



November 25, 2019

Mr. David R. Bean, Director of Research and Technical Activities
Project No. 26-8
Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

VIA Email: director@gasb.org

Dear Mr. Bean:

On behalf of the AGA, the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments to the Government Accounting Standards Board (GASB/Board) on its Exposure Draft, *Replacement of Interbank Offered Rates* and is respectfully providing feedback on the Board's views.

The FMSB is comprised of 19 members (list attached) with accounting and auditing backgrounds in federal, state, and local government, and public accounting. The FMSB reviews and responds to proposed standards and regulations of interest to AGA members. The views of the FMSB do not necessarily represent those of AGA and the local AGA chapters and individual members are also encouraged to comment separately.

We appreciate the efforts of the Board to address this issue in a timely matter. Changing from LIBOR to another accepted reference rate will be more complex than anticipated. We have noted the following items for the Board to consider.

In the Summary section of the report we suggest the Board make the final bullet align more with paragraph 11 of the exposure draft. We suggest that "solely" be added to the bullet making it clear in the Summary section that there are no other changes allowed.

We recommend the Board clarify in Exposure Draft's paragraph 4 their intent. Paragraph B4 does a good job of explaining the intent and we believe the reader of the Standard will be better served by having it in the main body. The clarification of the Board's intent would communicate clearer that the hedge had to be effective prior to the change for it to remain effective and without the clarification, could cause the entity to make the hedge ineffective by claiming it was the change in the IBOR when in reality it was something else.

In paragraph 6 we have concerns that the preparers of the financial statements may not clearly understand that the change in the IBOR rate should be similar to an IBOR multiplied by a coefficient and an adjustment. A change from one IBOR to another, such as SOFR, should not be assumed to be automatically similar if SOFR is an acceptable IBOR. We recommend the Board include language in the standard informing the preparer of the complexity of changing the reference rate, emphasizing the need for consistent critical terms (other than the reference rate) to remain an effective hedge. If other terms change, quantitative methods utilized in GASB Cod. Secs. D40.136-.144 should be required to measure effectiveness.

In paragraph 8a we noted the Board referred to only three potential IBORs. We have concerns that many will interpret that only those three can be used. There may be better reference rates that could be used. We recommend the Board clarify whether the IBORs are limited, to those specified, or whether others can be used if the new rate is similarly derived with similar underlying investments as the old.

We encourage the Board to continue to work with FASB and FASAB so that the proposed standard will be consistent with the similar standards issued by the FASB and FASAB. We believe consistency, when possible, across all industries is the best for all readers of all financial statements.

We appreciate the opportunity to comment on this document and will be pleased to discuss this letter with you at your convenience. If there are any questions regarding the comments in this letter, please contact me at (208)383-4756 or Lmiller@eidebailly.com.

Sincerely,

A handwritten signature in cursive script that reads "Lealan Miller".

Lealan Miller, CGFM, CPA

Chair- AGA Financial Management Standards Board
cc: Ernest A. Almonte, CGFM, CPA, AGA National President

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