September 26, 2012

Director of Research and Technical Activities  
Project No. 19-18  
GASB  
director@gasb.org

To the Director of Research and Technical Activities:

We appreciate the opportunity to respond to the Governmental Accounting Standards Board’s Exposure Draft: Accounting and Financial Reporting for Nonexchange Financial Guarantee Transactions. In general, we agree with the changes set forth in the proposed statement and believe the changes will improve consistency and understandability of nonexchange financial guarantees for financial statement users.

We believe the Board should clarify the treatment of liabilities when the guarantee is between a primary government and one of its blended component units. Paragraph 25 indicates that “both blended and discretely presented component units should be considered separate entities for the purpose of applying this Statement.” This implies that a government could be required to report the liability twice within the primary government if applicable conditions are met, which we believe would overstate the primary government’s liabilities. If this is not GASB’s intended position, we recommend that GASB clarify the proposed standard to more clearly reflect the required reporting.

Should you have any questions or need additional information concerning our response, please contact Staci Henshaw or me at (804) 225-3350.

Sincerely,

[Signature]
Walter Kucharski  
Auditor of Public Accounts