September 20, 2010

David Bean
Technical Director
Governmental Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116

Re: Project No. 30

Dear David:

On behalf of the National Association of College and University Business Officers (NACUBO), we submit the following comments on the Exposure Draft (ED), “Accounting and Financial Reporting for Service Concession Arrangements.” NACUBO’s comments on the proposal were developed with input from our member institutions and the association’s Accounting Principles Council (APC). The APC consists of experienced business officers from various types of institutions around the country. Individuals are selected for the APC based on their knowledge and leadership related to higher education accounting and reporting issues and practices.

NACUBO is a nonprofit professional organization representing chief financial and administrative officers at more than 2,100 colleges and universities. Close to 1000 are public institutions. In its capacity as a professional association, NACUBO issues accounting and reporting guidance for the higher education industry and educates more than 2,000 higher education professionals annually on accounting and reporting topics and practices.

Higher education institutions frequently enter into various types of arrangements with private business enterprises to deliver services to university students, faculty and staff. NACUBO appreciates the Board’s approach and attention to this ever evolving area of service partnerships.

**Question #1: Do you agree that the control criteria should be a factor in determining the scope and applicability of this proposed Statement? Why or why not?**

A Service Concession Arrangement (SCA) is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (“facility”) and (2) the operator collects fees from third parties. Such arrangements are entered into to leverage operational expertise, and
provide cost effective and efficient service delivery. Because in such arrangements, the
government is accountable for service delivery and has a service reputation at stake, it seems
logical that the control criteria should be at the heart of the proposed standard. Such a
scenario is very common in public higher education when a public-private relationship exists
to build or operate a student residence hall. In these cases, although the institution is
leveraging outside expertise, the institution retains control. Without the control criteria noted
in paragraph 4 there really is no SCA. When there is an SCA, as defined by the control
criteria, guidance on reporting assets, liabilities, revenues and expenses is needed.

**Question #2: Do you agree that a transferor should report a deferred inflow of
resources, reduced by any liabilities incurred, for consideration received by an
operator? Why or why not?**

We agree. A deferred inflow of resources results from the acquisition of a net asset by the
government that is applicable to a future reporting period. Consequently, any net
consideration received by transferors that can only be recognized in the future – such as
after the termination of the service arrangement – meets the definition of a deferred
inflow of resources.

**Question #3: Do you agree that a governmental operator should report all revenue and
expenses for the service provided, with the transferor recognizing only its portion of the
shared revenue? Why or why not?**

Since the operator has the right and related obligation under the arrangement to provide
services, the operator should report only related revenue and expenses. Consequently the
transferor should recognize only the revenue it is owed under the arrangement agreement.
NACUBO assumes that the governmental operator would record the revenue to the
transferor as an expense under the terms of the arrangement.

In closing, we wish to express our appreciation for the opportunity to comment. We look
forward to answering any questions the Board or the staff may have about our response.
Please direct your questions to Sue Menditto at 202-861-2542 or
sue.menditto@nacubo.org.

Sincerely,

Susan M. Menditto
Director, Accounting Policy