August 26, 2015

Mr. David R. Bean
Director of Research and Technical Activities, Project No. 3-29E
Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Mr. Bean:

We appreciate the opportunity to respond to the Governmental Accounting Standards Board’s exposure draft (ED) document titled Accounting and Financial Reporting for Certain External Investment Pools. We generally agree with the provisions of the proposed standard. Given the SEC’s 2014 amendments to Rule 2a-7, the Board has appropriately de-coupled the accounting for these external investment pools (EIPs) away from SEC Rule 2a-7 and established specific criteria to determine whether EIPs may use the amortized cost valuation method in lieu of fair value.

We consider the criteria established in paragraph 4 and detailed in the remainder of the ED as appropriate and should ensure that EIPs accounted for under the proposed standard will be close enough to fair value to allow for an exception to GASB 72’s fair value requirements. However, we share the concern expressed by the National Association of State Auditors, Comptrollers, and Treasurers regarding paragraph 9 and its prohibition of changing the valuation standard in future reporting periods once it is initially adopted. We consider the guidance established in GASB Statement No. 62, paragraphs 73-75 and AICPA auditing standards in AU-C 708.07 as sufficient and appropriate for changes in accounting principles such that the provisions of paragraph 9 should not be adopted in the final standard.

If you have any questions regarding our comments, please contact me or Craig M. Murray, Director of Professional Practice.

Sincerely,

Doug Ringler

Auditor General

C: C. Murray, CPA, CIA

Via e-mail