



**Government Finance Officers Association**  
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September 12, 2017

Mr. David R. Bean  
Director of Research and Technical Activities  
Project No. 3-30  
Governmental Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

Dear Mr. Bean:

We are writing to you on behalf of the Government Finance Officers Association of the United States and Canada (GFOA) in response to the Governmental Accounting Standards Board's (GASB) Exposure Draft (ED) *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This response was prepared by both GFOA's standing Committee on Accounting, Auditing, and Financial Reporting (CAAFR) and GFOA's standing Committee on Governmental Debt Management (DEBT), all of whose members are active government finance officers.

The GFOA is in support of this ED as it brings more transparency to the users of financial statements. We applaud the GASB for providing a definition of debt so preparers can differentiate between debt and other liabilities for financial reporting purposes. The proposed additional note disclosures create a realistic set of expectations that state and local governments of all sizes can reference and follow. By requiring governments to include the proposed disclosures listed in paragraph five of the ED, the information would be available annually over the life of the debt, in the audited financial statements. The new disclosures required in the ED, along with the currently required material events disclosures related to market-sold securities that governments must comply with, would be sufficient and reasonable information related to direct borrowings and direct placements for use by regulators, investors and other users of the financial statements. GFOA also supports the proposed separation of direct borrowings and direct placements from other offerings of debt (i.e., debt sold in the public markets) due to the inherent differences between direct offerings and debt sold in the public markets. The proposed disclosure requirements of the ED also complement one of GFOA's best practices as it relates to recommended disclosures for direct placements and lines of credit.

The GFOA would suggest the following items for your consideration to improve the understandability of the proposed statement.

Definition of Debt

The GASB should consider including language at the end of paragraph four that would exclude employment contracts from being considered debt since they represent an obligation to pay cash

in one or more payments to settle an amount that is fixed. We feel that the definition would also be improved if it emphasized that debt is a contractual obligation for the repayment of funds borrowed or for financed purchases.

Notes to the Financial Statements

Some governments may already be disclosing amounts of unused lines of credit in the notes to the financial statements. To avoid duplicate disclosures, the final statement should include language in paragraph five that, if not already disclosed in the notes, the three items listed should be included.

We feel to assist preparers, improve comparability among financial statements and achieve the intended outcome of the proposed disclosures, the final statement should provide more clarity and include examples of events of default, proposed disclosures of finance-related consequences, and termination events with finance-related consequences. For example, in this current draft, a preparer may include a summary of all documentation that would be provided on the Electronic Municipal Market Access (EMMA) website in the notes to the financial statements in *events* of default or termination with *finance-related consequences*. We do not believe it is the intention of the proposed statement to require governments to duplicate efforts and report the same information in the notes to the financial statements and EMMA.

In addition, clarification is needed with regard to the use of the word “significant” in paragraph five of the ED when referring to the “significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.” The term is used throughout as a meter of disclosure but does not provide objective terms of what is significant versus not significant.

If you have any questions regarding our position, please contact the GFOA's Acting Director of Technical Services, Todd Buikema (312/578-4407; e-mail: tbuikema@gfoa.org).

Sincerely yours,



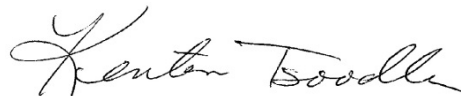
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Committee on Accounting, Auditing,  
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