



September 13, 2019

Mr. David R. Bean, Director of Research and Technical Activities
Project No. 30-1
Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

VIA Email: director@gasb.org

Dear Mr. Bean:

On behalf of the Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments to the Government Accounting Standards Board (GASB/Board) on its Exposure Draft, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* and is respectfully providing feedback on the Board's views.

The FMSB is comprised of 19 members (list attached) with accounting and auditing backgrounds in federal, state and local government, and public accounting. The FMSB reviews and responds to proposed standards and regulations of interest to AGA members. The views of the FMSB do not necessarily represent those of AGA and the local AGA chapters and individual members are also encouraged to comment separately.

We appreciate the Board's efforts in providing guidance for the public-private and public-public partnership arrangements (PPPs) and believe a principles-based approach is necessary with these types of complex arrangements, since arrangements are so varied and individualized. We commend the direction the Board is headed by superseding GASB 60, *Accounting and Financial Reporting for Service Concession Arrangements* (SCAs) with a more general standard that is based largely on the principles of GASB 87. The efforts the Board made in providing the accounting and reporting for the full life cycle of the PPP's assets are appreciated, as well as reference to the applicability of other accounting and financial reporting requirements related to the underlying PPP asset.

We noted in the Summary on page iii the transferor and operator discussions were summarized under each major area of the exposure draft PPPs and Availability Payment Arrangements (APAs). We recommend the Board could enhance the summary using subtitles or bold text to clarify the roles played by each party in the PPPs.

The Introduction section of the exposure draft discusses PPPs and APAs but does not mention SCAs as a PPP variation. We suggest the Board consider adding SCAs to the Introduction section to clarify the effect the potential standard has on SCAs.

One of our members was unclear on why the scope of the standard was limited in paragraph 5 to exchange or exchange-like transactions. For example, some governments will enter into an agreement with a non-profit or another government involving land or a building with consideration of \$1 (that is, a non-exchange transaction) provided the non-profit or other government uses the land or building to carry out some public purpose (operate a soccer field or a clinic or a stadium). As the proposed standard is excluding these types of transactions, we suggest the Board include an explanation for this limitation in Appendix B *Basis for Conclusions*, in the same manner as the answer to Question 4.1 in *Implementation Guide 2019-3, Leases*.

We suggest the Board consider adding the following clarification to the last sentence on page 3 (paragraph 10) "Provisions that allow for termination of a PPP due to (1) payment of all sums due or (2) default on payments are not considered termination options **for determining the PPP term.**" Since the PPP contract could be legally terminated due to default, this clarification would limit the interpretation of this statement to accounting and reporting matters.

We suggest the Board consider adding clarification for paragraph 11 on page 4 regarding the evaluation of the fiscal funding or cancellation clause. We believe that it should be clarified whether the evaluation should be performed at commencement only or at commencement and annually thereafter.

While we understand the Board is considering whether to address deferred maintenance relating to capital assets, the Board may want to consider a discussion of the asset condition and fair market value as part of the footnote disclosure, especially if the underlying asset must be returned in the original (or enhanced condition,) as discussed in paragraph 14. We view the risks posed by failure to properly maintain the assets under these arrangements are important to the preparers, auditors and readers of the financial statements.

In our review of paragraph 33 we had a difficult time understanding the need to record two liabilities for the government operator. We encourage the Board to clarify the different circumstances of recording each or both liabilities pertaining to the transaction.

We believe the APA section (paragraph 65-67) needs better clarification of the type of transaction that would qualify for an APA. We do not believe there is a large enough difference between contractual arrangements based on performance measures or milestones and APAs. We also believe that APAs could conflict with the direction the Board may be heading with the revenue and expense recognition project. We suggest eliminating these provisions until that project is finalized.

Given the complexity of standard, we ask the Board to include a decision-tree for identifying the different types of arrangements. Such an illustration would be beneficial to promote uniformity between preparers and decrease the potential for confusion between PPPs and APAs, should the provisions go forth as proposed. Members of the FMSB include federal auditors and preparers, who shared their experience that a decision tree would have improved the implementation process and provided better consistency implementing a complex transaction.

We appreciate the opportunity to comment on this document and will be pleased to discuss this letter with you at your convenience. If there are any questions regarding the comments in this letter, please contact me at (208)383-4756 or Lmiller@eidebailly.com.

Sincerely,

A handwritten signature in cursive script that reads "Lealan Miller".

Lealan Miller, CGFM, CPA

Chair- AGA Financial Management Standards Board

cc: Ernest A. Almonte, CGFM, CPA, AGA National President
Association of Government Accountants

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