

September 17, 2013

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

Via email to director@gasb.org

Re: Project No. 3-20E. Proposed Statement of Governmental Accounting Concepts,
Measurement of Elements of Financial Statements.

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 Exposure Draft (ED). 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.

We agree with the two measurement approaches – initial transaction date based measurement and current financial statement date based measurement – discussed in the ED. However, we are adamantly opposed to the replacement cost and settlement amount attributes discussed in the ED.

Our Section believes that only the concepts of historical cost and fair value are appropriate concepts to measure elements of governmental financial statements. We believe the measurement attributes of replacement cost and settlement amount are inconsistent with the existing literature of the Financial Accounting Standards Board (FASB) related to fair value. In addition, we believe introducing the attributes of replacement cost and settlement amount will create confusion among the users of governmental financial statements.

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 is likely the same, or nearly the same, as the exit price (i.e. the price the developer would be willing to pay to

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reacquire the donated infrastructure). 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 the Preliminary Views document. 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.

The existing and already established concept that the financial statements are to be useful and easy to understand is being lost by the separation (inconsistencies) between recent FASB and GASB standards. While both boards operate independently of each other, the interdependencies of the marketplace must be considered when the users of both governmental financial statements and non-governmental financial statements are significantly the same user group (i.e.: bankers, business community bond insurers, investors, actuaries, etc.). We must not forget the government community and to a large extent the general public is interested in the fund level statements which must continue to reflect revenues and expenditures as it is controlled by the budget. These proposed standards again introduce artificial "accounting type" adjustments that move away from the single most important function of the governmental statement - accountability for current financial and economic resources.

Lastly, we believe the proposed standards would make the financial statements unnecessarily more complex rather than easier to prepare and use. It is important to keep in mind that the governing boards charged with the responsibility of preparing and approving the financial statements, and the most likely and closest to home users, are generally not interested in the "accounting treatment" but rather simply actual results and actual results vs. budget. Any artificial valuations simply mask the results they seek and make the statements too hard to understand for the individuals responsible for them. We should not overcomplicate the issue.

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,

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

Committee member coordinating this response:
Jeff Tuscan, CPA
Lynda M. Dennis: CPA, CGFO, PhD