November 2, 2018

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 State of Arizona, we appreciate the opportunity to respond to the Governmental Accounting Standards Board’s Exposure Draft (ED), *Conduit Debt Obligations*.

We generally agree with the provisions of the ED and believe the requirements will eliminate diversity in practice and enhance comparability in financial statements. I have had the opportunity to review the response to the exposure draft from the National Association of State Auditors, Comptrollers, and Treasurers (NASACT) and concur with that response. However, we would like to emphasize a particular aspect related to the exposure draft that we believe the Board should consider as it finalizes this statement.

The NASACT response included the following comment regarding the proposed requirement in Paragraph 20.C. for the disclosures of conduit debt obligations to include the aggregate outstanding principal amount of all conduit debt obligations that share the same type of commitment(s) at the end of the financial reporting period.

"*Paragraph 20c*

We believe the disclosure required by this portion of the paragraph appears 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 beyond issuing the debt. Requiring this disclosure requires the issuer to track debt instruments for which it has no further involvement once the debt is issued and no likelihood of supporting debt service payments. There does not appear to be any benefit to disclosing the aggregate outstanding principal amounts of such debt that would justify the cost of such an administrative burden. Therefore, we request that this requirement be removed from the paragraph."

We strongly concur with the undue cost-benefit of this requirement for any conduit debt in those instances where the issuer has not committed to any action beyond issuing the debt. These types of issuances do not impact or impair the financial position of the issuer in any respect.
While much of this information may be obtained through research on the Electronic Municipal Market Access (EMMA) system maintained by the Municipal Securities Rulemaking Board (MSRB), it is extremely labor intensive to obtain the outstanding balance information for these issuances. Such extraordinary effort clearly outweighs any related benefit given that these types of conduit debt have no relevance to the financial position of the issuer. Further, despite our exhaustive efforts to obtain such information, we have not been able to obtain updates regarding the outstanding balance as of our fiscal year-end. In these cases, the only information available is the original debt service schedule. Using these as estimates is potentially overstating the outstanding balance since these issuances often include early payment provisions.

As more effective and appropriate alternatives, we recommend that the Board consider requiring the reporting of 1) only the amounts issued during the period; 2) simply disclose that these types of third party obligations have been issued by the reporting entity; or 3) eliminating the requirement to report these particular items altogether.

Again, we appreciate the opportunity to provide our comments and are available to discuss as appropriate. Should you have any questions or need additional information regarding our response, please contact Ron Santa Cruz at (602) 542-6099 or me at (602) 542-5405.

Sincerely,

D. Clark Partridge
State Comptroller

cc: Ron Santa Cruz