





all expenditures of the period normally expected to be paid from those resources, the current financial resources measurement focus provides a standardized proxy of what a responsible approach to budgeting might look like. Discarding this measurement approach in favor of a more “symmetrical” measurement focus dedicated exclusively to liquidity would be a disservice to users of financial statements and greatly diminish the value of fund statements prepared in accordance with GAAP. The presentation of a cash-flow statement would arguably better allow readers to assess liquidity, if that is really the overriding objective.

I am also concerned about the proposed use of “remeasured values” in governmental funds. For example, when reporting an interest rate swap which fails to qualify (or to continue to qualify) as a hedging derivative instrument, recognition of gains or losses from changes in market interest rates over time are not, as a practical matter, changes in current (or near-term) financial resources if the swap is not expected to terminate and the government is going to continue to pay interest at the amount determined by the swap agreement. Because this “revaluation” amount will never be “monetized,” it does not substantively meet the Board’s conceptual criterion that “remeasured amounts are more appropriate for assets that will be converted to cash” because the fair value changes *will not actually be converted to cash*, despite falling into the category of financial assets. Similar issues arise when considering other financial assets, such as investments that will be held to maturity. If the Board were to require such assets to be revalued in a governmental fund, it would force fund accounting further afield from a budgetary basis, as governments could not rationally be expected to budget for changes in market values of assets (or liabilities) which will never ultimately impact cash receipts or payments. I believe the concept statement should be explicit in stating that only those financial assets whose market value fluctuations would reasonably be expected to impact a government’s future cash flows would be candidates for remeasurement in a governmental fund.

Again, I thank you for the opportunity to comment on the PV, and I would be pleased to answer any questions.