

September 17, 2013

Mr. David Bean, Director of Research and Technical Activities  
Governmental Accounting Standards Board  
401 Merritt 7  
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Norwalk, CT 06856-5116

Via email to [director@gasb.org](mailto:director@gasb.org)

Re: Project No. 26-5P. Preliminary Views of the Governmental Accounting Standards Board,  
Fair Value Measurement and Application.

Dear Director:

The State and Local Government Section (the “Section”) of the Florida Institute of Certified Public Accountants (“FICPA”) has reviewed and discussed the above referenced Preliminary Views exposure document (the PV). The Section is authorized by the FICPA Board of Governors to submit comments on matters of interest to members involved in preparing and auditing financial statements of state and local governments.

#### Question 1 – Definition of Fair Value

As the proposed definition of fair value is consistent with the current definition in the literature of the Financial Accounting Standards Board (FASB), we are in agreement with the Board’s proposed definition of fair value.

Our Section believes the concept of fair value as currently defined in the FASB literature to be appropriate to measure items currently required by the Governmental Accounting Standards Board (GASB, the Board) to be measured and/or reported using fair value..

#### Question 2 – Transaction Costs

We are in agreement with the Board’s preliminary view that transaction costs should be treated as period costs and not as a reduction of an investment’s fair value.

#### Question 3 – Definition of an Investment

We are not in agreement with the proposed definition of investment as we believe the requirement that an investment be held “primarily for the purpose of income or profit...” to be too restrictive. Some governments routinely invest in land to secure a favorable price today for land it may either use or sell in the future. The first part of the proposed definition appears to exempt land as an investment in this scenario even though such a transaction meets the second

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part of the proposed definition related to its present service capacity. If the Board persists in this definition of an investment, we would suggest that governments be surveyed to see how extensive the practice of buying and holding land is and the extent the proposed definition would require reclassification from how such investments are currently recorded. We also base our disagreement with the proposed definition of investment as we believe it differs significantly from how investments are currently defined in both the GASB and FASB literature.

#### Question 4 – Measurement of Investments

We are in agreement with the Board’s preliminary view that investments should be generally measured at fair value on a recurring basis. In addition, we are in agreement that the exclusions listed in paragraph 19 of Chapter 3 should continue to be excluded from being measured at fair value on a recurring basis.

However, we do not agree with the Board’s preliminary view that the items listed in paragraph 23 of Chapter 3 should be measured using acquisition value. There seems to be very little cost-benefit to the proposed concept of “acquisition value”. As a concept, fair value presumes the initial transaction price to be fair value and if it is not, adjustments are made accordingly to reflect the market, orderly, etc. aspects of fair value. By defining acquisition value as an entry price and concluding it is appropriate for things like donated assets, you are creating what will likely be a minimal difference between acquisition value and fair value (assuming the measurement of fair value is done in accordance with established guidance). For example, if a developer donates infrastructure to a government as part of an agreement with that developer, the price the government would pay to acquire the infrastructure may be more than what a willing buyer would be willing to pay for it. This is a real situation as contractors often charge governments more than private sector entities due to a number of reasons not the least of which is the length of time it takes for payment to be made by the government. In addition, the concept of acquisition value is one that will require significant judgment by and documentation of the government’s assumptions in determining what they would pay to acquire those items delineated in paragraph 23 of Chapter 3. As such, it will create another area where comparability among governments will not be achieved. The concept of acquisition value is not one that exists in the accounting literature today and would require that users be educated as to how it differs from historical cost and fair value.

#### Question 5 – Disclosures

We are in agreement with the Board’s preliminary views regarding fair value disclosures except for those related to investments in certain entities that calculate net asset value (NAV) per share. While most of the discussion in paragraphs 13 and 14 of Chapter 4 is consistent with the FASB guidance in 820-10-50-6A of the FASB Accounting Standards Codification™, there are some differences. In an area this complex, we do not understand why the existing FASB literature was

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not embraced in full in the preliminary views. For example, in paragraph 14 (d), the term “likely” is used where the FASB uses the term “probable” (820-10-50-6A item g). Likewise, the wording in paragraph 14 (e) is less clear than that in 820-10-50-6A item h.

We are not clear how a government would obtain the information paragraph 14 (f) requires. Therefore, we have concluded that providing such disclosures would not be cost-effective and are therefore not in agreement with the Board’s preliminary views with respect to this item.

As always, the Section appreciates this opportunity to respond to this proposed statement and thanks you for the opportunity to respond. Should you have any questions regarding the above, I and members of the Section are available to discuss any questions or concerns raised by this response.

Respectfully submitted,  
Brian Nemeroff, CPA  
Jeff Tuscan, CPA, Chair  
FICPA State and Local Government Section

Committee member coordinating this response:  
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