



Virginia Government Finance Officers' Association

'Developing Governmental and Financial Leaders'

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Director of Research and Technical Activities - Project No. 3-20E
Governmental Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Subject: Exposure Draft of a proposed Statement of Government Accounting Concepts – Measurement of Elements of Financial Statements

Dear Mr. Chairman and members of the Board,

The Virginia Government Finance Officers' Association (VGFOA) appreciates the opportunity to work with the Governmental Accounting Standards Board (GASB) in the due process of providing a conceptual framework to be used as a basis for establishing consistent financial reporting standards. Overall, we support the concepts proposed in the exposure draft and the GASB's efforts to provide a conceptual framework for measurement that can be used as a basis for establishing consistent financial reporting standards. Specifically, we agree with the exposure drafts provision that initial amount and remeasured amount approaches are appropriate and that one measurement approach should be applied to certain assets and liabilities while a different measurement approach would be applied to other assets and liabilities based on the underlying financial reporting objectives. However, we present additional comments for consideration.

Paragraph 20 – "Use of remeasured amounts is consistent with reporting gains and losses in a resource flows statement to demonstrate management's accountability. When management is being evaluated on its decisions as to whether to hold or sell assets or whether to settle liabilities early or in accordance with their stated terms, reporting of gains and losses based upon remeasurement of assets and liabilities provides better information for evaluating management's performance."

The VGFOA believes this statement is short sighted in that monetary gains and losses are not normally the primary focus on management's performance in a government environment. Other factors such as the effectiveness of the delivery of a service or program are also key considerations in the evaluation of management's performance. Further, to evaluate management's performance on such subjective values (referred to as Level 3 inputs) would not be an objective measurement tool.

Paragraph 27 – "Timeliness does not limit measurement to the use of initial amounts. The effect that using remeasured amounts has on the ability to provide timely information may vary depending on the extent of the measurement procedures and the availability of the information needed. Nevertheless, concerns regarding the potential effect of remeasurement on the timeliness of financial reporting generally can be addressed through sufficient planning."

The paragraph above indicates that concerns regarding the potential effect of remeasurement on the timeliness of financial reporting generally can be addressed through sufficient planning. The VGFOA believes that advanced planning can help alleviate delays in calculating a remeasured amount at fiscal

year-end, we would like to note that the “sufficient planning” comment is not necessarily a solution to the ability to provide timely information

Paragraph 29 – “Remeasured amounts provide greater comparability than initial amounts for information reported in a statement of financial position, including information that can be used to assess the service potential of the resources reported. Remeasurement results in measurements of assets and liabilities as of the same point in time. By contrast, use of initial amounts results in measurements of assets and liabilities at the various respective dates when they were acquired or incurred. Comparability would be further enhanced through use of both the same measurement attribute and the same measurement method.”

The VGFOA believes that this paragraph asserting that remeasured amounts provides greater comparability than initial amounts for information reported in the statement of financial position fails to identify the complexity and potential variations of the remeasurement methods, which may reduce comparability. Further, we believe that some remeasurement methods could result in manipulation of amounts.

The VGFOA appreciates the opportunity to comment on this Exposure Draft and to work with the GASB in providing a conceptual framework to be used as a basis for establishing consistent financial reporting standards. Thank you for your consideration.



Charles Ramsay
VGFOA President