









Mr. David Bean  
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***Education Will be Needed on Effect of Reclassifications on Working Capital Calculations***

Reclassifying certain assets and liabilities to deferred outflows of resources and deferred inflows of resources may result in unintended consequences on working capital calculations as they pertain to debt covenants. While we acknowledge the Board has no control over debt covenant measures such as working capital, we suggest that in its education efforts regarding the final standard that the Board include discussion about the potential effect of the reclassifications on working capital calculations and the need for governments to consider whether it would be necessary to renegotiate debt covenants to avoid noncompliance with the covenants in the future. The AICPA will also endeavor to educate its members on the potential impact of the reclassifications contemplated by this standard.

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The AICPA appreciates the opportunity to comment on the ED. This comment letter was prepared by members of the AICPA's State and Local Government Expert Panel and was reviewed by representatives of the Financial Reporting Executive Committee who did not object to its issuance. Representatives of the AICPA would be pleased to discuss these comments with you at your convenience.

Sincerely,



James C. Lanzarotta  
Chair  
AICPA State and Local Government  
Expert Panel



Mary M. Foelster  
Director  
AICPA Governmental Auditing and  
Accounting

cc: State and Local Government Expert Panel  
Richard Paul  
Dan Noll