetary purposes. We feel this is an issue since governmental entities truly rely on their budget to fund operations and is a true picture of where taxpayer funds are spent. Any measurement approach that inflates or deflates from a true cash measurement can be misleading for the end-users.

In Chapter 4, paragraph 4, the Board concluded that budgeting practices should not determine recognition and measurement concepts for financial statements prepared using the near-term financial resources measurement focus. However, we feel this is the wrong conclusion because the intended audience such as policymakers, governing bodies, bond-raters and legislators use these financial statements to make budgetary decisions that ultimately affect the taxpayers who are also users of the financial statements.

Definition of current vs. near-term

In Chapter 4, paragraph 3, the Board states that the meaning of *current financial resources* implied different things to different people. To avoid confusion in the future, it was decided to change the term *current financial resources* to *near-term financial resources* as it more clearly and accurately describes the concept. While we disagree with going forward and replacing the current financial resources measurement focus with the near-term financial resources measurement focus, we believe it is imperative that the Board defines and clarifies the definition of near-term at an early stage in the process; otherwise inconsistencies will remain.

Conclusion

In conclusion, GASB has made many changes to governmental financial statements over the past few years. With every change GASB makes, it reduces the audience that holds a vested interest in the financial statements produced by governments due to an increased level of complexity and inconsistency. We feel that if we keep heading in this direction, the only audience left that will fully understand governmental financial statements will be GASB itself.

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We would like to thank the GASB for allowing us the opportunity to comment on the PV. Please do not hesitate to contact me if you have any questions or need any clarification on the comments above at 512-854-9125.

Sincerely,

Nicki Riley, CPA

Chief Assistant County Auditor Travis County Auditor's Office