



Advancing  
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October 30, 2009

Mr. David R. Bean  
Director of Research and Technical Activities  
No. 26-3  
Governmental Accounting Standards Board (GASB)  
401 Merritt 7, P.O. Box 5116  
Norwalk, CT 06856-5116

Dear Mr. Bean:

On behalf of the Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB or the board) appreciates the opportunity to provide comments to the Governmental Accounting Standards Board (GASB) on its exposure draft of a proposed statement on *Financial Instruments Omnibus*. The FMSB, comprising 23 members with accounting and auditing backgrounds in federal, state and local government, academia and public accounting, reviews and responds to proposed standards and regulations of interest to AGA members. Local AGA chapters and individual members are also encouraged to comment separately.

The FMSB thinks that the proposed statement clarifies existing statements and seems reasonable, appropriate and comprehensive. The GASB does not appear to have omitted any pertinent Statement. We agree with the GASB that the requirements of this proposed statement would improve financial reporting by providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards.

Notwithstanding this general expression of support, we would recommend consideration of the following clarifications:

- Regarding unallocated insurance contracts, we recommend that paragraph 3 of the proposed Statement be modified so the amended language would read: “Plan investments, whether equity or debt securities, real estate, or other investments (including unallocated insurance contracts) should be measured at fair value at the reporting date.” This change, together with the change immediately following would ensure that the reader would understand how unallocated insurance contracts were to be treated, rather than assuming that the reader would understand that they were included in “other investments.”
- Regarding unallocated insurance contracts, we recommend that the term not be eliminated from the glossary entries as currently proposed. The continued inclusion of a sentence instructing that allocated insurance contracts should be excluded will cause the reader instinctively to ask about the status of unallocated insurance contracts. Although paragraph 15 of the Basis for Conclusions adequately addresses the differences, inclusion of the definitions of both allocated and unallocated insurance contracts within the glossary would assist the reader.

- Regarding certain financial guarantee contracts, we recommend that paragraph 21 of the Basis for Conclusions be modified by the addition of a sentence following the second sentence which would briefly explain why a government would enter into an insurance contract where the beneficiary is not the government and (perhaps through a footnote) how such transactions are to be recorded. This change would help the reader to make more sense of the two examples of financial guarantee contracts that are included in paragraph 7 of the Statement.

We appreciate the opportunity to comment on this document and would be pleased to discuss this letter with you at your convenience. No member objected to its issuance. If you have questions concerning the letter, please contact Anna D. Gowans Miller, CPA, AGA's director of research and staff liaison for the FMSB, at [amiller@agacgfm.org](mailto:amiller@agacgfm.org) or 703.684.6931 ext. 313.

Sincerely,



Robert L. Childree, Chair  
AGA Financial Management Standards Board

cc: William A. Morehead, Ph.D., CPA, CGFM  
AGA National President

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Financial Management Standards Board**

**July 2009 – June 2010**

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