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Sent: Tuesday, July 19, 2011 7:31 PM
To: Webmaster
Cc: conent@wvi.com; Chick
Subject: Accounting standards

Dear Technical Director,

Our agency has worked with surety companies providing surety bonds to construction companies since 1976 and my letter is in regard to proposed changes in regards to accounting standards for construction companies.

We would like to begin by affirming our support of comments made by other industry groups such as the American Institute of CPAs (AICPA) Blue Ribbon Panel on Private Company Financial Reporting's recommendations as well as, Construction Financial Management Association (CFMA), the National Association of Surety Bond Producers (NASBP), the Surety & Fidelity Association of America (SFAA), and the Associated General Contractors of America (AGC).

The end users of construction contractors' financial statements are banks and surety companies that provide credit to contractors in the form of bonds guaranteeing the bond holders (often public entities) that the project will be completed and that subcontractors will be paid. The proposed changes will substantially hinder the accuracy of reporting and cause chaos and misleading financial statements which would severely impair construction surety and bank underwriters from providing bond credit or loans to construction contractors.

The "percentage of completion" revenue recognition method that has been in place since 1981 is logical, understood by both objective end users of the statement and by the construction companies themselves. Basically the change would replace a long time industry standard that works with a standard that **does not work** and which will cause considerable additional burden in financial reporting as well as undermining the financial reporting altogether and therefore cause disarray in the construction credit marketplace.

It is our position that the proposed changes are not acceptable. We encourage FAF to **not move forward** with proposed changes. At the very least, we suggest that FAF exempt the construction industry from the new standard.

Best regards,

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