August 15, 2014

Director of Research and Technical Activities
Project No. 26-5E
Governmental Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Via email: director@gasb.org

Dear Sir:

The Florida Government Finance Officers Association (FGFOA), is pleased to respond to the Government Accounting Standards Board’s (GASB’s) Invitation to Comment on the exposure draft for Fair Value Measurement and Application (ED). These comments were prepared based on a review by the FGFOA members, its Technical Resources Committee, and the Board of Directors.

We concur that there is a need for consistency and comparability in the measurement and application of fair value, in line with what has been issued by the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board.

We concur with the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition is consistent with the definition provided in FASB Accounting Standards Codification, Topic 820, Fair Value Measurement. We understand that this ED requires investments to be measured at fair value, with “investment” defined as a security or other asset that a government holds primarily for the purpose of income or profit, and with a present service capacity that is based solely on its ability to generate cash or to be sold to generate cash.

We concur with the three valuation approaches to measure fair value which are market, cost, and income.

We concur with using a hierarchy of inputs to measure fair value with three levels, with level one preferred over level two, and level two preferred over level three.

We concur with the exceptions to reporting at fair value investments with a maturity of one year or less, 2A-/ like external investment pools, life insurance, nonparticipating interest earned investment contracts, unallocated insurance contracts, and synthetic guaranteed investment contracts.

We concur that donated capital assets, works of art, historical treasures, and assets that a government receives in a service concession arrangement should be measured at acquisition value and not fair value.

We would prefer to see fewer note disclosures, but the illustrative note disclosure on page 59 of the ED for a general purpose government (which would hopefully apply to most governments) seems to keep the required disclosures to a minimum.
A concern we have is with the disclosures required for defined benefit pension plans. Most governments rely on information from the Administrator or Trustee of the Plan for financial reporting and disclosures required for the Comprehensive Annual Financial Report. Will the Administrator of the Plan be able to provide this information as required by this standard? Perhaps information regarding this could be added in a brief Implementation Guide or in an Appendix.

Another concern, which we did not see addressed in the ED, is when the valuation technique used is changed from the previous fiscal year to the current year, this may, depending on the amount, require a restatement of beginning Net Position and Fund Balance.

In reference to Paragraph B67 of the ED, we respectfully request the Board to consider additional guidance on suggested modifications to the GASB Statement No. 40 disclosures. While we understand that this ED does not address GASB Statement No. 40, the reader of the financial statements may try to “link” the investment disclosures, which may create confusion.

We would like to thank the GASB for its efforts in preparing the proposed Statement and for the opportunity to respond. Feel free to contact me at (386)329-4279 or mpickles@sjwmd.com

Sincerely,

Mary-Lou Pickles

Mary-Lou Pickles, CGFO, CMA
President

Your professional resource for education, networking, leadership and information.