September 3, 2021

Alan Skelton, CPA
Director of Research and Technical Activities, Project No. 37-1
Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Via email to: director@gasb.org

Dear Mr. Skelton,

The Financial Management Standards Board (FMSB) of the Association of Government Accountants (AGA) appreciates the opportunity to provide comments to the Governmental Accounting Standards Board on its exposure draft of a proposed statement titled *Omnibus – 20XX*.

Overall, we are in support of proposed provisions and are especially supportive of making the same changes to lease, PPP and SBITA provisions to maintain parallelism of these standards. We offer the following specific comments for the Board's consideration.

*Derivative Instruments*

We note that while a third category is proposed, the purpose or nature of such instruments are not defined. We are not aware of any derivative instruments within the scope of Statement 53 that should not be considered either an investment derivative instrument or a hedging derivative instrument. In the basis for conclusions paragraph B13, the Board appears to be contemplating that this third category would be used for ineffective hedging derivatives. If that is the case, it would be preferable for the board to specify a title for this third category, similar to how the Board specified the expected title for investment revenue classification in paragraph 9. It would also be preferable to clarify whether this category should be used in all cases of ineffective hedges or only in certain cases. For example, we are aware of instances where hedges are used to manage investment risks and other instances where hedges are used to manage operational risks such as variable rate debt or fuel costs.

In any case, we agree that derivatives that do not qualify as a hedge should be reported in the same manner as an investment derivative.

*Short-Term Leases (with parallel provisions for PPP and SBITA)*
We agree with the correction of the definition of a short term lease to not including periods that are cancelable by <u>both</u> parties (rather than either party, as it currently reads).

Some members were concerned with the provision to evaluate the maximum possible term retrospectively when leases are modified. Those members questioned the usefulness of such a provision since it would seem unlikely to mathematically produce a significant difference in reporting based on retrospective determination to the inception of the lease compared to prospective determination from the date of the modification. However, if the Board is aware of actual situations as described in paragraph B22 where proposed provisions result in a significant change in reporting that would justify the cost of such a provision, we would be in support of it.

The FMSB is comprised of 20 members (listed below) with accounting and auditing backgrounds in federal, state, and local government, as well as academia 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. Local AGA chapters and individual members are also encouraged to comment separately.

Sincerely,

Scott DeViney

Scott DeViney, CPA
Chair, Financial Management Standards Board

cc: Gerry Boaz, CPA, CGFM, CGMA, AGA National President