Letter of Comment No. 28
File Reference: 19-18E
Date Received: 10/5/12

ILLINOIS CPA SOCIETY

October 4, 2012

Mr. David Bean
Director of Research
Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
Project No. 19-18

Dear Mr. Bean:

The Governmental Executive Committee (Committee) is pleased to comment on the GASB's Exposure Draft on *Accounting and Financial Reporting for Nonexchange Financial Guarantee Transactions*. Our comments represent the collective views of this Committee and not the individual views of the members or organizations with which they are affiliated. The organization and operating procedures of the Committee are outlined in Appendix A to this letter.

We offer the following recommendations and comments.

We agree that language of the proposed statement should use the recognition requirement when qualitative factors indicate that it is "more likely than not payment will be made toward guarantees." We feel the recognition requirement is a matter of professional judgment and recognition should be left to the financial statement preparers.

Also, paragraph 31 is important to understand the proposed standard in relation to the recognition requirement because it clarifies the process used in applying the recognition requirement.

Finally, we agree there would be a "doubling-up" of liabilities when dealing with intra-entity guarantees as described in paragraph 43 and 44. If a primary government guarantees the indebtedness of a legally separate entity reported as a component unit, then both have the responsibility to pay, and would require both the issuer and guarantor to recognize the guaranteed obligation. Although not described in the proposed statement, we feel the actual receipt of a payment by a primary government for a component unit would cause balances

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due/from between each entity depending upon the arrangement made on the guaranteed obligation.

We appreciate the opportunity to offer our comments.

Sincerely,

Irwin A. Lyons, CPA
Chairman, Governmental Executive Committee

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APPENDIX A

ILLINOIS CPA SOCIETY
GOVERNMENTAL EXECUTIVE COMMITTEE
ORGANIZATION AND OPERATING PROCEDURES
2012-2013

The Governmental Executive Committee of the Illinois CPA Society (Committee) is composed of the following technically qualified, experienced members appointed from government and public accounting. These members have Committee service ranging from newly appointed to more than 20 years. The Committee is an appointed senior technical committee of the Society and has been delegated the authority to issue written positions representing the Society on matters regarding the setting of governmental accounting and auditing standards. The Committee's comments reflect solely the views of the Committee, and do not purport to represent the views of their business affiliations.

The Committee usually operates by assigning Subcommittees of its members to study and discuss fully exposure documents proposing additions to or revisions of accounting standards. The Subcommittee ordinarily develops a proposed response that is considered, discussed and voted on by the full Committee. Support by the full Committee then results in the issuance of a formal response, which at times, includes a minority viewpoint.

Current members of the Committee and their business affiliations are as follows:

Public Accounting/Professional Service Firms:

Linda S. Abernethy, CPA	McGladrey & Pullen LLP
John E. Blackburn, CPA	Swartztrauber & Co.
Derek C. Brown, CPA	Letke & Associates Inc.
Martin H. Friedman, CPA	McGladrey & Pullen LLP
Harry S. Heifetz, CPA	Harry S. Heifetz, CPA
Nickolaus J. Lekovish, CPA	John Kasperek Co. Inc. CPA
Irwin A. Lyons, CPA (Chairman)	Miller, Cooper & Co., Ltd.
Bert G. Nuehring, CPA	Crowe Horwath LLP
Leilani N. Rodrigo, CPA	E C Ortiz & Co. LLP
James R. Savio, CPA	Sikich LLP

Government:

Duffy Blackburn, CPA	The County of Will
Barry S. Dale, CPA	U.S. Department of Labor
Dana H. Johnson, CPA	U.S. General Services Administration, Office of the Inspector General
Daniel J. Nugent, CPA	State of Illinois Office of the Auditor General
Alise M. White, CPA	Illinois State Board of Investments

Staff Representative:

Gayle S. Floresca, CPA	Illinois CPA Society