September 26, 2011

Via U.S. Mail & Electronic Mail
Director of Research and Technical Activities
Project No. 3-20
Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

RE: Project No. 3-20

Dear Director:

On behalf of the nearly 21,000 members of the Pennsylvania Institute of Certified Public Accountants (PICPA), thank you for the opportunity to review and comment on the Preliminary Views on concepts related to Recognition of Elements of Financial Statements and Measurement Approaches. PICPA Committee on Local Government Accounting and Auditing, GASB Subcommittee, has reviewed the Preliminary Views and has the following comments.

1. We completely disagree with the Preliminary Views. We are discouraged by the direction that GASB is taking with this concept statement. We recognize that the current financial resources measurement focus is not perfect but this proposed change is disastrous.
2. This is more convoluted than the current method. It pushes government financial reporting even further away from FASB. As a result, there is less chance that the users will understand the statements. Additionally, it will be more difficult for governments to prepare their own statements, requiring them to rely on their auditors more.
3. We concur with the alternative view of the two members of GASB. The resulting financial statements under the near-term financial resources method are less clear. The near-term method undermines the objective of providing information to assess interperiod equity. It could result in misleading information about the financial statements.
4. Various states have statutory definitions of fund balance. This concept statement would widen the gap between GAAP and legislatively mandated financial reporting.
5. We recognize that there is a disparity among governments in the way they follow the current financial resources method. We propose that GASB address this by further defining the current financial resources method instead of designing a new method.
Thank you, and please do not hesitate to contact Peter Calcara, CAE, PICPA vice president—government relations, at 717.232.1821 or pcalcara@picpa.org with questions.

Respectfully submitted,

Cynthia Bergvall

Cynthia Bergvall, CPA, Chair
PICPA GASB Subcommittee