

Memo

To: NSAA/GASB
From: Utah State Auditor's Office
Date: August 30, 2011
Subject: Project No. 3-20 Preliminary Views – Recognition of Elements of Financial Statements and Measurement Approaches

Recognition of Elements of Financial Statements

In general, we agree with the minority view that while there are inconsistencies and flaws with the current model for fund financial statements using the financial resources measurement focus, we are not convinced that the proposed near term model is any better. Specifically, it is not clear whom the near term measurement focus is intended to benefit or how it would do so better than the current approach.

In addition, we are not convinced that a budgetary approach for the fund statements should have been discounted due to the lack of comparability among governments. Given the flexibility governments currently have regarding what activities go into various funds, it is highly unlikely that fund statements are comparable between governments now.

It seems that debtors are more interested in the economic resource model and governing boards are most interested in budget data. Citizens, if interested at all, would certainly prefer an economic resource model, which they are more likely to understand and be familiar with.

Based on the above, we believe the board should reconsider whom the fund statements are intended to serve and better match the statements to the user's needs. If the debtors and citizens are the primary users, fund statements should use the economic resource model. If legislators and governing boards are the primary users, the budgetary basis should be used.

Measurement Approaches

In general, we agree with the proposed measurement approaches; however, we are concerned that the remeasurement of some assets and liabilities may introduce a level of difficulty, bias, and objectivity where none was needed. For example, the cost of remeasuring receivables and payables may exceed the benefit.

Thank you for allowing us the opportunity to respond to this exposure draft. If you have any questions about our response, please contact Joe Christensen, Deputy State Auditor, at 801-538-1354 or by e-mail at joechristensen@utah.gov.