

3. ACCOUNTING

3.4 **Liabilities**

3.4.X **Public-Private and Public-Public Partnerships PPP**

3.4.X.10 **Public-Private and Public-Public Partnership (PPP) Definition**

A Public-Private and Public-Public Partnership (PPP) is an arrangement in which a government (the transferor) contracts with an operator 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 asset), for a period of time in an exchange or exchange-like transaction. You may also know these as Service Concession arrangements, however, the accounting is the same for cash basis.

3.4.X.20 **Transferor Accounting and Reporting**

Transferors will report revenue as it is received. Transferors do **not** report any liabilities on the Schedule of Liabilities.

To receipt payments, use either BARS Code 34P.PP or 362.00. If the PPP activity is related to the primary operation/function of the fund that the payment is being received into, then use BARS Code 34P.PP which is a Charge For Services code.

The “P” stands for prescribed numbers that are related to the function of the activity. Review the chart of accounts to identify the applicable function and determine the full BARS Code.

If the PPP activity is not related to the primary operation/function of the fund that the payment is being received into, then use BARS Code 362.00.

3.4.X.30 **Operator Accounting and Reporting**

At the start of the PPP, operators will not report any inflows or outflows on the Schedule 01. Operators will record actual payments made to the transferor on the Schedule 01 using BARS Code 591.PP.70.

The “P” stands for prescribed numbers that are related to the function of government the PPP is supporting. Review the chart of accounts for your government to identify the applicable function and determine the full BARS Code.

If the PPP includes additional fees or taxes, only include the portion of the payments related to the right to use the underlying PPP assets in the liability calculation. For example, if a PPP contract has a separate janitorial fee, do not include that fee in the PPP liability calculation. When paying the janitorial or other fees do not use BARS Code 591, instead use the regular BARS functional expense codes.

Operators are also required to include a note disclosure about their PPP activity in the Notes to the Financial Statements. See template note at [Note X – PPP \(Operator\)](#).

3.4.X.50 **Schedule of Liabilities (Schedule 09) Reporting**

Operators will report a PPP liability on the Schedule 09 measured at the total amount of future payments. See [Schedule 09 reporting instructions](#).

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In the year of implementation, any existing PPPs should report a beginning balance on the Schedule 09. The beginning balance reported should be the total amount of payments that were remaining as of the beginning of the year. In subsequent years, the beginning balance should match the prior year ending balance.

Any new PPP contracts that are entered into during the year will be reported as an addition on the Schedule 09. The addition will be the total amount of future payments.

Reductions are the amount the PPP liability is reduced during the year, which is typically the amount of payments made.

If the PPP liability is remeasured for any of the items listed in Section 3.4.X.70, the change in the PPP liability should be reported as either an addition or reduction on the Schedule 09.

3.4.X.60 **PPP Term**

To calculate the total amount of future PPP payments for the Schedule 09, governments need to know how many payments will be made, which depends on the PPP term. Here is what should be included in the PPP term:

- The period during which the operator has a non-cancelable right to use the underlying PPP asset
 - plus periods covered by the operator's **or** transferor's option to extend the PPP (if reasonably certain the option will be exercised)
 - and periods covered by the operator's **or** transferor's option to terminate the PPP (if reasonably certain the option will not be exercised)
- PPP term **excludes** periods for which both the operator and transferor each have the option to terminate or both parties must agree to extend.

Determining whether an extension or termination option is reasonably certain of being exercised requires professional judgement and should take into consideration the specific facts and circumstances at your government. Examples of items to consider in this analysis:

- A significant economic incentive, such as contractual terms and conditions for the optional periods that are favorable compared with current market rates.
- 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).
- The history of exercising options to extend or terminate.
- The extent to which the underlying PPP asset is essential to the provision of government services.

3.4.X.70 **Remeasuring the PPP Liability**

The PPP liability reported on the Schedule 09 must be remeasured (recalculated) if any of the following happen:

- Change in PPP term
- Change in estimated amounts for payments already included in the PPP liability
- Contingency for variable payments is resolved.

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The PPP term might change if the government was previously **not** going to exercise an extension option, but then later determines it will extend the PPP contract (or vice versa). In that case, the PPP liability must be recalculated to include the additional payments related to extending the PPP term. If estimated amounts were used to calculate the PPP liability and those amounts become known, the liability must be recalculated using the known amounts. If the PPP payments were variable and later all of the remaining PPP payments become known (no longer variable), then the liability must be recalculated using the known amounts.

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