



# COMMONWEALTH of VIRGINIA

*Auditor of Public Accounts*

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Director of Research and Technical Activities  
Project No. 3-20  
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To Whom It May Concern,

We appreciate the opportunity to respond to the preliminary views of the Governmental Accounting Standards Board on concepts related to Recognition of Elements of Financial Statements and Measurement Approaches. However, we do not believe the Board gave either a sufficient analysis of the reason for the change and the potential effects on financial reporting, nor adequate time to consider the long-term consequences of the proposed matter considering most respondents are dealing with the pension exposure drafts.

We are especially concerned with the Board's lack of discussion on the need to change the measurement focus on the fund statements. The discussion does not explain how this change will enhance the use of the statements nor the value achieved. While some dismiss these concerns since this is only a preliminary views document, we have found over time that no substantial changes occur with these types of documents when they become actual standard setting exposure drafts.

We agree with changes the Board is proposing for the economic resources measurement focus. However, we do not agree with the Board's proposal to create the near-term financial resources measurement focus to replace the current financial resources measurement focus.

The original purpose of the fund financial statements provided a link to the government's adopted budget, which in most cases is how a government allocates resources and monitors operations throughout the year. By creating the near-term financial resources measurement focus, the Board is moving further away from a workable budgetary comparison, which we believe will result in making the fund financial statements meaningless because of the loss of the connection they had to the budget and they will no longer provide relevant information to users.

We recognize that there are deficiencies in the existing current financial resources measurement focus. Therefore, we recommend the Board revisit the purpose of the existing fund financial statements and either move closer to a budgetary basis measurement focus or to the economic resources measurement focus. The choice between the budgetary basis measurement focus or the economic resources measurement focus

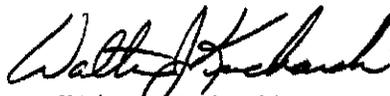
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should depend on whether the Board determines the fund financial statements should serve as a resource for determining how governments performed relative to their budget or demonstrate the overall long-term financial position of a fund relative to the government-wide statements.

We believe being able to compare budgetary performance to an audited financial statement is a fundamental measure that the public seeks; however, having multiple measurement focuses does not achieve this goal especially as they become more different than the budget. If the Board wants comparability and understandability, then using the economic resource model achieves that purpose with all statements.

Thank you for the opportunity to provide our comments. Should you have any questions or need additional information concerning our response, please contact Staci Henshaw at (804) 225-3350.

Sincerely,

A handwritten signature in black ink, appearing to read "Walter V. Kucharski". The signature is fluid and cursive, with a prominent initial "W".

Walter V. Kucharski  
Auditor of Public Accounts