



## National Association of State Auditors, Comptrollers and Treasurers

October 26, 2009

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### CONTACT INFORMATION

Headquarters Office  
449 Lewis Hargett Circle  
Suite 290  
Lexington, KY 40503-3590  
(859) 276-1147  
Fax (859) 278-0507

Washington Office  
444 N. Capitol Street, NW  
Suite 234  
Washington, DC 20001  
(202) 624-5451  
Fax (202) 624-5473

[www.nasact.org](http://www.nasact.org)

Mr. David Bean  
Director of Research  
Governmental Accounting Standards Board  
401 Merritt 7  
Norwalk, CT 06856-5116

Dear Mr. Bean:

On behalf of the National Association of State Auditors, Comptrollers and Treasurers, we appreciate the opportunity to respond to the Governmental Accounting Standards Board's Exposure Draft (ED), *Financial Instruments Omnibus*.

We have reviewed the ED and generally agree with its provisions. These changes clarify several issues and improve financial reporting by providing more consistency as well as more complete information. Below are our comments for the Board to consider as it finalizes this document.

Paragraph two of the proposed statement indicates that the ED amends the National Council on Governmental Accounting (NCGA) Statement 4. However, the Board does not include the nature of or reason for these amendments in the ED. The actual amendments are included in Appendix C, but there is no clear explanation as to why the Board made the amendments. We recommend the Board modify the proposed statement to clearly identify and explain the amendments to NCGA Statement 4.

We agree with the amendment to Statements 25 and 43 to measure unallocated insurance contracts at fair value. We believe it is appropriate to account for these contracts at fair value to both ensure consistency with how other investments are reported and to simplify the related financial reporting.

We agree with the amendment to Statement 31 paragraph 12. The modification clarifies the financial reporting requirement and serves as a point of emphasis by including the definition in the standard, rather than in the *Comprehensive Implementation Guide (CIG)*. However, we believe it might be helpful to also include in paragraph 12 the following sentence from the definition in the CIG, "...has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7...". Removing the requirement for the policy, which shows the pool's intent, could lead to misunderstandings.

We agree with the amendment to Statement 40 which limits the interest rate disclosure to an investment in a *bond* mutual fund. The absence of readily available information has been problematic when completing the required disclosures for non-bond mutual funds. We believe this amendment will simplify reporting by focusing on bond mutual funds where such risk information is readily available.

With regard to the amendments to statement 53, we agree with the amendments to paragraphs 13, 16, 17, and 64c(5)a. The expanded explanations provide clarity and consistency in reporting among governments. However, for paragraph 64c(5)a, we do believe adding some examples of indicators that would help the holder evaluate if the initial rate of return has the potential for a doubled yield would be useful.

We appreciate the opportunity to provide our comments. Should you have any questions or need additional information regarding our response, please contact Kim O'Ryan of NASC at (859) 276-1147 or me at (304) 558-2251.

Sincerely,

Glen B. Gainer III  
NASACT President