Letter of Comment No. 28
File Reference No. 26-5P
Date Received: 10/1/13

VGFOA

Virginia Government Finance Officers' Association

'Developing Governmental and Financial Leaders'

919 East Main Street, Suite 1100
Richmond, VA 23219
Phone: (804) 249-4525
vgfoa@valocalfinance.org
www.vgfoa.org

September 30, 2013

Director of Research and Technical Activities - Project No. 26-5P
Governmental Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Subject: Response to Preliminary Views of the Governmental Accounting Standards Board on Fair Value Measurement and Application

Dear Mr. Chairman and members of the Board,

On behalf of the entire membership of the Virginia Government Finance Officers' Association (VGFOA), 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* and in the due process of improving accounting and financial reporting standards. In general, we agree with the Board's views on the measurement and application of fair view and related disclosures.

Issue 1 – Definitions of Fair Value
We agree with this definition but feel that it would be clearer if the Board were to define further the meaning of fair value. In the finance world, fair value can be measured based on either a dirty price or a clean price. Prices that include accrued interest are considered dirty prices. The price defined by the GASB above appeared to be possibly including accrued interest amounts. It would be helpful to reflect in the definition of fair value, valuation approaches (income, market, or cost). Another consideration would be measurement dates (trade vs. settlement dates). Fair values measured on trade dates can differ significantly from those measured on settlement dates.

Issue 2 – Transaction Costs
We agree with the Board's preliminary view that transaction costs to sell an investment should be treated as period costs. This is consistent with the treatment of original debt issuance discount costs which are treated as period costs. This is feasible when dealing with distinct active accounts. However, in the case of mutual funds or pooled funds, transaction costs are not identifiable and hence, cannot be treated differently than from the other parts of investments.

Letter of Comment No. 28
File Reference No. 26-5P
Date Received: 10/1/13

Issue 3 – Definition of an Investment
We agree with this definition if the holding value results in a net asset or investment position. When this results in a net liability position, then the purpose of income or profit will no longer be meet. This is the case with many real estate investments.

Issue 4 – Measurement of Investments
We agree with this recommended measurement. To be fiscally responsible, fair value should be measured on a recurring basis.

Issue 5 - Disclosures
5a. Relevant economic and market information would be helpful to user's understanding of financial position or net flows of resources. However, we are concerned with the amount of information that will be provided on note disclosures for investments. VGFOA believes the time and effort that would be required to prepare these disclosure notes, will not out weight the benefits to the users. In fact, the user may have "information overload" due to the volume of information that would be required to be disclosed.

5b. Refer to the comment for Issue 1. Disclosures should include a distinction or inclusion of fair value measurement elements to enhance user's understanding of the qualitative characteristics of financial information.

The VGFOA appreciates the opportunity to comment on this Preliminary View and to work with the GASB for improving financial reporting for governmental entities. Thank you for your consideration.

Charles Ramsay
VGFOA President