September 28, 2012

Governmental Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116
ATTN: Director of Research and Technical Activities

RE: Project No. 19-18. Proposed Statement of the Governmental Accounting Standards Board,

To Whom It May Concern:

One of the expressed goals of the Texas Society of Certified Public Accountants (TSCPA) is to speak
on behalf of its members when such action is in the best interest of its members and serves the cause
of Certified Public Accountants in Texas, as well as the public interest. The TSCPA has established a
Professional Standards Committee (PSC) to represent those interests on accounting and auditing
matters. The views expressed herein are written on behalf of the PSC, which has been authorized by
the TSCPA Board of Directors to submit comments on matters of interest to the committee
membership. The views expressed in this letter have not been approved by the TSCPA Board of
Directors or Executive Board and, therefore, should not be construed as representing the views or
policy of the TSCPA.

Our committee is generally in agreement with the proposed Standard on Accounting and Financial
Reporting for Nonexchange Financial Guarantee Transactions. We do have some comments regarding
the disclosures requirements in this proposed Standard and some concerns regarding an issue we
believe should have been addressed in the Standard. We have noted these items in the paragraphs
that follow.

We believe the Board should consider disclosure only in those instances when qualitative factors or
historical data as discussed in paragraphs 7 and 8 indicate that it is likely that a government will make a
payment on nonexchange financial guarantees it extended. We see no reason to have a disclosure
requirement when qualitative factors or historical data indicate that the governmental entity is unlikely to
make such a payment.

We believe the proposed Standard should address those instances when one government pledges
certain revenues to another government and the circumstances do not reflect financial difficulty.
Paragraph 7 addresses examples of qualitative factors such as bankruptcy, breach of debt, failures,
and indicators of financial difficulty. However, there are instances in governmental dealings when one
government pledges its own revenues for the obligations of another entity. For example, municipalities
in the State of Texas have the ability to create Tax Reinvestment Zones which allow governments to
capture the incremental assessed valuation (i.e., a levy) to use for purposes within the zone. These
revenues can be pledged to another government (i.e., Regional Mobility Authority or RMA) for that
government’s obligations. The idea is that the municipality will collect the Tax Increment Zone’s
revenues and pass them through to the RMA. The zone's revenues, however, may not be able to fund 100 percent of the obligations within the first few years, depending on how much the zone's assessed valuation grows. The municipality, however, pledges its own revenues to make up for the shortfall. We believe such a circumstance and others that may be similar should be addressed in the proposed Standard.

We appreciate the opportunity to participate in the standard-setting process.

Sincerely,

[Signature]

Sandra K. Brown, CPA
Chair, Professional Standards Committee
Texas Society of Certified Public Accountants