

Illinois Government Finance Officers Association
Technical Accounting Review Committee (TARC)
800 Roosevelt Road, Building C Suite 312
Glen Ellyn, Illinois 60137

Friday, September 20, 2013

Director of Research and Technical Activities
Comments to *Fair Value Measurement and Application* Preliminary Views

Dear Director:

Thank you for the opportunity to respond to the Preliminary Views on Fair Value Measurement and Application. This letter serves as the Illinois Government Finance Officers' Association's Technical Accounting Review Committee's response to this Preliminary Views. Please see our response below:

Questions posed by the Preliminary Views:

1. It is the Board's preliminary view that the definition of fair value should be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (See Chapter 2, paragraphs 3-6). Do you agree with this view? Why or why not?

The Committee agrees with the definition provided in the preliminary views, as the definition seemed logical and consistent with other related statements.

2. It is the Board's preliminary view that transaction costs to sell an investment should be treated as period costs. That is, transaction costs would not be a reduction of an investment's fair value in the statement of financial position. Transaction costs would be reported as expenses or expenditures in the period an investment is sold. (See Chapter 2, paragraphs 21 and 22). Do you agree with this view? Why or why not?

The Committee agrees that the transaction costs to sell an investment should be treated as period costs. This view is consistent with the recent GASB 63/65 Statements that now recognize issuance costs in the period in which the debt is issued. It seems appropriate that these transaction costs would represent an expense or expenditure in the period in which an investment is sold.

3. It is the Board's preliminary view that the definition of an investment should be a security or other asset that a government holds primarily for the purpose of income or profit, and its present service capacity is based solely on its ability to generate cash, to be sold to generate cash, or to procure services for the citizenry. (See Chapter 3, paragraphs 2-4). Do you agree with this view? Why or why not?

Overall, the Committee agrees with this view, although would recommend providing revised wording for the concept of “to procure services for the citizenry.” This terminology is confusing and required the Committee to review the examples in order to understand this concept.

4. It is the Board’s preliminary view that investments generally should be measured at fair value on a recurring basis. (See Chapter 3, paragraphs 14-16) Unless specifically excluded from a fair value measurement, investments would no longer be valued using amortized cost or other measures. (See Chapter 3, paragraph 19). Do you agree with this view? Why or why not?

Overall, the Committee is in agreement that unless specifically excluded from a fair value measurement, investments would no longer be valued using amortized cost or other measures. The committee is in agreement with the items excluded from the fair value measurement.

- 5a. It is the Board’s preliminary view that the disclosures discussed in Chapter 4 should be required. Are any of the proposed disclosures not essential to a financial statement user’s understanding of financial position or inflows and outflows of resources? Why or why not?

Overall, the Committee agreed with the proposed disclosures for fair value, but the Committee cautions on the length of the cash and investment related disclosures in general and these would only add in length to these disclosures. We would recommend that if an entire category of assets report their fair value as Level 1 then could these investments be reported in summary by category instead of detailing the individual investment types within the category, and only give individual investment detail for Level 2 and 3 fair value measurements.

- 5b. What other disclosures related to fair value should the Board consider? Why?

The Committee does not think that there are any other disclosures related to fair value that the Board should consider.

We appreciate the opportunity to provide feedback to this Preliminary Views and look forward to continued work on this project. If you have any questions or require further information, please contact me at (847) 870-9041 or via email at gallagherm@cityrm.org.

Sincerely,

Melissa Gallagher
Chairperson
Technical Accounting Review Committee (TARC)