Idaho State Controller’s Office


August 3, 2015

Overall we agree with the basic premise of this proposed guidance; however, we do have some comments regarding the proposed guidance on Accounting and Financial Reporting for Certain External Investment Pools.

Page 2, paragraph 5: It states professional judgment should be used to determine if an external investment pool is 'significantly noncompliant'. The Board is proposing a very specific criteria in paragraphs 10-41 for external investment pools to report at amortized cost. Yet the Board has provided a very general term (significantly noncompliant) when asking financial statement preparers to determine compliance. We ask the Board to provide a criteria or calculations as to whether external investment pools are in compliance. Without specific criteria, reporting will be inconsistent in practice and will lead to incomparability across governments. This proposal is also inconsistent with the Board's view that 'prescriptive requirements' are more appropriate than broad, principles-based guidelines (page 13, paragraph B5).

On page 2, paragraph 7: We do agree with the Board’s proposal to allow exceptions based on exceptional circumstances by allowing the investments to be amortized in subsequent reporting periods if noncompliance has been corrected.

On page 13, paragraph B6: it states that an external investment pool is required to have a justifiable reason to change its accounting policy and elect to measure its investments at amortized cost (per GASBS 62). This paragraph further states that a pool measuring its investments on a fair value basis is not permitted to change to an amortized cost basis, except at the inception of this proposed ED. We question the Board's proposal that changing from fair value to amortized cost should only be allowed at the inception of this proposed ED. On page 12, paragraph B3, the Board discusses the amortized cost of investments held by 2a7-like external investment pools will be very close to fair value. If the amortized cost and fair value amounts are similar, then why limit the timing of when amortized cost can be used to only the year of implementation? If a pool has a justifiable reason to change its accounting policy and meets the specific criteria outlined in paragraphs 10-41, then why would the pool not be allowed to switch from fair value to amortized cost in any given year?

In the Summary, Effective Date and Transition section, page viii, consider changing “Earlier application would be encouraged’ to ‘Earlier application is encouraged.’

Thank you for the opportunity to comment.