On behalf of the State and Local Government Committee of the Florida Institute of CPAs (the “Committee”) we offer the following comments pertaining to Project No. 26-6, Conduit Debt Obligations.

The Committee all agreed the proposed standard will eliminate diversity in practice relating to accounting for and disclosing conduit debt obligations. In addition, the Committee all agree the proposed definition of a conduit debt obligation should go a long way in eliminating the diversity in practice.

As proposed, the definition of a conduit debt obligation appears to be easy to understand and represents the conduit debt market based on the experiences of the Committee members. The proposed disclosures appear adequate to meet the needs of users of governmental financial statements while not requiring significant additional effort on the part of the government.

Overall, the Committee is in favor of the requirements in the Exposure Draft moving forward to a final standard. However, there were a few areas where the Committee had concerns. These areas are discussed below.

- Qualitative factors listed in paragraph 9 are quite numerous and, in the opinion of the Committee, border more on legal situations rather than accounting issues. As such, the Committee is concerned the government may need to seek the advice of legal counsel in determining if the situations listed exist and if so to what extent. Likewise, the auditor may need to consider obtaining a legal opinion of the government’s assessment. Either of these outcomes is likely to increase the cost of preparing the financial statements. In addition, financial statement users may not be able to distinguish between legal situations and accounting disclosure requirements.

- Situations in paragraph 13 relating to conduit debt arrangements characterized as leases are not, according to paragraph 14 to be accounted for as leases. The Committee believes this may create confusion among governments and financial statement users. In the opinion of the Committee, paragraphs 4 and 5 in GASB Statement No. 87, Leases, clearly describe the situations associated with conduit debt obligations and the related conveyance of control of the right to use the underlying asset. Therefore, the Committee believes the proposed standard should consider these conduit debt leases as lease to be accounted for under GASB Statement No. 87. Alternatively, GASB Statement No. 87 could be amended to clearly omit conduit debt leases from its scope (similar to what the Financial Accounting Standards Board with their lease standard).
It is not clear to the Committee where the notes relating to conduit debt obligations and any related liability are to be positioned within the notes to the financial statements. The Committee believes government financial statement preparers could benefit from clarification in paragraph 19 as to where the information relating to conduit debt obligations should be located. Likewise, the Committee believes clarification in paragraph 20 relating to the positioning of the information about any conduit debt liabilities would be helpful to financial statement preparers.

The Committee thanks the GASB for the opportunity to respond to this exposure draft and if we can provide any further clarity or explanation of our concerns or comments.

Sincerely,
The FICPA State and Local Governmental Section