Security *State Bank*

Scott City, Kansas

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8/7/2006

Mr. Lawrence W. Smith
Chairman of Emerging Issues Task Force
Financial Accounting Standards Board
401 Merritt 7
Norwalk, Connecticut 06856-5116

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LETTER OF COMMENT NO. 65

Dear Mr. Smith:

We wish to comment on Emerging Issues Task Force (EITF) Issue No. 06-4, *Accounting for the Deferred Compensation and Postretirement Benefit Aspects of Split-Dollar Life Insurance Arrangements.*

Security State Bank is a community bank in western Kansas with assets of $115 million. We are a wholly owned subsidiary of a privately held bank holding company. The holding company also owns two other community banks with assets of $75 million each. Our bank maintains several split dollar arrangements, and we are very concerned about the interpretations and recommendations that have been put forth by the EITF regarding the accounting requirements on split dollar arrangements.

First and foremost, given the conclusions reached by the EITF, I would recommend that the assumptions utilized be reexamined to ensure that they truly represent the issues being addressed. The most important assumption to be confirmed is that there is truly an employer liability under a specific split-dollar arrangement. The task force should define exactly under what circumstances a liability to the employer exists and then proceed with specific analysis on the various types of split-dollar arrangements, and subsequent accounting that should be applied to each.

We feel the single most obvious flaw in the assumptions used by the EITF is that as the employer, we are under no legal obligation to pay a benefit to the employee. The liability lies with the insurance carrier and they would pay the benefit directly to the employee. So the liability to pay, and the subsequent receivable asset rest with the insurance carrier and the employee respectively, not with the employer. If, as you propose, such a liability truly exists, then there also exists a receivable from the insurance carrier which you do not address. Logically, if the receivable from the insurance carrier belongs to the employee, then again, no liability exists for the employer. Finally on this point, if there is no legal obligation to pay such a benefit, our bank regulators would surely be very critical of such a misrepresentation of our liabilities, should we place such a material item on our books.

Another point to consider, given the financial and accounting issues involved, is the proposed implementation of fiscal years beginning December 15, 2006. The earliest that the proposed consensus could be ratified would be September of 2006. A bare three months to assess and approve any accounting changes by employers is wholly inadequate. At the earliest, any changes, if finally ratified, should not be implemented until fiscal years beginning December 15, 2007.

When considering whether the benefit obligation is effectively settled by the underlying life insurance policy in a split-dollar arrangement, the task force is again basing its consensus on the assumption that the employer has the liability for the benefit obligation. If the liability rests with the insurance carrier, and we believe it does, then the question of settlement, as well as most of the other issues discussed, becomes moot.

Thank you for the opportunity to present our views on this issue.

Sincerely,

David W. Summers

David W. Summers
Sr. Vice President, Cashier & CFO

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