National Association of State
Auditors, Comptrollers
and Treasurers

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September 17, 2021

Mr. Alan Skelton
Director of Research and Technical Activities
Governmental Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

Dear Mr. Skelton:

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), *Omnibus 20XX*.

We generally agree with the provisions of the ED and believe the requirements will enhance comparability in accounting and financial reporting and improve the consistency in authoritative literature. However, we have the following specific comments that we believe the Board should consider as it finalizes this statement.

Paragraph 6
We request that the Board provide additional guidance and/or examples on how expenses or expenditures for exchange and exchange-like financial guarantees *should* be classified, as opposed to simply stating how they *should not be* classified, since the classification guidance in paragraphs 9 and 10 of Statement 70 do not apply.

Paragraph 8
For the third category mentioned in this paragraph, we request that the Board provide additional clarifying information to ensure consistency of application. Based on the rarity in practice that a derivative does not fall into one of the two existing categories, we believe it will be difficult for preparers to properly identify instruments in the Board's contemplated third category without additional examples.

Also, paragraph B13 appears to indicate that this third category would be used for ineffective hedging derivative instruments. If that is correct, we believe that to provide a consistent understanding of this new category it would be helpful to explicitly describe it as being for ineffective hedges, rather than defining it as a derivative that does not meet the definition of an investment or hedging instrument. Additionally, we believe it would be helpful for the Board to provide examples of appropriately descriptive terms or titles for financial statement line-items related to this third category

Paragraph 12
We disagree with the premise behind the Board's proposed guidance to evaluate maximum possible lease terms retrospectively when previously classified short-term leases are subsequently modified. In paragraph B22, the Board expresses concern over the risk that governments might enter into short-term leases with the intention of subsequently extending them for additional short periods in order to avoid reporting them as long-term leases. We do not perceive this to be a realistic risk.

Even under the Board's proposed guidance, governments could still enter into an entirely new short-term lease each year, rather than to modify an existing short-term lease to extend it. As a result, governments could still manage their leasing transactions to repeatedly avoid needing to report them as long-term leases, if so inclined.

Moreover, it seems highly unlikely that a modification to extend a short-term lease beyond one year would have a significant financial statement impact if it were reclassified as a long-term lease at the modification date compared to continuing to report it as a short-term lease. Thus, we do not see that the Board's expressed concern would be satisfied in a meaningful way. We believe the added cost and complexity that would result from this proposed guidance would significantly exceed the presumed associated benefit.

Paragraph 27
We request that the Board provide implementation guidance in the form of questions and examples related to the application of Statement 33 to the SNAP program

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 NASACT at (859) 276-1147 or me at (803) 734-2588.

Sincerely,

Richard Eckstrom
President, NASACT
Comptroller General, South Carolina