September 26, 2011

Director of Research and Technical Activities
Project No. 3-20
Governmental Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Via email:  director@gasb.org

Dear Sir:

On behalf of the City of Tarpon Springs, Florida we are pleased to respond to the Government Accounting Standards Board’s (GASB) Invitation to Comment on the exposure draft preliminary views, Recognition of Elements of Financial Statements and Measurement Approaches (the “PV”).

It seems that with the advent of Deferred Inflows and Deferred Outflows with Concept Statement #4 there are issues that have been and still need to be addressed. GASB 63 was implemented due to GASB 53 and GASB 60 using the element terms Deferred Inflows and Deferred Outflows. We agree with GASB 63 that there are assets and liabilities that do not fit the description of assets and liabilities and are better described as Deferred Inflows and Deferred Outflows. We also agree with the format of the Statement of Position.

An important part of Deferred Inflows and Deferred Outflows is the timing of the inflow and outflow of resources and whether the acquisition or consumption of net assets is applicable to the current reporting period or a subsequent period.

The “PV” wants to change the terminology from the “Current Financial Resources Measurement Focus” to the “Near-Term Financial Resources Measurement Focus”. My first thought was to keep “Current Financial Resources Measurement Focus” but just change the definition of the “Current Financial Resources Measurement Focus”. But I also have had the concern with the term “Current” as it relates to current assets and current liabilities in GASB 62 and the one year period subsequent to the date of the financial statements. We agree that inventories and pre-paids are not financial resources.

I do believe there needs to be a change in terminology especially with the advent of Deferred Inflows and Deferred Outflows and the timing of the flow of resources. I didn’t know if “Near-Term” was the appropriate replacement for “Current”. The term “Current” meant the “What” of the measurement focus for the current year and modified accrual was the “When”. “Near Term” seems to connote more of a basis of accounting like modified accrual is.
We came up with other terminology instead of “Near-Term”:

“Cash Financial Resources Measurement Focus”, since basically were talking about cash.
“Subsequent Period Financial Resources Measurement Focus”, in reading the “PV” it was the common term used in the discussion.
“Economic Subsequent Period Financial Resources Measurement Focus”, using the term “Economic” to signify this measurement focus is an off shoot of the “Economic Financial Resources Measurement Focus”.
“Economic Near-Term Financial Resources Measurement Focus”, like above but using “Near-Term”.

Going off in a different direction, while reading the “PV” a thought that kept cropping up is why not eliminate the confusion and just go fully to the “Economic Financial Resources Measurement Focus” and the full accrual basis of accounting for all funds. Our main reconciling item is capital assets and debt and then there are smaller amounts for interest revenues, OPEB, etc. With the implementation of GASB 54 the Restricted portions now have the same requirements at the fund level and the entity wide level, now you could include Invested in Capital Assets as a part of fund balance. If you wanted to know the current cash there would be a cash flow statement for the fund level.

Another question we had is if we change to “Near Term” would modified accrual still be the basis of accounting and would it be up to the governmental entity to designate what period of time is “Near Term” in the subsequent period.

We agree that the use of initial amounts provide better information about the cost of current year services. The use of re-measured amounts provide better information about the remaining service potential of assets and would be a more appropriate measure for assets that will be converted to cash and for variable-payment liabilities.

We are glad to see that there is another “ED” “Reporting Items Previously Recognized as Assets and Liabilities” that should help clarify what items should be reported as assets and liabilities.

I would like to thank the GASB for their efforts in preparing the proposed Preliminary View and for the opportunity to respond, and to the assistance from the GASB staff. Feel free to contact me at (727) 942-5612 or rharring@ci.tarpon-springs.fl.us.

Sincerely,

Ron Harring, CPFO, CGFO, Assistant Finance Director