

INTRAGOVERNMENTAL
LEASEHOLD REIMBURSABLE
WORK AGREEMENTS

Technical Bulletin 202X-X

Exposure Draft

Written comments are requested by November 4, 2022

September 19, 2022

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](#)
- [FASAB newsletters](#)

Copyright Information

This is a work of the U.S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from FASAB. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

Contact Us

Federal Accounting Standards Advisory Board
441 G Street, NW
Suite 1155
Washington, D.C. 20548
Telephone (202) 512-7350
Fax (202) 512-7366
www.fasab.gov

September 19, 2022

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

Your comments on the exposure draft of a proposed Technical Bulletin, *Intragovernmental Leasehold Reimbursable Work Agreements*, are requested. Specific questions for your consideration appear on pages 4-5, but you are welcome to comment on any aspect of this proposal. If you do not agree with the proposed approach, your response will be most helpful to the Board if you explain the reasons for your positions and any alternatives you propose.

Responses are requested by November 4, 2022.

All comments received by FASAB are considered public information. Those comments may be posted to [FASAB's 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 to determine if your comments were received. If you are unable to email your responses, please call (202) 512-7350 to make alternate 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 in the Federal Register and in FASAB's newsletter.

Sincerely,



Monica R. Valentine
Executive Director

EXECUTIVE SUMMARY

WHAT IS THE BOARD PROPOSING?

This Technical Bulletin would provide accounting and reporting requirements for intragovernmental leasehold reimbursable work agreements (often referred to in practice as reimbursable work authorizations). These agreements have features that require supplementary guidance for purposes of implementing paragraphs 72-79 and 26-38 of Statement of Federal Financial Accounting Standards (SFFAS) 54, *Leases*, in a manner consistent with SFFAS 4, *Managerial Cost Accounting Standards and Concepts*.

Intragovernmental leasehold reimbursable work agreements are agreements whereby one reporting entity (the provider-lessor) acquires, constructs, improves, and/or alters an underlying asset that is or will be leased to another reporting entity (the customer-lessee) and the customer-lessee agrees to reimburse the provider-lessor for direct and indirect costs for the acquisition, construction, improvement, and/or alteration. These reimbursable costs are beyond what may be included in the tenant improvement allowances of the lease agreement for the related underlying asset.

This proposal would require customer-lessees to recognize an intragovernmental reimbursable work asset for reimbursable acquisition, construction, improvement, and/or alteration costs (unless the leasehold improvement asset is recognized by the customer-lessee). It would require provider-lessors to recognize an intragovernmental unearned reimbursable work revenue liability for reimbursable acquisitions, construction, improvements, and/or alterations provided to the customer-lessee on a reimbursable basis (unless the leasehold improvement is recognized by the customer-lessee).

Accounting for the substance of these agreements inherently involves professional judgment in determining which reporting entity should report the leasehold improvement asset (or property, plant, and equipment [PP&E])—particularly in situations when both parties may derive economic benefits and services from the reimbursable work over the useful life of the resulting PP&E. This proposal would assist reporting entities with recognizing the appropriate types of assets and liabilities embodied under these intragovernmental agreements in a similar manner.

In accordance with Technical Bulletin 2000-1, *Purpose and Scope for FASAB Technical Bulletins and Procedures for Issuance*, this proposal would address accounting issues not directly covered by SFFAS 54 in a manner congruous with SFFAS 54 and other relevant FASAB Statements and Concepts.

MATERIALITY

The provisions of this proposed Interpretation would not need to be applied to information if the effect of applying the provision(s) is immaterial.¹ 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

¹Refer 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.

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.

TABLE OF CONTENTS

Executive Summary	1
Questions for Respondents	4
Proposed Technical Guidance.....	6
Scope	6
Definitions	7
Intragovernmental Leasehold Reimbursable Work Agreements	8
Implementation	10
Effective Date.....	10
Appendix A: Basis for Conclusions	11
Appendix B: Abbreviations.....	15
Appendix C: Glossary	16

QUESTIONS FOR RESPONDENTS

The Federal Accounting Standards Advisory Board (FASAB or “the Board”) encourages you to become familiar with all proposals in the Technical Bulletin before responding to the questions for respondents (QFR) and specific matters for comment (SMC) below. In addition to the questions below, the Board also welcomes your comments on other aspects of the proposed Technical Bulletin. Because FASAB may modify the proposals before a final Technical Bulletin is issued, it is important that you comment on proposals that you favor as well as any that you do not favor. Comments that include the reasons for your views are especially appreciated.

The Board believes that this proposal would improve federal financial reporting and contribute to federal financial reporting objectives. The Board has considered the perceived costs associated with this proposal. In responding, please consider the expected benefits and perceived costs and communicate any concerns that you may have regarding implementing this proposal.

The questions in this section are available 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 respond by email, please contact (202) 512-7350 to make alternate arrangements.

All responses are requested by November 4, 2022.

- QFR1.** Do you generally agree or disagree with the proposed Technical Bulletin as a whole? Please provide reasons for your views.
- QFR2.** Are there specific aspects of the proposed Technical Bulletin that you disagree with? If so, please explain the reasons for your positions, the paragraph number(s), and/or topic area(s) of the proposal that are related to your positions, and any alternatives you propose and the basis for such alternatives.
- QFR3.** Do any ambiguous areas remain that could lead to challenges with implementing the requirements? If so, please provide examples of the issues, references to applicable guidance, and any potential solutions you propose.
- QFR4.** Are there specific aspects of this proposal that you otherwise wish to provide comments on?
- SMC1.** Paragraph 15 of the proposed Technical Bulletin provides that entities should establish, document, and consistently follow policies for recognizing leasehold improvement assets between reporting entities and reach agreement on such recognition. Please provide feedback on the extent to which you believe this would (or would not) facilitate consistent implementation of the intragovernmental accounting requirements. Also, please provide feedback on the inclusion of paragraph 15 as a proposed requirement in a Technical Bulletin and any potential implementation challenges. Please describe any alternative views or approaches, suggestions for improvement, and the reasons for your views.
- SMC2.** Paragraphs 28 and 34 provide proposed disclosure requirements. Please provide feedback on the extent to which these proposed disclosure requirements are appropriate. For example, is such information necessary to make the financial

statements informative and relevant to users in assessing accountability? Please describe your views, the costs and benefits of including these proposed disclosures, and other reasons for your views. Also, please provide feedback on the inclusion of these paragraphs as proposed requirements in a Technical Bulletin and any potential implementation challenges.

PROPOSED TECHNICAL GUIDANCE

SCOPE

1. **Which reporting entities are affected by this Technical Bulletin?**
2. This Technical Bulletin applies to federal entities that present general purpose federal financial reports (GPFFRs) in conformance with generally accepted accounting principles (GAAP), as defined by paragraphs 5 through 8 of 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*.
3. **What accounting practices are addressed in this Technical Bulletin?**
4. This Technical Bulletin provides guidance for accounting for and reporting of **intragovernmental leasehold reimbursable work agreements** (as defined under par. 16).²
5. These agreements have features that require supplementary accounting guidance for purposes of implementing paragraphs 72-79 and 26-38 of SFFAS 54, *Leases*, in a manner consistent with SFFAS 4, *Managerial Cost Accounting Standards and Concepts*.
6. **What is excluded from this Technical Bulletin?**
7. This Technical Bulletin does not apply to reimbursable leasehold work agreements with non-federal entities. Such contracts and agreements should be reviewed by reporting entity lessees (and lessors) in accordance with paragraphs 78-79 of SFFAS 54 and considered when measuring the lease asset (unearned lease revenue) in accordance with paragraphs 49 (and par. 64) and 72-77 of SFFAS 54.
8. **What types of intragovernmental reimbursable leasehold work agreements are not subject to paragraphs 23-34 of this Technical Bulletin?**
9. Paragraphs 23-34 of this Technical Bulletin do not apply to intragovernmental reimbursable leasehold work agreements for which the associated leasehold improvement asset is recognized by the **customer-lessee**. Paragraphs 10-15 of this Technical Bulletin provide principles for determining which party (the customer-lessee or **provider-lessor**) should recognize the leasehold improvement asset (property, plant, and equipment [PP&E]).
10. **How should customer-lessees and provider-lessors determine the applicability of paragraphs 23-34 of this Technical Bulletin and recognize leasehold improvement assets accordingly?**
11. Assets arising from intragovernmental reimbursable leasehold work agreements should be recognized between customer-lessees and provider-lessors on a rational and consistent basis.

²Terms defined in the glossary are shown in **boldface** the first time they appear.

12. For intragovernmental reimbursable leasehold work agreements in which the customer-lessee is expected to be the predominant beneficiary of the acquisition, construction, improvement, and/or alteration to the underlying asset, paragraphs 23-34 do not apply. For these types of agreements, the leasehold improvement—which is a type of PP&E asset under paragraph 18 of SFFAS 6, *Accounting for Property, Plant, and Equipment*—should be recognized by the customer-lessee. The provider-lessor would not be expected to derive significant residual economic benefits or services from such reimbursable work. In such instances the customer-lessee should recognize the leasehold improvement in accordance with SFFAS 6 (and par. 34 of SFFAS 54), while the underlying asset (other than the leasehold improvement recognized by the customer-lessee) continues to be recognized by the provider-lessor, in accordance with paragraph 66 of SFFAS 54.
13. For acquisitions, construction, improvements, and/or alterations with an expected useful life beyond the remaining lease term and for which the provider-lessor is expected to derive a more-than-insignificant level of residual economic benefits and services from the reimbursable work, the customer-lessee would not be considered the predominant beneficiary. In such cases, the leasehold improvement (or PP&E) asset should be recognized by the provider-lessor, and the customer-lessee and provider-lessor should follow the guidance under paragraphs 23-34 (rather than par. 12).
14. The determination of whether or not the customer-lessee is expected to be the predominant beneficiary must be made in a manner that is consistent with the lease contract or agreement, its lease term (par. 14-21 of SFFAS 54), the nature of the reimbursable work, and the expected residual economic benefits and services at the end of the lease term.
15. Customer-lessees and provider-lessors should establish, document, and consistently follow policies for recognizing leasehold improvement assets between reporting entities and reaching agreement on such recognition in a manner consistent with this guidance.

DEFINITIONS

16. **Intragovernmental leasehold reimbursable work agreement** – An agreement whereby one reporting entity (the provider-lessor) acquires, constructs, improves, and/or alters an underlying asset that is or will be leased to another reporting entity (the customer-lessee), and the customer-lessee agrees to reimburse the provider-lessor for direct and indirect costs for the acquisition, construction, improvement, and/or alteration. The reimbursement of such acquisitions, construction, improvements, and/or alterations are beyond what may be included in the rent or tenant improvement allowances provided for in a lease agreement for the related underlying asset.
17. **Customer-lessee** – The reporting entity paying for the acquisition/construction of, or improvements and/or alterations to, the underlying asset provided by the provider-lessor on a reimbursable basis.
18. **Provider-lessor** – The reporting entity providing the acquisition/construction of, or improvements and/or alterations to, the underlying asset to the customer-lessee on a reimbursable basis.

19. What types of rights and obligations are established under reimbursable leasehold work agreements that might give rise to recognizable assets and liabilities?

20. Intragovernmental lease rental amounts are generally based on provider-lessor pricing policies prescribed by legislation. Pricing policies may be based—depending on the types of legislative authorities associated with the transaction—on prevailing market rates; return on investment pricing; or the costs (if any) of services not provided by the provider-lessor, plus a fee, and security charges and parking (if not in the lease). Intragovernmental leasehold reimbursable work agreements give rise to a reduction in the lease rental amounts that would otherwise be incurred by the provider-lessor and subsequently charged to the customer-lessee. These agreements provide for reimbursable work that is beyond (or “above-standard” for) what is included in the tenant improvement allowances of the lease agreement for the related underlying asset.
21. These agreements establish a right for the customer-lessee to derive economic benefits and services from the goods and services provided and the subsequent use of the underlying asset and improvements thereto for costs paid for through the reimbursable leasehold work agreement (hereinafter referred to as the intragovernmental leasehold reimbursable work asset).
22. These agreements also establish an obligation for the provider-lessor to acquire, construct, improve, and/or alter the underlying asset for the customer-lessee and to provide access to the resulting economic benefits and services over the shorter of the remainder of the lease term, or useful life of the underlying asset or improvements/alterations thereto (hereinafter referred to as intragovernmental unearned reimbursable work revenue).

23. How should customer-lessees account for intragovernmental leasehold reimbursable work agreements?

24. Customer-lessees should initially recognize an intragovernmental reimbursable work asset for the amount payable for reimbursable work acquisition, construction, improvement, and/or alteration costs (in a manner congruous with par. 27 of SFFAS 54 requirements for recognizing prepaid rent assets).
25. An intragovernmental reimbursable work asset should be amortized in a systematic and rational manner over the shorter of (a) the remainder of the lease term or (b) the useful life of the underlying asset acquired/constructed or improvements/alterations thereto associated with the reimbursable work. The amortization of the intragovernmental reimbursable work asset should commence when the customer-lessee has access to economic benefits and services resulting from the reimbursable work and be reported as amortization expense.
26. The asset amount and subsequent amortization should be determined in a coordinated manner with the provider-lessor to facilitate the elimination of inter-entity balances and costs in accordance with paragraphs 108-109 of SFFAS 4.³

³Par. 108-109 of SFFAS 4 provide for sharing cost information, recognizing inter-entity expenses and assets (and corresponding revenues and liabilities) when appropriate for purposes of recognizing the full cost of goods and services provided for inter-entity business-type activities, and the elimination of inter-entity balances and transactions.

- 27. What should customer-lessees disclose in the notes regarding intragovernmental reimbursable work assets and how do such disclosures relate to SFFAS 54 (par. 37) disclosure requirements?**
28. Customer-lessees should disclose the following regarding intragovernmental reimbursable work assets:
- a. A general description of significant reimbursable work agreement activities. Such disclosures may be separate from or incorporated within the general description disclosures provided for under paragraph 37.a of SFFAS 54.
 - b. The carrying amount of the asset and the amount of amortization expense for the reporting period.
- 29. How should provider-lessors account for intragovernmental leasehold reimbursable work agreements?**
30. Provider-lessors should initially recognize an intragovernmental unearned reimbursable work revenue liability for the amount receivable for reimbursable work acquisitions, construction, improvements, and/or alterations (in a manner congruous with par. 28 of SFFAS 54 for prepaid rent liabilities).
31. Provider-lessors should recognize the intragovernmental reimbursable work revenue in a systematic and rational manner over the shorter of (a) the remainder of the lease term or (b) the useful life of the underlying asset acquired/constructed or improvements/alterations thereto associated with the reimbursable work.
32. Revenue recognition should commence when the customer-lessee has access to the economic benefits and services resulting from the reimbursable work. Revenue recognition should be determined in a coordinated manner with the customer-lessee to facilitate the elimination of inter-entity balances and earned revenues in accordance with paragraphs 108-109 of SFFAS 4.⁴
- 33. What should provider-lessors disclose in the notes regarding intragovernmental reimbursable work assets and how do such disclosures relate to SFFAS 54 (par. 38) disclosure requirements?**
34. Provider-lessors should disclose the following regarding intragovernmental unearned reimbursable work revenue liabilities:
- a. A general description of significant reimbursable work agreement activities. Such disclosures may be separate from or incorporated within the general description disclosures provided for under paragraph 38.a of SFFAS 54.
 - b. The carrying amount of the liability and the amount of intragovernmental reimbursable work revenue recognized in the reporting period.

⁴Ibid.

IMPLEMENTATION

35. This Technical Bulletin requires that intragovernmental leasehold reimbursable work agreements meeting the above-specified scope and recognition criteria above, and unexpired at the beginning of the reporting period in which the Technical Bulletin is implemented, be recognized and measured using the facts and circumstances that exist at the beginning of the reporting period.
36. Entities should report the effect of implementing this Technical Bulletin on existing intragovernmental leasehold reimbursable work agreements prospectively in accordance with paragraph 13 of SFFAS 21, *Reporting Correction of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources*. Accordingly, any changes in assets or liabilities should be treated prospectively. The change should be accounted for in the period of implementation and applicable future periods. No adjustments should be made to previously reported expenses or revenue.

EFFECTIVE DATE

37. The requirements of this Statement are effective for reporting periods beginning after September 30, 2023. Early adoption is not permitted.

<p>The provisions of this Technical Bulletin 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, <i>Objectives of Federal Financial Reporting</i>, chapter 7, titled <i>Materiality</i>, for a detailed discussion of the materiality concepts.</p>

APPENDIX A: BASIS FOR CONCLUSIONS

The Federal Accounting Standards Advisory Board (FASAB or “the Board”) has authorized its staff to prepare Technical Bulletins to provide timely guidance on certain financial accounting and reporting problems, in accordance with the Board’s Rules of Procedures, as amended and restated through October 2010, and the procedures described in FASAB Technical Bulletin 2000-1, *Purpose and Scope of FASAB Technical Bulletins and Procedures for Issuance*. The provisions of Technical Bulletins need not be applied to immaterial items.

This appendix discusses some factors considered significant by staff in reaching the conclusions in this Technical Bulletin. It includes the reasons for accepting certain approaches and rejecting others. Some factors were given greater weight than other factors. The guidance enunciated in the proposed technical guidance section—not the material in this appendix—would govern the accounting for specific transactions, events, or conditions.

This Technical Bulletin may be affected by later Statements or pronouncements. The FASAB Handbook is updated annually and includes a status section directing the reader to any pronouncement that affects this Technical Bulletin. Within the text of the Technical Bulletins, the authoritative sections are updated for changes. However, this appendix will not be updated to reflect subsequent changes. The reader can review the basis for conclusions of amending Statements or other pronouncements for the rationale for each amendment.

PROJECT HISTORY

- A1. The Federal Accounting Standards Advisory Board (FASAB or “the Board”) issued SFFAS 54 in April 2018 with an effective date for reporting periods beginning after September 30, 2020. The effective date was later amended by SFFAS 58, *Deferral of the Effective Date of SFFAS 54, Leases*, to reporting periods beginning after September 30, 2023.
- A2. FASAB and the Accounting and Auditing Policy Committee (AAPC) commenced projects on their technical agendas to identify implementation challenges and develop guidance related to SFFAS 54.
- A3. The AAPC assembled a task force to identify and analyze numerous SFFAS 54 implementation topics.
- A4. FASAB has received several requests from reporting entities and task force members for further guidance and clarification on accounting for reimbursable work authorizations tied to leases.
- A5. The Board received an educational update from staff and subject matter experts at significantly affected reporting entities in April 2022. The update included a presentation on the accounting issues, the purposes of reimbursable work authorizations and the underlying legislative authorities permitting them, examples of reimbursable work authorization transactions, and staff’s accounting literature review on the topic.

- A6. The Board and staff appreciate that intragovernmental leasehold reimbursable work agreements are complex and may, at times, have material effects on GPFFRs.
- A7. The Board generally agreed that a Technical Bulletin proposal would be an appropriate publication under the Rules of Procedure, as it would provide guidance for implementing paragraphs 72-79 and 26-38 of SFFAS 54 in a manner consistent with SFFAS 4, *Managerial Cost Accounting Standards and Concepts*. Staff believes that this proposal would comparatively reduce burden by more directly explaining the applicability of this guidance to intragovernmental leasehold reimbursable work authorizations.
- A8. This proposal would further explain that intragovernmental leasehold work agreements and lease agreements represent an agreement combination under paragraphs 78-79 of SFFAS 54 and should be treated accordingly.
- A9. This proposal would further explain and address areas not covered directly under SFFAS 54, paragraphs 11-12 and 34-35, in the context of intragovernmental leasehold reimbursable work agreements. Specifically, the guidance addresses recognition of leasehold improvement or lessor improvement assets (PP&E) and considerations when determining which reporting entity should account for that PP&E.
- A10. Paragraphs 11-12 of SFFAS 54 provide definitions related to improvements of leased property. Paragraph 11 provides that leasehold improvements are paid for (financed) by lessees, while paragraph 12 provides that lessor improvements are paid for (financed) by lessors.
- A11. Paragraph 18 of SFFAS 6 provides that PP&E includes leasehold improvements and property owned by the reporting entity and leased to others.
- A12. Normally, the amounts paid by the customer-lessee on leasehold improvements to assets underlying intragovernmental leases are capitalized by the customer-lessee and depreciated over the shorter of the life of the improvements or lease term. Likewise, the amounts received are normally recognized as revenue by the provider-lessor.⁵ In these situations, the cost of leasehold improvements are expensed by the provider-lessor. Generally, for leasehold improvements to assets underlying intragovernmental leases, there are no significant residual economic benefits or services expected to be derived from the improvements after the end of the lease term.
- A13. For certain intragovernmental leasehold reimbursable work agreements, however, the provider-lessor is expected to derive a more-than-insignificant level of residual economic benefits and services from the improvements after the end of the lease term. In such cases, the Board and staff believe that such improvements meeting these two conditions are, in substance, lessor improvements. In making this determination, the Board considered the following:
- a. The provider-lessor and the federal government as a whole receives residual economic benefits and services from the improvements after the end of the lease term.

⁵Consistent with SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*.

- b. Such treatment would allocate the cost of the improvements over the useful life of the asset, which extends beyond the lease term.
- A14. Assuming improvements meeting the two conditions above are recognized as lessor improvements, another consideration is how the customer-lessee's payment(s) should be recognized by each party. The Board believes that the payment(s), in substance, are an intragovernmental lessee prepaid rent for the customer-lessee and advance rent for the provider-lessor, consistent with paragraphs 27-28 of SFFAS 54. In making this determination, the Board considered the following points:
 - a. Intragovernmental revenue and expenses would be more balanced.
 - b. Under this approach, the customer-lessee would recognize the costs of improvements over the periods in which the related benefits are derived.
 - c. Under this approach, the provider-lessor would recognize revenue from improvements over the periods in which they are earned.
- A15. The Board also agreed that the proposal should clearly articulate the scope of the guidance, which is intended solely for accounting and reporting related to reimbursable work agreements for acquisitions, construction, improvements, and/or alterations to underlying assets of *intragovernmental leases*. The related proposals would not be applied in other circumstances (for example, other types of reimbursable work authorizations that are not intragovernmental leasehold reimbursable work agreements). For similar reasons, the Board and staff decided it best to avoid use of the term "reimbursable work authorizations" in the technical guidance section of the proposal. Rather, staff elected to use the term "intragovernmental leasehold reimbursable work agreements." Use of this term is intended to clarify the scope of the proposed guidance.
- A16. The Board did not wish to change existing accounting practices for situations in which the customer-lessee is expected to be the predominant or sole beneficiary of the reimbursable work on the underlying asset and recognize the related leasehold improvement in accordance with SFFAS 6.
- A17. Staff is aware that the determinations of whether the customer-lessee will be the predominant beneficiary of the reimbursable work (with the provider-lessor being expected to derive an insignificant amount of, if any, residual economic benefits) is a matter of professional judgment. In some cases, the nature of the intragovernmental reimbursable work and lease agreements, uncertainties, and other factors may result in high levels of subjectivity in professional judgment. Understanding this, the proposal provides factors to consider when making such determinations. It calls for reporting entities to establish, document, and follow policies for making these determinations and reaching agreement among intragovernmental counterparties for consistent and comparable treatment to facilitate elimination of intragovernmental balances and transactions.
- A18. Certain task force members suggested that the proposed guidance allow the provider-lessor (oftentimes the General Services Administration) to control and/or serve as the sole determiner of whether or not the customer-lessee will be the predominant beneficiary, given its experience in providing reimbursable work to many customer-lessees. The Board

and its staff cannot provide such guidance, as this would compromise customer-lessee reporting entities' control over their GPFFRs.

APPENDIX B: ABBREVIATIONS

AAPC	Accounting and Auditing Policy Committee
FASAB	Federal Accounting Standards Advisory Board
GAAP	Generally Accepted Accounting Principles
GPFFR	General Purpose Federal Financial Report
PP&E	Property, Plant, and Equipment
QFR	Question for Respondents
SFFAS	Statement of Federal Financial Accounting Standards
SMC	Specific Matter for Comment

APPENDIX C: GLOSSARY

Customer-lessee

The reporting entity paying for the acquisition/construction of, or improvements and/or alterations to, the underlying asset provided by the provider-lessor on a reimbursable basis.

Intragovernmental leasehold reimbursable work agreement

An agreement whereby one reporting entity (the provider-lessor) acquires, constructs, improves, and/or alters an underlying asset that is or will be leased to another reporting entity (the customer-lessee) and the customer-lessee agrees to reimburse the provider-lessor for direct and indirect costs for the acquisition, construction, improvement, and/or alteration. The reimbursement of such acquisitions, construction, improvements, and/or alterations are beyond what may be included in the rent or tenant improvement allowances provided for in a lease agreement for the related underlying asset.

Provider-lessor

The reporting entity providing the acquisition/construction of, or improvements and/or alterations to, the underlying asset to the customer-lessee on a reimbursable basis.

FASAB Members

George A. Scott, Chair

R. Scott Bell

Gila J. Bronner

Robert F. Dacey

Sallyanne Harper

Carol S. Johnson

Patrick McNamee

Terry K. Patton

Raymond Vicks

FASAB Staff

Monica R. Valentine, Executive Director

Ricky A. Perry, Jr., Senior Analyst

Brian D. Casto, Fellow

Federal Accounting Standards Advisory Board

441 G Street, NW

Suite 1155

Washington, D.C. 20548

Telephone (202) 512-7350

Fax (202) 512-7366

www.fasab.gov