



## Virginia Government Finance Officers' Association

*'Developing Governmental and Financial Leaders'*

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Director of Research and Technical Activities – Project No. 19-18  
Governmental Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

**Subject:** Response to Exposure Draft: *Accounting and Financial Reporting for Nonexchange Financial Guarantee Transactions*

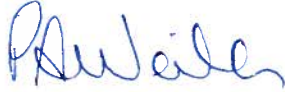
Dear Mr. Chairman and Members of the Board,

The Virginia Government Finance Officers' Association (VGFOA) appreciates the opportunity to work with the Governmental Accounting Standards Board (GASB) in the due process of improving accounting and financial reporting standards for accounting and financial reporting for nonexchange financial guarantee transactions.

In general, we agree with the exposure draft to improve accounting and financial reporting by state and local governments that extend and receive non-exchange financial guarantee. We do have the following suggestions.

- 1) We suggest that GASB be more specific or provide more guidance as to the discount rate to use in determining the present value of the future cash flows related to the debt. If one of the goals of GASB and of this statement is comparability across financial statements, the size of the liability can be greatly affected based on the discount rate chosen.
- 2) The exposure draft does not indicate whether this standard applies to overlapping debt. We suggest that it may be advantageous to include a disclosure detailing the amounts and natures of overlapping debts, considering that a locality may be responsible in paying the debt payments of the overlapping locality such as a town or city in the event it became "more likely than not" that overlapping locality was unable to make its obligation. Though this type of relationship is not necessarily spelled out in a guarantee agreement, it is a relationship that exists. If the goal of the exposure draft is to "enhance the information disclosed about a government's obligations and risk exposure", it would seem that overlapping debt should be disclosed along with guaranteed debt disclosures.

The VGFOA appreciates the opportunity to comment on this Exposure Draft and to work with the GASB for improving financial recording and reporting for governmental entities. Thank you for your consideration.



Patricia A. Weiler  
VGFOA President