



June 30, 2010

Mr. David R. Bean
Director of Research
Governmental Accounting Standards Board
410 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

RE: Exposure Draft – Proposed Statement of the Government Accounting Standards Board:
The Financial Reporting Entity, an amendment of GASB Statements No. 14 and No. 34

Dear David:

The National Federation of Municipal Analysts (NFMA) welcomes this opportunity to comment on the *Exposure Draft – Proposed Statement of the Government Accounting Standards Board (GASB): The Financial Reporting Entity, an amendment of GASB Statements No. 14 and No. 34 (Project No. 3-14, dated March 20, 2010)*.

The NFMA is an organization comprised primarily of research analysts who evaluate credit and other associated risks of securities in the municipal bond market. Established in 1983, the NFMA has roughly 1,000 members who represent a broad spectrum of users of governmental financial information, including broker dealers, mutual funds, rating agencies and insurance companies. As primary users of financial and operational information provided by municipal and other issuers, the NFMA typically supports measures that improve the quality and timeliness of that information.

The GASB proposal to amend Statements No. 14 and No. 34 would modify the requirements for inclusion of component units in the financial reporting entity; amend and expand the criteria for blending component unit reporting; and clarify the reporting of equity interest of the financial reporting entity in legally separate organizations. We believe that proposed amendments to Statements No. 14 and No. 34 are consistent with our organization's goal of better disclosure for the users of financial information

We note that the proposed amendments do not substantially change the reporting requirements under Statements No. 14 and No. 34. They do, however, make some useful clarifications in how financial obligations of legally separate entities are required to be reported by primary governments. We would like to note some specific provisions in the proposed amendments that may enhance the quality of financial reporting as it pertains most directly to our membership:

1) Clarification of the “financial accountability” concept (paragraphs 21 and 27 of Statement No. 14)

We support the concept that legally separate entities should be tied to the primary reporting government through its financial reporting in situations where there is a potential for that organization to provide specific financial benefits for, or impose specific financial burdens on, the primary government. In a financial market environment in which capital structures and transactions are becoming increasingly complex, it is critical that users of financial statements be able to discern the obligations for which a reporting entity is responsible, whether directly through the primary government or indirectly through legally separate, but financially linked, entities.

2) Amendments to the Criteria for Blending (paragraph 53 of Statement No. 14)

We believe that the requirement for blending if “the component unit’s total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with the resources of the primary government” is a useful guideline that will potentially benefit the municipal market and our membership. By helping clarify ultimate financial obligations of government issuers for all forms of debt and debt-like obligations for which they are responsible, we expect that the blending criteria as amended may help shed additional light on the aggregate financial obligations of reporting governments.

The NFMA appreciates the efforts GASB is taking to improve the disclosure of financial and operating reports of municipal and other entities and welcomes the opportunity to discuss these comments further.

Sincerely,

/s/

Mark Stockwell
Chairman, NFMA

