

Memorandum

P3

January 17, 2025

To: Members of the ASIC
From: Domenic N. Savini, Assistant Director
Thru: Monica R. Valentine, Executive Director/ ASIC Chair
Subject: **Public-Private Partnerships (P3): Revised Draft Technical Release Exposure Draft (ED)**

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.

At the November 20, 2024 meeting, the Committee (formerly the Accounting and Auditing Policy Committee or AAPC) reviewed a revised draft Technical Release ED. The version reviewed included the following key revisions:

1. providing a broad principle for dealing with the overlap of public-private partnership disclosure requirements with reporting and disclosure requirements of other standards;
2. enhancing the guidance related to the coordination of disclosures due to other requirements;
3. proposing that under consolidation accounting, the reporting entity is treated as a single economic entity and, thus, SFFAS 49, Public-Private Partnerships, disclosures would not apply to consolidated entities; and
4. adding an appendix that includes the side-by-side disclosure requirements for SFFAS 49, SFFAS 47, *Reporting Entity*, and SFFAS 54, *Leases*.

Members were generally supportive of the:

- TR's broad principle for dealing with the overlap of the P3 disclosure requirements,

-
- Proposed change suggested by GAO to exclude consolidated entities from the SFFAS 49 disclosures. However, one member noted that given the complexity and risks of P3 arrangements, clarity and adequate disclosure pursuant to SFFAS 49 appears warranted. Nevertheless, although there is benefit in requiring consolidated entities to also provide SFFAS 49 disclosures, the member tentatively agreed with the proposed GAO position subject to respondent comments before finalizing thoughts on this matter, and
 - An additional appendix item suggested by GAO titled “Appendix B: Summary of Disclosure Requirements.

Members provided several suggestions to help improve the document and, where applicable, agreed to work with one another and staff offline to help craft mutually agreeable language (for example, par. 10 concerning guidance on applying SFFAS 49 risk-based characteristics).

Most of substantive edits concerned clarifying guidance related to leases (for example, par. 19-28 concerning guidance on applying SFFAS 49 to SFFAS 54). Staff agreed to work with the task force’s leases team to best address matters raised by the members pertaining to these paragraphs and this revised draft TR includes the results of the leases team’s review.

REQUEST FOR FEEDBACK

Committee members are requested to review these materials in advance of the meeting. Staff is requesting technical feedback limited to the three areas noted above 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 three 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 ED
2. Proposed Next Steps
3. Questions for the Committee
4. Appendix B Display Options

**Proposed Draft Technical Release
EXPOSURE DRAFT**

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 fiscal year 2025 release
 - To be decided - Issue Exposure Draft

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

Question 1 – Clarifying Guidance Related to Leases

Does the Committee have any additional suggested improvements to the clarifying guidance related to leases? If so, what specific changes or edits would the Committee like to propose?

Refer to Attachment 1, pages 18 - 20.

Most of the November 2024 substantive edits offered by the Committee concerned clarifying guidance related to leases (for example, par. 19-28 concerning guidance on applying SFFAS 49 to SFFAS 54). Staff worked with the task force's leases team and Executive Director to best address matters raised by the members pertaining to these paragraphs. The revised draft at Attachment 1 includes the results of this latest review.

Question 1 - Does the Committee have any additional suggested improvements to the clarifying guidance related to leases? If so, what specific changes or edits would the Committee like to propose?

Question 2 – Visual Presentation for Appendix B: Summary of Disclosure Requirements

Does the Committee prefer either a (1) side-by-side (columnar) presentation as currently displayed or (2) horizontally stacked visual display of the applicable disclosure requirements? If so, which display version is preferred and why?

Refer to Attachment 1, Appendix B: Summary of Disclosure Requirements and Attachment 4, Appendix B Display Options.

The lease's team has noted that as currently displayed, the columnar approach may cause confusion as it could imply to some that the disclosure requirements which are read from left to right are meant to be comparable or intending that a comparison be made when in fact, there is no directly comparability and no such intention exists. As such, it has been suggested that to avoid confusion or inferring comparability, Appendix B be visually displayed in a horizontal/stacked manner.

Given that each layout has its own strengths and weaknesses depending on the context in which it's used, staff provides below a list of pros and cons to each for your consideration.

Current Appendix B Columnar (side-by-side) Display:

Pros:

1. **Readability:** For some, it may be easier for the eyes to follow text in a vertical column, reducing eye strain and making for a quicker read.
2. **Space Efficiency:** Columnar layouts can save space, especially on screens with less horizontal room, like smartphones or narrow web pages.

Cons:

1. **Readability:** For some, a columnar display may suggest comparability when in fact no direct comparisons either exist or are intended to be made.
2. **Fragmentation:** If the content is broken into too many columns, it can be difficult to follow the flow of information across the page.
3. **Scrolling:** On smaller devices, users might need to scroll more, which could be inconvenient for longer text.

Alternative Appendix B Stacked or Horizontal Display:

Pros:

1. **Continuity:** A horizontal layout often feels more natural, allowing for a continuous read without the need to shift focus between columns.
2. **Logical Grouping:** It's easier to group related information in a horizontal layout, especially for comparisons or sequences that should be read together.

Cons:

1. **Screen Width:** On smaller screens, horizontal layouts can become cramped, making the text harder to read without zooming or scrolling horizontally.
2. **Line Length:** If the text lines are too long, it can lead to decreased readability and make it harder for the reader to keep track of their place.

Question 2 – Does the Committee prefer either a (1) side-by-side (columnar) presentation as currently displayed or (2) horizontally stacked visual display of the applicable disclosure requirements? If so, which display version is preferred and why?

Question 3 – Other Technical Issues or Concerns

Are there any other technical (non-editorial) issues or concerns that the Committee would like for staff to consider before moving to a pre-ballot draft ED document? Please specifically note what they may be in your response what you recommend.

Question 3 - Are there any other technical (non-editorial) issues or concerns that the Committee would like for staff to consider before moving to a pre-ballot draft ED document? Please specifically note what they may be in your response what you recommend.



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

(April 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](#)
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The Accounting Standards Implementation Committee

The Accounting Standards Implementation Committee or ASIC (formerly known as the Accounting and Auditing Policy Committee or 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 ASIC serves as a permanent committee established by the FASAB. The mission of the ASIC 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 ASIC 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 ASIC is available from [FASAB's website](#).

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ISSUE DATE April 2025

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

The Accounting Standards Implementation Committee (ASIC 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 July xx, 2025 DUE DATE.

All comments received by the ASIC 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 & ASIC 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 compliments¹ 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. Practitioners have identified 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, to include general principles for disclosure requirements and consideration of:

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

The proposed guidance would assist in explaining the inter-relationships between SFFAS 49 and the 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 ED review 12 Dec - reconsider statement since we're not specifying what guidance the Board was referring to.

Thank you and staff suggests deleting this sentence.

Commented [DS2]: Per AAPC J. Hodge 14 Nov email - Suggest making these read parallel to other bullets (i.e., consideration of) and flow correctly from the sentence leading into the bullets.

Staff: Concur. Thank you. Please see suggested edits.

Commented [DS3]: 20 Dec - staff edit

Commented [DS4]: Per ED review 12 Dec - conforming edit.

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 TR need not 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.

Commented [DS5]: 20 Dec - staff edit. Per Mr. Hodge's review for consistent use of abbreviations.

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.

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QUESTIONS FOR RESPONDENTS

The Accounting Standards Implementation Committee (ASIC 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 July XX, 2025 **[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 and Paragraphs A10 – A12 in Appendix A - Basis for Conclusions for a discussion and related explanation.**
- 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 and Paragraphs A10 – A13 in Appendix A - Basis for Conclusions for a discussion and related explanation.**
- 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 and Paragraphs A10 – A12 in Appendix A - Basis for Conclusions and Appendix B for a discussion and related explanation.**

- 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 and Paragraphs A10 – A12 in Appendix A - Basis for Conclusions and Appendix B for a discussion and related explanation.**
- 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 Questions and Answers and Paragraphs A11 – A12 in Appendix A - Basis for Conclusions and Appendix B for a discussion and related explanation.**
- 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 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 arrangements/transactions and consider their reward and risk composition. References: Paragraphs 2 - 7 and 8 - 10. |
| b. Reporting Entity and Leases | Clarifying inter-relationships between SFFAS 49, <i>Public-Private Partnerships: Disclosure Requirements</i> and SFFAS 47, <i>Reporting Entity</i> and SFFAS 54, <i>Leases</i> to identify potential SFFAS 49 disclosures related to (1) SFFAS 47 disclosures (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 |

Commented [DS6]: 20 Dec staff edit - consistency.

Commented [SDN7]: Per Mr. O'Neill on 20 November. Document has a different connotation (from an audit point of view) and we should change to something like "consider."

Commented [DS8]: 20 Dec staff edit - consistency with proposed guidance to exclude 49 from 47 consolidated entities.

PROPOSED TECHNICAL GUIDANCE

SCOPE

2. Readers of this 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 complements 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.

Commented [DS9]: 20 Dec staff edit - consistency

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, that may meet the definitions of disclosure entities or related parties under SFFAS 47³.
 - 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 **complement** the other note by indicating 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. Alternatively, a P3 note may discuss in detail a specific lease created as part of a P3 arrangement or transaction, indicate that the

Commented [DS10]: 20 Dec staff edits - to clarify both sentences.

³ This TR proposes that, in accordance with generally recognized consolidation principles, 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.

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

Moreover, 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 loss⁴. In such instances, a P3 note may refer to the related note for more detailed information and not include details in the P3 note.

Commented [DS11]: 20 Dec staff edit.

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 and transfer or share various forms of risk among the P3 partners. Reporting entity management should evaluate the structure of each arrangement or transaction, along with the risk/reward composition from each P3 relationship. The various forms of inherent risks identified by entity management could give rise to conclusive and/or suggestive risk characteristics requiring disclosure. Those inherent risks entities might evaluate include, but are not limited to:**
- a. Risk the entity or federal government as a whole 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 financial costs of the public purpose or public value will not be fulfilled or will not be achieved;
 - e. 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.

Accordingly, entities would be expected to evaluate the inherent risks in their P3 arrangements or transactions and their risk/reward composition when ascertaining contractual risks of loss.

Commented [SDN12]: 21 Nov - With the exception of the two staff edits, all edits are as suggested by Treasury (Fiscal Services) via email dated 20 Nov.

Commented [DS13]: Per AAPC J. Hodge 14 Nov email - Suggest deleting since "as well" is redundant of "also" preceding it.

Commented [DS14]: 20 Dec staff edit - conformity with SFFAS 49.

Commented [SDN15]: As per Mr. O'Neill. Document has a different connotation (from an audit point of view) and we should change to something like "consider."

Commented [SDN16]: 21 Nov staff edit

Commented [SDN17]: 21 Nov staff edit

Commented [DS18]: 20 Dec staff edit - consistency and conformity.

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 disclosure guidance for P3 arrangements that may involve organizations outlined in SFFAS 47⁵.
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 of such significance that it would be misleading to exclude. 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 should be coordinated.⁶
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, etc.); (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 which involve organizations that meet the SFFAS 47 inclusion criteria and are reported as either a disclosure entity or related party, which SFFAS 49 disclosures apply?**

Commented [DS19]: Per ED review 12 Dec - SFFAS 47 deals with organizations not specific structural arrangements or transactional arrangements. Clarify the connection between the SFFAS 47 organization of the SFFAS 49 arrangement and include the following language as well: "When an (non-federal) organization, as outlined in SFFAS 47, enters into a risk-sharing arrangement or transaction meeting the definition of a P3 and the risk-based characteristics but does not meet the exclusion criteria of paragraph 15 of SFFAS 49, the entity may be subject to the disclosure requirements of SFFAS 49."

Staff: Please see added language in the paragraph and your addition as a footnote.

Commented [DS20]: 21 Nov - Mr. O'Neil noted that "Significant" should be changed to "material."

Staff Non-concurs because par. 80 of SFFAS 47 is discussing relationships with others and uses "significance" to describe the related parties. Changing this to material would directly conflict with SFFAS 47,

Commented [DS21]: 20 Dec staff edit - syntax.

Commented [DS22]: Per ED review 12 Dec - Make the connection between SFFAS 47 organizations and SFFAS 49 arrangements.

Staff: see suggested edits referring to orgs.

⁵ When an (non-federal) organization, as outlined in SFFAS 47, enters into a risk-sharing arrangement or transaction meeting the definition of a P3 and the risk-based characteristics but does not meet the exclusion criteria of paragraph 15 of SFFAS 49, the entity may be subject to the disclosure requirements of SFFAS 49.

⁶ Coordination in this context refers to efforts and additional actions needed to support, enhance or complete adequate disclosures for all related disclosure requirements.

17. Professional judgement will be required in determining how SFFAS 47 and SFFAS 49 disclosures are coordinated. These standards have similar disclosure objectives and requirements and are intended to be coordinated with each other. Therefore, to the extent that the SFFAS 47 disclosures do not provide the information specific to SFFAS 49, the SFFAS 49 paragraph 24 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.

Please refer to the table at Appendix B, page 28, *Summary of Disclosure Requirements* for both SFFAS 47 and SFFAS 49 disclosures.

Commented [DS23]: Per AAPC J. Hodge 14 Nov email - Suggest aligning to exact titles of appendix. It appears that appendix B is two part (1) Illustrations: PROCESS FLOWCHART (2) Illustrations: SUMMARY OF DISCLOSURE REQUIREMENTS.

Staff: Partially concur. We're referring the reader to the specific page number and Summary. Please see suggested edit.

GUIDANCE ON APPLYING SFFAS 49 TO SFFAS 54 LEASES

18. A P3 arrangement or transaction may incorporate a lease as defined by SFFAS 54, *Leases*. For example, a P3 arrangement or transaction may incorporate a lease between the reporting entity and a P3 partner and as a result, this TR proposes disclosure guidance for such P3 arrangements/transactions.

19. **Are SFFAS 49 disclosures required if a lease or lease component meets the SFFAS 49 disclosure requirements?**

20. Yes. Professional judgement will be required in determining how SFFAS 54 and SFFAS 49 disclosures are coordinated. 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. 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.

Please refer to Appendix B, page 28, Summary of Disclosure Requirements for both SFFAS 54 and SFFAS 49 disclosures.

21. **How might SFFAS 49 and SFFAS 54 disclosures be coordinated?**

22. Lease disclosures under SFFAS 54 may aggregate information about a lease portfolio and may not sufficiently include the required related P3 disclosures. 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 specifically related to the P3, and reference the related lease note. Alternatively, the reporting entity may include the required P3 disclosures for P3s that are also leases in the lease note that is cross-referenced to the P3 note such that the lease note clearly delineate amounts related to P3 arrangements/transactions.

23. **How can a lease or lease component that meets SFFAS 49 be differentiated from another type of contract or arrangement that permits use of an asset like a lease?**

24. Preparers should review the terms of the P3 arrangement or transaction against SFFAS 54, criteria for a lease, including paragraphs 2-4 and TR 20 paragraphs 4-19.

25. **What helps distinguish an SFFAS 49 P3 from a contract or agreement with multiple components, including one or more lease components which is not subject to SFFAS 49 reporting requirements?**

26. An SFFAS 49 reportable P3 will (1) meet the definition of a federal P3 as defined at paragraphs 16 through 19, and (2) meet any one of the SFFAS 49 paragraph 20 conclusive risk-based characteristics or SFFAS 49 paragraph 21 suggestive risk-based characteristics in the aggregate.

Commented [DS24]: Per ED review 12 Dec and Staff 20 Dec review.

Commented [DS25]: Staff note: Some at the AAPC meeting suggested combining this Q&A with par. 21/22 Q&A. In review, staff suggests retaining their distinction but simplifying the Q&A answer as suggested at the 21 Nov AAPC meeting.

See the edits based on task force and staff review.

Commented [DS26]: Staff: To conform with how we answered a similar question concerning SFFAS 47 and SFFAS 49.

Commented [DS27]: Task force deletion. SF

Commented [DS28]: Task force - retain integrated to conform with SFFAS 49 language.

Commented [DS29]: Per Executive Director 12 December - this language is not needed. Staff concurs since it conflicts with the next Q&A.

Commented [DS30]: Task force review - simplify the question (TM) (3d vs. 2k) and place this Q&A after the next Q&A. Staff suggests retaining based on (1) Mr. Dacey's review did not suggest deleting and (2) this question is one we should answer because it's been asked but referring readers to SFFAS 54.

See suggested staff edits to answer. Staff will finalize Q&A placement after all edits are finalized.

Commented [SDN31]: Edit as per Mr. O'Neill's observation on 20 Nov 2024 meeting.

Commented [DS32]: Task force review - Reframe the question to focus on SFFAS 49 criteria and RBCs (CD) and move this Q&A ahead of the prior Q&A. (2d vs 3r)

Staff notes that the Q&A placement will be made after edits are finalized.

27. **Are P3 arrangements/transactions under Energy Savings Performance Contracts and Utility Energy Service Contracts considered leases?**

Commented [DS33]: Task force review - question changed from prior version which read, "Are ESPCs and UESC 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 either the conclusive or suggestive risk-based characteristics of a P3 (e.g., SFFAS 49 Conclusive Risk Characteristic #1 paragraph 20; "*The arrangement or transaction results in the conveyance or creation of a long-lived asset or long-term financing liability.*"), they will be required to meet the SFFAS 49 disclosure requirements.

Commented [SDN34]: Edit as per Mr. O'Neill's observation on 20 Nov 2024 meeting.

Commented [DS35]: Task force review - delete this language. Potential footnote or BFC.

GUIDANCE ON COORDINATING DISCLOSURES

29. As entities apply the disclosure requirements of SFFAS 49, questions have arisen as to which disclosures apply when other standards covering such long-standing arrangements/transactions also apply. **This TR proposes guidance on how to coordinate SFFAS 49 disclosures with disclosure requirements from other standards.**

Commented [DS36]: 20 Dec staff edit - to conform with prior sections.

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**, in meeting the SFFAS 49 disclosure requirements, entities are encouraged to 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 complement 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 standard for that matter.

Commented [SDN37]: Staff edits on 2 December.- Eliminate the word "supplement" to avoid confusion as well as "harmonizing and aligning."

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?**

Commented [SDN38]: Ms. Kearney asked staff to reconsider this GAO requested Q&A. Staff believes it provides value not only concerning the directional basis that disclosure requirements can be met, but also in the related materiality of the disclosure's aggregation. That is, preparer's are afforded flexibility in how best to meet the disclosure requirements without altering note or account specific materiality levels.

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.

As such, staff suggests retention.

EFFECTIVE DATE

34. 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 TR may be affected by later technical releases. The FASAB Handbook is updated annually and includes a status section directing the reader to any subsequent TRs 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.

Commented [DS39]: Per AAPC J. Hodge 14 Nov email - suggest using TR acronym.

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.

Commented [DS40]: Per AAPC J. Hodge 14 Nov email - suggest defining in Glossary.

Staff: Concur. Thank you.

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.

ASIC DELIBERATIONS

- A10. The ASIC began reviewing the project on behalf of the Board beginning in November 2023 with project acceptance and scope concurrence at that time. Committee members raised several points including (1) reviewing P3 disclosures to determine if they meet the intent of SFFAS 49, (2) consider materiality in connection with cost/benefit considerations, (3) ensure that decisions concerning materiality are not predicated on non-representative P3 reporting, (4) parsing the implementation guidance between authoritative and non-authoritative guidance, and (5) consider highlighting and linking the risk-based characteristics to overall risk of loss considerations.
- A11. At the May 2024 meeting, members reviewed proposed (key excerpts) draft Technical Release guidance and project next steps. Several task force members were present and offered their views concerning implementation challenges and regarding the proposed guidance. As a result of the committee's review and hearing from the task force members, staff was directed to (1) further develop and explain the flowchart instructions (for example, adopting a waterfall approach); (2) include additional Q&As concerning what is meant by harmonization of disclosures; (3) incorporate an exposure draft question for respondents concerning contingent liabilities guidance and its relationship to SFFAS 49.
- A12. The committee met again in August and November 2024 to review a revised draft Technical Release documents that contained some key revisions incorporating and addressing various concerns raised by some members at the May and August 2024 meetings, respectively. Key areas addressed arising from the August meeting included: (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 (coordination) 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 were also addressed as follows:
1. the AAPC Chair determined that incorporating an exposure draft question for respondents concerning contingent liabilities guidance and its relationship to SFFAS 49 is a matter that is outside the AAPC's scope and falls within the Board's scope to address and deliberate,
 2. additional Q&As and commentary concerning what is meant by harmonization (coordination of disclosures) were added, and
 3. the flowchart instructions were further developed along with additionally commentary and not restricting application solely to the illustrated waterfall approach.

Members suggested additional improvements and refinements to several areas, most notably to the leases guidance of the document. As a result, the AAPC chair agreed that staff would begin moving towards a draft pre-ballot to be shared with the committee once all remaining edits and revisions have been addressed by staff.

RISK AND MATERIALITY

MATERIALITY, RISK AND PUBLIC-PRIVATE PARTNERSHIPS

A13. 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 TR 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 TR 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* applies⁷.** – Identify the entities in the P3 arrangement or transaction (e.g., private partners, special purpose vehicles, etc.). 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 disclosures.

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.

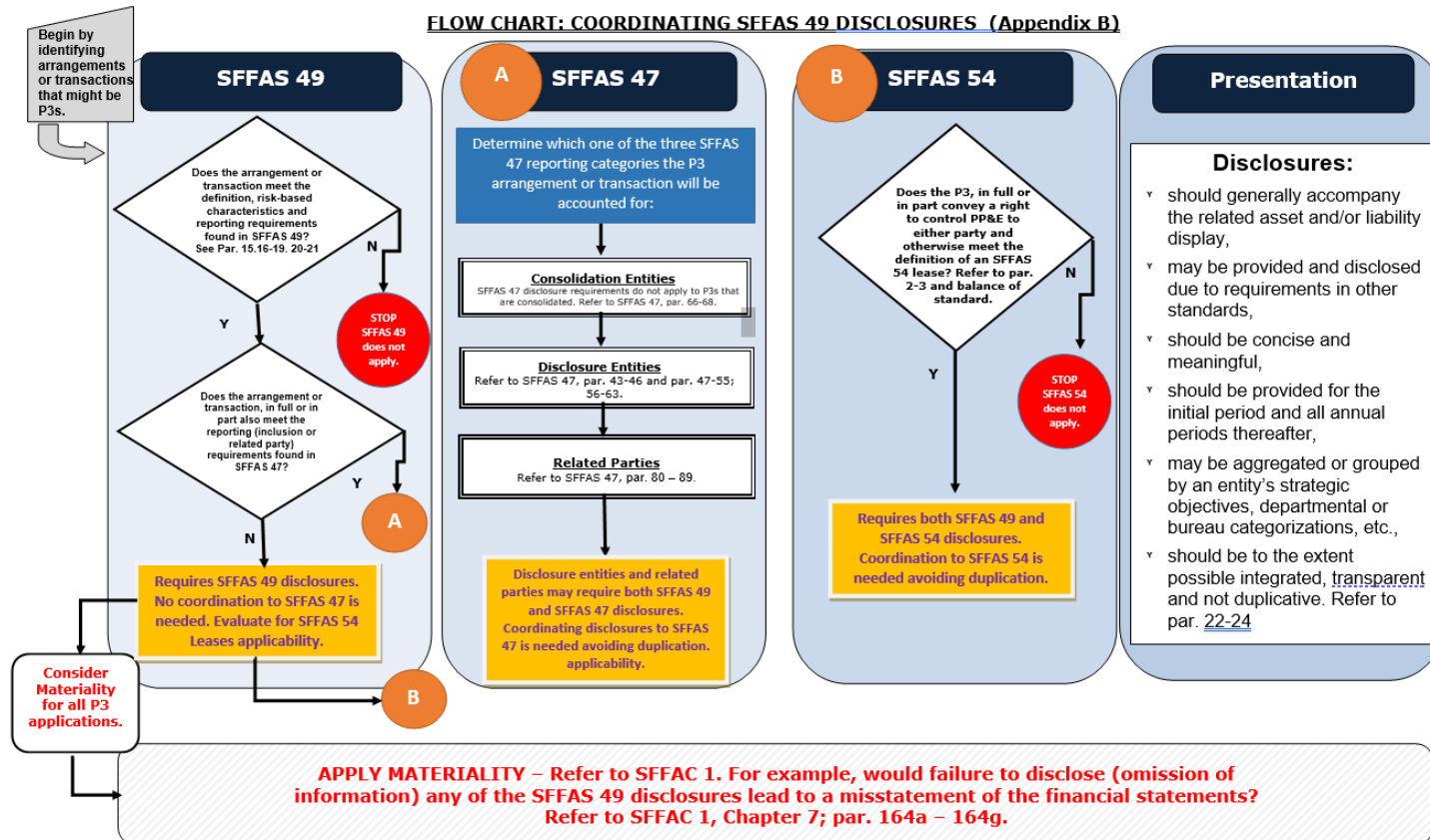
3. **Third Step – Determine if SFFAS 54, Leases applies⁸.** Identify balances or types of transactions (e.g., assets, liabilities, revenues, costs), or other disclosures (e.g., commitments and unrecognized contingencies) in the entity's financial statements that are a result/consequence of the P3 arrangement 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 or 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 specific amounts related to the P3; and refer to the note where related information is incorporated.

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.



APPENDIX B: ILLUSTRATIONS
SUMMARY OF DISCLOSURE REQUIREMENTS

Commented [DS41]: Per AAPC J. Hodge 14 Nov email - Shouldn't the title include **Illustrations**: Summary of Disclosure Requirements similar to the set up of appendix B above and the appendix title in footer?

| SFFAS 49 | SFFAS 47 | SFFAS 54 |
|---|---|---|
| <p>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:</p> <ul style="list-style-type: none"> 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. | <p>74. For each significant disclosure entity and aggregation of disclosure entities, information should be disclosed to meet the following objectives:</p> <ul style="list-style-type: none"> 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. <p>Paragraph 75 provides examples of information that may meet the objectives in paragraph 74.</p> | <p>Component Reporting Entity Disclosures for Lessors</p> <p>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:</p> <ul style="list-style-type: none"> 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: ILLUSTRATIONS
SUMMARY OF DISCLOSURE REQUIREMENTS

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| SFFAS 49 | SFFAS 47 | SFFAS 54 |
|--|---|---|
| <p>c. The operational and financial structure of the P3 including the reporting entity's rights and responsibilities, including:</p> <p>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:</p> <ol style="list-style-type: none"> 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 | <p>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:</p> <ol style="list-style-type: none"> 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. | <p>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</p> <p>e. The amount of the annual lease expense and the discount rate used to calculate the lease liability</p> <p>Component Reporting Entity Disclosures for Lessors</p> <p>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:</p> <ol style="list-style-type: none"> a. A general description of its leasing arrangements, including the basis, terms, and conditions on which any variable lease |

APPENDIX B: ILLUSTRATIONS
SUMMARY OF DISCLOSURE REQUIREMENTS

Commented [DS41]: Per AAPC J. Hodge 14 Nov email - Shouldn't the title include **Illustrations**: Summary of Disclosure Requirements similar to the set up of appendix B above and the appendix title in footer?

| SFFAS 49 | SFFAS 47 | SFFAS 54 |
|--|----------|--|
| <p>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</p> <p>d. Identification of the contractual risks of loss the P3 partners are undertaking</p> <p>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).</p> | | <p>payments not included in the lease receivable are determined</p> <p>b. The carrying amount of assets on lease by major classes of assets, and the amount of related accumulated depreciation</p> <p>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</p> <p>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</p> <p>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-</p> |

APPENDIX B: ILLUSTRATIONS
SUMMARY OF DISCLOSURE REQUIREMENTS

Commented [DS41]: Per AAPC J. Hodge 14 Nov email - Shouldn't the title include **Illustrations**: Summary of Disclosure Requirements similar to the set up of appendix B above and the appendix title in footer?

| SFFAS 49 | SFFAS 47 | SFFAS 54 |
|--|----------|--|
| <p>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.</p> <p>e. As applicable:</p> <p>i. Associated amounts recognized in the financial statements such as gains or losses and capitalized items</p> <p>ii. Significant instances of non-compliances with legal and contractual provisions governing the P3 arrangement or transaction</p> <p>iii. Whether the private partner(s), including any Special Purpose Vehicle</p> | | <p>intragovernmental leases, the federal 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.</p> |

APPENDIX B: ILLUSTRATIONS
SUMMARY OF DISCLOSURE REQUIREMENTS

Commented [DS41]: Per AAPC J. Hodge 14 Nov email - Shouldn't the title include **Illustrations**: Summary of Disclosure Requirements similar to the set up of appendix B above and the appendix title in footer?

| SFFAS 49 | SFFAS 47 | SFFAS 54 |
|--|----------|----------|
| <p>(SPV), have borrowed or invested capital contingent upon the reporting entity's promise to pay whether implied or explicit</p> <p>iv. Description of events of termination or default</p> | | |

APPENDIX C: ABBREVIATIONS

| | |
|----------------|--|
| AAPC | Accounting and Auditing Policy Committee |
| ASIC | Accounting Standards Implementation Committee |
| CFO Act | Chief Financial Officers Act of 1990 |
| CFR | Consolidated Financial Report of the U.S. Government |
| ED | Exposure Draft |
| FASAB | Federal Accounting Standards Advisory Board |
| FASB | Financial Accounting Standards Board |
| FY | Fiscal Year |
| GAAP | Generally Accepted Accounting Principles |
| GAO | Government Accountability Office |
| GASB | Governmental Accounting Standards Board |
| GPFFR | General Purpose Federal Financial Report |
| IC | Implementation Challenge |
| IPSASB | International Public Sector Accounting Standards Board |
| OMB | Office of Management and Budget |
| P3 | Public-Private Partnership |
| SFAS | Statement of Financial Accounting Standards (FASB) |
| SFFAC | Statement of Federal Financial Accounting Concepts |
| SFFAS | Statement of Federal Financial Accounting Standards |
| SPV | Special Purpose Vehicle |
| TR | Technical Release |

Commented [DS42]: Per AAPC J. Hodge 14 Nov email - Update the Glossary's accuracy.

Staff: Concur and thank you for your keen eye.

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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~~ April 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 Standards Implementation and Auditing Policy Committee

The Accounting Standards Implementation Committee or ASIC (formerly known as the Accounting and Auditing Policy Committee or (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 ASICAAPC serves as a permanent committee established by the FASAB. The mission of the ASICAAPC 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 ASICAAPC 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 ASICAAPC is available from [FASAB's website](#).

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ISSUE DATE ~~December 2024~~ or ~~February~~ April 2025

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

The Accounting ~~Standards Implementation and Auditing Policy~~ Committee (~~ASICAAPC~~ 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 July xx, 2025 **DUE DATE**.

All comments received by the ~~ASICAAPC~~ 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 & ~~ASICAAPC~~ 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 compliments¹ 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, p~~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, ~~to include general principles for disclosure requirements in connection with and consideration of the:~~

- a. ~~General principles for disclosure requirements.~~ Identification of an entity's P3 risk residing in its arrangements or transactions and application of the SFFAS 49 risk-based characteristics,
- b. ~~Considering~~ P3-related entities that require disclosure pursuant to SFFAS 47, *Reporting Entity*,
- c. ~~Considering~~ P3-related leases pursuant to SFFAS 54, *Leases*, and
- d. ~~P3-related standards requiring coordination with 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, t~~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 ED review 12 Dec - reconsider statement since we're not specifying what guidance the Board was referring to.

Thank you and staff suggests deleting this sentence.

Commented [DS2]: Per AAPC J. Hodge 14 Nov email - Suggest making these read parallel to other bullets (i.e., consideration of) and flow correctly from the sentence leading into the bullets.

Staff: Concur. Thank you. Please see suggested edits.

Commented [DS3]: 20 Dec - staff edit

Commented [DS4]: Per ED review 12 Dec - conforming edit.

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~~TR 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.

Commented [DS5]: 20 Dec - staff edit. Per Mr. Hodge's review for consistent use of abbreviations.

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.

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QUESTIONS FOR RESPONDENTS

The Accounting ~~Standards Implementation and Auditing Policy~~ Committee (AS~~I~~APC 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 July XX, 2025 [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 and Paragraphs A10 – A12 in Appendix A - Basis for Conclusions for a discussion and related explanation.**
- 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 and Paragraphs A10 – A13 in Appendix A - Basis for Conclusions for a discussion and related explanation.**
- 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 and Paragraphs A10 – A12 in Appendix A - Basis for Conclusions and Appendix B for a discussion and related explanation.**

- 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 and Paragraphs A10 – A12 in Appendix A - Basis for Conclusions and Appendix B for a discussion and related explanation.**
- 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 Questions and Answers and Paragraphs A11 – A12 in Appendix A - Basis for Conclusions and Appendix B for a discussion and related explanation.**
- 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 arrangements/transactions and document consider their reward and risk composition. References: Paragraphs 2 - 7 and 8 - 10. |
| b. Reporting Entity and Leases | Clarifying inter-relationships between SFFAS 49, <i>Public-Private Partnerships: Disclosure Requirements</i> and SFFAS 47, <i>Reporting Entity</i> and SFFAS 54, <i>Leases</i> 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 |

Commented [DS6]: 20 Dec staff edit - consistency.

Commented [SDN7]: Per Mr. O'Neill on 20 November. Document has a different connotation (from an audit point of view) and we should change to something like "consider."

Commented [DS8]: 20 Dec staff edit - consistency with proposed guidance to exclude 49 from 47 consolidated entities.

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~~ complements 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.

Commented [DS9]: 20 Dec staff edit - consistency

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, ~~that~~ may meet the definitions of disclosure entities or related parties under SFFAS 47³.
 - 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 ~~complement the other note by~~ indicating 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~~Alternatively, a P3 note may discuss ~~in detail~~ a specific lease created as part of a P3 arrangement or transaction, indicate

Commented [DS10]: 20 Dec staff edits - to clarify both sentences.

³ This TR proposes that, in accordance with generally recognized consolidation principles, 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.

that the lease is recognized as 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~~Moreover, 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 loss⁴. In such instances, a P3 note may refer to the related note for more detailed information and not include details in the P3 note.

Commented [DS11]: 20 Dec staff edit.

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~~ evaluate the structure of each ~~agreement arrangement or transaction, along with and documented~~ the risk/reward and risk composition from each P3 relationship. The various forms of inherent risks ~~identified by entity management documented~~ could give rise to conclusive and/or suggestive risk characteristics requiring disclosure. Those inherent risks entities ~~should evaluate~~ might ~~evaluate~~ include, but are not limited to:
- a. Risk the entity or federal government as a whole 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 will not be achieved;
 - e. 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 ~~evaluate complete an evaluation of~~ the inherent risks in their P3 ~~agreements arrangements~~ or transactions and ~~document~~ their risk/reward ~~and risk~~ composition when ascertaining contractual risks of loss.

Commented [SDN12]: 21 Nov - With the exception of the two staff edits, all edits are as suggested by Treasury (Fiscal Services) via email dated 20 Nov.

Commented [DS13]: Per AAPC J. Hodge 14 Nov email - Suggest deleting since "as well" is redundant of "also" preceding it.

Commented [DS14]: 20 Dec staff edit - conformity with SFFAS 49.

Commented [SDN15]: As per Mr. O'Neill. Document has a different connotation (from an audit point of view) and we should change to something like "consider."

Commented [SDN16]: 21 Nov staff edit

Commented [SDN17]: 21 Nov staff edit

Commented [DS18]: 20 Dec staff edit - consistency and conformity.

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 disclosure guidance for P3 arrangements that may involve organizations outlined in SFFAS 47⁵. 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 ~~of such significance that it would be misleading to exclude 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.⁶
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, etc.); (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.

Commented [DS19]: Per ED review 12 Dec - SFFAS 47 deals with organizations not specific structural arrangements or transactional arrangements. Clarify the connection between the SFFAS 47 organization of the SFFAS 49 arrangement and include the following language as well: "When an (non-federal) organization, as outlined in SFFAS 47, enters into a risk-sharing arrangement or transaction meeting the definition of a P3 and the risk-based characteristics but does not meet the exclusion criteria of paragraph 15 of SFFAS 49, the entity may be subject to the disclosure requirements of SFFAS 49."

Staff: Please see added language in the paragraph and your addition as a footnote.

Commented [DS20]: 21 Nov - Mr. O'Neil noted that "Significant" should be changed to "material."

Staff Non-concurs because par. 80 of SFFAS 47 is discussing relationships with others and uses "significance" to describe the related parties. Changing this to material would directly conflict with SFFAS 47,

Commented [DS21]: 20 Dec staff edit - syntax.

⁵ When an (non-federal) organization, as outlined in SFFAS 47, enters into a risk-sharing arrangement or transaction meeting the definition of a P3 and the risk-based characteristics but does not meet the exclusion criteria of paragraph 15 of SFFAS 49, the entity may be subject to the disclosure requirements of SFFAS 49.

⁶ Coordination in this context refers to efforts and additional actions needed to support, enhance or complete adequate disclosures for all related disclosure requirements.

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

Commented [DS22]: Per ED review 12 Dec - Make the connection between SFFAS 47 organizations and SFFAS 49 arrangements.

Staff: see suggested edits referring to orgs.

17. Professional judgement will be required in determining how SFFAS 47 and SFFAS 49 disclosures are coordinated. ~~SFFAS 47 and SFFAS 49~~ These standards have similar disclosure objectives and requirements ~~and however, some SFFAS 49 supplemental disclosures specifically for P3 arrangements/transaction could include:~~

~~A description of federal and non federal funding of the P3 over its expected life;~~

Commented [DS23]: 21 Nov - Per Mr. O'Neil. Ensure alignment with SFFAS 49 or simply refer to par. 24 in SFFAS 49.

~~Expected life determinations and identification of 3rd party payers;~~

Staff: Concur. Simple referral seems best. Please note that given this edit, staff made conforming edits for clarity and flow.

~~In-kind transactions and remote risks and donations;~~

~~Contractual risk of loss the P3 partners are undertaking, including remote risks and cash flow impacts;~~

~~Identification of associated financial statement amounts;~~

~~Private partner borrowings/investments based on government's promise to pay; and~~

~~Other contractual disclosures. SFFAS 49 disclosures are intended to be coordinated with each other other required disclosures. Therefore, to the extent that the SFFAS 47 disclosures do not provide the information specific to SFFAS 49, the SFFAS 49 paragraph 24 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.

Please refer to the table at Appendix B, page 28, *Summary of Disclosure Requirements* for both SFFAS 47 and SFFAS 49 disclosures.

Commented [DS24]: Per AAPC J. Hodge 14 Nov email - Suggest aligning to exact titles of appendix. It appears that appendix B is two part (1) Illustrations: PROCESS FLOWCHART (2) Illustrations: SUMMARY OF DISCLOSURE REQUIREMENTS.

Staff: Partially concur. We're referring the reader to the specific page number and Summary. Please see suggested edit.

GUIDANCE ON APPLYING SFFAS 49 TO SFFAS 54 LEASES

18. ~~When preparers identify a~~ A P3 arrangement or transaction ~~that may incorporate a lease, the lease component of the P3 arrangement or transaction is subject to the as defined by SFFAS 54, Leases, reporting requirements.~~ For example, a P3 arrangement or transaction may ~~include incorporate a lease or a lease component between the reporting entity and a P3 partner and as a result, this TR proposes disclosure guidance for such P3 arrangements/transactions, 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 the reporting principles for a Lease found in SFFAS 54.~~

Commented [DS25]: Per ED review 12 Dec and Staff 20 Dec review.

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

Commented [DS26]: Per AAPC J. Hodge 14 Nov email - already defined as a P3.

20. ~~Yes. Professional judgement will be required in determining how SFFAS 54 and SFFAS 49 disclosures are coordinated. 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.

Commented [DS27]: Staff note: Some at the AAPC meeting suggested combining this Q&A with par. 21/22 Q&A. In review, staff suggests retaining their distinction but simplifying the Q&A answer as suggested at the 21 Nov AAPC meeting.

See the edits based on task force and staff review.

Commented [DS28]: Staff: To conform with how we answered a similar question concerning SFFAS 47 and SFFAS 49.

~~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.~~

Commented [DS29]: Task force deletion. SF

Commented [DS30]: Task force - retain integrated to conform with SFFAS 49 language.

Please refer to Appendix B, page 28, Summary of Disclosure Requirements for both SFFAS 54 and SFFAS 49 disclosures.

Commented [DS31]: Per Executive Director 12 December - this language is not needed. Staff concurs since it conflicts with the next Q&A.

21. ~~If a lease or lease component under SFFAS 54 is included in a P3 arrangement or transaction, how might SFFAS 49 P3 and SFFAS 54 disclosures be coordinated?~~

Commented [DS32]: Task force suggests revising/simplifying Question and Answer to better distinguish it from prior Q&A. CD

22. Lease disclosures under SFFAS 54 may aggregate information about a lease portfolio and may not ~~sufficiently~~ include ~~the~~ 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 ~~specifically~~ related to the P3, and reference the related lease note. Alternatively, the reporting entity may ~~include the required P3 disclosures for P3s that are also leases in the lease note~~ ~~discuss the related P3 lease disclosures in a lease note~~ that is cross-referenced to the P3 note ~~such that the lease note clearly delineate amounts related to P3 arrangements/transactions.~~

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 that meets SFFAS 49 be differentiated from another type of contract or arrangement as opposed to another type of contract or arrangement that permits use of an asset like similar to a lease?~~

Commented [DS33]: Task force review - simplify the question (TM) (3d vs. 2k) and place this Q&A after the next Q&A. Staff suggests retaining based on (1) Mr. Dacey's review did not suggest deleting and (2) this question is one we should answer because it's been asked but referring readers to SFFAS 54.

See suggested staff edits to answer. Staff will finalize Q&A placement after all edits are finalized.

24. Preparers should review the terms of the P3 arrangement or transaction against SFFAS 54, criteria for a lease, 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 an SFFAS 49 P3 from a contract or agreement with multiple components, including one or more lease components which is not subject to lease-only meeting SFFAS 54 reporting requirements versus a lease meeting both SFFAS 54 and SFFAS 49 reporting requirements?~~

Commented [SDN34]: Edit as per Mr. O'Neill's observation on 20 Nov 2024 meeting.

26. ~~An SFFAS 49 reportable lease arrangement or transaction P3 meeting both SFFAS 54 and SFFAS 49 reporting requirements will typically (1) meet the definition of a federal P3 as defined at paragraphs 16 through 19, be (1) a bundled lease (see paragraph 15.b. of SFFAS 49⁷ for when unbundled leases are excluded) and (2) meet any one of the SFFAS 49 paragraph 20 conclusive risk-based characteristics or SFFAS 49 paragraph 21 suggestive risk-based characteristics in the aggregate.~~

Commented [DS35]: Task force review - Reframe the question to focus on SFFAS 49 criteria and RBCs (CD) and move this Q&A ahead of the prior Q&A. (2d vs 3r)

Staff notes that the Q&A placement will be made after edits are finalized.

27. ~~Are P3 arrangements/transactions under Energy Savings Performance Contracts and Utility Energy Service Contracts considered leases?~~

Commented [DS36]: Task force review - question changed from prior version which read, "Are ESPCs and UESC 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 either the conclusive or suggestive risk-based characteristics the definition of a P3 (e.g., SFFAS 49 Conclusive Risk Characteristic #1 paragraph 20: "The arrangement or transaction results in the conveyance or creation of a long-lived asset or long-term financing liability."), they will be required to meet 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~~

Commented [SDN37]: Edit as per Mr. O'Neill's observation on 20 Nov 2024 meeting.

Commented [DS38]: Task force review - delete this language. Potential footnote or BFC.

⁷ "...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."

~~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.~~

GUIDANCE ON COORDINATING DISCLOSURES

29. As entities apply the disclosure requirements of SFFAS 49, questions have arisen as to which disclosures apply when other standards covering such long-standing arrangements/transactions also apply. This TR proposes guidance on how to coordinate SFFAS 49 disclosures with disclosure requirements from other standards.
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, in meeting the SFFAS 49 disclosure requirements, aligning or harmonizing disclosures simply means ensuring that entities are encouraged to 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-complement 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.

Commented [DS39]: 20 Dec staff edit - to conform with prior sections.

Commented [SDN40]: Staff edits on 2 December.- Eliminate the word “supplement” to avoid confusion as well as “harmonizing and aligning.”

Commented [SDN41]: Ms. Kearney asked staff to reconsider this GAO requested Q&A. Staff believes it provides value not only concerning the directional basis that disclosure requirements can be met, but also in the related materiality of the disclosure's aggregation. That is, preparer's are afforded flexibility in how best to meet the disclosure requirements without altering note or account specific materiality levels.

As such, staff suggests retention.

EFFECTIVE DATE

34. 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~~TR may be affected by later ~~Technical r~~Releases. The FASAB Handbook is updated annually and includes a status section directing the reader to any subsequent ~~T~~~~R~~~~sechnical 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.

Commented [DS42]: Per AAPC J. Hodge 14 Nov email - suggest using TR acronym.

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.

Commented [DS43]: Per AAPC J. Hodge 14 Nov email - suggest defining in Glossary.

Staff: Concur. Thank you.

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.

ASIC DELIBERATIONS

- A10. The ASIC began reviewing the project on behalf of the Board beginning in November 2023 with project acceptance and scope concurrence at that time. Committee members raised several points including (1) reviewing P3 disclosures to determine if they meet the intent of SFFAS 49, (2) consider materiality in connection with cost/benefit considerations, (3) ensure that decisions concerning materiality are not predicated on non-representative P3 reporting, (4) parsing the implementation guidance between authoritative and non-authoritative guidance, and (5) consider highlighting and linking the risk-based characteristics to overall risk of loss considerations.
- A11. At the May 2024 meeting, members reviewed proposed (key excerpts) draft Technical Release guidance and project next steps. Several task force members were present and offered their views concerning implementation challenges and regarding the proposed guidance. As a result of the committee's review and hearing from the task force members, staff was directed to (1) further develop and explain the flowchart instructions (for example, adopting a waterfall approach); (2) include additional Q&As concerning what is meant by harmonization of disclosures; (3) incorporate an exposure draft question for respondents concerning contingent liabilities guidance and its relationship to SFFAS 49.
- A12. The committee met again in August and November 2024 to review a revised draft Technical Release documents that contained some key revisions incorporating and addressing various concerns raised by some members at the May and August 2024 meetings, respectively. Key areas addressed arising from the August meeting included: (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 (coordination) 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 were also addressed as follows:
1. the AAPC Chair determined that incorporating an exposure draft question for respondents concerning contingent liabilities guidance and its relationship to SFFAS 49 is a matter that is outside the AAPC's scope and falls within the Board's scope to address and deliberate,
 2. additional Q&As and commentary concerning what is meant by harmonization (coordination of disclosures) were added, and
 3. the flowchart instructions were further developed along with additionally commentary and not restricting application solely to the illustrated waterfall approach.

Members suggested additional improvements and refinements to several areas, most notably to the leases guidance of the document. As a result, the AAPC chair agreed that staff would begin moving towards a draft pre-ballot to be shared with the committee once all remaining edits and revisions have been addressed by staff.

RISK AND MATERIALITY

MATERIALITY, RISK AND PUBLIC-PRIVATE PARTNERSHIPS

A13. 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 SSFAS 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 SSFAS 47 or SSFAS 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 SSFAS 47, *Reporting Entity* and then proceeding to SSFAS 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 SSFAS 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 SSFAS 47, *Reporting Entity* applies⁸.** – Identify the entities in the P3 arrangement or transaction (e.g., private partners, special purpose vehicles, etc.). Determine if any of the identified entities are consolidation entities, disclosure entities, or related parties under SSFAS 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.

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, SSFAS 49 would not apply to that relationship.

- 3. Third Step – Determine if SFFAS 54, Leases applies⁹.** 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** **or** related parties.

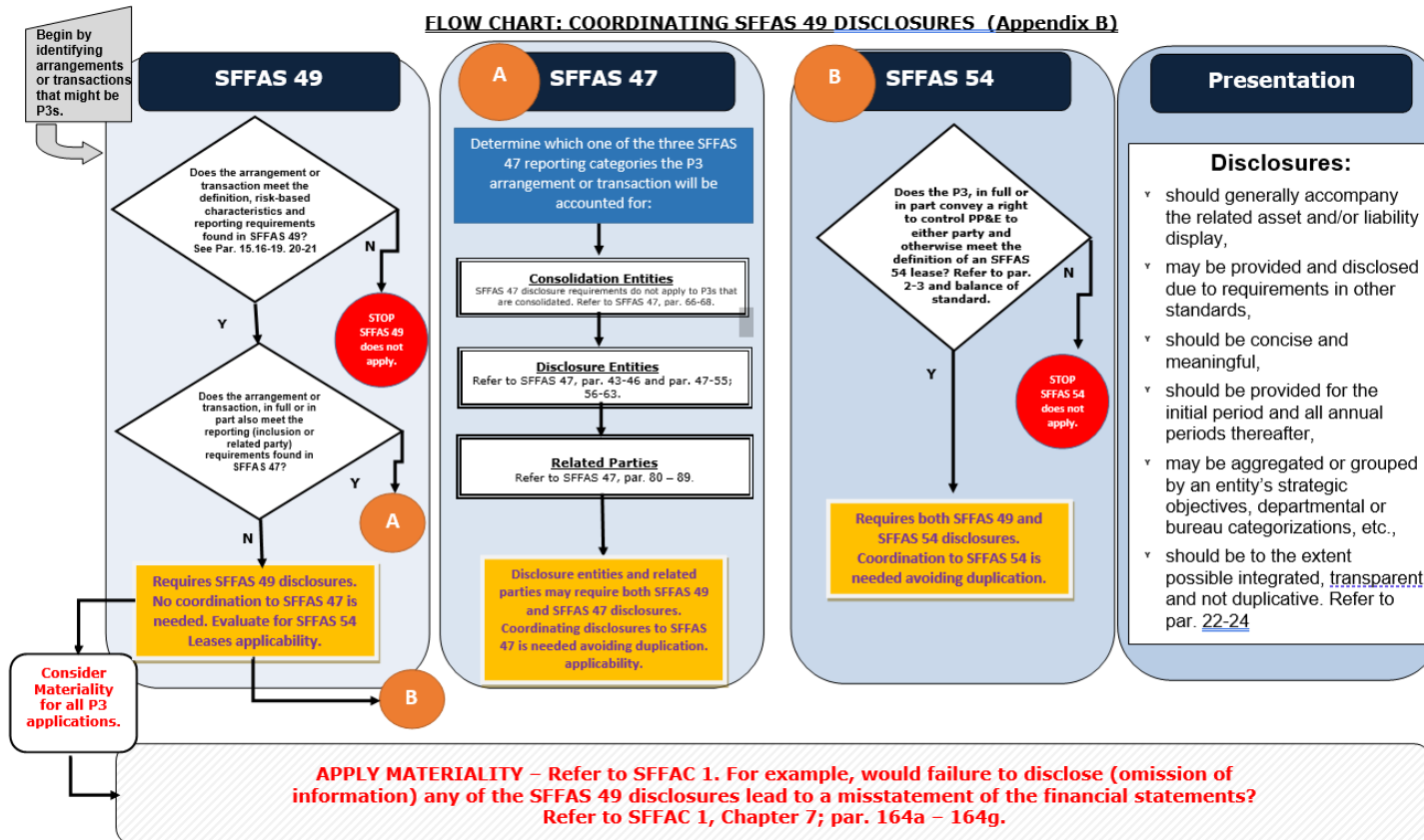
For example, if in the entity's financial statements there are related P3 disclosures (e.g., narratives, balances or types of transactions such as assets, liabilities, revenues, or costs) required by other standards (e.g., commitments and unrecognized contingencies), information should be coordinated 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 **specific** amounts related to the P3; and refer to the note where related information is incorporated.

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: COORDINATING SFFAS 49 DISCLOSURES (Appendix B)



APPENDIX B: **ILLUSTRATIONS**
SUMMARY OF DISCLOSURE REQUIREMENTS

Commented [DS44]: Per AAPC J. Hodge 14 Nov email - Shouldn't the title include **Illustrations**: Summary of Disclosure Requirements similar to the set up of appendix B above and the appendix title in footer?

| SFFAS 49 | SFFAS 47 | SFFAS 54 |
|---|---|---|
| <p>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:</p> <ul style="list-style-type: none"> 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. | <p>74. For each significant disclosure entity and aggregation of disclosure entities, information should be disclosed to meet the following objectives:</p> <ul style="list-style-type: none"> 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. <p>Paragraph 75 provides examples of information that may meet the objectives in paragraph 74.</p> | <p>Component Reporting Entity Disclosures for Lessors</p> <p>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:</p> <ul style="list-style-type: none"> 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: **ILLUSTRATIONS**
SUMMARY OF DISCLOSURE REQUIREMENTS

Commented [DS44]: Per AAPC J. Hodge 14 Nov email - Shouldn't the title include **Illustrations**: Summary of Disclosure Requirements similar to the set up of appendix B above and the appendix title in footer?

| SFFAS 49 | SFFAS 47 | SFFAS 54 |
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| <p>c. The operational and financial structure of the P3 including the reporting entity's rights and responsibilities, including:</p> <p>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:</p> <ol style="list-style-type: none"> 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 | <p>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:</p> <ol style="list-style-type: none"> 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. | <p>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</p> <p>e. The amount of the annual lease expense and the discount rate used to calculate the lease liability</p> <p>Component Reporting Entity Disclosures for Lessors</p> <p>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:</p> <ol style="list-style-type: none"> a. A general description of its leasing arrangements, including the basis, terms, and conditions on which any variable lease |

APPENDIX B: **ILLUSTRATIONS**
SUMMARY OF DISCLOSURE REQUIREMENTS

Commented [DS44]: Per AAPC J. Hodge 14 Nov email - Shouldn't the title include **Illustrations**: Summary of Disclosure Requirements similar to the set up of appendix B above and the appendix title in footer?

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| <p>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</p> <p>d. Identification of the contractual risks of loss the P3 partners are undertaking</p> <p>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).</p> | | <p>payments not included in the lease receivable are determined</p> <p>b. The carrying amount of assets on lease by major classes of assets, and the amount of related accumulated depreciation</p> <p>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</p> <p>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</p> <p>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-</p> |

APPENDIX B: **ILLUSTRATIONS**
SUMMARY OF DISCLOSURE REQUIREMENTS

Commented [DS44]: Per AAPC J. Hodge 14 Nov email - Shouldn't the title include **Illustrations**: Summary of Disclosure Requirements similar to the set up of appendix B above and the appendix title in footer?

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| <p>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.</p> <p>e. As applicable:</p> <p>i. Associated amounts recognized in the financial statements such as gains or losses and capitalized items</p> <p>ii. Significant instances of non-compliances with legal and contractual provisions governing the P3 arrangement or transaction</p> <p>iii. Whether the private partner(s), including any Special Purpose Vehicle</p> | | <p>intragovernmental leases, the federal 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.</p> |

APPENDIX B: **ILLUSTRATIONS**
SUMMARY OF DISCLOSURE REQUIREMENTS

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| <p>(SPV), have borrowed or invested capital contingent upon the reporting entity's promise to pay whether implied or explicit</p> <p>iv. Description of events of termination or default</p> | | |

APPENDIX C: ABBREVIATIONS

| | |
|-----------------------|---|
| <u>AAPC</u> | <u>Accounting and Auditing Policy Committee</u> |
| <u>ASIC</u> | <u>Accounting Standards Implementation Committee</u> |
| <u>CFO Act</u> | <u>Chief Financial Officers Act of 1990</u> |
| CFR | Consolidated Financial Report of the U.S. Government |
| ED | Exposure Draft |
| FASAB | Federal Accounting Standards Advisory Board |
| FASB | Financial Accounting Standards Board |
| <u>FY</u> | <u>Fiscal Year</u> |
| GAAP | Generally Accepted Accounting Principles |
| GAO | Government Accountability Office |
| GASB | Governmental Accounting Standards Board |
| GPFFR | General Purpose Federal Financial Report |
| <u>IC</u> | <u>Implementation Challenge</u> |
| IPSASB | International Public Sector Accounting Standards Board |
| OMB | Office of Management and Budget |
| <u>P3</u> | <u>Public-Private Partnership</u> |
| SFAS | Statement of Financial Accounting Standards (FASB) |
| SFFAC | Statement of Federal Financial Accounting Concepts |
| SFFAS | Statement of Federal Financial Accounting Standards |
| <u>SPV</u> | <u>Special Purpose Vehicle</u> |
| <u>TR</u> | <u>Technical Release</u> |

Commented [DS45]: Per AAPC J. Hodge 14 Nov email - Update the Glossary's accuracy.

Staff: Concur and thank you for your keen eye.

FASAB Members

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Appendix B: SUMMARY OF DISCLOSURE REQUIREMENTS

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| <p>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:</p> <ul style="list-style-type: none"> 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, | <p>74. For each significant disclosure entity and aggregation of disclosure entities, information should be disclosed to meet the following objectives:</p> <ul style="list-style-type: none"> 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. <p>Paragraph 75 provides examples of information that may meet the objectives in paragraph 74.</p> | <p>Component Reporting Entity Disclosures for Lessors</p> <p>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:</p> <ul style="list-style-type: none"> 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 |

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| <p>the disclosures should indicate such.</p> <p>c. The operational and financial structure of the P3 including the reporting entity's rights and responsibilities, including:</p> <p>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:</p> <ol style="list-style-type: none"> 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 | <p>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:</p> <ol style="list-style-type: none"> 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. | <p>payments not previously included in the lease liability</p> <p>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</p> <p>e. The amount of the annual lease expense and the discount rate used to calculate the lease liability</p> <p>Component Reporting Entity Disclosures for Lessors</p> <p>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</p> |

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| <p>a third-party, such as, military housing allowances</p> <p>4. in-kind contributions/services and donations</p> <p>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</p> <p>d. Identification of the contractual risks of loss the P3 partners are undertaking</p> <p>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</p> | | <p>transfer ownership, and intragovernmental leases:</p> <p>a. A general description of its leasing arrangements, including the basis, terms, and conditions on which any variable lease payments not included in the lease receivable are determined</p> <p>b. The carrying amount of assets on lease by major classes of assets, and the amount of related accumulated depreciation</p> <p>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</p> <p>d. The amount of revenue recognized in the reporting period for variable lease payments and other payments not previously included in the lease receivable,</p> |

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| <p>exit amounts and other responsibilities such as asset condition (hand-back) requirements, minimum payment guarantees, escalation clauses, contingent payments, or renewal options).</p> <p>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.</p> <p>e. As applicable:</p> <p>i. Associated amounts recognized in the financial</p> | | <p>including revenue related to residual value guarantees and termination penalties</p> <p>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 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.</p> |

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| <p>statements such as gains or losses and capitalized items</p> <p>ii. Significant instances of non-compliances with legal and contractual provisions governing the P3 arrangement or transaction</p> <p>iii. Whether the private partner(s), including any Special Purpose Vehicle (SPV), have borrowed or invested capital contingent upon the reporting entity's promise to pay whether implied or explicit</p> <p>iv. Description of events of termination or default</p> | | |

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Appendix B: SUMMARY OF DISCLOSURE REQUIREMENTS

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SFFAS 49

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.
 - 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

Appendix B: SUMMARY OF DISCLOSURE REQUIREMENTS

SFFAS 49 **(CONTINUED TO** **END)**

- 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).
 - 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 invested capital contingent upon the reporting entity's promise to pay whether implied or explicit
- iv. Description of events of termination or default

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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.

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.

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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
- 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

Appendix B: SUMMARY OF DISCLOSURE REQUIREMENTS

SFFAS 54 **(CONTINUED TO** **END)**

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 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 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.