Letter to GASB regarding Conduit Debt Obligations Exposure Draft

October 30, 2018

Governmental Accounting Standards Board
Director of Research and Technical Activities
Project No. 26-6

Sent via e-mail to director@gasb.org

As one of the largest issuers of conduit debt in the country the Illinois Finance Authority is pleased that the Governmental Accounting Standards Board is finally tackling the issue of conduit debt obligations.

We agree that the clarified definition of a conduit debt obligation will help the Authority in resolving the uncertainty as to whether a given financing is a conduit debt obligation especially when we have provided a moral obligation pledge. This is an issue which we have struggled with in the past when providing these types of commitments to support debt issues which otherwise meet the definition of a conduit debt obligation. The proposed standard makes it clear that these obligations are conduit debt obligations and we would only report a liability when factors indicate it is more likely than not that we will support debt service payments. We are also in agreement that your proposal to eliminate the existing option for issuers to report conduit debt obligations as their own liabilities will improve financial reporting by requiring all issuers to report similar debt issues in a uniform manner. This will improve comparability in reporting.

We also appreciate and agree with the guidance provided in paragraphs 13 – 18 regarding the accounting principles for Arrangements Associated with Conduit Debt Obligations. These principles will add clarity and conformity to the reporting of these types of arrangements.

In closing we believe the accounting standards promulgated in this proposed standard will enhance the financial reporting of governmental agencies.

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