

From: Susan McCullen
To: GASB Director <director@gasb.org>
Subject: Project No. 3-24

Director of Research and Technical Activities:

Thank you for the chance to review and comment on the Implementation Guide for Leases. Based on my review, I would like the following question *clarified* and ask that it be included in the implementation guide:

Question: Under state law, a county is responsible for meeting certain capital needs of the school system(s) within its jurisdiction, including buildings and furnishings among other needs. To meet the school system's needs, the county has the authority to issue limited obligation bonds or enter into installment purchase transactions which are both secured by a pledge on the related assets. During the time the debt is outstanding, the debt-related agreements require that the county hold title to the assets. However, once the debt is paid off, the ownership of the constructed assets reverts to the school system. The school system and the county execute a lease that grants the school system control of the asset while the debt is outstanding. The County, not the school system, is responsible for repaying the issued debt and any lease payments from the school system to the county for the asset while it is owned by the county are minimal. Is the transaction in question subject to the reporting and disclosure requirements under GASB 87?

Answer: No. Because the transaction in question is not an exchange or exchange-like transaction, it would not meet the criteria for a lease under paragraph 4 of GASB 87. Also, ownership is transferred at the end of the contract; therefore, the transaction is a financed purchase per paragraph 19 of GASB 87.

Please let me know if you have any questions.

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