



ILLINOIS CPA SOCIETY™

August 31, 2015

To the Director of Research and Technical Activities  
Project No. 3-29E  
Governmental Accounting Standards Board  
401 Merritt 7, P.O. Box 5116  
Norwalk, Connecticut 06856-5116

The Governmental Executive Committee (Committee) is pleased to comment on the project 3-29E “Accounting and Financial Reporting for Certain External Investment Pools”. Our comments represent the collective views of this Committee and not the individual views of the members or organizations with which they are affiliated. The organization and operating procedures of the Committee are outlined in Appendix A to this letter.

We offer the following comments and suggests to the guidance outlined in the exposure draft:

Paragraph 23 – Please clarify what is meant by “if the guarantee (a) has obtained a credit rating within the highest category of ratings”, is the rating applicable to the entity to which the guarantee is applied, or the guarantee itself, or the guarantor entity? The word guarantee is confusing as it can be both a noun and a verb and can apply to an entity or arrangement/contract.

Paragraph 27 - This paragraph limits a counterparty to a highly rated, a primary dealer or determined by the pool to be of comparable quality. We believe the intention of GASB to be: 1.) highly rated and a primary dealer, 2.) or determined by the pool to be of comparable quality to include the rating requirements. Shouldn't the assessment of “comparable quality” determined by the qualifying external investment pool's analysis, use similar criteria the rating agencies use in their analysis? Could some key considerations be listed?

Paragraph 27 – please clarify if all 3 items listed (a, b, and c) must be present or if any one item is sufficient (add “and” or “or” after each item).

Paragraph 29 - This paragraph limits the exposure directly and by guarantee to a total of 10%. We believe the 10% determination is appropriate we feel that there should be an exclusion for repurchase agreements with counterparties that meet the requirements of paragraph 27 and have a final maturity of less than 5 business days. Given the limitation of primary dealers as counterparties, the limited number of those that meet the ratings requirements and only

government securities as collateral; by not excluding these short maturity, heavily used, investments from the 10% limitation would create a significant burden on pools and significantly reduce the number of non-governmental investments available to pools.

Paragraph 31 – Clarify what should be used to determine that a security is a security of the US government or its agencies and instrumentalities. Would we look for an Act of Congress?

Paragraph 36 – item “a. Cash, including deposits” contradicts paragraph 34 which states a nonnegotiable certificate of deposit is an illiquid investment. A nonnegotiable certificate of deposit is a deposit as defined by GASB Statement 3 and 40.

Paragraph 41 – If a qualifying investment pool “breaks the buck” it probably should not be able to qualify as an insignificant noncompliance (paragraph 5), and use of fair value should be required.

We appreciate the opportunity to offer our comments and responses.

Sincerely,

Kent Oliven  
Chair, Governmental Executive Committee

APPENDIX A  
ILLINOIS CPA SOCIETY  
GOVERNMENTAL EXECUTIVE COMMITTEE  
ORGANIZATION AND OPERATING PROCEDURES  
2015-2016

The Governmental Executive Committee of the Illinois CPA Society (Committee) is composed of the following technically qualified, experienced members appointed from government and public accounting. These members have Committee service ranging from newly appointed to more than 30 years. The Committee is an appointed senior technical committee of the Society and has been delegated the authority to issue written positions representing the Society on matters regarding the setting of governmental accounting and auditing standards. The Committee's comments reflect solely the views of the Committee, and do not purport to represent the views of their business affiliations.

The Committee usually operates by assigning Subcommittees of its members to study and discuss fully exposure documents proposing additions to or revisions of accounting standards. The Subcommittee ordinarily develops a proposed response that is considered, discussed, and voted on by the full Committee. Support by the full Committee then results in the issuance of a formal response, which at times, includes a minority viewpoint.

Current members of the Committee and their business affiliations are as follows:

**Public Accounting/Professional Service Firms:**

Linda Abernethy, CPA	McGladrey LLP
Angela Allen, CPA	Washington, Pittman & McKeever, LLC
Julie Barrientos, CPA	KPMG LLP
John Blackburn, CPA	Swartztrauber & Co.
Jason Coyle, CPA	Baker Tilly Virchow Krause, LLP
John Epperson, CPA	Miller Cooper & Company Ltd.
Harry Heifetz, CPA	Harry S. Heifetz, CPA
Christopher McCormick, CPA	Mulcahy, Pauritsch, Salvador & Co. Ltd.
Deborah Ringer, CPA	Kerber, Eck & Braeckel LLP
Michelle Ringold, CPA	Ringold Financial Management Services, Inc.
Leilani Rodrigo, CPA	E C Ortiz & Co. LLP
Moises Sanchez, CPA	Deloitte LLP
James Savio, CPA	Sikich LLP
Colin Thompson, CPA	Legacy Professionals LLP
Christine Torres, CPA	Crowe Horwath LLP
Sheila Weinberg, CPA	Institute for Truth in Accounting

**Government/Others:**

Abiola Bankole-Hameed, CPA	National Black MBA Association, Inc.
Duffy Blackburn, CPA	The County of Will
John Norton, CPA	Oak Park Township
Daniel Nugent, CPA	State of Illinois Office of the Auditor General
Kenneth Oliven, CPA (Chairman)	Village of Alsip
William Schmidt, CPA	Skokie Park District
Douglas Tinch, CPA	Illinois Department of Healthcare & Family Services
Rita Trainor, CPA	Wheaton Park District
Alise White, CPA	Illinois State Board of Investments

**Staff Representative:**

Gayle Floresca, CPA	Illinois CPA Society
---------------------	----------------------