FASAB
THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

Memorandum

P3

November 13, 2024

To: Members of the AAPC

From: Domenic N. Savini, Assistant Director

Thru: Monica R. Valentine, Executive Director/ AAPC Chair

Subject: **Public-Private Partnerships (P3): Revised Proposed Draft Technical Release**

INTRODUCTION

In fiscal year 2012, Public-Private Partnerships (P3s) was added to the agenda because federal agencies were increasingly turning to these risk sharing arrangements or transactions to accomplish their goals, partly considering budget pressures. The overall objective of the project is to make the full costs of such partnerships transparent.

Pursuant to the August 1st Accounting and Auditing Policy Committee (AAPC) meeting, staff will be presenting a revised draft Technical Release document to the Committee on November 20th. Some key revisions include: (1) providing a broad principle for dealing with the overlap of P3 disclosure requirements with reporting and disclosure requirements of other standards; (2) enhancing the guidance related to the integration of disclosures due to other requirements; (3) proposing that that under consolidation accounting, the reporting entity is treated as a single economic entity and thus, SFFAS 49 disclosures would not apply; and (4) adding an appendix that includes the side-by-side disclosure requirements for SFFAS 49, 47, and 54.

Prior changes arising from the May 8th AAPC meeting, the Committee generally agreed to:

1. incorporate an exposure draft question for respondents concerning contingent liabilities guidance and its relationship to SFFAS 49. Upon subsequent review and consideration, the AAPC Chair determined that this matter is outside the AAPC's scope and is a matter for the Board to address and deliberate.
2. include additional Q&As concerning what is meant by harmonization. (Refer to Attachment 1, pages 15 and 18);
3. further develop and explain the flowchart instructions. For example, adopting a waterfall approach. (Refer to Attachment 1, page 23).

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REQUEST FOR FEEDBACK

Committee members are requested to review these materials in advance of the meeting. Members are encouraged to provide comments in advance to Dom as early as possible at savinid@fasab.gov with a cc to Monica at valentinem@fasab.gov.

Please review the attached material including attachments and respond to the five questions in Attachment 3.

For additional information, questions, or suggestions, please contact Dom at savinid@fasab.gov with a cc to Monica at valentinem@fasab.gov.

ATTACHMENTS

1. Proposed Draft Technical Release
2. Proposed Next Steps
3. Questions for the Committee

Proposed Draft Technical Release

ATTACHMENT 2: Proposed Next Steps

~~October 2023 – December 2023~~

- ~~Board reviews an overview of Task Force Technical results~~
- ~~Brief AAPC as appropriate~~

January/February 2024 – April 2024

- ~~Task Force Finalizes work per AAPC and Board guidance~~
- ~~Staff briefs Board on Task Force results~~
- ~~Board decides on how best to communicate results; e.g., SFFAS amendment; interpretation, Technical Bulletin and/or Technical Release.~~

May 2024 – Forward

- Task Force Finalizes work per AAPC and Board guidance
    - ~~May and June – Incorporate AAPC input on Q&As and Flowchart~~
    - ~~August – Brief AAPC and Review Technical Release Exposure Draft~~
    - To be decided – Brief Board and seek approval on Technical Release Exposure Draft for release
    - To be decided - Issue Exposure Draft

Strikethroughs (~~strikethroughs)~~ reflect substantially completed steps as of this memorandum's date.

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Question 1 – Technical Release's Broad Principle

Does the Committee have any additional suggested improvements to the broad principle for dealing with the overlap of P3 disclosure requirements with reporting and disclosure requirements of other standards? If so, what specific changes or edits would the Committee like to propose?

Refer to Attachment 1, pages 13 and 14.

Staff incorporated AAPC member suggested edits arising from the May and August meetings as well as follow-up discussions post the August 1st meeting with the Task Force's Reporting Entity team.

Question 1 - Does the Committee have any additional suggested improvements to the broad principle for dealing with the overlap of P3 disclosure requirements with reporting and disclosure requirements of other standards? If so, what specific changes or edits would the Committee like to propose?

Question 2 – Guidance related to the integration of disclosures

Does the Committee have any additional suggested improvements to the proposed guidance related to the integration of disclosures due to other requirements? If so, what specific changes or edits would the Committee like to propose?

Refer to Attachment 1, paragraphs 29 - 33.

Staff incorporated suggested edits pursuant to follow-up meetings post the August 1st meeting.

Question 2 –
Does the Committee have any additional suggested improvements to the proposed guidance related to the integration of disclosures due to other requirements? If so, what specific changes or edits would the Committee like to propose?

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Question 3 – Consolidation Accounting

Does the Committee agree proposing that that under consolidation accounting, the reporting entity is treated as a single economic entity and thus, SFFAS 49 disclosures would not apply?

Refer to Attachment 1, paragraphs 14 – 15.

Staff incorporated suggested edits pursuant to follow-up meetings post the August 1st meeting.

Question 3 - Does the Committee agree proposing that that under consolidation accounting, the reporting entity is treated as a single economic entity and thus, SFFAS 49 disclosures would not apply?

Question 4 - Side-by-side disclosure requirements

Does the Committee agree to adding an appendix that includes the side-by-side disclosure requirements for SFFAS 49, 47, and 54?

Refer to Attachment 1, Appendix B, pages 33 - 37.

Staff incorporated suggested edits pursuant to follow-up meetings post the August 1st meeting.

Question 4 - Does the Committee agree to adding an appendix that includes the side-by-side disclosure requirements for SFFAS 49, 47, and 54?

Question 5 – Are there any other issues or concerns that the Committee would like for staff to consider? Please note in your response what changes you would recommend be made.

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THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

IMPLEMENTATION GUIDANCE FOR PUBLIC-PRIVATE PARTNERSHIPS

Federal Financial Accounting Technical Release

Exposure Draft

Written comments are requested by [date 90 days after issuance]

Month day, year

(December 2024 or February 2025)

Working Draft – Comments Are Not Requested on This Draft

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General of the United States established the Federal Accounting Standards Advisory Board (FASAB or "the Board") in October 1990. FASAB is responsible for promulgating accounting standards for the United States government. These standards are recognized as generally accepted accounting principles (GAAP) for the federal government.

Accounting standards are typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, federal executives, federal program managers, and other users of federal financial information. FASAB publishes the proposed standards in an exposure draft for public comment. In some cases, FASAB publishes a discussion memorandum, invitation for comment, or preliminary views document on a specific topic before an exposure draft. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standards with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for federal accounting and reporting.

Additional background information and other items of interest are available at www.fasab.gov:

- Memorandum of Understanding among the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board
- Mission statement
- Documents for comment
- Statements of Federal Financial Accounting Standards and Concepts
- Bimonthly newsletters

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The Accounting and Auditing Policy Committee

The Accounting and Auditing Policy Committee (AAPC) was organized in May 1997 by the Department of the Treasury, the Office of Management and Budget, the Government Accountability Office, the Chief Financial Officers Council, and the Council of the Inspectors General on Integrity and Efficiency as a body to research accounting and auditing issues requiring guidance.

The AAPC serves as a permanent committee established by the FASAB. The mission of the AAPC is to assist the federal government in improving financial reporting through the timely identification, discussion, and recommendation of solutions to accounting and auditing issues as they relate to the specific application of existing authoritative literature.

The AAPC is intended to address issues that arise in implementation that are not specifically or fully discussed in federal accounting standards. The AAPC's guidance is cleared by FASAB before being published.

Additional background information on the AAPC is available from FASAB’s website.

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ISSUE DATE December 2024 or February 2025

TO: ALL WHO USE, PREPARE, AND AUDIT FEDERAL FINANCIAL INFORMATION

The Accounting and Auditing Policy Committee (AAPC or "the Committee") requests your comments on the exposure draft of a proposed Federal Financial Accounting Technical Release, *Implementation Guidance for SFFAS 49, Public-Private Partnership: Disclosure Requirements.* Specific questions for your consideration appear on page XX, but you are welcome to comment on any aspect of this proposal. If you do not agree with specific matters or proposals, your response will be most helpful to the Committee if you explain the reasons for your positions and any alternatives you propose.

Responses are requested by DUE DATE.

All comments received by the AAPC are considered public information. Those comments will be posted to the FASAB website and will be included in the project's public record.

Please provide your comments by email to fasab@fasab.gov. We will confirm receipt of your comments. If you do not get a confirmation, please contact our office at 202-512-7350 or fasab@fasab.gov to determine if your comments were received. If you are unable to email your responses, please call (202) 512-7350 to make alternative arrangements.

We may hold one or more public hearings on any exposure draft. No hearing has yet been scheduled for this exposure draft.

Notice of the date and location of any public hearing on this document will be published in the Federal Register and in FASAB's newsletter.

Sincerely,

Monica R. Valentine

FASAB Executive Director & AAPC Chair

EXECUTIVE SUMMARY

This proposed Technical Release (TR) would assist reporting entities in implementing Statement of Federal Financial Accounting Standards (SFFAS) 49, *Public-Private Partnerships: Disclosure Requirements.* SFFAS 49 compliments[1] existing guidance to help ensure adequate disclosure of those arrangements/transactions that either form the basis of or are part of a public-private partnership (P3). Since its issuance on April 27, 2016, questions have arisen concerning how SFFAS 49 ensures adequate disclosure of those arrangements or transactions that either form the basis of or are part of a P3. Given that guidance preceding SFFAS 49 governs various types of long-term arrangements or transactions, practitioners have identified ensuing implementation challenges when applying the SFFAS 49 guidance in light of existing accounting standards. As a result, this TR would provide implementation guidance regarding application of SFFAS 49 in connection with the:

a. General principles for disclosure requirements ,
b. Identification of an entity's P3 risk residing in its arrangements or transactions and application of the SFFAS 49 risk-based characteristics,
c. Considering P3-related entities that require disclosure pursuant to SFFAS 47, *Reporting Entity*,
d. Considering P3-related leases pursuant to SFFAS 54, *Leases*,
e. Coordinating the SFFAS 49 disclosures with other P3-related standards.

As result of the Board's extensive training and outreach, it has identified preparer and auditor concerns primarily related to the application of SFFAS 49. Therefore, the proposed guidance would assist in explaining the inter-relationships between SFFAS 49 and the aforementioned standards that govern certain types of long-term arrangements/transactions to help ensure that: a. integrated information is provided through concise, meaningful, and transparent disclosures, b. disclosures are not duplicative, and c. financial reporting objectives are met in a manner that helps mitigate preparer burden in light of certain identified implementation challenges raised by the financial management community.

Additionally, the substance of this proposed TR may serve as an acceptable analogy for other required Statements in addition to SFAFS 47 *Reporting Entity* or SFFAS 54 *Leases.* Therefore, while this implementation guidance does not specifically address other types of federal activities such as direct loans or loan guarantees, the Committee believes that this proposed TR can be considered when applying SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*, to other types of P3 arrangements or transactions.

[1] Complimenting in this context refers to coordinated efforts and additional actions needed to support, enhance or complete adequate disclosures for all related disclosure requirements.

MATERIALITY

The provisions of this Technical Release need not to be applied to information if the effect of applying the provision(s) is immaterial.[2] A misstatement, including omission of information, is material if, in light of surrounding facts and circumstances, it could reasonably be expected that the judgment of a reasonable user relying on the information would change or be influenced by the correction or inclusion of the information. Materiality should be evaluated in the context of the specific reporting entity. Determining materiality requires appropriate and reasonable judgment in considering the specific facts, circumstances, size, and nature of the misstatement. Consequently, after quantitative and qualitative factors are considered, materiality may vary by financial statement, line item, or group of line items within an entity.

While a significant consideration in determining the materiality of a P3 is the contractual risks of loss to the reporting entity (see SFFAS 49, paragraph 24.d), other quantitative and qualitative considerations may also be relevant. If the P3 is determined to be material, the P3 disclosures should clearly indicate the contractual risks of loss to the reporting entity in accordance with paragraph 24.d, and may include a discussion of the nature, likelihood, and magnitude of the risks of loss, to assist the user in understanding such risks of loss. Disclosure of remote risks of loss should be limited to those included in the terms of the contractual P3 arrangements or transactions. If remote risks of loss are disclosed, an explanation should be included that avoids the misleading inference that there is more than a remote chance of a loss.

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[2] Refer to Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*, chapter 7, titled *Materiality*, for a detailed discussion of the materiality concepts.

TABLE OF CONTENTS

QUESTIONS FOR RESPONDENTS

The Accounting and Auditing Policy Committee (AAPC or "the Committee") encourages you to become familiar with the proposed guidance in the Technical Release (TR) before responding to the questions in this section.

In addition to the questions below, the Committee also welcomes your comments on other aspects of the proposed TR. Because the proposed guidance may be further modified before a final TR is issued, it is important that you comment on aspects that you favor as well as any that you do not favor. Comments that include the reasons for your views are especially appreciated.

The Committee believes that this TR would improve federal financial reporting and contribute to meeting the federal financial reporting objectives. In responding, please consider the expected benefits and challenges and communicate any concerns that you may have regarding this proposed implementation guidance.

To facilitate our analysis of comment letters, it would be helpful if you explain the reasons for your views, including alternatives that you believe the Board and/or the Committee should consider. Please include references to the related paragraph numbers in your responses.

The questions in this section are available in a Microsoft Word file for your use at https://www.fasab.gov/documents-for-comment/. Your responses should be sent to fasab@fasab.gov. If you are unable to email your responses, please call (202) 512-7350 to make alternative arrangements.

All responses are requested by [insert date].

Q1. Do you generally support the proposed additional guidance, including the proposed general principles contained in this Technical Release? Please also explain any alternatives or additional implementation challenges that you suggest the Committee address and the reasons for your position. **Refer to Paragraphs 1 through 7 that discuss this TR's proposed Purpose and Scope**.

Q2. Do you generally support the proposed guidance related to applying the SFFAS 49 risk-based characteristics? Please also explain any alternative solutions to the proposed answer or additional questions that you suggest the Committee address and the reasons for your position. **Refer to Paragraphs 8 - 10. In particular, the proposed Question and Answer.**

Q3. Do you generally support the proposed guidance pertaining to clarifying the inter-relationship between SFFAS 49, *Public-Private Partnerships: Disclosure Requirements* and SFFAS 47, *Reporting Entity*? Please also explain any alternative solutions to the proposed answers or additional questions that you suggest the Committee address and the reasons for your position. **Refer to Paragraphs 11 – 17. In particular, the proposed Questions and Answers.**

Q4. Do you generally support the proposed guidance pertaining to clarifying the inter-relationship between SFFAS 49, *Public-Private Partnerships: Disclosure Requirements* and SFFAS 54, *Leases*? Please also explain any alternative solutions to the proposed answers or additional questions that you suggest the Committee address and the reasons for your position. **Refer to Paragraphs 18 – 28. In particular, the proposed Questions and Answers.**

Q5. Do you generally support the proposed guidance pertaining to the coordination of disclosures when other standards covering long-standing arrangements/transactions also apply? **Refer to Paragraphs 29 -33. In particular, the proposed Question and Answer.**

Q6. Do you generally support the inclusion of (1) the proposed Process Flowchart that illustrates the suggested application of SFFAS 49, *Public-Private Partnerships: Disclosure Requirements* to SFFAS 47, *Reporting Entity* or SFFAS 54, *Leases* and (2) Summary of Disclosure Requirements? If not, why not and please explain any alternative solutions to the proposed material that you suggest the Committee address and the reasons for your position. **Refer to Appendix B, Illustrations.**

Q7. Do you have any comments or suggestions on other aspects of the proposed TR not addressed in the above questions? Please note that these proposals may be further modified before a final TR is issued, as such, it is important that you comment on aspects that you favor as well as any that you do not favor.

INTRODUCTION

PURPOSE

1. This Technical Release (TR) proposes additional guidance to assist federal agencies and their auditors with implementing SFFAS 49 in light of certain implementation challenges brought to the Board's attention. The implementation challenges that would be addressed by this guidance include the following:

Challenges	Brief Description
a. Guidance related to applying the SFFAS 49 risk-based characteristics	Clarifying that reporting entities should complete an evaluation of the structure of P3 agreements and document their reward and risk composition. References: Paragraphs 2 - 7 and 8 – 10.
b. Reporting Entity and Leases	Clarifying inter-relationships between SFFAS 49, *Public-Private Partnerships: Disclosure Requirements* and SFFAS 47, *Reporting Entity* and SFFAS 54, *Leases* to identify potential SFFAS 49 disclosures related to (1) SFFAS 47 disclosures (consolidation entities, disclosure entities, and/or related parties) and (2) SFFAS 54 contracts or arrangements that contain lease component(s) and non-lease component(s) where the purpose of the contracts or arrangement is primarily attributable to the non-lease component(s), such as service component(s) (e.g., embedded leases). References: Paragraphs 2 – 7, for reporting entity paragraphs 11 – 17, for Leases paragraphs 18 – 28 and Appendix B Flowchart.
c. Guidance on coordinating disclosures	Clarifying that the P3 disclosures required by SFFAS 49 do not to alter or affect existing disclosures required by other standards. References: Paragraphs 2 – 7, and Paragraphs 29 - 33

PROPOSED TECHNICAL GUIDANCE

SCOPE

2. Readers of this Technical Release (TR) should first refer to the hierarchy of accounting standards in Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles*, *Including the Application of Standards Issued by the Financial Accounting Standards Board*. This TR supplements the relevant accounting standards but is not a substitute for and does not take precedence over the standards.

3. As previously noted, P3 risk reporting has been raised as a specific implementation challenge and this TR would emphasize that the SFFAS 49 Conclusive and Suggestive Risk based characteristics are designed to assist preparers identify *entity* risks of loss. To that end, entity processes may include identification and consideration of all forms of contractual risks that might supersede or give rise to either conclusive or suggestive risk-based characteristics.

4. This TR is intended to address certain current challenges that agencies are experiencing with implementation. This proposed guidance is a first step in the Board's attempt to improve clarity regarding application of SFFAS 49.

PROPOSED GENERAL PRINCIPLES FOR DISCLOSURES REQUIREMENTS

5. This TR proposes general principles for coordinating SFFAS 49, paragraph 23 Disclosures Requirements. Paragraph 23 of SFFAS 49 requires that disclosures "should be integrated so that concise, meaningful, and transparent information is provided and information is not repetitive." The coordination of SFFAS 49 and other disclosures requires professional judgment in determining where P3 disclosures are included in the notes. For example, some or all P3 disclosures may be in a separate P3 note, while some P3 disclosures may be incorporated into other notes. Because P3s may affect several notes, typically there will be a separate P3 note, with appropriate cross-references to other notes. This proposed TR sets forth the following general principles for applying the requirements of paragraph 23 of SFFAS 49.

6. In preparing SFFAS 49 disclosures, an analysis is needed of any related standards that may have disclosure requirements that overlap or interact with SFFAS 49 disclosures. Examples of such related standards could include the following:

   - Private party entities with which the reporting entity has a P3 arrangement or transaction, including special purpose vehicles (SPVs) or other separate entities, may meet the definitions of disclosure entities or related parties under SFFAS 47[3].
   - P3 arrangements or transactions may result in (1) recognizing balances or transactions (e.g., assets, liabilities, revenues, and/or costs) in the reporting entity's financial statements, as well as disclosing information about them, and/or (2) disclosing other information (e.g., commitments and unrecognized contingencies) based on other standards, such as: Leases under SFFAS 54, Loans or loan guarantees under SFFAS 2, or Liabilities under SFFAS 5.

7. Based on an understanding of the P3 arrangement or transaction and other related standards, consideration should be given to how disclosures could be integrated so that concise, meaningful, and transparent information is provided and information is not repetitive.

   Possible considerations could include whether or not the disclosures of the other related standards provide disaggregated information, which specifically identify individual components (e.g., balances or transactions). For example, the disclosures of the related standards may be aggregated, such that individual components of specific P3-related amounts, are not specifically identifiable. In such instances, a P3 note may indicate the line item where the asset, liability, revenue, or expense is recognized, disclose the amounts related to the P3, and refer to the note where the aggregated data or other information is disclosed. Additionally, a P3 note may discuss a specific lease created as part of a P3 arrangement or transaction, indicate that the lease is recognized as a lease asset and

[3] This TR proposes that if a private partner or SPV in a P3 arrangement or transaction is a consolidation entity (i.e., a component entity of the reporting entity), the risks of loss and any balances or transactions with the consolidated private partner or SPV is intra-entity; and, consistent with consolidation accounting, any financial transactions and balances between the private partner or SPV and the reporting entity would be eliminated. In such cases, there would not be a P3 from a consolidated perspective and accordingly SFFAS 49 would not apply to that relationship.

liability, disclose the amounts related to the P3, and refer to the related lease note, where lease information is aggregated.

Alternatively, where information in a related note is disaggregated, a P3-related asset, liability, revenue, or expense, or other information, may be specifically reported or disclosed as part of another note. For example, a note related to disclosure entities or related parties under SFFAS 47, may include information related to the nature of the P3 relationship and the entity's exposure to risks of loss[4]. In such instances, a P3 note may refer to the related note for more detailed information and not include details in the P3 note.

[4] On the other hand, a P3 note could include the disclosure entity or related party disclosures required by SFFAS 47.

GUIDANCE ON APPLYING SFFAS 49 RISK BASED CHARACTERISTICS

8. SFFAS 49 Paragraph 20 describes certain risk-based characteristics that serve as conclusive evidence that a public-private partnership possesses risk of loss, indicating that disclosures should be provided. If any one of the conclusive risk-based characteristics is met, the P3 arrangement or transaction should be disclosed. Paragraph 21 describes certain suggestive risk-based characteristics that serve as evidence that P3s may possess risk of loss and require disclosure and should be considered in the aggregate. Each suggestive risk-based characteristic requires entity judgment as each characteristic is analyzed in connection with the other suggestive risk characteristics.

9. **A reporting entity's analysis for P3s should include a review of contractual agreements, guarantees, insurance, and indemnification strategies, along with private partner debt and equity. What specific risks within these agreements might give rise to conclusive and suggestive risk characteristics described in Pars. 20-21 when considering the need for disclosures?**

10. By nature, P3s are a form of investment that may also contain debt and equity funding as well and transfer or share various forms of risk among the P3 partners. Reporting entity management should have completed an evaluation of the structure of each agreement and documented the reward and risk composition from each P3 relationship. The various forms of inherent risks documented could give rise to conclusive and/or suggestive risk characteristics requiring disclosure. Those inherent risks entities should evaluate might include, but are not limited to:

    a. Risk the entity or federal government may have to absorb part or all of the project's private debt;
    b. Risks the entity will not achieve expected returns on its investments in limited partnerships;
    c. Risks from the transfer of government assets (including intellectual property) into private hands for extended periods of time;
    d. Risks that the accompanying benefits of a P3 may not be distributed equitably across generations or that the financial costs of the public purpose or public value will not be fulfilled or achieved,

    Risks that the accompanying benefits of a public-private partnership as well as risks that may not be distributed equitably across generations the financial costs of the public purpose or public value will not be fulfilled or achieved (SFFAS 49, Par 2).

    Accordingly, entities would be expected to complete an evaluation of the inherent risks in their P3 agreements or transactions and document their reward and risk composition when ascertaining contractual risks of loss.

GUIDANCE ON APPLYING SFFAS 49 TO SFFAS 47 REPORTING ENTITY

11. A component reporting entity may evaluate and identify a public-private partnership (P3) structural arrangement or transactional arrangement that meets the definition and disclosure requirements of SFFAS 49, *Public-Private Partnerships: Disclosure Requirements* and the reporting principles of SFFAS 47, *Reporting Entity*. This TR proposes the use of a flowchart as well as answering selected questions brought to the task force's attention to help guide practitioners when SFFAS 49 disclosures may need to supplement disclosures for an organization that meets SFFAS 47 criteria.

12. For example, SFFAS 47, paragraph 80 acknowledges that federal entities can have related party relationships with organizations that should be disclosed, especially if those relationships are significant. Where an entity involved in a P3 arrangement or transaction is determined to be a disclosure entity or a related party under SFFAS 47, the respective disclosure requirements of both SFFAS 47 and SFFAS 49 requirements, then SFFAS 49 disclosure requirements should be coordinated.[5].

13. Typical steps in coordinating P3 disclosures with disclosures required by SFFAS 47, *Reporting Entity* include: (1) identifying the entities involved in the P3 arrangement or transaction (e.g., private partners, special purpose vehicles); (2) determine for each identified entity in the P3 whether it is a consolidation entity, disclosure entity, or related party under SFFAS 47, *Reporting Entity*. For related parties, disclosures are required only where related party relationships are of such significance to the reporting entity that it would be misleading to exclude information about such relationships. For any disclosure entities or related parties, related disclosures should be coordinated with P3 disclosures.

14. **If a private entity is consolidated and thus treated as being part of the overall reporting entity's general purpose federal financial reports, does SFFAS 49 apply?**

15. No. The disclosure requirements of SFFAS 49 would not apply to P3s that are consolidated. Consolidation of a P3 entity will aggregate its discrete financial amounts and presentation of information with the individual financial amounts and information of all the organizations that constitute a single economic reporting entity. Please note that consolidation entities as defined herein are considered federal reporting entities and should apply GAAP as defined in SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*. Refer to SFFAS 47, *Reporting Entity*, paragraphs 66 – 68 for applicable guidance.

16. **If you have a P3 arrangement or transaction that meets the SFFAS 47 inclusion criteria and is reported as a disclosure entity or is deemed a related party, which SFFAS 49 disclosures apply?**

17. Professional judgement will be required in determining how SFFAS 47 and SFFAS 49 disclosures are coordinated. Please refer to Appendix B, page 29, Summary of Disclosure Requirements for both SFFAS 49 and SFFAS 47 disclosures. SFFAS 47 and SFFAS 49

[5] Coordination in this context refers to efforts and additional actions needed to support, enhance or complete adequate disclosures for all related disclosure requirements.

have similar disclosure objectives and requirements however, some SFFAS 49 supplemental disclosures specifically for P3 arrangements/transaction could include:

a. A description of federal and non-federal funding of the P3 over its expected life;
b. Expected life determinations and identification of 3rd party payers;
c. In-kind transactions and remote risks and donations;
d. Contractual risk of loss the P3 partners are undertaking, including remote risks and cash flow impacts;
e. Identification of associated financial statement amounts;
f. Private partner borrowings/investments based on government's promise to pay; and
g. Other contractual disclosures.

SFFAS 49 disclosures are intended to be coordinated with other required disclosures, therefore to the extent that the SFFAS 47 disclosures do not provide the information specific to SFFAS 49, supplemental disclosures should be provided in a manner which is cross referenced so that concise, meaningful, and transparent information is provided and information is not duplicated.

For example, a note related to disclosure entities or related parties may include information related to the nature of the P3 relationship and the entity's exposure to risks of loss. In such instances, a P3 note may refer to the related note for more detailed information and not include details in the P3 note. On the other hand, a P3 note may include the disclosure entity or related party disclosures required by SFFAS 47.

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18. When preparers identify a P3 arrangement or transaction that incorporates a lease, the lease component of the P3 arrangement or transaction is subject to the SFFAS 54, *Leases*, reporting requirements. For example, a P3 arrangement or transaction may include a lease or a lease component between the reporting entity and a P3 partner. This TR proposes the use of a flowchart as well as answering selected questions when deciding whether a public-private partnership (P3) as defined in SFFAS 49 disclosures may need to supplement lease reporting in accordance with SFFAS 54.

19. **What are the required disclosures if a lease or lease component meets SFFAS 49?**

20. The lease arrangements or transactions that have a lease component should be initially analyzed against SFFAS 54 definitions and criteria and secondly against SFFAS 49. Likewise, if a lease or lease component is identified as having P3 characteristics, the arrangement or transaction should then be also analyzed against SFFAS 49 criteria. For lease arrangements or transactions meeting P3 disclosure requirements, the lease should be disclosed under SFFAS 49 regardless of whether it is disclosed under SFFAS 54 if determined material. Consistent with SFFAS 49 paragraph 23, if lease arrangements or transactions meet both the SFFAS 54 and SFFAS 49 reporting requirements, the resultant disclosures should be integrated so that concise, meaningful, and transparent information is provided and information is not repetitive. For example, entities may integrate disclosures and provide cross-references among separate disclosures. For lease arrangements not meeting P3 disclosure requirements, the arrangement should only be accounted for in accordance with SFFAS 54.

21. **If a lease or lease component under SFFAS 54 is included in a P3 arrangement or transaction, how might P3 and SFFAS 54 disclosures be coordinated?**

22. Lease disclosures under SFFAS 54 may aggregate information about a lease portfolio and may not include required related P3 disclosures in the lease note. In such instances, a P3 note may discuss the specific related P3 lease disclosures. For example, the P3 note may disclose that the lease is recognized as a lease asset and liability, disclose the amounts related to the P3, and reference the related lease note. Alternatively, the reporting entity may discuss the related P3 lease disclosures in a lease note that is cross-referenced to the P3 note.

23. **A P3 appears to contain an arrangement or contract that may be a lease under SFFAS 54. How can I tell if this is a lease or lease component as opposed to another type of contract or arrangement that permits use of an asset similar to a lease?**

24. Preparers should review the terms P3 arrangement or transaction against SFFAS 54, including paragraphs 2-4 and TR 20 paragraphs 4-19. First, ensure that the definition of a lease is met as defined by SFFAS 54 in paragraph 2, i.e., a contract or agreement is required to convey control of the right to use the underlying asset for a period of time in exchange for consideration. Also, evaluate the arrangement against other SFFAS 54 requirements and exclusions. For example, if a lease or contract allows a private party to use the reporting entity's property without consideration, the arrangement is not a lease

(SFFAS 54, paragraph 2). For example, service concession arrangements generally provide access to contractors for operating or maintaining federal assets, but those contractors cannot deny or regulate access or otherwise control the right to obtain economic benefits and services from the use of the asset; they are merely contracted to operate or maintain the asset under the arrangement.

25. **What characteristics should be considered to help distinguish a lease only meeting SFFAS 54 reporting requirements versus a lease meeting both SFFAS 54 and SFFAS 49 reporting requirements?**

26. A lease arrangement or transaction meeting both SFFAS 54 and SFFAS 49 reporting requirements will typically be (1) a bundled lease (see paragraph 15.b. of SFFAS 49[6] for when unbundled leases are excluded) and (2) meet any one of the SFFAS 49 paragraph 20 conclusive risk characteristics or SFFAS 49 paragraph 21 suggestive risk characteristics in the aggregate.

27. **Are Energy Savings Performance Contracts and Utility Energy Service Contract leases and/or P3s?**

28. Such contracts are alternative financing arrangements and generally would be subject to SFFAS 49. For example, in those cases where energy savings performance contracts and utility energy service contracts meet the definition of a P3 (e.g., SFFAS 49 Conclusive Risk Characteristic #1 paragraph 20), are subject to the SFFAS 49 disclosure requirements. Such arrangements are not typically leases because the (1) government usually does not have the right to control access to the economic benefits or services of the underlying asset and (2) the private party is responsible for the construction and financing of the required equipment and the government usually has no obligation or risk during the construction period. Once the equipment and construction requirements have been accepted and approved by the government, liability and risk are shared with the private party. At the end of the contract period, the reporting entity usually purchases the equipment ending the liability and risk sharing arrangement or transaction.

[6] "…typically arises when parties to a multiple component arrangement agree to include additional non-lease products or services in the multiple component arrangement, some of which might be related or tied directly to the underlying leased product or services (for example, software updates or maintenance). Although these additional products or services are not always expressly identified in the underlying agreement and may be documented in other agreements, they are nonetheless considered "bundled" with the underlying lease agreement."

GUIDANCE ON COORDINATING DISCLOSURES

29. As entities apply the disclosure requirements of SFFAS 49questions have arisen as to which disclosures apply when other standards covering such long-standing arrangements/transactions also apply.

30. ***What does coordination of disclosures between SFFAS 49 and other related standards mean and does this term mean that entities should change or alter existing disclosures required by other standards, such as SFFAS 47, Reporting Entity disclosures?***

31. No, aligning or harmonizing disclosures simply means ensuring that entities coordinate the disclosure requirements of all standards involved without duplicating information in multiple places within their financial report. . As noted in SFFAS 49, Par. 23, "Disclosures should generally accompany the related asset and/or liability display contained within the financial statements." P3 disclosures are intended to supplement existing reporting by exclusively describing the inherent risks of loss to the federal government and assisting users in understanding the nature of P3s. The Board did not intend for the P3 disclosures required by SFFAS 49 to alter or affect existing disclosures required by SFFAS 47, *Reporting Entity* or any other standards for that matter.

    The Board noted that "The resultant disclosures should be integrated so that concise, meaningful, and transparent information is provided and information is not repetitive." (SFFAS 49, Par. 23). As such, entities may include references to existing information across their financial report, where appropriate, to ensure disclosures are integrated. For example, the "Summary of Significant Accounting Policies" note may serve to guide users to the appropriate references within the financial report.

32. Is it appropriate to disclose specific P3-related assets, liabilities, revenues, expenses, or other information in a related note, considering materiality and the level of aggregation of the other note?

33. Yes, in a P3 note, a specific reference may be made to the note where more detailed information is disclosed, and details not included in a P3 note. Also, the other note may refer back to the P3 note.

EFFECTIVE DATE

32. This Technical Release is effective upon issuance.

The provisions of this Technical Release need not be applied to information if the effect of applying the provision(s) is immaterial. Refer to Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*, chapter 7, titled Materiality, for a detailed discussion of the materiality concepts.

APPENDIX A: BASIS FOR CONCLUSIONS

This appendix discusses factors considered significant by Committee members in reaching the conclusions in this guidance. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The guidance enunciated in this Technical Release—not the material in this appendix—should govern the accounting for specific transactions, events, or conditions.

This Technical Release may be affected by later Technical Releases. The FASAB Handbook is updated annually and includes a status section directing the reader to any subsequent Technical Releases that amend this Technical Release. The authoritative sections of the Technical Releases are updated for changes. However, this appendix will not be updated to reflect subsequent changes. The reader can review the basis for conclusions of the amending Technical Release for the rationale for each amendment.

PROJECT HISTORY

A1. At the August 2021 Board meeting members reviewed the results of staff's analysis concerning the FY 2020 note disclosures pursuant to SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*. Staff analyzed the FY 2020 disclosures of all 24 CFO Act agencies and the 16 significant entities. As a result, the majority of the members agreed not to proceed with Phase 2 on measurement and recognition until the Board gained additional insight and research regarding how the P3 definition, exclusions, risk-based characteristics, and materiality guidance contributed to the disclosures or lack thereof in the FY 2020 reporting cycle. As a result, the Board agreed with staff conducting additional research with the assistance of a task force noting (1) why variability in reporting exists regarding public-private partnerships (P3s), (2) why cash flows were not disclosed in some instances and (3) identifying potential broad measurement and recognition options for future consideration. Staff was specifically tasked to recommend any changes, improvements or additional guidance that could be warranted to help address implementation challenges affecting said reporting prior to commencing any substantial Phase 2 activity.

A2. During the last calendar quarter of 2021 staff began (1) researching potential SFFAS 49 implementation issues by initiating a training and outreach tour, (2) identifying potential measurement and recognition approaches, and (3) as appropriate, coordinating with Treasury and OMB to disclose P3 information more consistently among entities. To that end, staff scheduled separate one-on-one meetings with preparers, auditors and policy experts and finally, conducting SFFAS 49 training with federal entities.

A3. Potential Implementation Challenges (ICs)

As a result of the training and outreach tour, staff identified 15 implementation challenges as of September 2022 that the Board reviewed at its October 2022 meeting. Key Board recommendations to staff included:

1. Coordinating the Implementation Challenges with the CFO Council
2. Validating and prioritizing the implementation challenges
3. Communicating technical guidance in a question and answer format
4. Being mindful of the task force composition
5. Assessing how auditors are applying materiality

A4. Task Force Review and Validation of ICs

The highest priority IC's (in order of importance) included: 1st - SFFAS 49 inter-relationships with SFFAS 47 *Reporting Entity* and SFFAS 54 *Leases*; 2nd - Identifying P3 Risk, Materiality and Remote Risk, Distinguishing between uncertainty and risk, and 3rd - (1) Clarifying that cash flow estimates are related to risks and not uncertainties, and that private partner risks of loss are required disclosures and (2) providing examples on how disclosures could be aggregated.

The task force further agreed that the remaining ICs (medium and lowest ranked) could be combined with a higher ranked IC where appropriate and that certain IC's are more operationally or administratively oriented and better suited for Treasury or OMB venues to address.

A5. Training Sessions

During calendar year 2022 a total of 12 training sessions were devoted to SFFAS 49 and hosted by the following federal entities: Department of Justice; Department of Energy; National Geospatial and intelligence Agency; Department of the Treasury; United States Department of Agriculture, Department of Defense; National Aeronautics and Space Administration; Defense Logistics Agency; Health and Human Services; Department of Commerce; Department of Housing and Urban Development-Inspector General; and Department of Homeland Security.

A total of 974 attendees received training which included discussion about SFFAS 49 implementation challenges. Course evaluations documented challenges other than those identified through the one-on-one sessions and were shared with the Board at the October 2022 meeting.

A6. P3 Implementation task force meetings were held between December 2022 and April 2024. Meetings were structured to ensure a complete review of implementation challenges as well as potential FASAB action. The task force prioritized ICs along with proposed FASAB action and in so doing, generally agreed that several of the challenges could be addressed concurrently with one another whereas others were not considered to be under FASAB's direct purview. Sub-groups were formed to address these highest priority challenges and recommending discrete actions such as possible amendments, draft case studies and note illustrations, etc. The P3 Implementation Task Force, which included industry representatives from several public accounting and consulting firms, as well as representatives from the following federal agencies, developed this proposed guidance:

a. Bob Helwig, J.D., PhD.
b. Checco Communications
c. Defense Logistics Agency (DLA)
d. Department of Commerce (DOC)
e. Department of Defense (DOD)
f. Department of Defense (DOD-IG)
g. Department of Energy (DOE)
h. Department of Interior (DOI)
i. Department of Veterans Affairs (VA)
j. First Net
k. General Services Administration (GSA)
l. Housing and Urban Development (HUD)
m. Maximus
n. National Aeronautics and Space Administration (NASA)

A7. The subgroups formed the bases for the recommendations contained in this TR. In reaching its conclusions, the subgroups recognized the overarching need to develop implementation guidance to best address the implementation challenges and concerns raised by the Board. Correspondingly, this TR also recognizes that the financial management information needs of stakeholders, both internal and external, vary by entity given the highly complex nature of some P3s as well as entity specific risk tolerances. As a result, the implementation guidance does not provide a "one-size-fits-all" solution; instead, it is designed to give management a tool on which to base stakeholder financial management information needs.

A8. When applying the principles listed in SFFAS 49, management should develop formalized policies and procedures documenting their decisions. Management is responsible for maintaining adequate documentation on the sources of data and the application of methodologies used when identifying SFFAS 49 P3s for disclosure.

A9. Implementation of SFFAS 49 and this guidance should be an intra-agency effort involving the Chief Financial Officer and respective heads of other functional groups (e.g., Legal, Procurement, Leasing, Facilities, Logistics, etc.) and the various operational business areas.

RISK AND MATERIALITY

MATERIALITY, RISK AND PUBLIC-PRIVATE PARTNERSHIPS

A10. Given that materiality and risk reporting have been raised as specific implementation challenges, this TR would emphasize that SFFAS 49 contains Conclusive and Suggestive Risk based characteristics designed to help preparers identify risks of loss which may be material and warrant further consideration for disclosure. These risk-based characteristics are designed to assist preparers identify and evaluate how much (total) risk resides in an arrangement or transaction and how much of that risk has been (1) transferred to the private partner, (2) shared with the private partner, and (3) retained by the entity. Such an understanding relies on a thorough analysis of the underlying contractual agreements, guarantees, insurance, and indemnification strategies as well as the existence and nature of any underlying private party capital buffer that might exist; that is, the extent of any debt (for example, bonds, loans and notes) and equity (for example, stocks, and other securities representing an ownership interest) participation.

Such consideration should include:

(1) applying materiality cumulatively or in the aggregate;

(2) demonstrating entity accountability to the Public;

3) meeting user needs such as

a) assessing the costs and related risks of entering into such long-term agreements;

(b) assessing the efficiency and effectiveness of these risk-sharing agreements as well as the government's management of its assets and liabilities; and

c) determining how financial resources, budgetary or otherwise, have been obtained and used and whether their acquisition and use were in accordance with the entity's legal authorization.

The proposed TR would also explain that while remote risks of loss deemed material should be limited to those that are included in the contractual terms of the P3 arrangements or transactions, they are nonetheless to be disclosed. Along with this, practitioners would be reminded that materiality assessments require both qualitative and quantitative judgments, specific guidance limiting preparer and auditor considerations would not be appropriate.

APPENDIX B: ILLUSTRATIONS: PROCESS FLOWCHART

This appendix flowchart illustrates the application of the proposed provisions of this Technical Release to assist in SSFAS 49 clarification. Although the following flowchart is outlined as steps, the reviews are typically concurrent and based upon a reporting entity's policies and procedures used during preparation of their financial statements. Application of the proposed provisions of this Technical Release may require assessing facts and circumstances other than those discussed here and require reference to other applicable Technical Releases.

Practitioners are not constrained by the illustration contained herein and may, based on facts and circumstances, evaluate arrangements or transactions for SFFAS 49 applicability using alternate approaches.

Moreover, the flowchart is not intended to provide guidance on determining the application of materiality. Application of the proposed provisions of this Technical Release requires assessing facts and circumstances specific to the P3 arrangements or transactions and the interrelationship with SFFAS 47 or SFFAS 54 and their related Technical Releases. Lastly, although the flowchart is laid out as a step process, preparers can view it as more of a concurrent or "waterfall" process beginning first with SFFAS 47, *Reporting Entity* and then proceeding to SFFAS 54, *Leases,* if applicable prior to aligning disclosures. The suggested steps do not imply that reporting entities develop practices in strict accordance with the flowchart.

PROCESS FLOWCHART: APPLYING SFFAS 49 TO EXISTING STANDARDS

PROCESS FLOWCHART STEPS

1. **First Step – Begin by identifying arrangements or transactions that might be P3s.** Begin by determining if the P3 arrangement or transaction is material to the financial statements.

2. **Second Step – Determine if *SFFAS 47, Reporting Entity* applies**[7]**.** – Identify the entities in the P3 arrangement or transaction (e.g., private partners, special purpose vehicles). Determine if any of the identified entities are consolidation entities, disclosure entities, or related parties under SFFAS 47, Reporting Entity. For related parties, disclosures are required only where related party relationships are of such significance to the reporting entity that it would be misleading to exclude information about such relationships. For any disclosure entities or related parties, related disclosures should be coordinated with P3 disclosure.

[7] In those cases where a private partner or SPV meets the definition of a consolidation entity, there would not be a P3 relationship between the reporting entity and the consolidation entity from a consolidated perspective and, accordingly, SFFAS 49 would not apply to that relationship.

3. **Third Step – Determine if *SFFAS 54, Leases* applies**[8]. Identify balances or types of transactions (e.g., assets, liabilities, revenues, costs), or other disclosures (e.g., commitments and unrecognized contingencies) in the entity's financial statements that are a result/consequence of the P3 arrangement or transaction. As part of the identification, specifically consider technical release guidance related to leases . For each P3 related balance, type of transaction, or other information, identify required or voluntary disclosures related to such balance, type of transaction, or other information.

4. **Last Step – Coordinate Disclosures.** Coordinate disclosures to the extent appropriate. Professional judgment is required in determining the extent of information to include in a P3 note, and/or in a note related to disclosure entities and related parties.

   For example, if in the entity's financial statements there are related P3 disclosures (e.g., narratives, balances or types of transactions such as assets, liabilities, revenues, or costs) required by other standards (e.g., commitments and unrecognized contingencies), information should be coordinated so that concise, meaningful, and transparent information is provided and information is not repetitive.

   It is appropriate to disclose specific P3-related assets, liabilities, revenues, expenses, or other information in a related note, considering materiality and the level of aggregation of the other note. For example, a P3 note may specifically reference another note where more detailed information is disclosed. Conversely, another note may refer back to the P3 note.

   If material to the P3, the P3 note may discuss the specific P3-related balance, transaction or other information; disclose the amounts related to the P3; and refer to the note where related information is incorporated.

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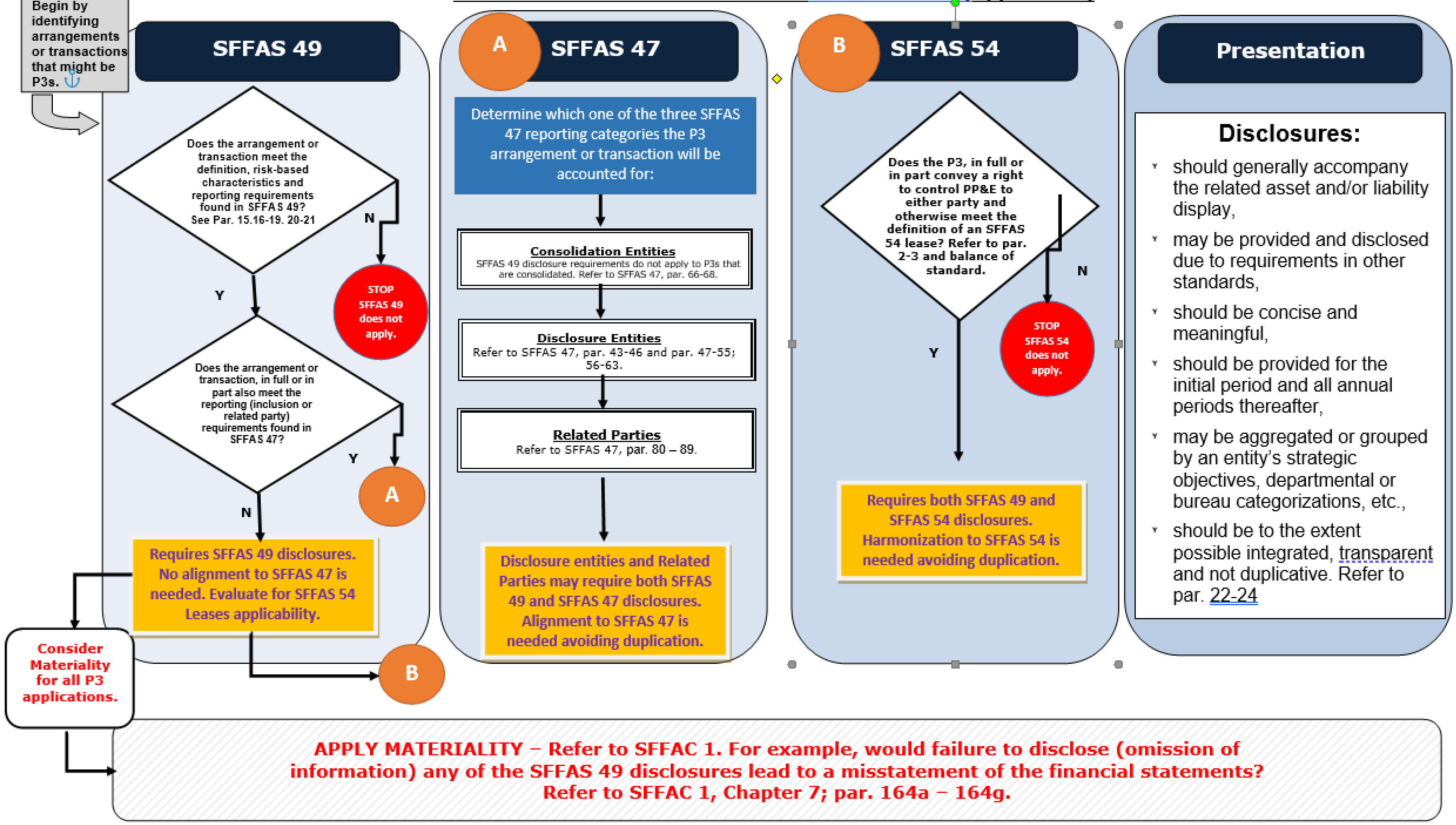
[8] SFFAS 62 amends SFFAS 54 by providing transitional guidance concerning bundled/embedded leases. Bundled or embedded leases may qualify as leases under the transitional guidance provided for in SFFAS 62. However, in such instances where SFFAS 54 disclosures are not required, SFFAS 49 disclosures may still be required. Paragraph A14 of SFAFS 62 notes that the Board is aware that the disclosure requirements of SFFAS 49 may also apply to contracts that contain "embedded leases" and that the transitional accommodation will have no bearing on the ongoing applicability of SFFAS 49 disclosure requirements to such contracts. Please refer to SFAFS 62 for details.

FLOW CHART: ALIGNING SFFAS 49 DISCLOSURES (Appendix B)



APPENDIX B: SUMMARY OF DISCLOSURE REQUIREMENTS

SFFAS 49	SFFAS 47	SFFAS 54
24. **Disclosures should be provided for the initial period and all annual periods** thereafter where an entity is party to a P3 arrangement/transaction. The following information should be disclosed: a. The purpose, objective, and rationale for the P3 arrangement or transaction and the relative benefits/revenues being received in exchange for the government's consideration, monetary and non-monetary; and the entity's statutory authority for entering into the P3. b. A description of federal and non-federal funding of the P3 over its expected life, including the mix and, where available, the amounts of such funding. For any amounts that are not available, the disclosures should indicate such.	74. **For each significant disclosure entity** and aggregation of disclosure entities, information should be disclosed to meet the following objectives: a. Relationship and Organization: The nature of the federal government's relationship with the disclosure entity or entities. b. Relevant Activity: Nature and magnitude of relevant activity during the period and balances at the end of the period. c. Future exposures: A description of financial and non-financial risks, potential benefits and, if possible, the amount of the federal government's exposure to gains and losses from the past or future operations of the disclosure entity or entities. Paragraph 75 provides examples of information that may meet the objectives in paragraph 74.	**Component Reporting Entity Disclosures for Lessors** 54. Lessees should disclose the following regarding lease activities (which may be grouped for purposes of disclosure), other than short-term leases, contracts or agreements that transfer ownership, and intragovernmental leases: a. A general description of its leasing arrangements, including the basis, terms, and conditions on which variable lease payments not included in the lease liability are determined b. The total amount of lease assets and the related accumulated amortization, to be disclosed separately from PP&E assets c. The amount of lease expense recognized for the reporting period for variable lease payments not previously included in the lease liability

SFFAS 49	SFFAS 47	SFFAS 54
c. The operational and financial structure of the P3 including the reporting entity's rights and responsibilities, including: i. A description of the contractual terms governing payments to and from the government over the expected life of the P3 arrangement or transaction to include: 1. explanation of how the expected life was determined 2. the time periods payments are expected to occur 3. whether payments are made directly to each partner or indirectly through a third-party, such as, military housing allowances 4. in-kind contributions/services and donations	89. **For related party relationships of such significance to the reporting entity that it would be misleading to exclude information about such relationships, the following should be disclosed**: a. Nature of the federal government's relationship with the party, including the name of the party or if aggregated, a description of the related parties. Such information also would include, as appropriate, the percentage of ownership interest. b. Other information that would provide an understanding of the relationship and potential financial reporting impact, including financial-related exposures to risk of loss or potential gain to the reporting entity resulting from the relationship.	d. Principal and interest requirements to the end of the lease term, presented separately, for the lease liability for each of the five subsequent years and in five-year increments thereafter e. The amount of the annual lease expense and the discount rate used to calculate the lease liability **Component Reporting Entity Disclosures for Lessors** 67. Lessors should disclose the following regarding lease activities (which may be grouped for purposes of disclosure), other than short-term leases, contracts or agreements that transfer ownership, and intragovernmental leases: a. A general description of its leasing arrangements, including the basis, terms, and conditions on which any variable lease

SFFAS 49	SFFAS 47	SFFAS 54
ii. The amounts received and paid by the government during the reporting period(s) and the amounts estimated to be received and paid in aggregate over the expected life of the P3 d. Identification of the contractual risks of loss the P3 partners are undertaking i. Identification of such contractual risks of loss should include a description of (1) the contractual risk and (2) the potential effect on cash flows if the risks were realized (for example, early termination requirements including related exit amounts and other responsibilities such as asset condition (hand-back) requirements, minimum payment guarantees, escalation clauses, contingent payments, or renewal options).		payments not included in the lease receivable are determined b. The carrying amount of assets on lease by major classes of assets, and the amount of related accumulated depreciation c. The total amount of revenue (for example, lease revenue, interest revenue, and any other lease-related revenue) recognized in the reporting period from leases d. The amount of revenue recognized in the reporting period for variable lease payments and other payments not previously included in the lease receivable, including revenue related to residual value guarantees and termination penalties 68. In addition to the disclosures in paragraph 67, if a federal entity's principal ongoing operations consist of leasing assets through the use of non-intragovernmental leases, the federal

SFFAS 49	SFFAS 47	SFFAS 54
ii. Disclosure of remote risks of loss should be limited to those included in the terms of the contractual P3 arrangements or transactions. If remote risks of loss are disclosed, an explanation should be included that avoids the misleading inference that there is more than a remote chance of a loss. e. As applicable: i. Associated amounts recognized in the financial statements such as gains or losses and capitalized items ii. Significant instances of non-compliances with legal and contractual provisions governing the P3 arrangement or transaction iii. Whether the private partner(s), including any Special Purpose Vehicle (SPV), have borrowed or		entity should disclose a schedule of future lease payments that are included in the lease receivable, showing principal and interest, for each of the five subsequent years and in five-year increments thereafter.

SFFAS 49	SFFAS 47	SFFAS 54
invested capital contingent upon the reporting entity's promise to pay whether implied or explicit iv. Description of events of termination or default		

APPENDIX C: ABBREVIATIONS

CFR	Consolidated Financial Report of the U.S. Government
ED	Exposure Draft
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GASB	Governmental Accounting Standards Board
GPFFR	General Purpose Federal Financial Report
IPSASB	International Public Sector Accounting Standards Board
OMB	Office of Management and Budget
SFAS	Statement of Financial Accounting Standards (FASB)
SFFAC	Statement of Federal Financial Accounting Concepts
SFFAS	Statement of Federal Financial Accounting Standards

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IMPLEMENTATION GUIDANCE FOR PUBLIC-PRIVATE PARTNERSHIPS

Federal Financial Accounting Technical Release

Exposure Draft

Written comments are requested by [date 90 days after issuance]

Month day, year

(December 2024 or February 2025)

Working Draft – Comments Are Not Requested on This Draft

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General of the United States established the Federal Accounting Standards Advisory Board (FASAB or "the Board") in October 1990. FASAB is responsible for promulgating accounting standards for the United States government. These standards are recognized as generally accepted accounting principles (GAAP) for the federal government.

Accounting standards are typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, federal executives, federal program managers, and other users of federal financial information. FASAB publishes the proposed standards in an exposure draft for public comment. In some cases, FASAB publishes a discussion memorandum, invitation for comment, or preliminary views document on a specific topic before an exposure draft. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standards with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for federal accounting and reporting.

Additional background information and other items of interest are available at www.fasab.gov:

- Memorandum of Understanding among the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board
- Mission statement
- Documents for comment
- Statements of Federal Financial Accounting Standards and Concepts
- Bimonthly newsletters

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The Accounting and Auditing Policy Committee

The Accounting and Auditing Policy Committee (AAPC) was organized in May 1997 by the Department of the Treasury, the Office of Management and Budget, the Government Accountability Office, the Chief Financial Officers Council, and the Council of the Inspectors General on Integrity and Efficiency as a body to research accounting and auditing issues requiring guidance.

The AAPC serves as a permanent committee established by the FASAB. The mission of the AAPC is to assist the federal government in improving financial reporting through the timely identification, discussion, and recommendation of solutions to accounting and auditing issues as they relate to the specific application of existing authoritative literature.

The AAPC is intended to address issues that arise in implementation that are not specifically or fully discussed in federal accounting standards. The AAPC's guidance is cleared by FASAB before being published.

Additional background information on the AAPC is available from FASAB’s website.

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ISSUE DATE December 2024 or February 2025

TO: ALL WHO USE, PREPARE, AND AUDIT FEDERAL FINANCIAL INFORMATION

The Accounting and Auditing Policy Committee (AAPC or "the Committee") requests your comments on the exposure draft of a proposed Federal Financial Accounting Technical Release, *Implementation Guidance for SFFAS 49, Public-Private Partnership: Disclosure Requirements.* Specific questions for your consideration appear on page XX, but you are welcome to comment on any aspect of this proposal. If you do not agree with specific matters or proposals, your response will be most helpful to the Committee if you explain the reasons for your positions and any alternatives you propose.

Responses are requested by DUE DATE.

All comments received by the AAPC are considered public information. Those comments will be posted to the FASAB website and will be included in the project's public record.

Please provide your comments by email to fasab@fasab.gov. We will confirm receipt of your comments. If you do not get a confirmation, please contact our office at 202-512-7350 or fasab@fasab.gov to determine if your comments were received. If you are unable to email your responses, please call (202) 512-7350 to make alternative arrangements.

We may hold one or more public hearings on any exposure draft. No hearing has yet been scheduled for this exposure draft.

Notice of the date and location of any public hearing on this document will be published in the Federal Register and in FASAB's newsletter.

Sincerely,

Monica R. Valentine

FASAB Executive Director & AAPC Chair

EXECUTIVE SUMMARY

This proposed Technical Release (TR) would assist reporting entities in implementing Statement of Federal Financial Accounting Standards (SFFAS) 49, *Public-Private Partnerships: Disclosure Requirements.* SFFAS 49 ~~supplements~~compliments[1] existing guidance to help ensure adequate disclosure of those arrangements/transactions that either form the basis of or are part of a public-private partnership (P3). Since its issuance on April 27, 2016, questions have arisen concerning how SFFAS 49 ensures adequate disclosure of those arrangements or transactions that either form the basis of or are part of a P3. Given that guidance preceding SFFAS 49 governs various types of long-term arrangements or transactions, practitioners have identified ensuing implementation challenges when applying the SFFAS 49 guidance in light of existing accounting standards. As a result, this TR would provide implementation guidance regarding application of SFFAS 49 in connection with the:

a. General principles for disclosure ~~R~~requirements ~~for entities to comply with all relevant Statements applicable to long-term arrangements/transactions to help ensure that integrated information is provided to users~~,

b. Identification of an entity's P3 risk residing in its arrangements or transactions and application of the SFFAS 49 risk-based characteristics,

c. Considering ~~Disclosure requirements of SFFAS 49 when preparers identify a~~ P3-related entities that require~~s~~ disclosure pursuant to SFFAS 47, *Reporting Entity*,

d. Considering ~~Disclosure requirements of SFFAS 49 when preparers identify a~~ P3-related leases ~~that requires disclosure~~ pursuant to SFFAS 54, *Leases*,

e. Coordinating ~~Aligning~~ the SFFAS 49 ~~supplemental~~ disclosures with other P3-related standards. ~~to SFFAS 47 *Reporting Entity* or SFFAS 54 *Leases* disclosures.~~

As result of the Board's extensive training and outreach, it has identified preparer and auditor concerns primarily related to the application of SFFAS 49. Therefore, the proposed guidance would assist in explaining the inter-relationships between SFFAS 49 and the aforementioned standards that govern certain types of long-term arrangements/transactions to help ensure that: a. integrated information is provided through concise, meaningful, and transparent disclosures, b. disclosures are not duplicative, and c. financial reporting objectives are met in a manner that helps mitigate preparer burden in light of certain identified implementation challenges raised by the financial management community.

Additionally, the substance of this proposed TR may serve as an acceptable analogy for other required Statements in addition to SFAFS 47 *Reporting Entity* or SFFAS 54 *Leases.* Therefore, while this implementation guidance does not specifically address other types of federal activities such as direct loans or loan guarantees, the Committee believes that this proposed TR can be considered when applying SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*, to other types of P3 arrangements or transactions.

Commented [DS1]: Per 24 Oct mtg - BD requested that we define supplemental not so much as in a subordinate role, but more as being in coordination with other required standards.

Commented [DS2R1]: Per 12 Nov mtg - BD and DS discussed deleting supplemental. Staff suggested doing so but conforming to BDs prior suggestion that supplemental truly means complimenting.

Commented [DS3]: Per 24 Oct Mtg - BD suggested making it clear that all SFFASs must be complied with and not just SFFAS 49 or limited to just SFFAS 47 and 54. See the last paragraph that discusses this in greater detail.

Commented [DS4R3]: Per 12 Nov mtg - final edits per BC. Staff concurs.

Commented [DS5]: Per 12 Nov mtg - final edits per BC. Staff concurs.

Commented [DS6]: Per 12 Nov mtg - final edits per BC. Staff concurs.

Commented [DS7]: Per 12 Nov mtg - final edits per BC. Staff concurs.

Commented [DS8]: Per 24 Oct Mtg - BD requested a Broad principle be established regarding how this guidance can be applied to other standards.

Commented [DS9R8]: Per 12 Nov mtg - BD and DS agreed to retaining this paragraph.

[1] ~~Supplement~~ Complimenting in this context refers to coordinated efforts and additional actions needed to support, enhance or complete adequate disclosures for all related disclosure requirements.

MATERIALITY

The provisions of this Technical Release need not to be applied to information if the effect of applying the provision(s) is immaterial.[2] A misstatement, including omission of information, is material if, in light of surrounding facts and circumstances, it could reasonably be expected that the judgment of a reasonable user relying on the information would change or be influenced by the correction or inclusion of the information. Materiality should be evaluated in the context of the specific reporting entity. Determining materiality requires appropriate and reasonable judgment in considering the specific facts, circumstances, size, and nature of the misstatement. Consequently, after quantitative and qualitative factors are considered, materiality may vary by financial statement, line item, or group of line items within an entity.

While a significant consideration in determining the materiality of a P3 is the contractual risks of loss to the reporting entity (see SFFAS 49, paragraph 24.d), other quantitative and qualitative considerations may also be relevant. If the P3 is determined to be material, the P3 disclosures should clearly indicate the contractual risks of loss to the reporting entity in accordance with paragraph 24.d, ~~including~~ and may include a discussion of the nature, likelihood, and magnitude of the risks of loss, to assist the user in understanding such risks of loss. Disclosure of remote risks of loss should be limited to those included in the terms of the contractual P3 arrangements or transactions. If remote risks of loss are disclosed, an explanation should be included that avoids the misleading inference that there is more than a remote chance of a loss.

Commented [DS10]: 4 November addition per B. Dacey. No edits are proposed by staff.

Staff notes that RRs of loss are limited to the arrangements/transactions and NOT the agreements as Mr. Dacey states.

Task Force 7 Nov review - ***the edit is rather adding new and specific disclosure requirements that are not specified in SFFAS 49 paragraph 24.d. – the more generalized disclosure requirement in 24.d.i. "description of (1) the contractual risk"***.

8 Nov - Staff suggests making this optional by indicating that the nature, likelihood, a49 amendment.

Commented [DS11R10]: 13 Nov mtg - BD and DS agreed to optional by using "may include."

~~MATERIALITY, RISK AND PUBLIC-PRIVATE PARTNERSHIPS~~

~~Given that materiality and risk reporting have been raised as specific implementation challenges, this TR would emphasize that SFFAS 49 contains Conclusive and Suggestive Risk based characteristics designed to help preparers identify risks of loss which may be material and warrant further consideration for disclosure. These risk-based characteristics are designed to assist preparers identify and evaluate how much (total) risk resides in an arrangement or transaction and how much of that risk has been (1) transferred to the private partner, (2) shared with the private partner, and (3) retained by the entity. Such an understanding relies on a thorough analysis of the underlying contractual agreements, guarantees, insurance, and indemnification strategies as well as the existence and nature of any underlying private party capital buffer that might exist; that is, the extent of any debt (for example, bonds, loans and notes) and equity (for example, stocks, and other securities representing an ownership interest) participation.~~

~~Such consideration should include:~~

~~(1) applying materiality cumulatively or in the aggregate;~~

~~(2) demonstrating entity accountability to the Public;~~

~~(3) meeting user needs such as~~

~~(a) assessing the costs and related risks of entering into such long-term agreements;~~

[2] Refer to Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*, chapter 7, titled *Materiality*, for a detailed discussion of the materiality concepts.

~~(b) assessing the efficiency and effectiveness of these risk-sharing agreements as well as the government's management of its assets and liabilities; and~~

~~(c) determining how financial resources, budgetary or otherwise, have been obtained and used and whether their acquisition and use were in accordance with the entity's legal authorization.~~

~~The proposed TR would also explain that while remote risks of loss deemed material should be limited to those that are included in the contractual terms of the P3 arrangements or transactions, they are nonetheless to be disclosed. Along with this, practitioners would be reminded that materiality assessments require both qualitative and quantitative judgments, specific guidance limiting preparer and auditor considerations would not be appropriate~~.

Commented [DS12]: 24 October meeting - Per MV and BD - the Basis for Conclusions is more appropriate for this section. See addition to BFC new par. A 10.

TABLE OF CONTENTS

QUESTIONS FOR RESPONDENTS

The Accounting and Auditing Policy Committee (AAPC or "the Committee") encourages you to become familiar with the proposed guidance in the Technical Release (TR) before responding to the questions in this section.

In addition to the questions below, the Committee also welcomes your comments on other aspects of the proposed TR. Because the proposed guidance may be further modified before a final TR is issued, it is important that you comment on aspects that you favor as well as any that you do not favor. Comments that include the reasons for your views are especially appreciated.

The Committee believes that this TR would improve federal financial reporting and contribute to meeting the federal financial reporting objectives. In responding, please consider the expected benefits and challenges and communicate any concerns that you may have regarding this proposed implementation guidance.

To facilitate our analysis of comment letters, it would be helpful if you explain the reasons for your views, including alternatives that you believe the Board and/or the Committee should consider. Please include references to the related paragraph numbers in your responses.

The questions in this section are available in a Microsoft Word file for your use at https://www.fasab.gov/documents-for-comment/. Your responses should be sent to fasab@fasab.gov. If you are unable to email your responses, please call (202) 512-7350 to make alternative arrangements.

All responses are requested by [insert date].

Q1. Do you generally support the proposed additional guidance, including the proposed general principles contained in this ~~addressed by the~~ Technical Release? Please also explain any alternatives or additional implementation challenges that you suggest the Committee address and the reasons for your position. **Refer to Paragraphs 1 through 7 that discuss this TR's proposed Purpose and Scope**.

Commented [DS13]: Per 12 Nov mtg - final edits per BC and DS. Staff concurs and suggests simply adding this to Q1.

Q2. Do you generally support the proposed guidance related to applying the SFFAS 49 risk-based characteristics? Please also explain any alternative solutions to the proposed answer or additional questions that you suggest the Committee address and the reasons for your position. **Refer to Paragraphs 8 - 10. In particular, the proposed Question and Answer.**

Q3. Do you generally support the proposed guidance pertaining to clarifying the inter-relationship between SFFAS 49, *Public-Private Partnerships: Disclosure Requirements* and SFFAS 47, *Reporting Entity*? Please also explain any alternative solutions to the proposed answers or additional questions that you suggest the Committee address and the reasons for your position. **Refer to Paragraphs 11 – 17. In particular, the ~~four~~ proposed Questions and Answers.**

Q4. Do you generally support the proposed guidance pertaining to clarifying the inter-relationship between SFFAS 49, *Public-Private Partnerships: Disclosure Requirements* and SFFAS 54, *Leases*? Please also explain any alternative solutions to the proposed answers or additional questions that you suggest the Committee address and the reasons for your position. **Refer to Paragraphs 18 – 28. In particular, the ~~four~~ proposed Questions and Answers.**

Q5. Do you generally support the proposed guidance pertaining to the ~~alignment~~ coordination of disclosures when other standards covering long-standing arrangements/transactions also apply? **Refer to Paragraphs 29 -33. In particular, the proposed Question and Answer.**

Commented [DS14]: Per 5 Nov mtg with BD and MV

Q6. Do you generally support the inclusion of (1) the proposed Process Flowchart that illustrates the suggested application of SFFAS 49, *Public-Private Partnerships: Disclosure Requirements* to SFFAS 47, *Reporting Entity* or SFFAS 54, *Leases* and (2) Summary of Disclosure Requirements? If not, why not and please explain any alternative solutions to the proposed ~~flowchart~~ material that you suggest the Committee address and the reasons for your position. **Refer to Appendix B, Illustrations.**

Commented [DS15]: 6 November Staff edit to include the disclosure requirement table.

Q7. Do you have any comments or suggestions on other aspects of the proposed TR not addressed in the above questions? Please note that these proposals may be further modified before a final TR is issued, as such, it is important that you comment on aspects that you favor as well as any that you do not favor.

INTRODUCTION

PURPOSE

1. This Technical Release (TR) proposes additional guidance to assist federal agencies and their auditors with implementing SFFAS 49 in light of certain implementation challenges brought to the Board's attention. The implementation challenges that would be addressed by this guidance include the following:

Challenges	Brief Description
a. Guidance related to applying the SFFAS 49 risk-based characteristics	Clarifying that reporting entities should complete an ~~comprehensive~~ evaluation of the structure of P3 agreements and document their reward and risk composition. References: Paragraphs 2 - 7 and 8 – 10.
b. Reporting Entity and Leases	Clarifying inter-relationships between SFFAS 49, *Public-Private Partnerships: Disclosure Requirements* and SFFAS 47, *Reporting Entity* and SFFAS 54, *Leases* to identify potential SFFAS 49 disclosures related to (1) SFFAS 47 disclosures (consolidation entities, disclosure entities, and/or related parties) and (2) SFFAS 54 contracts or arrangements that contain lease component(s) and non-lease component(s) where the purpose of the contracts or arrangement is primarily attributable to the non-lease component(s), such as service component(s) (e.g., embedded leases). References: Paragraphs 2 – 7, for reporting entity paragraphs 11 – 17~~9~~, for Leases paragraphs 18~~20~~ – 28~~9~~ and Appendix B Flowchart.
c. Guidance on coordinating~~aligning~~ disclosures	Clarifying that the P3 disclosures required by SFFAS 49 do not to alter or affect existing disclosures required by ~~SFFAS 47, *Reporting Entity* or any~~ other standards~~ for that matter~~. References: Paragraphs 2 – 7, and Paragraphs 29~~30~~ - 33~~4~~

Commented [SDN16]: Per BD 12 Nov - guidance should not dictate or require ways for management to support their assertions as each entity will do this based on different and diverse factors.

Staff concurs subject to Treasury's concurrence. See deletion of "comprehensive."

Commented [DS17]: 30 Oct 2024 - Staff edit: simplify and not isolate SFFAS 47 as it creates potential confusion as to why SFFAS 54 is not also mentioned.

PROPOSED TECHNICAL GUIDANCE

SCOPE

2. Readers of this Technical Release (TR) should first refer to the hierarchy of accounting standards in Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles*, *Including the Application of Standards Issued by the Financial Accounting Standards Board*. This TR supplements the relevant accounting standards but is not a substitute for and does not take precedence over the standards.

3. As previously noted, P3 risk reporting has been raised as a specific implementation challenge and this TR would emphasize that the SFFAS 49 Conclusive and Suggestive Risk based characteristics are designed to assist preparers identify *entity* risks of loss. To that end, entity processes may include identification and consideration of all forms of contractual risks that might supersede or give rise to either conclusive or suggestive risk-based characteristics.

4. This TR is intended to address certain current challenges that agencies are experiencing with implementation. This proposed guidance is a first step in the Board's attempt to improve clarity regarding application of SFFAS 49.

PROPOSED GENERAL PRINCIPLES FOR DISCLOSURES REQUIREMENTS

5. This TR proposes general principles for coordinating SFFAS 49, paragraph 23 Disclosures Requirements. Paragraph 23 of SFFAS 49 requires that disclosures "should be integrated so that concise, meaningful, and transparent information is provided and information is not repetitive." The coordination of SFFAS 49 and other disclosures requires professional judgment in determining where P3 disclosures are included in the notes. For example, some or all P3 disclosures may be in a separate P3 note, while some P3 disclosures may be incorporated into other notes. Because P3s may affect several notes, typically there will be a separate P3 note, with appropriate cross-references to other notes. This proposed TR ~~The~~ sets forth the following ~~are~~ general principles for applying the requirements of paragraph 23 of SFFAS 49.

6. In preparing SFFAS 49 disclosures ~~to meet the requirements of SFFAS 49~~, an analysis is needed of any related standards that may have disclosure requirements that ~~may~~ overlap or interact with SFFAS 49 disclosures. Examples of such related standards could include the following:

- Private party entities with which the reporting entity has a P3 arrangement or transaction, including special purpose vehicles (SPVs) or other separate entities, may meet the definitions of disclosure entities or related parties under SFFAS 47[3].
- P3 arrangements or transactions may result in (1) recognizing balances or transactions (e.g., assets, liabilities, revenues, and/or costs) in the reporting entity's financial statements, as well as disclosing information about them, and/or (2) disclosing other information (e.g., commitments and unrecognized contingencies) based on other standards, such as: Leases under SFFAS 54, Loans or loan guarantees under SFFAS 2, or Liabilities under SFFAS 5.

7. Based on an understanding of the P3 arrangement or transaction and other related standards, consideration should be given to how disclosures could be integrated so that concise, meaningful, and transparent information is provided and information is not repetitive.

   Possible considerations could include whether or not the disclosures of the other related standards provide disaggregated information, which specifically identify individual components (e.g., balances or transactions). For example, the disclosures of the related standards may be aggregated, such that individual components of ~~, such as~~ specific P3-related amounts, are not specifically identifiable~~disclosed~~. In such instances, a P3 note may indicate the line item where the asset, liability, revenue, or expense is recognized, disclose the amounts related to the P3, and refer to the note where the aggregated data or other information is disclosed. Additionally~~For example~~, a P3 note may discuss a specific lease created as part of a P3 arrangement or transaction, indicate that the lease is recognized as

[3] This TR proposes that if a private partner or SPV in a P3 arrangement or transaction is a consolidation entity (i.e., a component entity of the reporting entity), the risks of loss and any balances or transactions with the consolidated private partner or SPV is intra-entity; and, consistent with consolidation accounting, any financial transactions and balances between the private partner or SPV and the reporting entity ~~such arrangement or transaction~~would be eliminated. In such cases, there would not be a P3 from a consolidated perspective and accordingly SFFAS 49 would not apply to that relationship.

Commented [DS18]: 5 November Meeting with BD. Per M. Valentine.

Move this entire section to the authoritative portion of the document. The prior draft Version had this language before the ToC I think immediately after the "Materiality" language.

Commented [DS19]: 4 Nov 2024 staff note: language will be changed after the exposure period and deliberations are concluded.

Commented [DS20]: 5 November Meeting with BD. Per M. Valentine. A TR cannot establish as it infers the setting of Level A GAAP.

Staff: I deleted "establish" and changed the beginning to read that "This TR proposes."

Commented [DS21]: One might argue that summarized information in fact discloses the discrete P3 related amounts.

To avoid confusion, staff suggests this clarifying edit to conform with the first sentence language: "...specifically identifiable components….".

7 Nov TF Review - Eliminations should not be limited to just arrangements or transactions because a P3 arrangement or transaction can include a) financial activity; and/or b) non-financial activity. Emphasis on "any" financial transaction, etc.

8 Nov - Staff concurs. See edits.

a lease asset and liability, disclose the amounts related to the P3, and refer to the related lease note, where lease information is aggregated.

Alternatively, where information in a related note is disaggregated, a P3-related asset, liability, revenue, or expense, or other information, may be specifically reported or disclosed as part of another note. For example, a note related to disclosure entities or related parties under SFFAS 47, may include information related to the nature of the P3 relationship and the entity's exposure to risks of loss[4]. In such instances, a P3 note may refer to the related note for more detailed information and not include details in the P3 note.

[4] On the other hand, a P3 note could include the disclosure entity or related party disclosures required by SFFAS 47.

GUIDANCE ON APPLYING SFFAS 49 RISK BASED CHARACTERISTICS

8. SFFAS 49 Paragraph 20 describes certain risk-based characteristics that serve as conclusive evidence that a public-private partnership possesses risk of loss, indicating that disclosures should be provided. If any one of the conclusive risk-based characteristics is met, the P3 arrangement or transaction should be disclosed. Paragraph 21 describes certain suggestive risk-based characteristics that serve as evidence that P3s may possess risk of loss and require disclosure and should be considered in the aggregate. Each suggestive risk-based characteristic requires entity judgment as each characteristic is analyzed in connection with the other suggestive risk characteristics.

9. **A reporting entity's analysis for P3s should include a review of contractual agreements, guarantees, insurance, and indemnification strategies, along with private partner debt and equity. What specific risks within these agreements might give rise to conclusive and suggestive risk characteristics described in Pars. 20-21 when considering the need for disclosures?**

10. By nature, P3s are a form of investment that may also contain debt and equity funding as well and transfer or share various forms of risk among the P3 partners. Reporting entity management should have completed an ~~comprehensive~~ evaluation of the structure of each agreement and documented the reward and risk composition from each P3 relationship. The various forms of inherent risks documented could give rise to conclusive and/or suggestive risk characteristics requiring disclosure. Those inherent risks entities should evaluate might include, but are not limited to:

    a. Risk the entity or federal government may have to absorb part or all of the project's private debt;
    b. Risks the entity will not achieve expected returns on its investments in limited partnerships;
    c. Risks from the transfer of government assets (including intellectual property) into private hands for extended periods of time;
    d. Risks that the accompanying benefits of a P3 may not be distributed equitably across generations or that the financial costs of the public purpose or public value will not be fulfilled or achieved,
    ~~e.~~ ~~"Opportunity costs" (costs along with~~ Risks that the accompanying benefits of a public-private partnership as well as risks that may not be distributed equitably across generations~~) (SFFAS 49, Par. 2), along with~~ the financial costs of the public purpose or public value will not be fulfilled or achieved (SFFAS 49, Par 2).~~; and~~

~~f. "Opportunity cost" of procurement: "absorb losses greater than other alternative procurement methods or competing in-house performance."~~

Accordingly, entities would be expected to ~~should~~complete an ~~comprehensive~~ evaluation of the inherent risks in their P3 agreements or transactions and document their reward and risk composition when ascertaining contractual risks of loss.

Commented [DS22]: 30 Oct 2024 - Staff edit: specify what is being referred to.

Commented [SDN23]: Per BD 12 Nov - guidance should not dictate or require ways for management to support their assertions as each entity will do this based on different and diverse factors.

Staff concurs subject to Treasury's concurrence. See deletion of "comprehensive."

Commented [DS24]: Per Brian Casto email dated 30 November 2024 - Assessing "Opportunity costs" alone and comparing to other methods of funding for every procurement agreement goes beyond the scope of what the Board intended and too cost-burdensome.

Staff notes: Result of recent Treasury meeting with GAO's BD and JO.

7 Nov TF Review - improper grammar. Rephrase.

8 Nov - Staff concurs. See edits. Please see newly inserted par. D and par. E will be deleted in its entirety.

Commented [DS25]: Per Brian Casto email dated 30 November 2024. See above,

Commented [DS26]: 30 Oct 2024 - Staff edit: consistent with Mr. Dacey's position on assessing risk first from a macro viewpoint, then down to the more granular "contractual risk of loss."

Commented [DS27]: 7 Nov TF Review - do not establish a requirement in a Level C document. Possible SFFAS 49 amendment.

8 Nov - Staff suggests softening the language from "should" to "would be expected to".

Possible SFFAS 49 amendment.

Commented [SDN28]: Per BD 12 Nov - guidance should not dictate or require ways for management to support their assertions as each entity will do this based on different and diverse factors.

Staff concurs subject to Treasury's concurrence. See deletion of "comprehensive."

GUIDANCE ON APPLYING SFFAS 49 TO SFFAS 47 REPORTING ENTITY

11. A component reporting entity may evaluate and identify a public-private partnership (P3) structural arrangement or transactional arrangement that meets the definition and disclosure requirements of SFFAS 49, *Public-Private Partnerships: Disclosure Requirements* and the reporting principles of SFFAS 47, *Reporting Entity*. This TR proposes the use of a flowchart as well as answering selected questions brought to the task force's attention to help guide practitioners when SFFAS 49 disclosures may need to supplement disclosures for an organization that meets SFFAS 47 criteria.

12. For example, SFFAS 47, paragraph 80 acknowledges that federal entities can have related party relationships with organizations that should be disclosed, especially if those relationships are significant. Where an entity involved in a P3 arrangement or transaction is determined to be a disclosure entity or a related party under SFFAS 47, the respective disclosure requirements of ~~arrangement is found to meet~~ both SFFAS 47 and SFFAS 49 requirements, then SFFAS 49 disclosure requirements should be coordinated.[5]~~that are not covered by SFFAS 47 disclosures should be made~~.

13. Typical steps in coordinating P3 disclosures with disclosures required by SFFAS 47, *Reporting Entity* include: (1) identifying the entities involved in the P3 arrangement or transaction (e.g., private partners, special purpose vehicles); (2) determine for each identified entity in the P3 whether it is a consolidation entity, disclosure entity, or related party under SFFAS 47, *Reporting Entity*. For related parties, disclosures are required only where related party relationships are of such significance to the reporting entity that it would be misleading to exclude information about such relationships. For any disclosure entities or related parties, related disclosures should be coordinated with P3 disclosures.

14. **If a private entity is consolidated and thus treated as being part of the overall reporting entity's general purpose federal financial reports, does SFFAS 49 apply?**

15. ~~Yes~~No. The disclosure requirements of SFFAS 49 would not apply to P3s that are consolidated. Consolidation of a P3 entity will aggregate its discrete financial amounts and presentation of information with the individual financial amounts and information of all the organizations that constitute a single economic reporting entity. Please note that consolidation entities as defined herein are considered federal reporting entities and should apply GAAP as defined in SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*. Refer to SFFAS 47, *Reporting Entity*, paragraphs 66 – 68 for applicable guidance. ~~Consolidation of a private entity that meets the SFFAS 47 consolidation requirements does not extinguish the nature or character of the risk sharing relationship that may exist between the government entity and the private entity. To that end, if SFFAS 49 disclosure is required, supplemental disclosures should be provided in a manner which cross references SFFAS 47 so that concise, meaningful, and transparent information is provided and information is not duplicated.~~

[5] Coordination in this context refers to efforts and additional actions needed to support, enhance or complete adequate disclosures for all related disclosure requirements.

Commented [DS29]: 13 Nov - Staff conforming edit in accordance with BD and DS Executive Summary edits; see foot note 1.

Commented [DS30]: 12 Nov and 13 Nov BD and DS discussion. Staff concurs and suggests adding a preceding paragraph before the Q&A begins.

Commented [DS31]: 24 October 2025 - BD asked we change this to No given the economic disposition of consolidated entities into one overall reporting entity. I spoke with Dr. J. Baker a co-leader on the Reporting Entity P3 team who argued for this position and he graciously agreed not to insist given that consolidated P3s will be required to address risk quite extensively as they will be required to comply with all FASAB standards and not just SFFAS 49. As such, staff will adjust language to the answer.

See change to APPDX B Flowchart instructions under reporting entity.

~~16. **Consolidation entities as defined on SFFAS 47 are considered federal reporting entities. If a reporting entity is treating a consolidation entity as part of its general purpose federal financial reports, does the consolidation process change a private entity into a public entity? If so, then wouldn't the SFFAS 49 requirements not apply?**~~

~~17.~~16. ~~No. the consolidation process does not change the legal nature and character of the private entity. Component reporting entities' GPFFRs must include all consolidation entities and disclosure entities for which they are accountable so that both the component reporting entity and government-wide GPFFRs are complete.~~ **If you have a P3 arrangement or transaction that meets the SFFAS 47 inclusion criteria and is ~~(consolidated or~~ reported as a disclosureed~~)~~ entity or is deemed a related party, which SFFAS 49 disclosures apply? ~~That is, how do you align disclosures?~~**

~~18.~~17. Professional judgement will be required in determining how SFFAS 47 and SFFAS 49 disclosures are coordinated. Please refer to Appendix B, page 29, Summary of Disclosure Requirements for both SFFAS 49 and SFFAS 47 ~~, paragraph 24 for the complete list of~~ disclosures ~~requirements~~. SFFAS 47 and SFFAS 49 have similar disclosure objectives and requirements however, some SFFAS 49 supplemental disclosures specifically for P3 arrangements/transaction could include:

a. A description of federal and non-federal funding of the P3 over its expected life;
b. Expected life determinations and identification of 3rd party payers;
c. In-kind transactions and remote risks and donations;
d. Contractual risk of loss the P3 partners are undertaking, including remote risks and cash flow impacts;
e. Identification of associated financial statement amounts;
f. Private partner borrowings/investments based on government's promise to pay; and
g. Other contractual disclosures.

SFFAS 49 disclosures are intended to be coordinated with other required disclosures~~supplemental~~, therefore to the extent that the SFFAS 47 disclosures do not provide the information specific to SFFAS 49, supplemental disclosures should be provided in a manner which is cross referenced so that concise, meaningful, and transparent information is provided and information is not duplicated.

For example, a note related to disclosure entities or related parties may include information related to the nature of the P3 relationship and the entity's exposure to risks of loss. In such instances, a P3 note may refer to the related note for more detailed information and not include details in the P3 note. On the other hand, a P3 note may include the disclosure entity or related party disclosures required by SFFAS 47.

~~19. **A P3 has been identified and it appears to also meet the SFFAS 47 criteria for related parties because the partner seems to have the ability to exercise significant influence over the P3. How do I determine if the SFFAS 47 disclosure requirements for a related party also apply?**~~

~~20. Preparers should review the P3's operational and financial structure including the reporting entity's rights and obligation against the SFFAS 47 criteria for a related party, including paragraph 82 that discusses significant influence, and paragraph 85 that discusses related~~

Commented [DS32]: 28 Oct 2024 - Task Force Reporting Entity Team Review - delete par. 12 and 13 since they concur that consolidated entities need not comply with SFFAS 49.

Commented [DS33]: 28 Oct 2024 - Task Force Reporting Entity Team Review - eliminate reference to consolidated entities.

Commented [DS34]: 13 Nov - staff edit.

Commented [DS35]: Per 12 Nov BD edits - Staff concurs with adding in the new Appendix reference but suggest retaining the task force's recommendation to provide differences that exist which preparers/auditors need to consider.

Commented [DS36]: Per B. Dacey on 24 Oct meeting. Supplemental really means coordinated.

Commented [DS37]: 12 Nov BD edit. Staff concurs with additional language.

~~parties. Where a related party is determined, SFFAS 49 disclosure should be aligned with SFFAS 47 to provide supplemental information and reference.~~

.

Commented [DS38]: 12 Nov - BD suggested deleting these two paragraphs addressing RPs and significant influence.

As of 13 Nov the Reporting Entity team partially agrees but suggests a BFC discussion. The TF reserves the right to still review this and will advise accordingly. Staff notes that the original question was really about addressing significant influence and during the multiple iterations and peer review of this document, that's been lost. As such, I don't see any harm keeping it in but its relative value is questionable unless the TF Reporting Entity team reframes the entire Q&A.

Status: Staff suggests tentative agreement with BD suggestion.

~~21.~~18. When preparers identify a P3 arrangement or transaction that incorporates ~~contains~~ a lease, the lease component of the P3 arrangement or transaction is subject to the SFFAS 54, *Leases*, reporting requirements. For example, a P3 arrangement or transaction may include a lease or a lease component between the reporting entity and a P3 partner. This TR proposes the use of a flowchart as well as answering selected questions ~~brought to the task force's attention to help guide practitioners~~ when deciding whether a public-private partnership (P3) as defined in SFFAS 49 disclosures may need to supplement lease reporting in accordance with ~~the reporting principles for a Lease found in~~ SFFAS 54.

~~22. For example, SFFAS 54, paragraphs 72-77 addresses multiple component contracts / agreements (that is, lease and non-lease components) that federal entities enter into that may be subject to SFFAS 49 disclosures. Where an arrangement is found to meet both SFFAS 54 and SFFAS 49 requirements, then SFFAS 49 disclosure requirements that are not covered by SFFAS 54 disclosures should be made.~~

~~23.~~19. **What are the required disclosures if a lease or lease component meets SFFAS 49?**

~~24.~~20. The lease arrangements or transactions that have a lease component should be initially analyzed against SFFAS 54 definitions and criteria and secondly against SFFAS 49. Likewise, if a lease or lease component is identified as having P3 characteristics, the arrangement or transaction should then be also analyzed against SFFAS 49 criteria. For lease arrangements or transactions meeting P3 disclosure requirements, the lease should be disclosed under SFFAS 49 regardless of whether it is disclosed under SFFAS 54 if determined material. Consistent with SFFAS 49 paragraph 23, if lease arrangements or transactions meet both the SFFAS 54 and SFFAS 49 reporting requirements, the resultant disclosures should be integrated so that concise, meaningful, and transparent information is provided and information is not repetitive. For example, entities may integrate disclosures and provide cross-references among separate disclosures. For lease arrangements not meeting P3 disclosure requirements, the arrangement should only be accounted for in accordance with SFFAS 54.

21. **If a lease or lease component under SFFAS 54 is included in a P3 arrangement or transaction, how might P3 and SFFAS 54 disclosures be coordinated?**

~~25.~~22. Lease disclosures under SFFAS 54 may aggregate information about a lease portfolio and may not include required related P3 disclosures in the lease note. In such instances, a P3 note may discuss the specific related P3 lease disclosures. For example, the P3 note may disclose that the lease is recognized as a lease asset and liability, disclose the amounts related to the P3, and reference the related lease note. Alternatively, the reporting entity may discuss the related P3 lease disclosures in a lease note that is cross-referenced to the P3 note.

~~26.~~23. **A P3 ~~has been identified and appears~~appears to contain an arrangement or contract that may be a lease under SFFAS 54 ~~lease~~. How can I tell if this is ~~the P3 also contains~~ a lease or lease component as opposed to another type of contract or arrangement that permits use of an asset similar to a lease?**

Commented [DS39]: Per 12 Nov MV suggestion. 13 Nov staff note: not all leases in a P3 are financing vehicles as some may be strictly operational.

Commented [DS40]: Per 12 Nov BD suggestion to delete paragraph except for a modified first sentence. Per 12 Nov MV suggestion to take first sentence as modified and move to preceding paragraph.

Commented [DS41R40]: 13 Nov staff note: not all leases in a P3 are financing vehicles as some may be strictly operational.

Commented [DS42]: As per BD 12 Nov suggestion. Staff concurs.

Commented [DS43]: As per 12 Nov Bd edits. Staff concurs.

~~27.~~24. Preparers should review the terms P3 arrangement or transaction against SFFAS 54, including paragraphs 2-4 and TR 20 paragraphs 4-19. First, ensure that the definition of a lease is met as defined by SFFAS 54 in paragraph 2, i.e., a contract or agreement is required to convey control of the right to use the underlying asset for a period of time in exchange for consideration. Also, evaluate the arrangement against other SFFAS 54 requirements and exclusions. For example, if a lease or contract allows a private party to use the reporting entity's property without consideration, the arrangement is not a lease (SFFAS 54, paragraph 2). For example, service concession arrangements generally provide access to contractors for operating or maintaining federal assets, but those contractors cannot deny or regulate access or otherwise control the right to obtain economic benefits and services from the use of the asset; they are merely contracted to operate or maintain the asset under the arrangement.

~~28.~~25. **What ~~are some key~~ characteristics should be considered to help distinguish a lease only meeting SFFAS 54 reporting requirements versus a lease meeting both SFFAS 54 and SFFAS 49 reporting requirements?**

~~29.~~26. A lease arrangement or transaction meeting both SFFAS 54 and SFFAS 49 reporting requirements ~~identified to be a P3~~ will typically be (1) a bundled lease (see paragraph 15.b. of SFFAS 49[6] for when unbundled leases are excluded) and (2) meet ~~. A lease meeting~~ any one of the SFFAS 49 paragraph 20 conclusive risk characteristics ~~and/~~or ~~a lease meeting~~ SFFAS 49 paragraph 21 suggestive risk characteristics in the aggregate ~~may also be required to be disclosed under SFFAS 49 if determined material~~.

Commented [SDN44]: AS per 1312 Nov BD and DS discussion.

Staff agreed that the question and answer needed to be clarified. Please see suggested edits.

~~30.~~27. **Are Energy Savings Performance Contracts and Utility Energy Service Contract leases and/or P3s?**

~~31.~~28. Such contracts are alternative financing arrangements and generally would be subject to SFFAS 49. For example, ~~I~~in those cases where energy savings performance contracts and utility energy service contracts meet the definition of a P3 (e.g., SFFAS 49 Conclusive Risk Characteristic #1 paragraph 20[7]), ~~they will be required to meet~~are subject to the SFFAS 49 disclosure requirements. Such arrangements are not typically leases because the (1) government usually does not have the right to control access to the economic benefits or services of the underlying asset and (2) the private party is responsible for the construction and financing of the required equipment and the government usually has no obligation or risk during the construction period. Once the equipment and construction requirements have been accepted and approved by the government, liability and risk are shared with the private party. At the end of the contract period, the reporting entity usually purchases the equipment ending the liability and risk sharing arrangement or transaction. ~~As a result, such~~

Commented [DS45]: 30 Oct 2024 - Staff edit. Addition for reader-ease.

Commented [DS46]: 12 Nov - staff edit.

[6] "…typically arises when parties to a multiple component arrangement agree to include additional non-lease products or services in the multiple component arrangement, some of which might be related or tied directly to the underlying leased product or services (for example, software updates or maintenance). Although these additional products or services are not always expressly identified in the underlying agreement and may be documented in other agreements, they are nonetheless considered "bundled" with the underlying lease agreement."

[7] SFFAS 49, paragraph 20, item #1, "The arrangement or transaction results in the conveyance or creation of a long-lived asset or long-term financing liability."

~~contracts are alternative financing arrangements and generally would be subject to SFFAS 49.~~

GUIDANCE ON ~~ALIGNING~~ COORDINATING DISCLOSURES

~~32.~~29. As entities apply the disclosure requirements of SFFAS 49~~, a supplemental standard,~~ questions have arisen as to which disclosures apply when other standards covering such long-standing arrangements/transactions also apply.

~~33.~~30. ***What does ~~alignment~~ coordination of disclosures between SFFAS 49 and other related standards mean and does this term ~~it or "harmonization"~~ mean that entities should change or alter existing disclosures required by other standards, such as SFFAS 47, Reporting Entity disclosures?***

~~34.~~31. No, aligning or harmonizing disclosures simply means ensuring that entities coordinate ~~meet~~ the disclosure requirements of all standards involved without duplicating information in multiple places within their financial report. ~~In other words, alignment or harmonization in this context refers to coordinated efforts and additional actions needed to support, enhance or complete adequate disclosures for all related disclosure requirements~~. As noted in SFFAS 49, Par. 23, "Disclosures should generally accompany the related asset and/or liability display contained within the financial statements." P3 disclosures are intended to supplement existing reporting by exclusively describing the inherent risks of loss to the federal government and assisting users in understanding the nature of P3s. The Board did not intend for the P3 disclosures required by SFFAS 49 to alter or affect existing disclosures required by SFFAS 47, *Reporting Entity* or any other standards for that matter.

The Board ~~expanded~~ noted that "The resultant disclosures should be integrated so that concise, meaningful, and transparent information is provided and information is not repetitive." (SFFAS 49, Par. 23). As such, entities may include references to existing information across their financial report, where appropriate, to ensure disclosures are integrated. For example, the "Summary of Significant Accounting Policies" note may serve to guide users to the appropriate references within the financial report.

32. Is it appropriate to disclose specific P3-related assets, liabilities, revenues, expenses, or other information in a related note, considering materiality and the level of aggregation of the other note?

~~35.~~33. Yes, in a P3 note, a specific reference may be made to the note where more detailed information is disclosed, and details not included in a P3 note. Also, the other note may refer back to the P3 note.

EFFECTIVE DATE

32. This Technical Release is effective upon issuance.

Commented [DS47]: 13 Nov - staff conforming edit.

Commented [DS48]: 12 Nov BD edits.

Commented [DS49]: 6 Nov - staff edit.

Commented [DS50]: Per 5 Nov mtg with BD and MV - staff agrees that the term "coordinating" is descriptive of what par. 23 intends.

Given that staff has been using "harmonization" for 6 years in training classes and more recently "aligning" as proposed by MV at the AAPC (May?) meeting, staff suggest we address it simply here in this Q&A.

Commented [DS51]: Per 12 Nov BD review. Staff concurs.

Commented [DS52]: 30 Oct 2024 staff edit: This is a conforming edit to page 6 add-on Item a.

Per BD 24 Oct 2024 meeting. Supplemental means "coordinated" with other standards.

Commented [DS53]: 30 Oct 2024 staff edit: word choice

Commented [DS54]: 4 November 2024 - Per B, Dacey suggestion on aligning disclosures.

Staff advises that this be brought forward from a flowchart step into the Q&A body of the TR so it gets more visibility.

The provisions of this Technical Release need not be applied to information if the effect of applying the provision(s) is immaterial. Refer to Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*, chapter 7, titled Materiality, for a detailed discussion of the materiality concepts.

APPENDIX A: BASIS FOR CONCLUSIONS

This appendix discusses factors considered significant by Committee members in reaching the conclusions in this guidance. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The guidance enunciated in this Technical Release—not the material in this appendix—should govern the accounting for specific transactions, events, or conditions.

This Technical Release may be affected by later Technical Releases. The FASAB Handbook is updated annually and includes a status section directing the reader to any subsequent Technical Releases that amend this Technical Release. The authoritative sections of the Technical Releases are updated for changes. However, this appendix will not be updated to reflect subsequent changes. The reader can review the basis for conclusions of the amending Technical Release for the rationale for each amendment.

PROJECT HISTORY

A1. At the August 2021 Board meeting members reviewed the results of staff's analysis concerning the FY 2020 note disclosures pursuant to SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*. Staff analyzed the FY 2020 disclosures of all 24 CFO Act agencies and the 16 significant entities. As a result, the majority of the members agreed not to proceed with Phase 2 on measurement and recognition until the Board gained additional insight and research regarding how the P3 definition, exclusions, risk-based characteristics, and materiality guidance contributed to the disclosures or lack thereof in the FY 2020 reporting cycle. As a result, the Board agreed with staff conducting additional research with the assistance of a task force noting (1) why variability in reporting exists regarding public-private partnerships (P3s), (2) why cash flows were not disclosed in some instances and (3) identifying potential broad measurement and recognition options for future consideration. Staff was specifically tasked to recommend any changes, improvements or additional guidance that could be warranted to help address implementation challenges affecting said reporting prior to commencing any substantial Phase 2 activity.

A2. During the last calendar quarter of 2021 staff began (1) researching potential SFFAS 49 implementation issues by initiating a training and outreach tour, (2) identifying potential measurement and recognition approaches, and (3) as appropriate, coordinating with Treasury and OMB to disclose P3 information more consistently among entities. To that end, staff scheduled separate one-on-one meetings with preparers, auditors and policy experts and finally, conducting SFFAS 49 training with federal entities.

A3. Potential Implementation Challenges (ICs)

As a result of the training and outreach tour, staff identified 15 implementation challenges as of September 2022 that the Board reviewed at its October 2022 meeting. Key Board recommendations to staff included:

1. Coordinating the Implementation Challenges with the CFO Council
2. Validating and prioritizing the implementation challenges
3. Communicating technical guidance in a question and answer format
4. Being mindful of the task force composition
5. Assessing how auditors are applying materiality

A4. Task Force Review and Validation of ICs

The highest priority IC's (in order of importance) included: 1st - SFFAS 49 inter-relationships with SFFAS 47 *Reporting Entity* and SFFAS 54 *Leases*; 2nd - Identifying P3 Risk, Materiality and Remote Risk, Distinguishing between uncertainty and risk, and 3rd - (1) Clarifying that cash flow estimates are related to risks and not uncertainties, and that private partner risks of loss are required disclosures and (2) providing examples on how disclosures could be aggregated.

The task force further agreed that the remaining ICs (medium and lowest ranked) could be combined with a higher ranked IC where appropriate and that certain IC's are more operationally or administratively oriented and better suited for Treasury or OMB venues to address.

A5. Training Sessions

During calendar year 2022 a total of 12 training sessions were devoted to SFFAS 49 and hosted by the following federal entities: Department of Justice; Department of Energy; National Geospatial and intelligence Agency; Department of the Treasury; United States Department of Agriculture, Department of Defense; National Aeronautics and Space Administration; Defense Logistics Agency; Health and Human Services; Department of Commerce; Department of Housing and Urban Development-Inspector General; and Department of Homeland Security.

A total of 974 attendees received training which included discussion about SFFAS 49 implementation challenges. Course evaluations documented challenges other than those identified through the one-on-one sessions and were shared with the Board at the October 2022 meeting.

A6. P3 Implementation task force meetings were held between December 2022 and April 2024. Meetings were structured to ensure a complete review of implementation challenges as well as potential FASAB action. The task force prioritized ICs along with proposed FASAB action and in so doing, generally agreed that several of the challenges could be addressed concurrently with one another whereas others were not considered to be under FASAB's direct purview. Sub-groups were formed to address these highest priority challenges and recommending discrete actions such as possible amendments, draft case studies and note illustrations, etc. The P3 Implementation Task Force, which included industry representatives from several public accounting and consulting firms, as well as representatives from the following federal agencies, developed this proposed guidance:

a. Bob Helwig, J.D., PhD.
b. Checco Communications
c. Defense Logistics Agency (DLA)
d. Department of Commerce (DOC)
e. Department of Defense (DOD)
f. Department of Defense (DOD-IG)
g. Department of Energy (DOE)
h. Department of Interior (DOI)
i. Department of Veterans Affairs (VA)
j. First Net
k. General Services Administration (GSA)
l. Housing and Urban Development (HUD)
m. Maximus
n. National Aeronautics and Space Administration (NASA)
~~o. Reason Foundation~~

Commented [DS55]: 30 Oct 2024 - Staff edit. Reason dropped out due to solely a personnel change.

A7. The subgroups formed the bases for the recommendations contained in this TR. In reaching its conclusions, the subgroups recognized the overarching need to develop implementation guidance to best address the implementation challenges and concerns raised by the Board. Correspondingly, this TR also recognizes that the financial management information needs of stakeholders, both internal and external, vary by entity given the highly complex nature of some P3s as well as entity specific risk tolerances. As a result, the implementation guidance does not provide a "one-size-fits-all" solution; instead, it is designed to give management a tool on which to base stakeholder financial management information needs.

A8. When applying the principles listed in SFFAS 49, management should develop formalized policies and procedures documenting their decisions. Management is responsible for maintaining adequate documentation on the sources of data and the application of methodologies used when identifying SFFAS 49 P3s for disclosure.

A9. Implementation of SFFAS 49 and this guidance should be an intra-agency effort involving the Chief Financial Officer and respective heads of other functional groups (e.g., Legal, Procurement, Leasing, Facilities, Logistics, etc.) and the various operational business areas.

MATERIALITY, RISK AND PUBLIC-PRIVATE PARTNERSHIPS

A10. Given that materiality and risk reporting have been raised as specific implementation challenges, this TR would emphasize that SFFAS 49 contains Conclusive and Suggestive Risk based characteristics designed to help preparers identify risks of loss which may be material and warrant further consideration for disclosure. These risk-based characteristics are designed to assist preparers identify and evaluate how much (total) risk resides in an arrangement or transaction and how much of that risk has been (1) transferred to the private partner, (2) shared with the private partner, and (3) retained by the entity. Such an understanding relies on a thorough analysis of the underlying contractual agreements, guarantees, insurance, and indemnification strategies as well as the existence and nature of any underlying private party capital buffer that might exist; that is, the extent of any debt (for example, bonds, loans and notes) and equity (for example, stocks, and other securities representing an ownership interest) participation.

Such consideration should include:

(1) applying materiality cumulatively or in the aggregate;

(2) demonstrating entity accountability to the Public;

3) meeting user needs such as

a) assessing the costs and related risks of entering into such long-term agreements;

(b) assessing the efficiency and effectiveness of these risk-sharing agreements as well as the government's management of its assets and liabilities; and

c) determining how financial resources, budgetary or otherwise, have been obtained and used and whether their acquisition and use were in accordance with the entity's legal authorization.

The proposed TR would also explain that while remote risks of loss deemed material should be limited to those that are included in the contractual terms of the P3 arrangements or transactions, they are nonetheless to be disclosed. Along with this, practitioners would be reminded that materiality assessments require both qualitative and quantitative judgments, specific guidance limiting preparer and auditor considerations would not be appropriate.

APPENDIX B: ILLUSTRATIONS: PROCESS FLOWCHART

This appendix flowchart illustrates the application of the proposed provisions of this Technical Release to assist in SSFAS 49 clarification. Although the following flowchart is outlined as steps, the reviews are typically concurrent and based upon a reporting entity's policies and procedures used during preparation of their financial statements. Application of the proposed provisions of this Technical Release may require assessing facts and circumstances other than those discussed here and require reference to other applicable Technical Releases.

Practitioners are not constrained by the illustration contained herein and may, based on facts and circumstances, evaluate arrangements or transactions for SFFAS 49 applicability using alternate approaches.

Moreover, the flowchart is not intended to provide guidance on determining the application of materiality. Application of the proposed provisions of this Technical Release requires assessing facts and circumstances specific to the P3 arrangements or transactions and the interrelationship with SFFAS 47 or SFFAS 54 and their related Technical Releases. Lastly, although the flowchart is laid out as a step process, preparers can view it as more of a concurrent or "waterfall" process beginning first with SFFAS 47, *Reporting Entity* and then proceeding to SFFAS 54, *Leases,* if applicable prior to aligning disclosures. The suggested steps do not imply that reporting entities develop practices in strict accordance with the flowchart.

PROCESS FLOWCHART: APPLYING SFFAS 49 TO EXISTING STANDARDS

PROCESS FLOWCHART STEPS

1. **First Step – Begin by identifying arrangements or transactions that might be P3s.** Begin by determining if the P3 arrangement or transaction is material to the financial statements.

2. **Second Step – Determine if *SFFAS 47, Reporting Entity* applies**[8]**.** – Identify the entities in the P3 arrangement or transaction (e.g., private partners, special purpose vehicles). Determine if any of the identified entities are consolidation entities, disclosure entities, or related parties under SFFAS 47, Reporting Entity. For related parties, disclosures are required only where related party relationships are of such significance to the reporting entity that it would be misleading to exclude information about such relationships. For any disclosure entities or related parties, related disclosures should be coordinated with P3 disclosure.

Commented [DS56]: As per 24 October meeting and subsequent language provided by BD on 4 November.

Commented [DS57]: 7 Nov TF grammar edit

Commented [DS58]: As per 24 October meeting and subsequent language provided by BD on 4 November.

Commented [DS59]: As per 24 October meeting and subsequent language provided by BD on 4 November.

[8] In those cases where a private partner or SPV meets the definition of a consolidation entity, there would not be a P3 relationship between the reporting entity and the consolidation entity from a consolidated perspective and, accordingly, SFFAS 49 would not apply to that relationship.

3. **Third Step – Determine if *SFFAS 54, Leases* applies**[9]. Identify balances or types of transactions (e.g., assets, liabilities, revenues, costs), or other disclosures (e.g., commitments and unrecognized contingencies) in the entity's financial statements that are a result/consequence of the P3 arrangement or transaction. As part of the identification, specifically consider technical release guidance related to leases . For each P3 related balance, type of transaction, or other information, identify required or voluntary disclosures related to such balance, type of transaction, or other information.

~~3.~~

4. **Last Step – ~~Align~~ Coordinate Disclosures**. Coordinate disclosures to the extent appropriate. Professional judgment is required in determining the extent of information to include in a P3 note, and/or in a note related to disclosure entities and related parties.

   For example, if in the entity's financial statements there are related P3 disclosures (e.g., narratives, balances or types of transactions such as assets, liabilities, revenues, or costs) required by other standards (e.g., commitments and unrecognized contingencies), information should be coordinated so that concise, meaningful, and transparent information is provided and information is not repetitive.

   It is appropriate to disclose specific P3-related assets, liabilities, revenues, expenses, or other information in a related note, considering materiality and the level of aggregation of the other note. For example, a P3 note may specifically reference another note where more detailed information is disclosed. Conversely, another note may refer back to the P3 note.

   If material to the P3, the P3 note may discuss the specific P3-related balance, transaction or other information; disclose the amounts related to the P3; and refer to the note where related information is incorporated.

Commented [DS60]: As per 24 October meeting and subsequent language provided by BD on 4 November.

Commented [DS61]: Per 12 Nov BD and DS - conforming edit. coordinate instead of align.

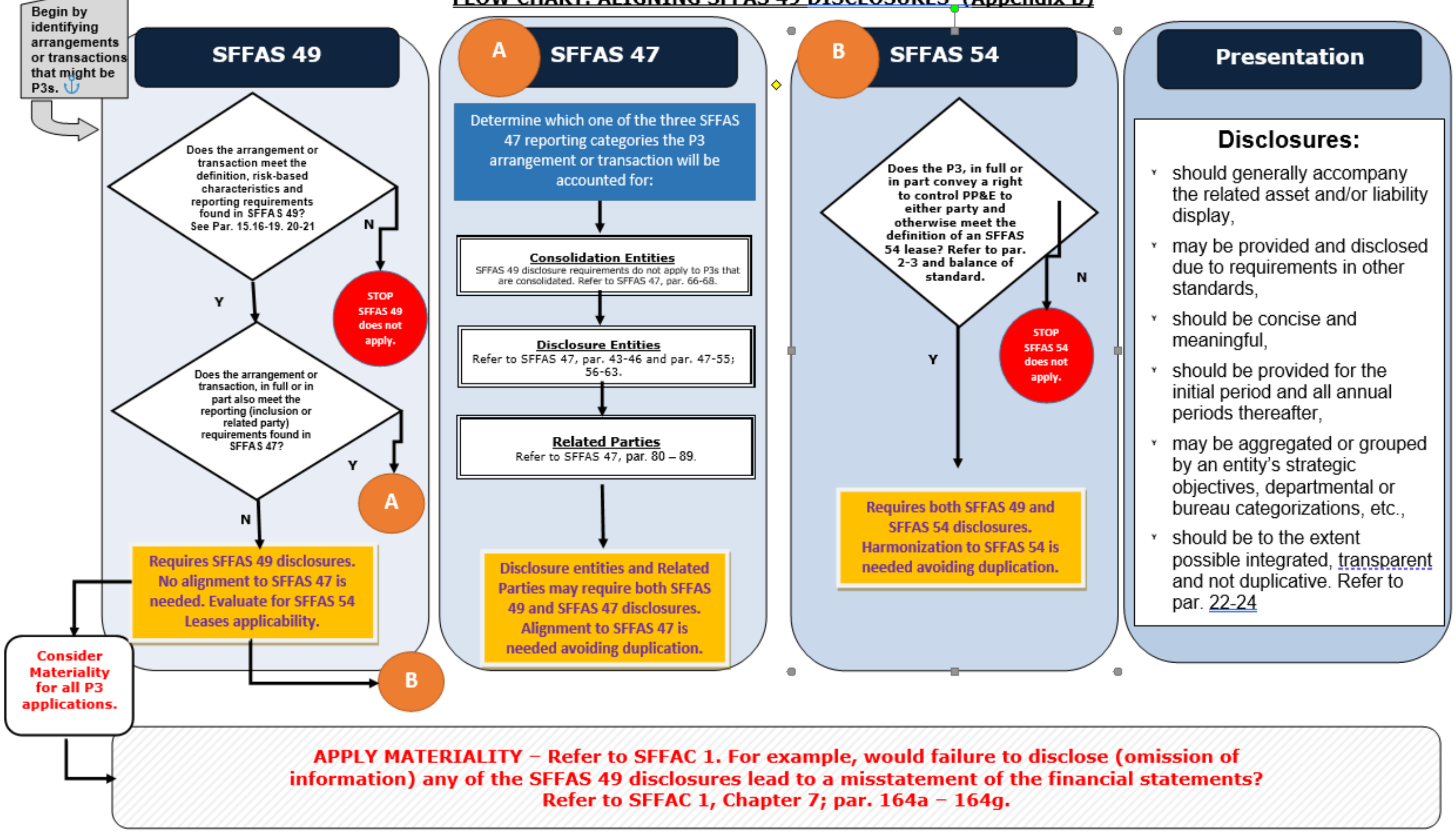
Commented [DS62]: As per 24 October meeting and subsequent language provided by BD on 4 November.

Staff notes addition on "narratives" to precede balances in 2nd paragraph parenthetical given that disclosures include discussion in addition to numerical values.

Commented [DS63]: 7 Nov TF grammar edit

[9] SFFAS 62 amends SFFAS 54 by providing transitional guidance concerning bundled/embedded leases. Bundled or embedded leases may qualify as leases under the transitional guidance provided for in SFFAS 62. However, in such instances where SFFAS 54 disclosures are not required, SFFAS 49 disclosures may still be required. Paragraph A14 of SFAFS 62 notes that the Board is aware that the disclosure requirements of SFFAS 49 may also apply to contracts that contain "embedded leases" and that the transitional accommodation will have no bearing on the ongoing applicability of SFFAS 49 disclosure requirements to such contracts. Please refer to SFAFS 62 for details.

FLOW CHART: ALIGNING SFFAS 49 DISCLOSURES (Appendix B)



SFFAS 49	SFFAS 47	SFFAS 54
24. **Disclosures should be provided for the initial period and all annual periods** thereafter where an entity is party to a P3 arrangement/transaction. The following information should be disclosed: a. The purpose, objective, and rationale for the P3 arrangement or transaction and the relative benefits/revenues being received in exchange for the government's consideration, monetary and non-monetary; and the entity's statutory authority for entering into the P3. b. A description of federal and non-federal funding of the P3 over its expected life, including the mix and, where available, the amounts of such funding. For any amounts that are not available, the disclosures should indicate such.	74. **For each significant disclosure entity** and aggregation of disclosure entities, information should be disclosed to meet the following objectives: a. Relationship and Organization: The nature of the federal government's relationship with the disclosure entity or entities. b. Relevant Activity: Nature and magnitude of relevant activity during the period and balances at the end of the period. c. Future exposures: A description of financial and non-financial risks, potential benefits and, if possible, the amount of the federal government's exposure to gains and losses from the past or future operations of the disclosure entity or entities. Paragraph 75 provides examples of information that may meet the objectives in paragraph 74.	**Component Reporting Entity Disclosures for Lessors** 54. Lessees should disclose the following regarding lease activities (which may be grouped for purposes of disclosure), other than short-term leases, contracts or agreements that transfer ownership, and intragovernmental leases: a. A general description of its leasing arrangements, including the basis, terms, and conditions on which variable lease payments not included in the lease liability are determined b. The total amount of lease assets and the related accumulated amortization, to be disclosed separately from PP&E assets c. The amount of lease expense recognized for the reporting period for variable lease payments not previously included in the lease liability

APPENDIX B: SUMMARY OF DISCLOSURE REQUIREMENTS

SFFAS 49	SFFAS 47	SFFAS 54
c. The operational and financial structure of the P3 including the reporting entity's rights and responsibilities, including: i. A description of the contractual terms governing payments to and from the government over the expected life of the P3 arrangement or transaction to include: 1. explanation of how the expected life was determined 2. the time periods payments are expected to occur 3. whether payments are made directly to each partner or indirectly through a third-party, such as, military housing allowances 4. in-kind contributions/services and donations	89. **For related party relationships of such significance to the reporting entity that it would be misleading to exclude information about such relationships, the following should be disclosed**: a. Nature of the federal government's relationship with the party, including the name of the party or if aggregated, a description of the related parties. Such information also would include, as appropriate, the percentage of ownership interest. b. Other information that would provide an understanding of the relationship and potential financial reporting impact, including financial-related exposures to risk of loss or potential gain to the reporting entity resulting from the relationship.	d. Principal and interest requirements to the end of the lease term, presented separately, for the lease liability for each of the five subsequent years and in five-year increments thereafter e. The amount of the annual lease expense and the discount rate used to calculate the lease liability **Component Reporting Entity Disclosures for Lessors** 67. Lessors should disclose the following regarding lease activities (which may be grouped for purposes of disclosure), other than short-term leases, contracts or agreements that transfer ownership, and intragovernmental leases: a. A general description of its leasing arrangements, including the basis, terms, and conditions on which any variable lease

SFFAS 49	SFFAS 47	SFFAS 54
ii. The amounts received and paid by the government during the reporting period(s) and the amounts estimated to be received and paid in aggregate over the expected life of the P3 d. Identification of the contractual risks of loss the P3 partners are undertaking i. Identification of such contractual risks of loss should include a description of (1) the contractual risk and (2) the potential effect on cash flows if the risks were realized (for example, early termination requirements including related exit amounts and other responsibilities such as asset condition (hand-back) requirements, minimum payment guarantees, escalation clauses, contingent payments, or renewal options).		payments not included in the lease receivable are determined b. The carrying amount of assets on lease by major classes of assets, and the amount of related accumulated depreciation c. The total amount of revenue (for example, lease revenue, interest revenue, and any other lease-related revenue) recognized in the reporting period from leases d. The amount of revenue recognized in the reporting period for variable lease payments and other payments not previously included in the lease receivable, including revenue related to residual value guarantees and termination penalties 68. In addition to the disclosures in paragraph 67, if a federal entity's principal ongoing operations consist of leasing assets through the use of non-intragovernmental leases, the federal

APPENDIX B: SUMMARY OF DISCLOSURE REQUIREMENTS

SFFAS 49	SFFAS 47	SFFAS 54
ii. Disclosure of remote risks of loss should be limited to those included in the terms of the contractual P3 arrangements or transactions. If remote risks of loss are disclosed, an explanation should be included that avoids the misleading inference that there is more than a remote chance of a loss. e. As applicable: i. Associated amounts recognized in the financial statements such as gains or losses and capitalized items ii. Significant instances of non-compliances with legal and contractual provisions governing the P3 arrangement or transaction iii. Whether the private partner(s), including any Special Purpose Vehicle (SPV), have borrowed or		entity should disclose a schedule of future lease payments that are included in the lease receivable, showing principal and interest, for each of the five subsequent years and in five-year increments thereafter.

SFFAS 49	SFFAS 47	SFFAS 54
invested capital contingent upon the reporting entity's promise to pay whether implied or explicit iv. Description of events of termination or default		

APPENDIX C: ABBREVIATIONS

CFR	Consolidated Financial Report of the U.S. Government
ED	Exposure Draft
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GASB	Governmental Accounting Standards Board
GPFFR	General Purpose Federal Financial Report
IPSASB	International Public Sector Accounting Standards Board
OMB	Office of Management and Budget
SFAS	Statement of Financial Accounting Standards (FASB)
SFFAC	Statement of Federal Financial Accounting Concepts
SFFAS	Statement of Federal Financial Accounting Standards

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Commented [DS64]: To be updated accordingly

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Commented [DS65]: To be updated accordingly

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