September 19, 2013

Director of Research and Technical Activities
Project No. 26-5P
director@gasb.org

To Whom It May Concern,

We appreciate the opportunity to respond to the preliminary views of the Governmental Accounting Standards Board (GASB) on major issues related to Fair Value Measurement and Application. We generally agree with the Board’s views on the measurement and application of fair value and related disclosures. Listed below are our responses to the specific Questions for Respondents.

Issue 1 – Definition of Fair Value

We agree with the definition of Fair Value. However, we believe the Board needs to provide clarification on the meaning of the term “measurement date” along with the definition of Fair Value.

Issue 2- Transaction Costs

We agree that transaction costs to sell an investment should be treated as period costs in the period an investment is sold.

Issue 3 – Definition of an Investment

The Board describes an investment as a security or other asset whose present service capacity is based on its ability to generate cash, to be sold to generate cash, or to procure services for the citizenry. We are not familiar with the concept of “procure services for the citizenry” in relation to investments. We recommend the Board offer clarification and provide a practical example of when this activity would occur.

Issue 4 – Measurement of Investments

We agree with the Board’s preliminary view that investments generally should be measured at fair value on a recurring basis as proposed in Chapter 3. We do have one concern with the information presented in Chapter 3. The primary focus of the exposure draft is the application of the fair value concept. However, included in Chapter 3 is the view that fair value should be replaced by acquisition value for certain assets which are listed in paragraph 23. There is very little discussion concerning acquisition value.
We believe the Board needs to provide additional guidance on the meaning of acquisition value to better distinguish the difference between fair value and acquisition value. For example, Statement 34, paragraph 18 indicates that donated capital assets should be reported at the estimated fair value at the time of acquisition. Since acquisition value is a market based entry price, we do not understand how that value would be meaningfully different than fair value at the date of acquisition. We recommend the Board include information concerning what approaches should be used to arrive at this value and provide examples of its application.

Issue 5 – Disclosures

While in general we do not have concerns about the disclosures proposed in Chapter 4 when considering them singularly, we do have concerns about the magnitude of disclosures required overall for investments when taking into consideration existing disclosure requirements in current GASB Statements. At some point, we believe that financial statement users may have information overload due to the volume of information that is included in the disclosures related to investments. We recommend the Board revisit current investment disclosure requirements along with the proposed disclosures in this exposure draft and include only those that are considered the most beneficial for users. Additionally, we recommend the Board consider the cost-benefit of additional disclosures.

We appreciate the efforts of the Governmental Accounting Standards Board and the opportunity to provide our comments. Should you have any questions or need additional information concerning our response, please contact me or Staci Henshaw at (804) 225-3350.

Sincerely,

Martha S. Mavredes
Auditor of Public Accounts