August 30, 2019

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

Dear Mr. Bean:

On behalf of the Tennessee Division of State Audit, we thank the GASB for the opportunity to comment on its proposed Exposure Draft (ED), *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. We generally agree with the board’s proposals, especially including all PPP guidance in one Statement and superseding GASB 60. We also commend the board for maintaining a consistent approach with GASBs 87 and 60. We agree the accounting and financial reporting for leases and SCAs should be similar. This consistency should reduce implementation costs. However, we have some suggestions for improvement for the board’s consideration.

Our comments for the board’s consideration to help improve the document are as follows:

1. We suggest including a decision tree flowchart in an appendix to assist with implementation. We believe a flowchart would help identify more clearly which PPP guidance is applicable (e.g., PPP meeting the leases definition, PPP meeting the SCA definition but not the leases definition, and PPP meeting neither the leases nor the SCA definitions). Also, include references in the flowchart to the applicable requirements and guidance at each decision point. In addition, the notions of asset control (¶B10) and collection of fees (¶B6) could be decision points to distinguish among SCAs, APAs, and other PPPs.

2. On page iii (summary), consider modifying the following sentence from the next to last sentence: “A transferor also would recognize a deferred inflow of resources for the consideration received or to be received by the operator as part of the PPP.”

3. For ¶6b and footnote 4, we have experienced circumstances in which the transferor in a PPP arrangement (potential SCA in particular) will collect dormitory fees for the operator as a matter of convenience (e.g., university dormitory) and remit 100% of those fees to the operator. However, this circumstance does not appear to meet the intent of the
criterion in ¶6b, and therefore, really is not an SCA. We believe the board should consider providing further clarifying guidance for this criterion (¶6b) in footnote 4 or in the basis for conclusions and adding an illustrative university example that would capture these types of differences to clarify when one type of PPP definition is or is not met. For example, illustrations 1 and 2 simply state that all the criteria for an SCA were met; however, providing a “what if” scenario to these illustrations (illustration 1a or 2a) could indicate that one of the SCA criteria was not met (¶6b) and the reason why, so instead of being an SCA, the APA or other PPP guidance would apply.

4. In illustration 3 (page 33), consider changing the accounting treatment language in #2 to the following: “The CBA should recognize a $360 million capital asset related to construction in progress on the bridge.”

Should you have questions or need clarification on any of our comments, please contact Gerry Boaz or me at (615) 747-5262.

Sincerely,

Deborah V. Loveless, CPA
Director, Division of State Audit