

**ACCOUNTING AND AUDIT POLICY COMMITTEE MEETING
FINAL MINUTES
November 18, 2010**

The meeting was convened at 1:05 PM in room 7C13 of the GAO Building, 441 G St., NW, Washington, DC.

ADMINISTRATIVE MATTERS

• **Attendance**

Present: Ms. Payne (chairperson), Ms. Carey, Mr. Bragg, Mr. Brewer, Ms. Gilmore, Ms. Kearney, Mr. Marchowsky, and Mr. Synowiec
FASAB/AAPC project director, Ms. Valentine was present at the meeting and general counsel, Mr. Dymond participated via telephone.

Absent: Mr. Rebich

• **Minutes**

The minutes of September 16, 2010 were previously approved as final, having been circulated by E-mail to members.

• **Administrative**

None

PROJECT MATTERS

Project Agenda

MD&A

Ms. Payne gave a brief update on the progress of the project. She first noted that FASAB staff member Rich Fontenrose had been managing the work of the task force; however he retired from federal service on 9/30. She stated that staff has been working with Ms. Kearney, MD&A task force chair, and the task force to finalize the guide, however due to limited resources staff has not been able to complete its review. Staff's plan is to have a draft available for review and discussion at the January AAPC meeting

General PP&E

Ms. Gilmore gave an update on the current work of the general PP&E (G-PP&E) task force. She noted that the task force was very active in its work and was progressing towards providing implementation guidance on several G-PP&E issues. The Acquisition subgroup was working on three implementation issues: estimating historical cost (being presented today as an ED ballot draft), capitalization thresholds, and capital leases. The Disposal subgroup's third project on triggering events for the disposal of equipment is being

presented to the Committee as an ED ballot draft. The Use subgroup is still working the contractor financing payments issue and is beginning discussions on both the deployed assets and group/composite depreciation issues. The Record retention subgroup recommendations have now been folded into the estimating historical cost guide. She also noted that the task force will also begin its work on the new project on G-PP&E cost accounting issues presented by the Agenda committee at the September meeting.

▪ **Review of Ballot draft ED – “Implementation Guide on SFFAS 35, Estimating the Historical Cost of G-PP&E” and Review of Ballot draft ED – “Implementation Guide on the Accounting for the Disposal of G-PP&E”**

Ms. Valentine opened the discussion by presenting the two ballot exposure drafts to the Committee. She informed the Committee that minor edits had been made to the documents since the September meeting to address the comments of the Committee. Mr. Synowiec had a comment on the draft ED “Implementation Guide on the Accounting for the Disposal of G-PP&E”. He asked if there needed to be an additional question or discussion in the ED to talk about probable losses as outlined in SFFAS 5. Ms. Valentine noted that the draft states “when the entity’s management decides to permanently remove, retire, and/or dispose of an asset and the asset’s use is terminated, the asset’s acquisition cost and associated accumulated depreciation are removed from the G-PP&E account and the asset is recorded at its net realizable value with an offsetting entry to gain or loss.” And then “upon completion of the (physical) disposal of the asset, the entity should write off the asset from its financial records. Any difference between the expected net realizable value of the G-PP&E previously recorded and the actual realized disposition amount should be recognized as a gain or loss.” The members agreed to leave the language as it currently is in the draft.

Mr. Bragg asked why the draft uses the phrase “management’s intention and decision” as opposed to just “management’s decision.” The Committee agreed to drop “intention and” from the phrase for clarity.

The Committee also agreed to edit the language in paragraph nine to clarify “that If only one of the two business events has occurred, the removal from service is deemed **temporary** and 1) there is no change in the G-PP&E reported value; 2) depreciation continues; and 3) in the case of G-PP&E cleanup costs, any cleanup costs associated with disposal, closure, and/or shutdown should continue to accumulate as a liability in accordance with SFFAS 6, paragraphs 97 and 98.”

There were no comments on the ballot draft ED “Implementation Guide on SFFAS 35, Estimating the Historical Cost of G-PP&E.”

Conclusion: Ms. Valentine asked the members to please submit to her their ballots on the two exposure drafts. Staff will make the necessary edits to the Disposal ED as discussed.

Subsequent to the meeting staff received 6 affirmative ballots from AAPC members approving the ED “Implementation Guide on the Accounting for the Disposal of G-PP&E” for release with the minor edits discussed by the Committee.

Subsequent to the meeting staff received 7 affirmative ballots from AAPC members approving the ED “Implementation Guide on SFFAS 35, Estimating the Historical Cost of G-PP&E” for release.

The EDs are slated to be released for comment on or before December 10 for a 60-day comment period ending February 11, 2011.

- **Agenda Committee Report**

None

- **New Business**

None

The meeting adjourned at 1:40 pm.