

From: Kiehl, Anna Maria
Sent: Friday, September 21, 2012 12:18 PM
To: Director - GASB
Subject: Pennsylvania's comments on GASB Exposure Draft "Accounting and Financial Reporting for Nonexchange Financial Guarantee Transactions"

Good afternoon, Dave

We are providing comments on the Governmental Accounting Standards Board's (GASB's) Exposure Draft 'Accounting and Financial Reporting for Non-exchange Financial Guarantee Transactions' (ED) dated June 18, 2012.

Except for the two areas of disagreement with the ED noted below, we agree with the ED conclusions that Governments should report liabilities incurred as a result of extending financial guarantees. Providing clearer disclosures related to financial guarantees will also result in more informative and appropriate financial statements.

Similar to the "Alternative View" expressed on page 13 of the ED, we do not agree with the development of a new recognition criteria for financial guarantees that would be different than the recognition criteria required for other contingent liabilities. We find the 'more likely than not' criteria to be confusing and subjective and recommend that the GASB consider the use of the 'probable' criteria used to recognize other contingent liabilities.

We also disagree with the intra-entity recognition requirements, where a primary government and a component unit would be recognizing and reporting the same liability. This accounting treatment would result in overstatement of liabilities on the primary government financial statements, especially in the case of a blended component unit.

We appreciate the opportunity to comment on this Exposure Draft and hope you find our comments helpful. Please contact me at akiehl@pa.gov or (717) 787-6496 with any questions you may have.

Regards,
Anna Maria

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