September 21, 2012

Director of Research and Technical Activities
Project No. 19-18
Governmental Accounting Standards Board
Norwalk, CT 06856-5116

Thank you for the opportunity to provide comments regarding the GASB’s exposure draft for the proposed statement, Accounting and Financial Reporting for Nonexchange Financial Guarantee Transactions. We do not agree that this proposal is necessary or would improve financial reporting.

Basing liability recognition on when a payment is “more likely than not” to be required by the guarantor would be a new distinct criterion in addition to the two separate criteria involved in assessing contingent liability probabilities already in place for claims and judgments and pollution remediation. This would do little to make financial statements easier for users to understand. Instead, we agree with the Alternative View to use the same “probable” criteria as required by Statement 62. Using that criteria, any guarantees not included in the financial statements would be included in a note disclosure if it were “possible” that a government would have to make a payment on the guarantee. This would result in users’ need for information being met without users’ need for clarity and consistency being compromised.

In addition, requiring both the government and a component unit to record a liability without any eliminating entries will obviously overstate total liabilities. This, likewise, would do little to make financial statements easier for users to understand. Instead, it would only serve to confuse users regarding which entity has debt and how much total debt is owed.

Sincerely,

Brenda Morris, CPA
Financial Services Director

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