



October 28, 2016

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

Dear Mr. Bean:

On behalf of the National Association of State Auditors, Comptrollers and Treasurers, we appreciate the opportunity to respond to the Governmental Accounting Standards Board's Exposure Draft (ED), *Certain Debt Extinguishment Issues*.

We generally agree with the provisions of the ED and believe it will improve consistency in accounting and financial reporting. However, we have the following specific comments that we believe the Board should consider as it finalizes this statement.

Paragraph 7

The ED states that the preparer should provide a general description of the transaction, which "may" include certain criteria. To ensure that the defeasance of debt using only existing resources is disclosed properly and consistently with other debt extinguishments, we believe this should be modified to indicate the notes to the financial statements, "at a minimum, should" include the amount of the debt, the amount of existing resources placed with the escrow agent, the reasons for the defeasance, and the cash flows required to service the defeased debt.

Paragraph 10

The paragraph states that, "...substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited." We believe that changing the order of the sentence as follows could provide greater clarity: "... it is not prohibited for the entity to subsequently substitute essentially risk free monetary assets with assets that are not essentially risk-free."

General comment

- Currently, GASB 7 is silent on classification of current refundings in governmental fund statements, leading GFOA to conclude in their 2012 GAAFR (page 473) that reporting is different for current refunding than for advance refunding. As a result of the proposed changes, in this document, we request that GASB consider explicitly addressing the classification of current refundings and advance refundings on governmental fund statements, for example, that for governmental fund statements, current and advance refundings are essentially the same.

We appreciate the opportunity to provide our comments. Should you have any questions or need additional information regarding our response, please contact Kim O'Ryan of NASACT at (859) 276-1147 or me at (615) 741-2956.

Sincerely,

David H. Lillard, Jr.
President, NASACT
State Treasurer, Tennessee