October 23, 2018

Mr. David Bean
Director of Research and Technical Activities, Project No. 26-6
Governmental Accounting Standards Board
Norwalk, CT
Via email: director@gasb.org

Dear Mr. Bean:

On behalf of the professionals serving governmental entity clients at CliftonLarsonAllen LLP, we appreciate the opportunity to comment on the Exposure Draft: Conduit Debt Obligations, Project No. 26-6.

We support the Board’s issuance of the proposed statement to clarify the accounting for conduit debt obligations and promote consistency of reporting and eliminate differences between governmental entities issuing conduit debt.

Based on our review of the proposed statement, we offer our comments on certain aspects of the statement for the Board’s consideration as it deliberates the guidance to be included in the final statement.

**Definition of Conduit Debt Obligations**

We agree with the definition of conduit debt included in the exposure draft. As noted by the Board in Appendix A, paragraph A2, issuers often receive a fee for arranging conduit debt financings. We recommend the Board consider clarification of item d. of the definition to clarify any amount of the proceeds retained by the issuer in the form of a fee does not affect the requirement that the third-party obligor or its agent ultimately receive the proceeds from the debt issuance.

**Arrangements Associated with Conduit Debt Obligations**

We concur with the classification of the three types of arrangements between the issuer and the party obligors as well as the accounting of the debt obligations and capital assets. We recommend the Board consider providing further guidance when the issuer retains title to the capital asset and third-party obligor has exclusive use of the entire capital asset if, when recognizing the capital asset at the end of the arrangement, the issuer does not intend to use the capital asset in its operations and instead holds the asset for sale.

**Appendix C Illustrations**

Example 3 includes an illustrative disclosure of the requirements of paragraph 21 when the issuer has recognized a liability. We recommend the Board consider demonstrating the requirement of paragraph 21 b by including in the illustrative disclosure the cumulative amounts of payments that have been made on the recognized liability.
Other Topics for Consideration

In order for the final statement to provide comprehensive guidance for conduit obligation arrangements, consideration should be given to inclusion of accounting guidance related to recovery of debt service payments made by the issuer on behalf of the third-party obligor. We recommend the final standard include guidance for the issuer and the third-party obligor in the case the third-party obligor is a government. If the payment is made due to a guarantee, the financial statement preparer has guidance to follow in Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. However, this exposure draft correctly assumes debt service payments may be made by the issuer due to various other commitments. It’s unclear if the guidance of GASBS No. 70 would apply for payments made under another form of commitment.

Lastly, we recommend the final standard address the accounting for derecognition of liabilities resulting from an issuer’s commitment when circumstances change from those that caused recognition of the liability. Again, in the case the issuer and third-party obligor are both governmental entities, accounting guidance for both parties is encouraged to be included.

In closing, we thank the Board for this proposed statement and the opportunity to comment and suggest improvements to the final standard.

Respectfully submitted by

CliftonLarsonAllen LLP