September 15, 2017

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

Project No. 3-30

Sent by email to director@gasb.org

Dear Mr. Bean:

Thank you for the opportunity to present our comments on the Governmental Accounting Standards Board (GASB) Exposure Draft (ED), Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, Project No. 3-30. The School Finance and Operations Division of the Colorado Department of Education represent a financial statement user that is also a pass-through entity for Federal Financial Assistance to Colorado School Districts.

We have questions and comments related to the following:

- Definition of lease
- Definition of direct
- Level of general summarization for disclosure purposes
- Reporting of other debt
- Handling of premiums and discounts

Paragraph 4 of the ED states that for disclosure purposes, debt does not include leases or trade accounts payable. Given the proposed effective date of this ED is for reporting periods beginning after June 15, 2018, and the new Statement No. 87 on Leases is not effective until reporting periods beginning after December 15, 2019, is it appropriate to start with one definition of leases (Cod Section L20) and then switch based on the new statement 18 months later? Please clarify the definition of “leases” that would be excluded from the disclosure requirements based on this ED. Based on paragraph B7, it appears that it was the intent to use the definition under Statement No. 87. Further, additional guidance on the reporting of what were “capital leases” prior to Statement No. 87 would be very helpful.

With regard to paragraph 2 of the ED, when is “direct” considered to be direct for purposes of these disclosure requirements? The nature of this question relates to the various forms of borrowings that governments engage in, including the use of a trustee for certificates of participation purposes. If a trustee is involved, is that considered to be a direct borrowing for presentation purposes?

One of the Department’s requirements for federal reporting purposes involves the isolation and collection of information related to general obligation (GO) debt. Therefore, we do not believe under paragraph
5.b. of the ED that the general summarized information for “collateral pledged as security for debt” is sufficient for the Department to meet this requirement. We would request the isolation of general obligation debt (with the full faith and credit of the government) from other debt (collateralized or uncollateralized).

Paragraph 6 of the ED provides for separate information in debt disclosures regarding (a) direct borrowings and direct placements of debt from (b) other debt. The illustration provided in the ED reports the other debt as bonds. This brings up other possible terminology issues, if the transaction is called a bond, revenue bond, other type of bond (COP bond), but was not voter approved, should it be included within the other debt category in the aggregate as a bond?

Currently many governments include information related to the premiums and discounts within their long-term debt disclosure section. Based on paragraph 814, it appears that information related to premiums paid should not be disclosed within the debt section. Please clarify the handling of premiums and discounts outside of the debt section based on this ED. Should premiums and discounts only be reported as part of deferred inflows/deferred outflows going forward?

If you have any questions, please feel free to contact Kirk Weber at weber_k@cde.state.co.us or at 303 866-6610.

Thank you,

Kirk Weber, CPA
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Colorado Department of Education