**annual comprehensive financial report (ACFR)**

**required Closing Package Survey**

**Public-Private and Public-Public Partnerships**

**and Availability Payment Arrangements**

[GASB Standards 94]

GASB 94 arrangements include:

Public-Private and Public-Public Partnerships (PPPs)

Service Concession Arrangements (SCAs)

Availability Payment Arrangements(APAs)

Refer to the Decision Tree beginning on page 3 for definitions of each of these types of arrangements.

**List Department Codes for which this survey is being submitted:** 01A, 06A, 09A, 13A

**Department or Service Center Attestation:**

After having researched agency records and/or consulted with agency personnel, I am NOT aware of any potential GASB 94 Public Private Partnerships (PPPs) Service Concession Arrangements (SCAs) or Availability Payment Arrangements(APAs) that should be disclosed in the State of Maine’s financial statements.

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| --- | --- | --- |
|  | **Typed Name** | **Hand-written or Digital Signature (preferred)** |
| **Prepared by:** | Jane Doe |  |
| **Date:** | 9/1/2024 |

**OR**

After having researched agency records and/or consulted with agency personnel, I have identified potential GASB 94 Public Private Partnerships (PPPs) Service Concession Arrangements (SCAs) Availability Payment Arrangements(APAs) and provided information in the table on page 2, and/or in attached documents, in order for the Office of the State Controller to make a final determination as to what information should be disclosed in the Financial Statements.

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|  | **Typed Name** | **Hand-written or Digital Signature (preferred)** |
| **Prepared by:** | n/a |  |
| **Date:** | n/a |

If you have any questions about interpretation of the GASB standards provided in subsequent pages or how to complete this survey, please contact your agency liaison.

|  |  |  |
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| **Entity Name** | **Contract Number(s) / Amount(s)**(Provide additional documentation such as vendor queries, contracts, MOUs, etc.) | **Contract Period Including Optional Renewal Periods****Begin MM/YY – End MM/YY** |
| Example, LL | CT01A20240101000000001234 / $9,999,999 | 07/2023 – 06/2030 |
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# GASB 94Capitalization Decision Tree

**GASB 94 - Public-Private and Public-Public Partnerships and Availability Payment Arrangements**

**Public-Private and Public-Public Partnerships (PPP)**

A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or non-governmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset of the government, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.

1. Does the agreement involve the use of a non-financial asset?
* If YES, continue to question 2.
* If NO, STOP. GASB 94 does not apply
1. Is the operator in the agreement required to provide a public service?
* If YES, continue to question 3.
* If NO, STOP. GASB 94 does not apply/
1. Is there an exchange or an exchange-like transaction?
* If YES, continue to question 4.
* If NO, STOP. GASB 94 does not apply..
1. Is the contract for a specific period of time?
* If YES, continue to question 5.
* If STOP. GASB 94 does not apply.
1. Does the operator have the right to operate or use the government's non-financial (capital) asset including infrastructure?
* If YES, continue to question 6.
* If NO, STOP. GASB 94 does not apply.

**Service Concession Arrangement (SCA)**

An SCA is a PPP in which:

a. The transferor conveys to the operator the right and related obligation to provide public services through the use and operation of an underlying PPP asset in exchange for significant consideration, such as an up-front payment, installment payments, a new facility, or improvements to an existing facility

b. The operator collects and is compensated by fees from third parties

c. The transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and

d. The transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

1. Has the operator provided the government (your agency) with significant consideration, such as an up-front payment, installment payments, a new facility, or improvements to an existing facility?
* If YES, continue to question 7.
* If NO, STOP and inventory the agreement as a PPP.
1. Does the operator receive compensation from fees collected from third parties?
* If YES, then continue to Question 8.
* If NO, STOP and inventory the agreement as a PPP.
1. Does the government (SOM) have the ability to modify or approve (1) which services the operator is required to provide, (2) to whom the operator is required to provide services, and (3) the prices or rates that can be charged for the services?
* If YES, then continue to Question 9.
* If NO, STOP and inventory the agreement as a PPP.
1. Is the transferor (SOM) entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement?
* If YES, then continue to Question 10.
* If NO, STOP and inventory the agreement as a PPP.
1. This is likely Service Concession Arrangement (SCA).
* If YES, STOP and inventory as a Service Concession Arrangement (SCA).
* If NO, then continue to Question 11.

**Availability Payment Arrangement (APA)**

An APA is an arrangement in which a government procures a capital asset or service by compensating an operator for activities that may include designing, constructing, financing, maintaining, and operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. In contrast to a PPP, the other party to an APA is receiving compensation from the government based entirely on the asset’s availability and not the actual performance of a public service.

1. Is the government (your agency) procuring a capital asset or service by compensating an operator for activities that may include designing, constructing, financing, maintaining, operating an underlying non-financial asset?
* If YES, then continue to Question 12.
* If NO, STOP. The agreement is not an APA.
1. Does the agreement involve an exchange or an exchange-like transaction?
* If YES, then continue to Question 13.
* If NO, If NO, STOP. The agreement is not an APA.
1. Is the agreement for a specific period of time?
* If YES, then continue to Question 14.
* If NO, If NO, STOP. The agreement is not an APA.
1. Are payments by the government based entirely on the asset's availability for use rather than on the tolls, fees or similar revenues or other measures of demand?

Availability for use may be based on specified criteria such as the physical condition of the asset, construction milestones, or achievement of certain availability measures.

* If YES, STOP and inventory as an Availability Payment Arrangement (APA).
* If NO, STOP. The agreement is not an APA.

# GASB 94

**GASB 94 - Public-Private and Public-Public Partnerships and Availability Payment Arrangements**

**INTRODUCTION**

1. Public-private and public-public partnerships, collectively referred to herein- after as PPPs, comprise a wide variety of arrangements between a government and another party that are engaged in providing services to a government’s constituents. Availability payment arrangements (APAs) also have been used in practice to procure governmental services.
2. The objective of this Statement is to better meet the information needs of financial statement users by improving the comparability of financial statements among governments that enter into PPPs and APAs and by enhancing the understandability, reliability, relevance, and consistency of information about PPPs and APAs.

**STANDARDS OF GOVERNMENTAL ACCOUNTING AND FINANCIAL REPORTING**

**Scope and Applicability of This Statement**

1. This Statement establishes standards of accounting and financial reporting for PPPs and APAs for governments. The requirements of this Statement apply to financial statements of all state and local governments.
2. This Statement supersedes Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements; Implementation Guide No. 2015-1, Question Z.60.1; and Implementation Guide No. 2016-1, Implementation Guidance Update—2016, Question 4.74. This Statement amends Statement No. 38, *Certain Financial Statement Note Disclosures,* paragraph 10; Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,* paragraphs 11 and 12; Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* paragraph 3; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* paragraph 135; Statement No. 87, *Leases,* paragraph 8; and Statement No. 91, *Conduit Debt Obligations,* paragraph 19.
3. For purposes of applying this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator1 to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset2), for a period of time in an exchange or exchange-like3 transaction.
4. Some PPPs are service concession arrangements (SCAs). An SCA is a PPP arrangement between a transferor and an operator in which all of the following criteria are met:
	1. The transferor conveys to the operator the right and related obligation to provide public services through the use and operation of an underlying PPP asset in exchange for significant consideration, such as an up-front payment, installment payments, a new facility, or improvements to an existing facility.
	2. The operator collects and is compensated by fees from third parties.4

1The operator may be a governmental entity or a nongovernmental entity. References to an operator include both governmental and nongovernmental entities, except for operator accounting and financial reporting provisions, which only apply to governmental entities.

2Underlying PPP assets include (a) existing assets of a transferor, (b) assets that are newly purchased or constructed by the operator, or (c) existing assets of a transferor that are to be improved by the operator.

3The scope of this Statement includes both exchange and exchange-like transactions. Foot- note 1 of Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions,* states that “the difference between exchange and exchange-like transactions is a matter of degree. In contrast to a ‘pure’ exchange transaction, an exchange-like transaction is one in which the values exchanged, though related, may not be quite equal or in which the direct benefits may not be exclusively for the parties to the transaction. Nevertheless, the exchange characteristics of the transaction are strong enough to justify treating the transaction as an exchange for accounting recognition.”

4This excludes custodial relationships (that is, an arrangement in which an operator accepts payments from third parties and remits those payments to the transferor for an established fee).

* 1. The transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services.5
	2. The transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.
1. For purposes of applying this Statement, an APA is an arrangement in which a government compensates an operator for activities that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like6 transaction. The payments by the government are based entirely on the asset’s availability for use rather than on tolls, fees, or similar revenues or other measures of demand. Availability for use may be based on specified criteria such as the physical condition of the asset, construction milestones, or the achievement of certain availability measures. In an APA, a government procures a capital asset or service, rather than receiving compensation to allow another entity to provide public services. An APA may be similar to a PPP that includes a variable payment provision; however, in contrast to a PPP, the other party to an APA is receiving compensation from the government based entirely on availability to perform and not the actual performance of a public service.
2. This Statement establishes guidance for the various aspects of PPPs and APAs as follows:
	1. Paragraph 9 addresses PPPs that apply Statement 87.
	2. Paragraphs 10–13 define the PPP term.
	3. Paragraphs 14–36 provide PPP transferor recognition, measurement, and disclosure guidance.
	4. Paragraphs 37–59 provide PPP operator recognition, measurement, and disclosure guidance.
	5. Paragraphs 60–65 address PPP arrangements with multiple components.
	6. Paragraphs 66–75 address PPP modifications and terminations.
	7. Paragraphs 76–83 address APA recognition and measurement, including APAs with multiple components.

5A provision that establishes that a third party is required to charge prices within a range that is not unreasonable compared to amounts charged by other parties for similar goods and services in the surrounding area would meet this criterion.

6See footnote 3.

**Accounting and Financial Reporting for PPPs**

**PPPs That Apply Statement 87**

1. A government that has a PPP that meets the definition of a lease should apply the accounting and financial reporting guidance in Statement 87, as amended, if (a) existing assets of the transferor are the only underlying PPP assets, (b) improvements are not required to be made by the operator to those existing assets as part of the PPP arrangement, and (c) the PPP does not meet the definition of an SCA in paragraph 6.

**PPPs Other Than Those Addressed in Paragraph 9**

***PPP Term***

1. The PPP term is the period during which an operator has a noncancellable right to use an underlying PPP asset (referred to as the noncancellable period), plus the following periods, if applicable:
	1. Periods covered by an operator’s option to extend the PPP if it is reasonably certain, based on all relevant factors, that the operator will exercise that option
	2. Periods covered by an operator’s option to terminate the PPP if it is reasonably certain, based on all relevant factors, that the operator will not exercise that option
	3. Periods covered by a transferor’s option to extend the PPP if it is reasonably certain, based on all relevant factors, that the transferor will exercise that option
	4. Periods covered by a transferor’s option to terminate the PPP if it is reasonably certain, based on all relevant factors, that the transferor will *not* exercise that option.

Periods for which both the operator and the transferor have an option to terminate the PPP without permission from the other party (or if both parties have to agree to extend) are cancellable periods and are excluded from the PPP term. For example, a PPP that continues into a holdover period until a new PPP arrangement is entered into, would not be enforceable if both the operator and the transferor have an option to terminate and, therefore, either could cancel the PPP at any time. Provisions that allow for termination of a PPP due to either payment of all sums due or default on payments are not considered termination options.

1. A fiscal funding or cancellation clause allows an operator to cancel a PPP, typically on an annual basis, if the operator does not appropriate funds for the PPP payments. That type of clause should affect the PPP term only if it is reasonably certain that the clause will be exercised.
2. At the commencement of the PPP term, a transferor and an operator should assess all factors relevant to the likelihood that the transferor or the operator will exercise options identified in paragraphs 10a–10d, whether these factors are contract based, underlying asset based, market based, or government specific. The assessment often will require the consideration of a combi- nation of those interrelated factors. Examples of factors to consider include, but are not limited to, the following:
	1. A significant economic incentive, such as contractual terms and conditions for the optional periods that are favorable compared with current market rates
	2. A significant economic disincentive, such as costs to terminate the PPP and sign a new PPP arrangement (for example, negotiation costs, relocation costs, abandonment of significant underlying PPP asset improvements, costs associated with returning the underlying PPP assets in a contractually specified condition or to a contractually specified location, or a substantial cancellation penalty)
	3. The history of exercising options to extend or terminate
	4. The extent to which the underlying PPP asset is essential to the provision of government services.
3. A transferor and an operator should reassess the PPP term only if one or more of the following occur:
	1. The transferor or the operator elects to exercise an option even though it was previously determined that it was reasonably certain that the transferor or the operator would not exercise that option.
	2. The transferor or the operator elects not to exercise an option even though it was previously determined that it was reasonably certain that the transferor or the operator would exercise that option.
	3. An event specified in the PPP arrangement that requires an extension or termination of the PPP takes place.

**Transferor Recognition and Measurement for PPPs**

1. If an underlying PPP asset is an existing asset of the transferor, at the commencement of the PPP term, the transferor should continue to recognize the underlying PPP asset, as discussed in paragraphs 18–20. The transferor also should recognize:
	1. A receivable for installment payments, if any, to be received in relation to the PPP, as discussed in paragraphs 22–30
	2. A deferred inflow of resources, as discussed in paragraphs 32 and 33.

In addition, the transferor should recognize an asset for improvements,7 if any, made by the operator to an existing underlying PPP asset of the transferor, as discussed in paragraph 21, and a deferred inflow of resources, as discussed in paragraphs 32 and 33, when the improvements are placed into service.

If an underlying PPP asset is a new asset purchased or constructed by the operator and the PPP meets the definition of an SCA, the transferor should recognize:

* 1. An asset for the purchased or constructed underlying PPP asset when the underlying PPP asset is placed into service, as discussed in paragraphs 18–20
	2. At the commencement of the PPP term, a receivable for installment payments, if any, to be received in relation to the PPP, as discussed in para- graphs 22–30
	3. At the commencement of the PPP term, a deferred inflow of resources, as discussed in paragraphs 32 and 33.

7Improvements, as defined in paragraph 25 of Statement No. 34, *Basic Financial Statements— and Management’s Discussion and Analysis—for State and Local Governments,* increase the capacity or efficiency of the underlying PPP asset rather than preserve its useful life. For underlying PPP assets that are not reported using the modified approach, as discussed in paragraphs 23–26 of Statement 34, improvements also may extend the useful life of the underlying PPP asset.

If an underlying PPP asset is a new asset purchased or constructed by the operator and the PPP does *not* meet the definition of an SCA, when the underlying PPP asset is placed into service the transferor should recognize:

* 1. A receivable for the underlying PPP asset purchased or constructed to be received from the operator, as discussed in paragraph 31
	2. A receivable for installment payments, if any, to be received in relation to the PPP, as discussed in paragraphs 22–30
	3. A deferred inflow of resources, as discussed in paragraphs 32 and 33.

**Initial direct costs**

Any initial direct costs incurred by the transferor should be reported as outflows of resources (for example, expense) for the period. For example, costs incurred to originate a PPP that result directly from and are essential to that PPP and would not have been incurred had the PPP transaction not occurred and costs directly related to specified activities performed by the transferor for that PPP, such as evaluating the prospective operators’ financial condition; evaluating and recording guarantees, collateral, and other security arrangements; negotiating PPP terms; preparing and processing PPP documents; and closing the transaction.

**Underlying PPP asset**

If an underlying PPP asset is an existing asset of the transferor, the transferor should continue to measure the underlying PPP asset at its carrying value as of the commencement of the PPP term.

If an underlying PPP asset is a new asset purchased or constructed by the operator, recognized in accordance with paragraph 15a, the transferor initially should measure the underlying PPP asset at acquisition value when the asset is placed into service.

A transferor should apply all other accounting and financial reporting requirements relevant to an underlying PPP asset, recognized in accordance with paragraph 14 or paragraph 15a, including depreciation and impairment. However, if the PPP arrangement requires the operator to return the underlying PPP asset in its original condition, the transferor should not depreciate the asset during the PPP term.

**Improvements to an underlying PPP asset**

1. A transferor should measure improvements made by the operator to an underlying PPP asset, recognized in accordance with paragraph 14, at acquisition value when the improvements are placed into service. A transferor should apply all other accounting and financial reporting requirements relevant to the improvements to the underlying PPP asset, as discussed in paragraph 20, including depreciation and impairment.

**Receivable for installment payments**

A transferor initially should measure the receivable for installment payments at the present value of PPP payments expected to be received during the PPP term, reduced by any provision for estimated uncollectible amounts. Measurement of the receivable for installment payments should include the following, if required by a PPP:

* 1. Fixed payments
	2. Variable payments that depend on an index or a rate (such as the Consumer Price Index or a market interest rate), initially measured using the index or rate as of the commencement of the PPP term
	3. Variable payments that are fixed in substance, as discussed in paragraph 23
	4. Residual value guarantee payments that are fixed in substance.

Variable payments, including payments related to revenue sharing arrange- ments,8 based on future performance of the operator, usage of the underlying PPP asset, or variable factors other than an index or a rate, should not be included in the measurement of the receivable for installment payments. Rather, those variable payments should be recognized as inflows of resources (for example, revenue) in the period to which those payments relate. However, any component of those variable payments that is fixed in substance should be included in the measurement of the receivable for installment payments.

Amounts to be received under residual value guarantees (that are not fixed in substance) should be recognized as a receivable for installment payments and an inflow of resources if (a) a guarantee payment is required (as agreed to by the transferor and the operator) and (b) the amount can be reasonably estimated. Amounts to be received for a PPP termination penalty should be recognized as a receivable for installment payments and an inflow of resources (for example, revenue) when that option is exercised.

8For revenue sharing arrangements, a transferor should recognize only its portion of the shared revenue when earned in accordance with the terms of the arrangement.

The future PPP payments to be received should be discounted using the interest rate the transferor charges the operator, which may be the interest rate implicit in the PPP. A transferor is not required to apply the guidance for imputation of interest in paragraphs 173–187 of Statement 62 but may do so as a means of determining the interest rate implicit in the PPP arrangement.

In subsequent financial reporting periods, a transferor should calculate the amortization of the discount on the receivable for installment payments and report that amount as an inflow of resources (for example, interest revenue) for the period. Any PPP payments received should be allocated first to the accrued interest receivable and then to the receivable for installment payments.

A transferor should remeasure the receivable for installment payments at subsequent financial reporting dates if one or more of the following changes have occurred at or before that financial reporting date, based on the most recent PPP arrangement before the changes,9 and the changes individually or in the aggregate are expected to significantly affect the amount of the receivable for installment payments since the previous measurement:

* 1. There is a change in the PPP term.
	2. There is a change in the interest rate the transferor charges the operator.
	3. A contingency, upon which some or all of the variable payments that will be received over the remainder of the PPP term are based, is resolved such that those payments now meet the criteria for measuring the receivable for installment payments under paragraph 22. For example, an event occurs that results in variable payments that were contingent on the performance or use of the underlying PPP asset becoming fixed payments for the remainder of the PPP term.

If a receivable for installment payments is remeasured for any of the changes in paragraph 27, the receivable also should be adjusted for any change in an index or a rate used to determine variable payments if that change in the index or rate is expected to significantly affect the amount of the receivable for installment payments since the previous measurement. A receivable for installment payments is not required to be remeasured solely for a change in an index or a rate used to determine variable payments.

9Changes arising from amendments to a PPP arrangement should be accounted for under the provisions of paragraphs 66–75 for PPP modifications and terminations.

1. A transferor also should update the discount rate as part of the remeasurement if one or both of the following changes10 have occurred and the changes individually or in the aggregate are expected to significantly affect the amount of the receivable for installment payments:
	1. There is a change in the PPP term.
	2. There is a change in the interest rate the transferor charges the operator.

If the discount rate is updated based on the provisions in paragraph 29, the receivable for installment payments should be remeasured using the revised discount rate.

**Receivable for the underlying PPP asset**

A transferor should measure a receivable for the underlying PPP asset, recognized in accordance with paragraph 16a, based on the operator’s estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership from the operator. The receivable for the underlying PPP asset should be remeasured if there is a PPP modification, as discussed in paragraphs 68–70, or a PPP termination, as discussed in paragraphs 73 and 74.

**Deferred inflow of resources**

A transferor initially should measure the deferred inflow of resources related to a PPP as the sum of the following assets when the related assets are recognized:

* 1. The amount of the initial measurement of the receivable for installment payments, as discussed in paragraph 22
	2. PPP payments received from the operator at or before the commencement of the PPP term, if applicable (for example, an up-front payment associated with a PPP)

10See footnote 9.

* 1. The amount of the initial measurement for the underlying PPP asset, as discussed in paragraph 19
	2. The amount of the initial measurement for improvements to the underlying PPP asset, as discussed in paragraph 21
	3. The amount of the initial measurement of the receivable for the underlying PPP asset, as discussed in paragraph 31.

A transferor subsequently should recognize the deferred inflow of re- sources as inflows of resources (for example, revenue) in a systematic and rational manner over the PPP term. The deferred inflow of resources generally should be adjusted by the same amount as any change resulting from the remeasurement of the receivable for installment payments, as discussed in paragraphs 27–30, or the remeasurement of the receivable for the underlying PPP asset, as discussed in paragraph 31, if applicable.

**Financial statements prepared using the current financial resources measurement focus**

In financial statements prepared using the current financial resources measurement focus, a transferor should recognize a receivable for installment payments and a deferred inflow of resources to account for a PPP. A transferor should measure the deferred inflow of resources at the initial value of the receivable for installment payments, plus the amount of any payments received at or before the commencement of the PPP term (for example, an up-front payment associated with a PPP). A transferor subsequently should recognize the deferred inflow of resources as inflows of resources (for example, revenue), if available, in a systematic and rational manner over the PPP term.

***Notes to Financial Statements—Transferors***

A transferor should disclose the following about its PPP activities (which may be grouped for purposes of disclosure):

* 1. A general description of its PPP arrangements, including the status of projects during the construction period, if applicable, and the basis, terms, and conditions on which any variable payments not included in the measurement of the receivable for installment payments are determined
	2. The nature and amounts of assets and deferred inflows of resources related to PPPs that are recognized in the financial statements
	3. The discount rate or rates applied to the measurement of the receivable for installment payments, if any
	4. The amount of inflows of resources recognized in the reporting period for variable and other payments not previously included in the measurement of the receivable for installment payments, including inflows of resources related to residual value guarantees and termination penalties
	5. The nature and extent of rights retained by the transferor or granted to the operator under the PPP arrangements.

Some PPP arrangements may include provisions for guarantees and commitments. For each period in which a guarantee or commitment exists, disclosures should be made about the guarantees and commitments, including identification, duration, and significant contract terms.

***Operator Recognition and Measurement for PPPs***

If an underlying PPP asset is an existing asset of a transferor, at the commencement of the PPP term, an operator should recognize:

* 1. A liability for installment payments, if any, to be made in relation to the PPP, as discussed in paragraphs 40–48
	2. An intangible right-to-use asset (a capital asset hereinafter referred to as a right-to-use asset), as discussed in paragraphs 49–52.

If the underlying PPP asset is a new asset purchased or constructed by an operator and the PPP meets the definition of an SCA, at the commencement of the PPP term, the operator should recognize:

* 1. A liability for installment payments, if any, to be made in relation to the PPP, as discussed in paragraphs 40–48
	2. A right-to-use asset, as discussed in paragraphs 49–52.

If an underlying PPP asset is a new asset purchased or constructed by an operator and the PPP does *not* meet the definition of an SCA, the operator should recognize the underlying PPP asset until ownership of the underlying PPP asset is transferred to the transferor, if applicable. An operator should continue to apply other accounting and financial reporting requirements relevant to the underlying PPP asset, including depreciation and impairment. When the underlying PPP asset is placed into service, the operator should recognize:

* 1. A liability for the underlying PPP asset to be transferred to the transferor, if applicable, as discussed in paragraph 53
	2. A liability for installment payments, if any, to be made in relation to the PPP, as discussed in paragraphs 40–48
	3. A deferred outflow of resources for the underlying PPP asset to be transferred to the transferor, if any, as discussed in paragraph 54.

**Liability for installment payments**

An operator initially should measure the liability for installment payments at the present value of PPP payments expected to be made during the PPP term. Measurement of the liability for installment payments should include the following, if required by a PPP:

* 1. Fixed payments
	2. Variable payments that depend on an index or a rate (such as the Consumer Price Index or a market interest rate), initially measured using the index or rate as of the commencement of the PPP term
	3. Variable payments that are fixed in substance, as discussed in paragraph 41
	4. Amounts that are reasonably certain of being required to be paid by the operator under residual value guarantees
	5. Payments for penalties for terminating the PPP, if the PPP term reflects the operator exercising (1) an option to terminate the PPP or (2) a fiscal funding or cancellation clause
	6. Any other payments to the transferor associated with the PPP that are reasonably certain of being required based on an assessment of all relevant factors.

Variable payments, including payments related to revenue sharing arrange- ments,11 based on future performance of the operator, usage of the underlying PPP asset, or variable factors other than an index or a rate, should not be included in the measurement of the liability for installment payments. Rather, those variable payments should be recognized as outflows of resources (for example, expense) in the period in which the obligation for those payments is incurred. However, any component of those variable payments that is fixed in substance should be included in the measurement of the liability for installment payments.

11For revenue sharing arrangements, an operator should recognize all revenue earned, including the amount of revenue shared with the transferor, that is associated with the operation of the underlying PPP asset.

The future PPP payments should be discounted using the interest rate the transferor charges the operator, which may be the interest rate implicit in the PPP arrangement. If the interest rate cannot be readily determined by the operator, the operator’s estimated incremental borrowing rate (an estimate of the interest rate that would be charged for borrowing the PPP installment payment amounts during the PPP term) should be used. The operator is not required to apply the guidance for imputation of interest in paragraphs 173–187 of Statement 62 but may do so as a means of determining the interest rate implicit in the PPP arrangement.

In subsequent financial reporting periods, an operator should calculate the amortization of the discount on the liability for installment payments and report that amount as an outflow of resources (for example, interest expense) for the period. Any PPP payments made should be allocated first to the accrued interest liability and then to the liability for installment payments.

An operator should remeasure the liability for installment payments at subsequent financial reporting dates if one or more of the following changes have occurred at or before those financial reporting dates, based on the most recent PPP arrangement before the changes,12 and the changes individually or in the aggregate are expected to significantly affect the amount of the liability since the previous measurement:

* 1. There is a change in the PPP term.
	2. An assessment of all relevant factors indicates that the likelihood of a residual value guarantee being paid has changed from reasonably certain to not reasonably certain, or vice versa.
	3. There is a change in the estimated amounts for payments already included in the measurement of the liability for PPP payments (except as provided in paragraph 45).
	4. There is a change in the interest rate the transferor charges the operator, if used as the initial discount rate.

12Changes arising from amendments to a PPP arrangement should be accounted for under the provisions of paragraphs 66–75 for PPP modifications and terminations.

* 1. A contingency, upon which some or all of the variable payments that will be made over the remainder of the PPP term are based, is resolved such that those payments now meet the criteria for measuring the liability for installment payments under paragraph 40. For example, an event occurs that causes variable payments that were contingent on the performance or use of the underlying PPP asset to become fixed payments for the remainder of the PPP term.

If a liability for installment payments is remeasured for any of the changes in paragraph 44, the liability also should be adjusted for any change in an index or a rate used to determine variable payments if that change in the index or rate is expected to significantly affect the amount of the liability since the previous measurement. A liability for installment payments is not required to be re- measured solely for a change in an index or a rate used to determine variable payments.

An operator also should update the discount rate as part of the re- measurement if there is a change13 in the PPP term and that change is expected to significantly affect the amount of the liability for installment payments.

A liability for installment payments is not required to be remeasured, nor is the discount rate required to be reassessed, solely for a change in an operator’s incremental borrowing rate.

If a discount rate is required to be updated based on the provisions in paragraph 46, the discount rate should be based on the revised interest rate the transferor charges the operator at the time the discount rate is updated. If that interest rate cannot be readily determined, the operator’s estimated incremental borrowing rate at the time the discount rate is updated should be used.

**Right-to-use asset**

An operator should initially measure the right-to-use asset as the sum of the following when the underlying PPP asset is placed into service:

* 1. The amount of the initial measurement of the liability for installment payments, if applicable, as discussed in paragraph 40

13See footnote 12.

* 1. PPP payments made to the transferor at or before the commencement of the PPP term, if applicable (for example, an up-front payment associated with a PPP)
	2. The cost of the purchased or constructed underlying PPP asset, if the PPP meets the definition of an SCA
	3. The cost of improvements to an existing underlying PPP asset
	4. Initial direct costs that are ancillary charges necessary to place the right-to- use asset into service.

Any initial direct costs that would be considered debt issuance costs under paragraph 12 of Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt,* should be recognized as outflows of resources (for example, expense) in the period in which they are incurred.

A right-to-use asset should be amortized in a systematic and rational manner over the shorter of the PPP term or the useful life of the underlying PPP asset. The amortization of the right-to-use asset should be reported as an outflow of resources (for example, amortization expense), which may be combined with depreciation expense related to other capital assets for financial reporting purposes.

A right-to-use asset generally should be adjusted by the same amount as the corresponding liability for installment payments when that liability is re- measured based on paragraphs 44–48. However, if that change reduces the carrying value of the operator’s right-to-use asset to zero, any remaining amount should be reported in the resource flows statement (for example, a gain).

The presence of impairment indicators (described in paragraph 9 of Statement 42) with respect to an underlying PPP asset may result in a change in the manner or duration of use of the right-to-use asset. Such a change in the manner or duration of use of the right-to-use asset may indicate that the service utility of the underlying PPP asset is impaired. The length of time during which the operator cannot use the underlying PPP asset, or is limited to using it in a different manner, should be compared to its previously expected manner and duration of use to determine whether there is a significant decline in service utility of the right-to-use asset. If the underlying PPP asset is impaired, the amount reported for the right-to-use asset should be reduced first for any change in the corresponding liability. Any remaining amount should be recognized as an impairment.

**Liability for the underlying PPP asset**

If the operator is required to transfer the underlying PPP asset to the transferor during or at the end of the PPP term, the operator should measure the liability based on the estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership to the transferor. That liability should be remeasured if there is a change in the PPP term and the change is expected to significantly affect the amount of the estimated carrying value of the underlying PPP asset as of the date of the transfer of ownership. The liability for the underlying PPP asset should be remeasured if there is a PPP modification, as discussed in paragraphs 68, 71, and 72 or PPP termination, as discussed in paragraphs 73 and 75.

**Deferred outflow of resources**

If the operator is required to transfer the underlying PPP asset to the transferor during or at the end of the PPP term, the operator should recognize a deferred outflow of resources equal to the estimated carrying value of the underlying PPP asset as of the expected date of the transfer of ownership. The operator subsequently should recognize the deferred outflow of resources as outflows of resources (for example, expense) in a systematic and rational manner over the remaining PPP term.

**Financial statements prepared using the current financial resources measurement focus**

If a PPP is expected to be paid from general government resources, the PPP should be accounted for and reported on a basis consistent with govern- mental fund accounting principles.

An expenditure and other financing source should be reported in the period the PPP is initially recognized. The expenditure and other financing source should be measured as provided in paragraphs 40–42. Subsequent govern- mental fund PPP payments should be accounted for consistent with the principles for debt service payments of long-term debt.

***Notes to Financial Statements—Operators***

An operator should disclose the following about its PPP activities (which may be grouped for purposes of disclosure):

* 1. A general description of its PPP arrangements, including the status of projects during the construction period, if applicable, and the basis, terms, and conditions on which any variable payments not included in the measurement of the liability for installment payments are determined
	2. The nature and amounts of assets, liabilities, and deferred outflows of resources related to PPPs that are recognized in the financial statements
	3. The discount rate or rates applied to the measurement of the liability for installment payments, if any
	4. Principal and interest requirements to maturity, presented separately, for the liability for installment payments for each of the five subsequent fiscal years and in five-year increments thereafter
	5. The amount of outflows of resources recognized in the reporting period for variable payments not previously included in the measurement of the liability for installment payments
	6. The nature and extent of rights granted to the operator or retained by the transferor under PPP arrangements
	7. The components of any loss associated with an impairment (the impairment loss and any related change in the liability, as discussed in paragraph 52).

For disclosure purposes, an operator’s liability for installment payments is not considered debt that is subject to the disclosure requirements of Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.*

Some PPP arrangements may include provisions for guarantees and commitments. For each period in which a guarantee or commitment exists, disclosures should be made about the guarantees and commitments, including identification, duration, and significant contract terms.

**PPPs with Multiple Components**

A transferor or an operator may enter into PPP arrangements that contain multiple components, such as a contract that contains both a PPP component and a non-PPP component, or a PPP that contains multiple underlying PPP assets.

If a transferor or an operator enters into an arrangement that contains both a PPP component (such as the right to operate a facility) and a non-PPP component (such as maintenance services for the facility), the transferor or the operator should account for the PPP and non-PPP components as separate arrangements unless the contract meets the exception in paragraph 64.

If a PPP involves multiple underlying PPP assets and those assets have different PPP terms, a transferor and an operator should account for each underlying PPP asset as a separate PPP component. In addition, the operator should account for each underlying PPP asset as a separate PPP component if the underlying PPP assets are in different major classes of asset. The provisions of this paragraph should be applied unless the contract meets the exception in paragraph 64.

To allocate the contract price to the different components, a transferor or an operator first should use any prices for individual components that are included in the contract, as long as the price allocation does not appear to be unreasonable based on the terms of the contract and professional judgment, maximizing the use of observable information (for example, using readily available observable stand-alone prices). Stand-alone prices are those that would be paid or received if the same or similar assets were acquired individually or if the same or similar non-PPP components (such as maintenance services) were contracted individually. Some contracts provide discounts for including multiple PPPs or PPP and non-PPP components together in one contract. Those discounts may be taken into account when determining whether individual component prices do not appear to be unreasonable. For example, if the individual component prices each are discounted by the same percentage as normal market prices, the discount included in those component prices would not appear to be unreasonable.

If a contract does not include prices for individual components, or if any of those prices appear to be unreasonable as provided in paragraph 63, a transferor or an operator should use professional judgment to determine their best estimate for allocating the contract price to those components, maximizing the use of observable information. If it is not practicable to determine a best estimate for price allocation for some or all components in the contract, a transferor or an operator should account for those components as a single PPP.

1. If multiple components are accounted for as a single PPP as provided for in paragraph 64, the accounting for that PPP should be based on the primary PPP component within that PPP. For example, the primary PPP component’s term should be used for the PPP if those components have different terms.

***PPP Modifications and Terminations***

The provisions of a PPP arrangement may be amended while the arrange- ment is in effect. Amendments modify the provisions of the PPP arrangement. Examples of amendments to PPP arrangements include changing the price of the arrangement, lengthening or shortening the PPP term, adding or removing an underlying PPP asset, and changing the index or rate upon which variable payments depend. An amendment should be considered a PPP modification unless the operator’s right to use the underlying PPP asset decreases, in which case the amendment should be considered a partial or full PPP termination. By contrast, exercising an existing option, such as an option to extend or terminate the PPP arrangement, as discussed in paragraphs 13a and 13b, is subject to the guidance for remeasurement.

If variable payments of a PPP depend on an interbank offered rate (IBOR), an amendment of the PPP solely to replace the IBOR with another rate (that is adjusted, if necessary, to essentially equate the replacement rate and the original rate) by either changing the rate or adding or changing fallback provisions related to the rate, is not a modification to the PPP arrangement.

**PPP modifications**

A transferor and an operator should account for an amendment during the reporting period resulting in a modification to a PPP arrangement as a separate PPP (that is, separate from the most recent PPP arrangement before the modification) if both of the following conditions are present:

* 1. The PPP modification gives the operator an additional underlying PPP asset by adding one or more underlying PPP assets that were not included in the original PPP arrangement.
	2. The increase in PPP payments for the additional underlying PPP asset does not appear to be unreasonable based on (1) the terms of the amended PPP arrangement and (2) professional judgment, maximizing the use of observable information (for example, using readily available observable stand- alone prices).

***Transferors***

Unless a modification is reported as a separate PPP as provided in paragraph 68, a transferor should account for a PPP modification by re- measuring the receivable for installment payments, if any, and the receivable for the underlying PPP asset, as discussed in paragraph 31, if applicable. The deferred inflow of resources should be adjusted by the difference between the remeasured receivables and the receivables immediately before the PPP modification. However, to the extent that the change relates to payments for the current period, the change should be recognized as an inflow of resources (for example, revenue) or an outflow of resources (for example, expense) for the current period.

If prior to the expiration of the PPP term a change to the provisions of a PPP results from a debt refunding by either a transferor in which the perceived economic advantages of the refunding are passed through to an operator or an operator in which the perceived economic advantages of the refunding are retained by the operator, the transferor should adjust the receivable for installment payments to the present value of the future PPP payments, if any, based on the interest rate applicable to the revised PPP arrangement and also should adjust the deferred inflow of resources. The adjustment to the deferred inflow of resources should be recognized as an inflow of resources or an outflow of resources (for example, gain or loss) over the remaining life of the old debt or the life of the new debt, whichever is shorter.

***Operators***

Unless a modification is reported as a separate PPP as provided in paragraph 68, an operator should account for a PPP modification by re- measuring the liability for installment payments, if any, and the liability for the underlying PPP asset, as discussed in paragraph 53, if applicable. The right- to-use asset should be adjusted by the difference between the remeasured liability for installment payments and the liability for installment payments im- mediately before the PPP modification. However, if the change reduces the carrying value of the right-to-use asset to zero, any remaining amount should be reported in the resource flows statement (for example, a gain). A deferred outflow of resources, as discussed in paragraph 54, should be adjusted by the difference between the liability for the underlying PPP asset and the liability for the underlying PPP asset immediately before the PPP modification.

If prior to the expiration of the PPP term a change to the provisions of a PPP results from a debt refunding by either a transferor, including an advance refunding in which the perceived economic advantages of the refunding are passed through to the operator or an operator in which the perceived economic advantages of the refunding are retained by the operator, the change should be accounted for as follows:

* 1. If a change to the provisions of a PPP results from a debt refunding by the transferor or the operator, including an advance refunding that results in a defeasance of debt, the operator should adjust the liability for installment payments to the present value of the future PPP payments under the revised PPP using the effective interest rate applicable to the revised PPP arrangement. The resulting difference should be reported as a deferred outflow of resources or a deferred inflow of resources. The deferred outflow of re- sources or the deferred inflow of resources should be recognized as an adjustment to the outflow of resources (for example, as an increase or decrease to interest expense) in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.
	2. If (1) the provisions of a PPP are changed in connection with an advance refunding by the transferor that results in a defeasance of debt and (2) the operator is obligated to reimburse the transferor for any costs related to the refunded debt that have been or will be incurred (such as an unamortized discount or a call premium), the operator should recognize those costs in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

**PPP terminations**

1. A transferor and an operator should account for an amendment during the reporting period resulting in a decrease in the operator’s right to use the underlying PPP asset (for example, the PPP term is shortened or the number of underlying assets is reduced) as a partial or full PPP termination.

***Transferors***

A transferor generally should account for the partial or full PPP termination by recognizing a gain or loss for the sum of the following, if applicable:

* 1. The reduction in the carrying value of any deferred inflow of resources related to receivables for installment payments for (1) the reduction in the carrying value of the receivable for installment payments, (2) termination penalties paid to the operator, and (3) amounts paid to the operator to purchase the underlying PPP asset
	2. The reduction in the carrying value of any deferred inflow of resources related to the PPP payments received from the operator at or before the commencement of the PPP term but not to less than zero for (1) termination penalties paid to the operator and (2) amounts paid to the operator to purchase the underlying PPP asset
	3. The reduction in the carrying value of any deferred inflow of resources related to the initial measurement of the underlying PPP asset or improvements to the underlying PPP asset but not to less than zero for (1) termination penalties paid to the operator and (2) amounts paid to the operator to purchase the underlying PPP asset
	4. The reduction in the carrying value of any deferred inflow of resources related to the receivable for the underlying PPP asset but not to less than zero for (1) the reduction in carrying value of the receivable for the underlying PPP asset, (2) termination penalties paid to the operator, and (3) amounts paid to the operator to purchase the underlying PPP asset.

***Operators***

An operator generally should account for the partial or full PPP termination by recognizing a gain or loss for the sum of the following, if applicable:

* 1. The reduction of the carrying values of (1) the right-to-use asset related to the liability for installment payments and (2) the liability for installment payments
	2. The reduction of the carrying value of the right-to-use asset related to PPP payments made to the transferor at or before the commencement of the PPP term, but not to less than zero, for (1) the carrying value of the liability for the underlying PPP asset, (2) termination penalties received from the transferor, and (3) amounts received from the transferor to acquire the underlying PPP asset
	3. The reduction of the carrying value of the right-to-use asset related to the cost of a purchased or constructed underlying PPP asset or the cost of improvements to an existing underlying PPP asset, but not to less than zero, for termination penalties received from the transferor
	4. The reduction of the carrying value of the right-to-use asset related to initial direct costs that are ancillary charges necessary to place the right-to-use asset into service.

**Accounting and Financial Reporting for APAs**

1. An APA may contain multiple components. For example, a government enters into an agreement with an operator to design, construct, finance, operate, and maintain a public toll road in exchange for (a) fixed payments designed to compensate the operator for the design, construction, financing, operation, and maintenance of the toll road and (b) variable payments to the operator based on whether measures related to availability have been met. If the APA contains multiple components, the requirements in paragraphs 79–83 should be applied to recognize each component as a separate arrangement, if applicable.

Components of an APA that are related to the design, construction, or financing of a nonfinancial asset in which ownership of the asset transfers to the government by the end of the contract should be reported as a financed purchase by the government of the underlying nonfinancial asset.

1. Components of an APA that are related to providing services for the operation or maintenance of a nonfinancial asset should be accounted for as outflows of resources (for example, expense) by the government in the period to which the payments relate.

**APAs with Multiple Components**

If a government enters into an APA that contains both (a) a component related to the design, construction, or financing of a nonfinancial asset and(b) a component related to providing services for the operation or maintenance of a nonfinancial asset, the government should account for those components as separate contracts unless the contract meets the exception in paragraph 82.

If an APA involves multiple underlying nonfinancial assets and those assets have different terms, a government should account for each nonfinancial asset as a separate component. In addition, the government should account for each nonfinancial asset as a separate component if the assets are in different major classes of asset. The provisions of this paragraph should be applied unless the contract meets the exception in paragraph 82.

To allocate the contract price to the different components, a government first should use any prices for individual components that are included in the contract, as long as the price allocation does not appear to be unreasonable based on the terms of the contract and professional judgment, maximizing the use of observable information (for example, using readily available observable stand-alone prices). Stand-alone prices are those that would be paid or received if the same or similar nonfinancial assets were acquired individually or if the same or similar services for the operation or maintenance of the nonfinancial assets were contracted individually. Some contracts provide discounts for including multiple assets or asset and service components together in one contract. Those discounts may be taken into account when determining whether individual component prices do not appear to be unreasonable. For example, if the individual component prices each are discounted by the same percentage as normal market prices, the discount included in those component prices would not appear to be unreasonable.

If a contract does not include prices for individual components, or if any of those prices appear to be unreasonable as provided in paragraph 81, a government should use professional judgment to determine its best estimate for allocating the contract price to those components, maximizing the use of observable information. If it is not practicable to determine a best estimate for price allocation for some or all components in the contract, a government should account for those components as a single contract.

1. If multiple components are accounted for as a single contract as provided for in paragraph 82, the accounting for that APA should be based on the primary component of the contract.

**EFFECTIVE DATE AND TRANSITION**

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Changes adopted to conform to the provisions of this Statement should be applied retroactively by restating financial statements, if practicable, for all prior fiscal years presented. If restatement for prior fiscal years is not practicable, the cumulative effect, if any, of applying this Statement should be reported as a restatement of beginning net position for the earliest fiscal year restated. Also, the reason for not restating prior fiscal years presented should be disclosed. In the first fiscal year that this Statement is applied, the notes to financial statements should disclose the nature of the restatement and its effect.

1. PPPs should be recognized and measured using the facts and circum- stances that existed at the beginning of the fiscal year of implementation. If applied to earlier fiscal years, PPPs should be recognized and measured using the facts and circumstances that existed at the beginning of the earliest fiscal year restated.