October 30, 2018

Mr. David Bean, Director of Research and Technical Activities
Project No. 26-6
Governmental Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

RE: GASB ED – Conduit Debt Obligations

Dear Mr. Bean:

Thank you for the opportunity to respond to GASB’s Exposure Draft (ED) – Conduit Debt Obligations. In general, we support this ED and agree that it meets the GASB’s objectives of providing a single method of reporting conduit debt obligations by issuers and promoting consistency of related note disclosures.

We agree that clarifying “what is a conduit debt obligation” is helpful in producing more consistent reporting. We agree with establishing that a conduit debt obligation is a liability of the third-party obligor; therefore, an issuer would not recognize a conduit debt obligation as a liability. In addition, the new guidance eliminates the option for government issuers to recognize conduit debt obligations, thereby proving a single method of reporting. A single method of reporting is always a positive step towards consistency and comparability among governments.

However, we do not support the requirements of paragraph 20 since we are not recognizing a liability for the conduit debt in the financial statements, we do not feel that note disclosure is warranted. In particular, paragraph 20C appears to be overly burdensome in situations where the debt instrument provides that the third-party obligor will pay the debt holder or trustee directly and the issuer has not committed to any action other than issuing the debt. Requiring this disclosure requires the issuer to track debt instruments for which it has no further involvement once the debt has been issued and has no likelihood of funding debt service payments. We do not believe the benefit would justify the cost of such an administrative burden. At a minimum, we request that paragraph 20C to be removed from the statement.

If you have any questions or need additional information regarding this response, please do not hesitate to contact Marilyn Hanson at (515) 281-4084.

Sincerely,

Jay Cleveland

Jay Cleveland, Chief Operating Officer
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