September 23, 2013

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

RE: GASB Exposure Draft – Measurement of Elements of Financial Statements

Dear Mr. Bean:

We appreciate the opportunity to respond to GASB’s Exposure Draft (ED) of a proposed Statement of Governmental Accounting Concepts: Measurement of Elements of Financial Statements.

We generally support the need for a concepts statement addressing measurement approaches and measurement attributes that would be considered by the GASB when developing standards for measurement of elements of financial statements.

Paragraph 19 states, “It may not be possible to report some assets or liabilities using a measurement approach that promotes the objectives of both (a) providing information about the cost of current-year services and (b) providing information about the financial position of a governmental entity to be used in assessing the level of services that can be provided by the governmental entity. Because only one measurement approach should be applied for a specific asset or liability, one objective will necessarily be given priority over the other.” We agree that the cost-of-services information (or initial amounts measurement approach) has greater relevance in the governmental environment than the service-potential information (or remeasured amounts measurement approach) because of the importance in providing information to assess interperiod equity.

Paragraph 27 states, “Nevertheless, concerns regarding the potential effect of remeasurement on the timeliness of financial reporting generally can be addressed through sufficient planning.” While we agree that advance planning when remeasuring an asset or liability as of the fiscal year end can help alleviate delays in calculating a remeasured amount, we would like to note that the “sufficient planning” comment is not necessarily a solution to the ability to provide timely information. Every year we plan and update our procedures based on information we are aware of, including working through the implementation of new GASB standards as early in the year as possible. However, there are always delays or bumps in the process that cannot be avoided even with “sufficient planning.” We would recommend removing the last sentence in paragraph 27 as it implies that currently governments do not adequately plan.

Paragraph 29 states, “Remeasured amounts provide greater comparability than initial amounts for information reported in a statement of financial position, including information that can be used to assess the service potential of the resources reported. Remeasurement results in measurements of assets and liabilities as of the same point in time.” While we agree that remeasuring assets and liabilities would make certain items, such as
investments and assets held for sale, more comparable, we are concerned that this will be carried forward to items such as prepaid items, capital assets, accounts payable, etc. that the government has no intention to sell at a future date. Therefore, we don’t see a value or purpose in remeasuring these items. We aren’t clear on the GASB’s intention for future proposed standards with regards to these types of transactions and would like to state that we would disagree with valuing these types of items at a remeasured amount at fiscal year-end. We do agree that failure to remeasure liabilities associated with significant uncertainties (i.e. pollution remediation), as mentioned in paragraph 30, could result in misleading or incomplete financial statements.

Paragraph 35 discusses fair value and it states, “For nonfinancial assets, the price should represent the value of the asset at its highest and best use as determined by market participants. The highest and best use notion takes into account uses that are physically possible, legally permissible, and financially feasible.” Our concern with this is the “highest and best use” terms. Wouldn’t this potentially lead to overstating assets on the financial statements? It can be difficult to calculate the fair value of an asset that is currently owned by a government because governments are not in the business of re-selling their assets. Therefore, there are not always comparable transactions in the market. It would be more conservative to use an average of prices as opposed to the highest price.

Paragraph 36 states, “Fair value generally is not suitable for assets that will be used directly to provide services because fair value is an exit price and governments will not be selling or otherwise exiting from these assets.” We agree with this statement. We believe assets used to provide services should be valued at the initial amount and not a remeasured amount.

If you have questions or need additional information regarding this response, please do not hesitate to contact Kim Knight at (515) 281-6523.

Sincerely,

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