November 2, 2018

Mr. David Bean  
Director of Research and Technical Activities  
Governmental Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

Submitted via email to director@gasb.org

RE: Project No. 26-6: Exposure Draft on Conduit Debt Obligations

Dear Mr. Bean:

This correspondence is in response to the GASB’s Exposure Draft on Conduit Debt Obligations, Project No. 26-6. We appreciate the opportunity to express comments and concerns as part of this important process.

We would like to request more clarification on a few items regarding the section on Arrangements Associated with Conduit Debt Obligations, characterized as leases, to be included in the final Statement, as follows:

1. Paragraph 13 lists the specific attributes of arrangements, often characterized as leases that should not be reported as leases and instead should be treated according to the guidance of this proposed statement in paragraphs 14-18. Could you clarify whether all four attributes must exist for this new treatment to apply? If all four attributes must exist and do not, then would guidance in GASB Statement No. 87 for Leases be applicable instead?

2. Could you clarify the type of payments that are referenced in paragraphs 13 c and d and if they are made by the issuer and/or obligor?

3. Paragraph 14 does not address arrangements associated with conduit debt where a bargain purchase option for the obligor exists. Could you clarify whether the issuer should presume the title will be relinquished or retained at the end of the arrangement if a bargain purchase option exists?

4. Paragraph 18 indicates that when an issuer retains title to asset at the end of the term and the obligor has exclusive use of portions of the asset during the term, that at inception, the entire capital asset and a matching deferred inflow of resources
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should be recognized. Deferred inflow of resources should be reduced in a systematic and rational manner and recognized as revenue. Could you clarify whether revenue should be classified as “capital contributions” on the Statement of Activities?

If you have any questions regarding these comments, please feel free to contact me at 512-854-4704.

Sincerely,

Kathryn Madden, CPA
Chief Assistant County Auditor II
Travis County Auditor's Office