



June 13, 2012

Director of Research and Technical Activities
Project No. 3-17
Government Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: Comment on Exposure Draft Project No. 3-17: *Government Combinations and Disposal of Government Operations*

Dear Director,

Please accept the following response from our appointed Accounting Standards Review Committee (the committee) as the official comment from the Oregon Municipal Finance Officers Association (OMFOA). We are responding to Governmental Accounting Standards Board's (GASB) request for written comments to Exposure Draft Project No. 3-17: *Government Combinations and Disposal of Government Operations*.

Overall

The committee feels that the proposed statement will be beneficial to municipalities, because government specific guidance has been needed but has not been available. Although Accounting Principles Board (APB) Opinion No. 16 *Business Combinations* has been used as a reference for government combinations, it is difficult to apply to governments, due to the unique nature of governmental accounting. The committee welcomes guidance on government combinations and disposals of government operations.

Comments

The committee agrees with the proposed statement that carrying values should be used for recognition and measurement in mergers and transfers instead of the "fresh-start" method referred to in paragraph 79. We believe that using the current carrying values method in mergers and transfers will make the accounting easier and straight forward. The committee appreciates that the proposed carry forward method allows merged entities flexibility for their accounting principles, methods, and estimates to be carried forward and applied to a newly created entity or continuing entity.

The "fresh-start" method could potentially hinder a merger or transfer if a new entity or continuing entity must come up with the fair values of assets, liabilities, and deferred flows of resources. It could also increase costs if an actuary was required. Therefore the committee agrees with the Board's decision to use carrying values method for recognition and measurement in mergers and transfers.

The committee agrees with the proposed statement that acquisition value as of the acquisition date should be used for recognition and measurement in acquisitions. We believe that using the acquisition values

method in acquisitions reflects the price between the parties involved and provides a relevant measurement basis for the transaction.

Further Clarification Needed

The committee does not understand what the proposed statement is referring to when it states “flows statement.” The “flows statement” is referred to in paragraphs 18, 25, 48, 87, 97, 106, and 107. The committee was not sure if a “flows statement” is a cash flow statement, the inflow and outflows on the Statement of Net Position, or something else. Please clarify in the adopted statement what a “flows statement” is.

The committee would like to see guidance added to the proposed standard for valuation if there is some sort of extraordinary event or catastrophe. An example that the committee was discussing was what if a merger was going to take place on June 30, 20X1, the beginning of the reporting period was January 1, 20X1, but a natural disaster took place in March how would the valuation of the assets be affected? Guidance for these events would be appreciated as our state is prone to natural disasters.

Summary

The Accounting Standards Review Committee of the Oregon Municipal Finance Officers Association believes that this proposed statement will benefit governmental entities. Please consider adding clarification for the “flows statement” and extraordinary events or catastrophes.

We appreciate the opportunity to provide input on the Exposure Draft.

Sincerely,

Jeff White
Oregon Municipal Finance Officer Association President