We appreciate the opportunity to respond to the exposure draft of a Proposed Statement of the Governmental Accounting Standards Board (the Board) on Public-Private and Public-Public Partnerships and Availability Payment Arrangements. In general, we agree with the Board’s guidance except for the comments noted below.

In Paragraph 7, we found usage of the word “may” to be unclear when listing the activities for which a government compensates an operator in an APA arrangement. If it is the intention of the Board that an APA should be limited to arrangements where only certain types of activities are performed by the operator, we believe using the word “may” leaves room for interpretation and may result in inconsistent application. We also found that the definition of an APA leads us to question how an APA differs from any ordinary construction contract, particularly as it relates to design or construction. As such, we would like to see this paragraph clarified to achieve a better understanding of the Board’s definition.

In Paragraphs 19 and 35, we found the phrase “fixed in substance” to be confusing. We recognize that this phrase is consistent with Paragraphs 21 and 22 in GASB Statement 87, but are also unable to find any clarifying guidance in that Statement. Please consider adding a clarification statement to reflect the Board’s definition of the phrase “fixed in substance” to ensure consistency in application.

We found that the use of the phrase “guarantees and commitments” in Paragraph 30 lead us to question the scope and applicability of the required disclosures. Specifically, we are unclear whether an arrangement with a conditional promise to perform an action contingent on other factors would qualify as a guarantee or commitment. For example, do “guarantees and commitments” apply to revenue sharing or other contingent agreements? We suggest the Board provide a more thorough explanation in the proposed Statement and examples within an accompanying implementation guide question to provide additional clarification.
Upon review of Footnote 12, we believe the footnote is significant and should be included in the body of the proposed Statement. We suggest the Board reconsider the significance of the content and the placement of this footnote.

Lastly, we would like to comment on a more general topic. We are becoming increasingly concerned with the volume of required disclosures and the negative impact of the volume on the usability, timeliness, and cost of financial statements. We understand that preparers do have some discretion in the extent of disclosure, since notes to the financial statements provide necessary disclosures of material items, the omission of which would cause the financial statement to be misleading (GASB Codification 2300.108), but often find that preparers are hesitant to scale back disclosure on account of immateriality. To this end, we fully support the Conceptual Disclosure Framework project being deliberated by the Board, especially as it relates to reviewing all required disclosures holistically and identifying those that are essential to users of the financial statements. However, we encourage the Board not to wait for the conclusion of the new conceptual framework to begin scrutinizing the essentially of footnotes. In this proposed Statement, for example, we do not believe that Paragraph 29(d) provides essential information to the user of the financial statements. The inflow highlighted in the requirement is already recognized in the financial statements, so if the Board is intending to highlight the inflows in order to allow the reader to evaluate the success or failure of the arrangement, we believe that effort would go beyond the scope and purpose of financial reporting as described in GASB Concept Statement 1.

We appreciate the efforts of the Board and the opportunity to provide our comments. Should you have any questions or need additional information concerning our response, please contact Zach Borgerding or me at (804) 225-3350.

Sincerely,

Martha S. Mavredes
Auditor of Public Accounts