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December 22, 2006

Wendy M Comes, Executive Director
Federal Accounting Standards Advisory Board
441 G Street NW Suite 6814 (Mailstop 6K17V)
Washington, DC 20548

Dear Ms. Comes:

This letter is in response to the preliminary views document on accounting for social insurance. Based on reading this preliminary views document, below are my comments. Hopefully they will assist the board in their deliberations on this issue.

The main difference of opinion appears to be **when** the liability should be recognized and not **if** the liability should be recognized.

The accrual basis of accounting requires the transaction to be recognized when the activity or exchange occurs, regardless of the timing of related cash flows. This concept embraces the matching principal of matching revenues with the related expenditure or exchange.

I see no difference between the timing of the recognition of this liability than I do with pension or other post-employment benefit liabilities that the Governmental Accounting Standards Board dealt with in their various regulations, such as GASB 27 and GASB 45. This is also in alignment with the Financial Accounting Standards Board regulations on pensions and post employment benefits in FASB 87 and FASB 106. Pension and post-employment benefits are recognized in the period when the related services are earned, not when they are received, under the accrual basis of accounting.

Based on the above, I agree with the majority of the board that "believe that an expense is incurred and a liability arises for social insurance programs when participants substantially meet eligibility requirements during their working lives in covered employment, and some portion of the benefits accumulated at the balance sheet date should be recognized as a liability (Primary View)." This view best matches the recognition of the benefit with the period in which it is earned. Waiting until the benefit is due and payable could be substantially later than when it is earned and thus does not align with the matching principal.

This primary view uses the same rationale that is used in the recognition of pension and other post-employment benefit liabilities and, in my opinion, applies to these social insurance transactions as well.

I thank you for the opportunity to provide some feedback on this issue and wish you good luck in your deliberations of this issue.

Sincerely,

Cary Tessmann

Cary Tessmann
Chief Financial Officer

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