

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

September 30, 2011

Mr. David Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Dear Mr. Bean:

We appreciate the opportunity to comment on GASB's Preliminary Views on *Recognition of Elements of Financial Statements and Measurement Approaches*. We generally agree with the need to complete the conceptual framework for reporting items in governmental fund financial statements. We would, however, like to make the following comments and suggestions for your consideration.

Near-term financial resources measurement focus

We agree with GASB's proposal to replace the current financial resources measurement focus model with the near-term financial resources measurement focus model if the new model will reduce the confusion regarding the modifier "current" in the context of current assets and liabilities. Paragraph 4 of Chapter 2 of the Preliminary Views defines near term as "*the period subsequent to the financial report date during which financial resources at period-end can be converted to cash to satisfy obligations for spending for the reporting period.*" The Board does not further define the word "*subsequent*" in this Preliminary Views. We recommend that the Board provide more specific definition for "*the period subsequent to the financial report date.*"

Recognition of deferred outflows of resources and deferred inflows of resources

We understand the basis for the recognition of deferred outflows of resources and deferred inflows of resources is GASB's Concepts Statement No. 4. In paragraph 10 of Chapter 2 of the Preliminary Views, the Board illustrates four types of transactions for which deferred outflows of resources and deferred inflows of resources should be recognized in financial statements prepared using the economic resources measurement focus. We are in agreement with the Board's viewpoint that if the inflows/outflows of resources are not applicable to the reporting period, and those inflows/outflows of resources do not meet the definition of assets or liabilities, then the inflows/outflows of resources should logically be classified into a different category, which is defined by the Board as *deferred inflows of resources* or *deferred outflows of resources*, in the Statement of Financial Position.

We are taking the same viewpoint with regard to the two types of transactions that the Board mentions in paragraph 11 of Chapter 2 of this Preliminary Views for financial statements prepared using the near-term financial resources measurement focus.



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However, as the concept of deferred inflows of resources and deferred outflows of resources is a relatively new concept, we would appreciate if the Board could provide more concrete examples for each type of transactions stated in the paragraph 10 and 11 of Chapter 2 of this Preliminary Views, and furthermore, provide accounting treatment for each example in its future standard setting process.

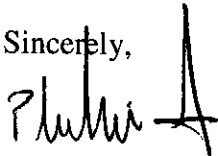
Measurement Approaches

We are in agreement with the Board's perspective that measurement approaches should best promote the objectives of financial reporting stated in GASB's Concepts Statement No.1, and different circumstances entail different measurement approaches (paragraphs 5 and 7 of Chapter 3).

In addition, we agree that the *Initial-Transaction-Date-Based Measurement (Initial Amount)* reflects the cost of services and is more appropriate for assets that are used directly in providing services; whereas the *Current-Financial-Statement-Date-Based Measurement (Remeasured Amount)* reflects the conditions in effect at the end of the reporting period and is more relevant to assessing a government's financial position and its ability to meet obligations when due.

Again, we very much appreciate the opportunity to comment on these important financial reporting matters. If you would like to discuss these matters further, please contact me at phillip.ashley@cpa.state.tx.us or 512-463-4275.

Sincerely,



Phillip Ashley, CPA, CGFM
Director, Fiscal Management

