

**FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD
 December 19, 2012
 Room 7C13
 441 G Street NW
 Washington, DC 20548**

Wednesday, December 19, 2012 1

Administrative Matters 1

- Attendance 1
- Approval of Minutes 1

Agenda Topics 2

- Federal Reporting Entity 2
- Reporting Model 29
- Public-Private Partnerships 33
- Steering Committee Meeting 37

Adjournment 37

Wednesday, December 19, 2012

Administrative Matters

- **Attendance**

The following members were present throughout the meeting: Chairman Allen, Messrs. Dacey, Dong,* Granof, McCall, Reger, Showalter, Smith, and Steinberg. The executive director, Ms. Payne, and general counsel, Ms. Hamilton, were present throughout the meeting. (*During brief absences, Mr. Dong was represented by Ms. Kearney.)

- **Approval of Minutes**

The minutes of the October meeting were approved electronically before the meeting.

- **2014 Calendar**

The meeting dates for 2014 were provided to members.

Agenda Topics

- **Federal Reporting Entity**

Mr. Allen noted that this is a complex project the Board has worked on for a number of years. He explained it may be important for the Board to pause at this meeting to ensure a clear understanding. He noted when we left the October meeting there was a belief that we may not even need to spend time at this meeting on the document and that we were close to exposing it. He explained that he appreciates we're all trying to make sure we have a document that is clear so that we get the appropriate feedback to help us deliberate the best standard possible.

Mr. Allen explained he would like to ensure all members have a clear understanding of the two Alternate View (AV) positions. He noted there have been questions back and forth. He explained if the majority of the Board supports the AV positions that they become the standard rather than AVs.

Mr. Allen explained he would like to turn time over to staff and have them walk through the two issues.

Ms. Loughan explained the following additional materials were distributed for the session and would be referenced for discussion:

- Transmittal & Staff Paper
- Attachment 2--Two Alternative Views
- Attachment 3--Track-changes to ballot draft ED, Reporting Entity (with alternative views and proposed edits)
- Attachment 4--Section 8 of the Constitution of the United States
- Attachment 5—Related Party Disclosure from the Treasury FY2012 Agency Financial Report

Staff explained the first item of discussion would be Alternative View #1 regarding the Federal Reserve System (FRS) and to make sure that all Board members have a clear understanding of the AV. Ms. Loughan noted the first question would be if the authors of the alternative view intend for the FRS to be a disclosure entity. When staff first read it as presented, that was our understanding. However, based on feedback, perhaps that's not correct, and staff would like one of the AV authors, to explain the AV to ensure all are on the same page and how it should be interpreted.

Mr. Granof explained it is hard to answer, because we have to step back and look at the document as a whole. He explained some of his concerns are from a more basic position going back to what we're trying to accomplish in this document. Mr. Granof

explained that the document doesn't set forth what the overall problem is and what it is that we're trying to resolve in this document. He explained in his view the major problem has always been the Federal Reserve.

Mr. Granof added as he read the document, the Board never really discussed all of the consequences of the document. He believes it in many ways is left to the auditors and the preparers to make the ultimate decision. He explained that he would rather know is how it's going to affect certain key entities, such as the Postal Service for example.

Mr. Granof explained as it is now; it seems that the intent is that the Federal Reserve System should be a disclosure entity. And yet one of the reasons as explained in the basis, there are complexities in consolidating the Fed. However, that's not the reason we're excluding the Fed and that's inconsistent with the standard. Mr. Granof explained we don't consolidate the Fed, not because it would distort the financial statements but rather that it doesn't meet the criteria that are specified. He explained the proposed standard should be clarified exactly why we're excluding the Fed.

Mr. Allen explained that the key question is if the alternative view specifically intends to make the Federal Reserve a disclosure entity.

Mr. Steinberg explained the alternative view as written does not take a position either way. The alternative view focuses on the disclosures.

Mr. Allen explained it is a little confusing. He added the first sentence or two it looks like what you're saying is that this is a disclosure entity. If the intent isn't to do that then we need to be clear on that point.

Mr. Dacey explained that the preamble suggests that regardless of whether it's a disclosure or consolidation entity, that this disclosure would be required. He explained that FASAB doesn't require disclosure of similar information for other consolidated entities. If FASAB did so, it would extend the financial statements significantly.

Mr. Allen suggested that may relate to the second question, and the focus is on whether the intent of the AV is to state that this is a disclosure entity. It appears the wording would have to be clarified.

Mr. Showalter explained the alternative view currently is the majority view. So the standard would be worded as proposed by the AV.

Mr. Allen explained he believed there was uncertainty among members supporting the AV on the point we are discussing and it doesn't appear that a majority of the board supports that point. Mr. Allen explained if the intent of those supporting the AV is not to require the Federal Reserve be a disclosure entity, then the reader would rely on the framework as currently set forth in the ED.

Mr. Granof explained that there are different views on that.

Mr. Allen explained that the full Board should understand that point before so they can determine if there are additional disclosures that are necessary.

Mr. Steinberg explained he would agree it is not the intent of the AV as it is written to require the Federal Reserve to be a disclosure entity.

Mr. Granof explained to get five people onto an AV, there was a lot of compromising. He added that his view differs from some of the other members. He explained he is probably in the minority view that the Board does have an obligation to specify whether the Federal Reserve is a disclosure entity or a consolidation entity.

Mr. Allen explained that he could go into a longer discussion on how one can vote with an AV, but in essence what we're really trying to do is to gather feedback that will help us deliberate to a standard. Mr. Allen explained if there is a point a member feels strong enough about, they can focus in on it as a question or as an alternative view. He noted that to specify the Federal Reserve as a disclosure entity seems like such a fundamental question that it would be necessary to have an AV. However if we are focusing on additional disclosures we can obtain due process feedback on that issue with a question without an AV.

Mr. Granof explained that he agreed. He added that if the only issue is more disclosure then that's probably something we can resolve very quickly.

Mr. Allen asked if that is what the issue is for the other four AV people. Mr. Granof explained that he believes certain members are uncomfortable with the document as it is that it doesn't quite justify the position and there are certain inconsistencies.

Mr. Steinberg explained five members believe there should be additional disclosures. He added the five members agree with the original majority of the Board. Mr. Steinberg explained they can make the AV more clear and have the additional disclosures; but that doesn't mean that there's not going to be Board members that are still uncomfortable with the direction it's taken. Mr. Steinberg added Mr. Granof explained he thinks the role of a standard setting body is to be more precise. Mr. Steinberg stated that he agrees with him on that. He added that Mr. McCall has always considered consolidation, so he may have an alternate view on that issue.

Mr. Allen asked if it could be addressed with a specific question that says while the majority of the Board feel this way, there are individual Board members who believe that it should be consolidated or that the Board should specify that it's consolidated, or should specify that it's a disclosure entity, and to provide feedback on those points. Mr. Allen asked if that would get the feedback necessary to deliberate a standard. He explained he did not want to miss an opportunity to get all the feedback so that the Board has a basis for making a decision.

Mr. Showalter explained he would support requesting feedback. He explained the reason he joined the alternative view was really that we needed more feedback. Mr. Showalter explained he doesn't agree with Mr. Granof because the nature of the Fed is

changing, and where we sit today will change tomorrow. Mr. Showalter explained he supports a principles-based standard because of the nature of the Fed; otherwise we would be amending the standard every time the Fed does something differently. However, he believes the Board should be open to get feedback. Mr. Showalter added the Board is split on some of the issues related to this, so we ought to get feedback.

Mr. Dacey asked for which parts of the document should feedback be requested.

Mr. Showalter explained he believed there are three issues: One is whether there are enough disclosures on the Fed. Two (which most will debate with Mr. Granof) is whether the Board should be specific about the type of entity the Fed is. Three is potentially the interventions and AV provisions we haven't talked about. [The second AV, to be discussed.]

Mr. Granof explained on the issue of consolidation versus disclosure, he wasn't sure that the Board had considered all of the implications of consolidating. He noted this was Mr. McCall's point.

Mr. McCall explained he believes that the auditor and the preparer should make the determination whether an entity is a consolidation or disclosure entity. He added he doesn't believe the criteria we have are sufficient. He also noted the Board has had enough discussions on whether consolidation is a viable alternative. Mr. McCall proposed adding a question that would give feedback from the people that read the exposure draft that would satisfy concerns. He explained he wanted to know if the criteria are specific enough or clear enough that you would have an idea of how the Federal Reserve should be disclosed or consolidated. Mr. McCall added that he agreed that it can be a disclosure or a consolidation entity with additional disclosures, but would like additional feedback on that question.

Mr. Allen asked staff if to capture the points discussed in one or two questions.

Mr. Granof explained he wasn't sure that his issue had to be asked because the Board has discussed that. Mr. Allen explained that he understands that not all members will support the standard. However, in the end we can still have somebody who dissents but there should be some feedback on the issue. Mr. Allen explained therefore, let's ask for some feedback so we can have some discussion that may persuade you or persuade us. Mr. Granof agreed that he believed it could be a legitimate question-- should the Board specify whether there should be a disclosure or consolidation?

Mr. Reger explained it seems that in an exposure draft we're supposed to take a position and propose it, and then ask questions of people about things that they think we should take into consideration in deciding what the rule is. He explained the more fundamental question is we've voted over and over to go to a principle-based standard, and yet every time we come up to this we sort of want to back away from the principle. Mr. Allen asked if he thought asking a question is backing away from the principle. Mr. Reger stated no, but he believes the questions should focus on the disclosure and that may drive us to a different discussion about the principle.

Mr. Dacey explained in his view he believes we have a fundamental agreement as a Board but some members want to add more disclosures. He added, with the alternative view there are some more requirements and the question is how we get feedback on whether people think more disclosure should be required. Mr. Allen noted that there was some concern if there was total agreement with everything aside from the additional disclosures, as Mr. Granof and Mr. McCall had raised at least some other questions.

Mr. Steinberg explained we are proposing a principle that the Federal Reserve can be reported either way. There are some members that would like feedback on that--it would be do you think the Board should be more specific in saying either one way or the other, or laying out the guidelines in such a way with the principles that it's pretty clear which way to go. Mr. Steinberg explained he understands that situations may change, but it seems that's the role of standards, so that when situations change then you see you go from this side to that side.

Mr. Showalter explained if you say the central bank is consolidated, the criteria are basically taken off the table because the Board has made the decision for the issuer.

Mr. Steinberg explained that he is not saying it should be consolidated or disclosed. He explained the standard should be clear enough that everybody reading would come to the same conclusion. Because right now he believes it is written such that it could go either way.

Mr. Showalter explained that may be true, but people are making those decisions because they have personal belief in where it goes, not necessarily because they've applied the criteria to arrive at that conclusion.

Mr. Reger added that it may be based on the circumstance that we're in today. Mr. Showalter agreed and that's why he is trying to be flexible. The Board concluded these criteria should be appropriate for all the entities. He added, that a question could be added to the ED asking "do you agree the central bank's role was so different that (to Mr. Granof's point) you need to look at it differently than we've looked at it because of the role of the central bank?"

Mr. Reger suggested that it not be limited to just the central bank, but ask if there are entities that are so unique that they need to be considered outside the current draft standard; for example, the central bank.

Mr. Smith explained his position was similar to Mr. Showalter and he agreed to the alternative views because he thought there were some unresolved issues. He added that he wasn't in agreement with Mr. Granof. He supports the idea of getting feedback as suggested. He also agreed we should keep it broad and ask if there are other entities that are special. Mr. Smith also agreed the Board needs to discuss the merits of the disclosure.

Mr. Dong asked if the protocol was to take a position. He asked if we can make the statement whether there are other entities that are special and get feedback on that, or are we asking the question open-ended?

Mr. Reger stated if we believe the standard as drafted is not encompassing enough to reach a conclusion, then we should ask the question--Should there be other criteria that should be applied in the standard? Are there enough criteria in the exposure draft that allows us to make determinations about specific entities?

Mr. Allen explained the questions appeared consistent with what Mr. McCall proposed. It appears we could cover the issues in one or two questions. Mr. Allen noted there could be some challenge with addressing special entities, and you may have to say 'such as the central bank.' However, he noted a question about whether the criteria are sufficient to help those who prepare and audit financial statements to arrive at the appropriate GAAP answers is what we should strive to articulate.

Mr. McCall explained he believes the preparer and the auditor should make that decision. However, he notes the central bank's financial statements are over two trillion dollars in assets which is basically equivalent to what's on the federal government's financial statements. Mr. McCall explained he wants to add a question that asks respondents do you agree or disagree that the criteria are sufficient and adequate to apply to a central bank in making a determination whether the entity should be reported as a consolidation entity or as a disclosure entity.

Mr. Allen suggested we may want to use the central bank as an example, but who says that's the only unique organization out there where the criteria are not sufficient enough?

Mr. Reger agreed and suggested that it should be broader. Others may consider organizations such as the post office, museums, Amtrak, and the boy scouts. Mr. McCall agreed that it would be okay to say such as the central bank. Mr. Granof noted there are other unique organizations but the Fed is really unique; it has been treated as unique. It is specifically called out as an exception in SFFAC 2, so he believes there is justification for at least mentioning the Fed.

Mr. Dacey explained that he believes we should give more than one example because we don't want respondents to think that because it relates to the central bank, it doesn't apply to them. Otherwise, they may ignore the question. Mr. Dacey agreed a general question about the adequacy of the criteria may be appropriate. He noted if we're going to apply this to other entities, and if it suddenly changes the dynamics of what we currently have, we ought to know about that, even if they're not unusual entities. Mr. Granof explained that's exactly his concern, we don't know how it is going to affect lots of entities.

Mr. Allen explained staff would work on wording to capture the questions agreed upon and the Board would review at the next meeting. He directed the Board to discuss the next issue.

Ms. Loughan explained the next issue would be determining whether the Board is in agreement that additional disclosures are necessary for disclosure entities. Staff directed the members to page 5 of the staff memo, which provided a snapshot of the additional proposed AV draft disclosures, and also staff proposed disclosures.

Mr. Allen suggested the members first discuss whether they want to have additional disclosures. He noted that we're talking particularly about one entity, but that doesn't mean that there couldn't be others

Ms. Loughan agreed and noted the ED as written, one relies on the objectives along with examples to determine the information to present for disclosure entities. Staff explained an earlier version of the ED had more specific required disclosures for entities that perform sovereign functions but the Board voted to take those out.

Mr. Allen asked the Board members to explain their position regarding the issue for additional disclosures.

Mr. Reger asked if the discussion is whether we believe that it is important to have additional disclosure requirements of any disclosure entity or are there classes of entities that meet certain criteria for which the current disclosure requirements are not sufficient? Mr. Reger explained he had concerns because there may be considerations, like timing and report dates, because they could have an effect on disclosures for some entities.

Mr. Granof explained that he is concerned with the Federal Reserve and hopes it will come through in the alternative view because he believes it is unique entity. He noted it has three or four trillion dollars in assets; therefore, he has no trouble specifying disclosure requirements for that one entity.

Mr. Showalter explained he supported the AV because there are unique activities related to the Fed which won't get properly disclosed. He noted this is not a reflection on what is currently being disclosed because we're trying to establish standards that go beyond what is currently being done. Mr. Showalter explained there are some unique responsibilities that would not get picked up in the current disclosure. He explained the AV is trying to fill in the gap because the role of the central bank cannot be ignored because there is only one central bank.

Mr. Dacey asked (conditionally) if the decision were made to consolidate, do the AV authors still feel the additional disclosures would be necessary and appropriate? Mr. Showalter explained that it would probably be more important because if you go back to the other FASAB standards they probably did not consider the role of the central bank. Mr. Granof agreed.

Mr. Dacey explained that his concern is what makes the central bank so unique that we shouldn't be applying similar requirements for a wide variety of entities that we consolidate. Mr. Showalter explained that it is driven by the magnitude. Mr. Dacey explained that his concern was that we do not talk about the organizational structure of

the Defense Department, how it operates, what its mission is, etc. Therefore, if we don't go down that path for other consolidated entities, how does one make the distinction?

Mr. Granof explained that it is not just the magnitude of the dollars, but also the unique aspects of the transactions in which it engages.

Mr. Dong noted the Board should be clear in terms of what the focus and objective is--the need and nature for additional disclosures. There seems to be a lot of conversation in terms of the Federal Reserve, but then we say other entities may be unique. Mr. Dong explained if we broaden the discussion to other entities that changes the substance of what has been identified in terms of additional disclosure. Mr. Showalter noted the AV position is only about the Fed.

Mr. Allen explained there may be other federal entities (railroads) that probably played even a more important part in expanding our nation at some point in time, and there is something unique about them.

Mr. Granof explained what is unique about the Fed is its impact on monetary and fiscal policy. In other words, financial statements are directly concerned with things such as interest rates and the Fed has a dominant role. Mr. Granof explained that the Federal Reserve is different than the Defense Department because it has a more direct impact on fiscal and monetary policy.

Mr. Showalter explained if you look at it another way, we could have just incorporated it into all our disclosures but that would be overkill disclosure on the rest of the population. He added what we are trying to do is carve out a particular entity and deal with that and not lay it across all the entities. Mr. Showalter explained the Board could ask the question do you believe there are similar entities. Mr. Reger agreed it was important to frame a question.

Mr. Allen agreed that a question may help, along the lines of --do we view disclosures as potentially inadequate in any other circumstance? And the answer for some board members has been yes for the Federal Reserve. One of the challenges is that we have some existing standards that require broad disclosures. Mr. Allen also noted the disclosures for disclosure entities are quite principles-based. Therefore, you may not get some of the specific things listed in the AV and would that be sufficient.

Mr. Smith explained he believed we could ask a question if respondents believe the central bank is unique and based on the present standards, what we would miss and would the statements be deficient related to the Federal Reserve. Based on the feedback the Board could determine what we need to incorporate into the standard, because otherwise we could have a deficient standard.

Mr. Reger asked if we need to have that discussion in relationship to all the other entities that we report on for instance, the agencies. Mr. Smith explained he thought this discussion related to the Federal Reserve because it was unique, probably due to the fiscal crisis but he doesn't believe it changed the significance of the Federal Reserve. It

just might have brought it to light. But the fact now is that we know that the Federal Reserve is a big issue, and warrants looking into further.

Mr. Steinberg explained the proposed language in the alternative view is pretty critical and he noted a difference in the staff proposal subparagraph D - "A discussion of the nature and purpose of significant monetary and fiscal policy activity during the period, and significant balances between the central bank and the reporting entity during and at the end of the period." Mr. Steinberg explained the second part of that, he interprets to mean that it is the nature and purpose of significant monetary activity by the Fed with the rest of the government. However, he noted in the second bullet of the alternate view—the disclosures are not those just with the government, it is those kinds of transactions that they are doing that will affect more than the government but will affect the economy and the country.

Ms. Payne explained it is possible to read that in multiple ways and it was not staff's intent to limit the first half of that bullet to intragovernmental transactions. She noted staff could separate them, but the discussion would still be broad. Mr. Granof asked for clarification and if it was the intent of staff that transactions with outside parties would be disclosed?

Ms. Payne explained the intent was that there would be a discussion of transactions with outside parties. The balances, the requirement to report balances, would simply be the Treasury's securities and any other intra-governmental balances. Staff further explained if this were classified as a consolidation entity there would be no problem with getting the balances and subjecting them to audit. The Board had discussed presenting amounts for disclosure entities and concluded that it did not expect to see amounts. Further, the Board was careful about the reference to audited financial statements to ensure it was not including these statements within the scope of the reporting entity's audit because for many of these disclosure entities, the auditor will have limited reach in the audit. Staff was trying to not violate the decision that the Board had made earlier while creating a disclosure requirement to satisfy both circumstances - a consolidation or disclosure entity.

Mr. Showalter asked for clarification if the amount the Treasury engaged with a third party would not be subject to audit. Mr. Dacey explained that, for example, the purchase of mortgage-backed securities by the Federal Reserve wouldn't be part of GAO's audit of the federal government if it wasn't consolidated. Mr. Showalter noted the auditor of the Fed is auditing those transactions, so it is subject to audit. Ms. Payne explained the transaction is subject to audit, it is a matter of whether the government-wide auditor would have to take responsibility. Staff was relying on the prior decision of the Board to be very careful in writing the disclosure requirements for disclosure entities such that you did not expand the scope of the federal auditors.

Ms. Loughan directed members to paragraph 72a. Staff noted when this issue came up before; language was added about significant involvements with outside parties. Staff explained the language that was added was added as example information, but the

Board had talked about this issue regarding involvements with outside parties, and that's what had been agreed upon to be added to paragraph 72a.

Mr. Allen noted the disclosures are about disclosure entities, what if the decision is made to consolidate-- then 72a doesn't necessarily apply unless it's picked up in some other standards. Therefore, that would be one of the reasons of requiring key disclosures that we want regardless of how you treat this entity. However, if we do, we still have the same audit challenges. Are we somehow binding the auditor so that there is no chance we are ever going to get an opinion on these financial statements because there are numbers that he's not even authorized to audit or can't audit.

Mr. Dacey explained that he thought we had reached a balance of telling people where the financial report can be obtained, and pointing them to the website, which he thought was the agreement on that issue. Mr. Allen explained the Board should have a good understanding of where we stand on that, but apparently that doesn't go far enough for certain members.

Mr. Steinberg noted that if that were the case, this notion of saying there are statements available by reference, is there a need to produce a CFS because every agency in the federal government puts out a financial statement. Mr. Dacey noted there are references to other statements for more detail.

Mr. Steinberg explained if it is a financial statement for the US government to show what the US government has done and how has it affected us or will affect us in the future, then it should encompass all of those things that have affected us and should affect us in the future. As far as the audit is concerned, he recognizes the cost/benefit on audit, but right now the statement is not audited, because there is a disclaimer on it.

Mr. Dacey explained that will change someday and our decisions should not be predicated on that. He noted when we get to a point of having a clean opinion, GAO would need to rely on the work of other auditors, and will have to coordinate with all the other auditors in carrying out the audit. He explained based on auditing standards, the auditor has responsibility to audit the numbers in the notes..

Mr. Dacey explained as soon as you are associated with a number, it would entail a significant cost to get satisfactory evidence about that number. He also explained numbers for the Fed would be 12 months old, which may be misleading. Mr. Dacey explained providing information on the balances with the government would at least be relatively current. He noted this issue presents a cost/benefit problem, and he thought the Board had deliberated and resolved it at a prior meeting.

Mr. Steinberg noted that he did not agree because it appears since we cannot give them current information, we will not give them any information. Mr. Dacey explained that he was saying that some information that is old and stale may be misleading or not worth telling the reader about. Telling the reader where they can obtain more information that is current may be more meaningful.

Mr. Steinberg asked how we could refer readers to get more current information because it's going to be as current as what you would have put in the report. Mr. Dacey explained the Federal Reserve has unaudited information available quarterly.

Mr. Dacey recapped that it increases audit costs to put otherwise unaudited information in and have to audit it because we are associated with it. Mr. Steinberg noted the statement right now is unaudited. Mr. Dacey disagreed and explained that there is a lot of information that is audited (at the agency level)—he referenced the Treasury Department note which is included in the binder materials and the additional information.

Mr. Reger explained this year as a result of the Board's discussions, Treasury tried to enhance disclosure for the Federal Reserve. Mr. Reger noted the AV document said that the Fed has business with multiple other agencies, and yet his inquiries at the Federal Reserve say they have no business relationships of any material thresholds with any other federal agency.

Mr. Reger explained what he did through Treasury was disclose the Treasury relationships with the Federal Reserve. He noted the Treasury auditor is somewhat uncomfortable with the preparer at this point because they are including a lot of detail in the Treasury statements. Mr. Reger noted the other important issue is this is the first time there are disclosures in the consolidated which do not come up through other entities and that is a significant change of approach and policy.

Mr. Allen explained that is what we're trying to clearly understand and what we're trying to figure out now is can we leave it at that point or is it necessary to say here's the unique information we want that wouldn't otherwise be provided. Mr. Allen noted his concern was the specificity in the AV, for example, some of the investments that they were holding. He asked Mr. Reger whether he had envisioned the disclosures would be to that level of detail.

Mr. Reger explained he was not concerned about the general discussions of things, of missions, policies, even current conditions to the extent he can get current condition. However, he noted concerned about numbers, carrying numbers that he would have to rely on that may be six, nine, or twelve months old or information that isn't in the public arena already. Mr. Reger explained he was concerned about the timeframes, especially at the end of the period. We have to be careful about the fundamental issues of audit and not to violate that. And fundamental discussions about the nature of not only this but other reporting entities like TVA who we accept numbers from which are quite old. He noted there are other organizations that are going to fall into that category.

Mr. Granof asked when you consolidate another entity and that other entity is audited by an independent auditor, how do you accept those, what assurance do you have or what disclosures do you make?

Mr. Dacey explained at a high level, the auditor decides whether you're going to refer to their reports, or take responsibility, which takes a higher level of involvement by the auditor.

Mr. Granof noted that if you consolidate the Fed, then presumably you wouldn't take responsibility for auditing them, you would rely on their auditor. But if you had to disclose certain figures, couldn't you say we have not audited this, we do not accept responsibility for it, and it is based on the work of whoever audits it.

Mr. Dacey agreed that while it is technically possible, there is a cost. Mr. Granof asked for clarification. Mr. Dacey explained the new standard requires more involvement of the auditor, even when you refer to other auditors. Mr. Reger added the subsequent auditor has some responsibility for due diligence over numbers that are reporting from a previous audit.

Mr. Dacey explained the auditor under the new standards, even if you refer, is responsible nonetheless for the group audit opinion on the entire set of financial statements, and that would increase the effort and cost to another auditor.

Mr. Granof noted we are debating cost. Mr. Granof asked if certain disclosures that are based on the audited financial statements of the Fed would involve significant cost.

Mr. Dacey stated it could, depending on the nature of the disclosures. However, Mr. Dacey explained if you disclose policies and general directions they're taking, you can likely obtain that kind of audit evidence at no significant cost.

Mr. Granof explained it appears if we are talking about a specific number, like purchases of mortgages, realistically it could be a lot of time and money. He added this is very significant because we are talking about a cost/benefit issue here, and I do not have any sense of the benefit, let alone the cost.

Mr. Dacey explained part of the cost/benefit is the relevancy of data that is 12 months old. Mr. Reger agreed and stated realistically, part of the reason we are talking about the Fed is the actions the Fed is taking currently. So is it going to be relevant to have nine- or 12-month old data, other than policy level discussions which the Board has already agreed to?

Mr. Granof explained it is relevant because it gives you a sense of the magnitude of what is involved. He added he believes in the last few years the Fed has engaged in massive transactions, not only with mortgage securities, but even with foreign banks. Mr. Granof believes that information is relevant to a reader. However, he does not know how to quantify the benefit and the cost is difficult to quantify.

Mr. Dacey explained it would be a significant effort because that number needs to be supportable and audited.

Mr. Dong questioned the incremental benefit of the additional disclosures when there's more timely information available by referring readers to information already in the public domain.

Mr. Allen explained he would let the AV authors answer that question, but before we get to that, there were requests for a break.

~ (Break) ~

Mr. Allen explained the Board was discussing whether the uniqueness of the Fed and/or other organizations is such that we should have a requirement that we specify additional disclosures. Mr. Allen noted this was a challenge because we are not sure exactly which disclosures we would get by the existing standards and the proposed standards. He asked members if they were comfortable as a Board exploring the possibility of additional disclosures.

Mr. Granof agreed because of the unique nature of the Federal Reserve, there are things which should be disclosed, and if not disclosed based on current standards, there are things that should be required.

Mr. Showalter noted the staff proposal on page 5 states "The central bank is a unique federal organization. Whether classified as a consolidation entity or a disclosure entity, the reporting entity must disclose, at a minimum, the following regarding the central bank..." Mr. Showalter noted it addresses the issue of whether it's a consolidation or disclosure entity, by ensuring the disclosures apply even for consolidation entities. He believed the staff proposed wording should be used as a starting point.

Mr. Allen explained he wanted to first ensure the full Board wanted to have the additional disclosures. And then if the answer to that is yes then we will consider what disclosures.

Mr. Showalter explained he was part of the AV, so yes and the lists appeared reasonable.

Mr. Smith stated he was supportive of additional disclosures but the Board needs to decide what they need to be.

Mr. Allen asked if the answer is just for the Fed, or would you broaden it to use the Fed as an example? In other words would you say because of the uniqueness of other organizations such as the Fed, additional disclosures may be necessary to cover them, or would you keep it to the Fed because the unique nature of the Fed?

Mr. Showalter explained he was sensitive to overload, and getting back to Mr. Dong's earlier point, he would say the Fed or any other organization you think is appropriate.

Mr. Smith stated he would also focus it to the Fed, but he would want comments back if somebody else believed another organization or entity was of the same level of

significance, identify what that entity is and what disclosures they think that would be needed.

Mr. Allen explained the standards are applied to both the government as a whole and the department and agency level. So should we define this disclosure as only being appropriate for the government as a whole?

Mr. Dacey explained there are a number of factors weighing into his mind in this whole area--one is it would be ideal if we had more of a consensus on a position. Therefore, to help achieve that consensus he has some sympathy to add requirements for the Federal Reserve, depending on what those requirements are. Conceptually, he does not think it is harmful but he is unsure whether it is still a principle-based standard. Therefore, he sees merit in asking appropriate questions, but they should be limited to the Fed only. He does not believe there is a need to ask questions about whether there are others; he believes the current standard is sufficiently flexible to achieve the objectives and have adequate disclosures.

Mr. Dacey noted, as he stated before, that he does have concerns about the cost benefit of certain information, if that was expected. He explained it should be consistent with our framework and applicable for the governmentwide and for component entities, if they are administratively assigned to a component entity that would be relevant — he said the only entity with transactions with the Fed at this point appears to be Treasury.

Mr. Allen asked for Mr. Dacey's clarification that we should not specify that it's only a government-wide.

Mr. Dacey stated that he would prefer that we included it where it was administratively assigned as well, which would be consistent with the framework. At this point, that is Treasury Department's financial statements. They are the ones that record the balances and transactions.

Mr. Dong explained he would support additional disclosures and the staff proposed language on page five as a starting point. He also agreed that we should focus on the Fed only for the reasons described earlier.

Mr. Reger explained he would support additional disclosures. He noted the Fed is trying to be more transparent in their dealings and there were improvements in the note. Mr. Reger agreed the staff proposal was a good place to start, but there are some concerns.

Mr. McCall explained he supported additional disclosures. His support is because if we were to look at the consolidation entity criteria and everyone around the table perform an assessment against these criteria some would say it's consolidation, some would say it's disclosure entity. Therefore, he supports additional disclosure because the Federal Reserve seemed most problematic and we could not make a call. He noted when he looks at disclosure entities, limited risk/rewards fall to the taxpayer, and

Federal Reserve does not meet those criteria to him. On the contrary, when he looks at consolidation entities, imposing risk/rewards on taxpayers, he thinks it is very important.

Mr. McCall explained regarding staff's proposal 5A through E --A through C seem to say it is a disclosure entity, it talks about mission, relationship, and independence. While D is the only one that seems to be an additional alternative view comment and there may not be a proper balance and he believes we are still mixing aspects of consolidation and disclosure.

Mr. Granof explained we are faced with a cost benefit issue. And the problem that we as a Board face, and this is typical of most standards setting Boards, people do a fantastic job of articulating the costs, but the benefits are much more elusive. Mr. Granof stated that the Board should keep that in mind and also recognize that there are outside interests who are not going to speak up.

Mr. Allen explained we schedule a public hearing which helps more than just written comments. Mr. Granof noted even there, you are not going to get too many citizens.

Mr. Allen explained the majority of the Board agreed to explore additional disclosure and several members have said to start with the staff recommendation on page 5 of the staff memo.

Mr. McCall noted some concern or that it might have been leading you one way or the other. Mr. McCall explained that A through C is similar to what's already there for disclosure entities. Mr. Allen acknowledged and asked if he was comfortable with the approach because the whole premise of this is we are saying regardless of the decision that one makes about whether it is a disclosure entity or a consolidation entity, these are disclosures that we feel are necessary.

Mr. Showalter acknowledged there are fewer issues to worry about with disclosure entities, but if you consolidate there will be more issues.

Mr. Dacey explained as he recalled when we first drafted the paragraph (similar paragraph in an earlier version that the Board took out), the idea was that we would apply this list separately. He explained if you are going to a model where you are talking about these incremental disclosures that are necessary, even if it were consolidated, this may be too broad of a list. For example, he explained he did not think all of them were applicable.

Mr. Dacey explained there is synergy, but the list on the bottom of page five of the addendum (Alternative Views and Staff Response) has more items than we need if we're going to treat it as incremental to what would be a disclosure entity or incremental towards a consolidation entity. It appears this is more of a replacement list when it was drafted.

Mr. Allen asked if we ought to write this in such a way that we are saying these are exposures we want regardless. Mr. Dacey agreed but some of these were written with the intention of being a disclosure entity, and maybe they are not on the list.

Ms. Payne explained the challenge for staff is the accounting standards do not have a note one requirement, so it becomes a little bit of a challenge to say incremental to what. Mr. Dacey explained if it were a disclosure entity there are requirements in paragraphs 69 through 72, so it would be incremental to that. He explained when you go to a consolidation entity then none of those requirements in 69 through 70 will be disclosed, and you're looking at what would you want if it's consolidated as sort of your base list.

Mr. Allen asked isn't it OK if we duplicate the list because we are starting with the premise that regardless of how you classify, we want these disclosures. Otherwise, wouldn't you need to add a second sentence that says if you are a disclosure entity most of those are picked up anyway or disclose the things there?

Mr. Dacey explained that was his question --if you are consolidated, then is that the intent to add a lot of information. He explained it gets back to the concerns about not currently talking about the mission of every consolidation entity. It would be appropriate if it was a disclosure entity but if it was consolidated, maybe that's not an incremental reporting requirement.

Mr. Allen noted Mr. Dacey's point is clear, because somebody reading the standard is going to say that is pretty duplicative, that's the same thing you asked for two pages earlier. This is written in a comprehensive manner because the entity may determine it is a consolidation or disclosure entity, so this is written comprehensively.

Mr. Allen asked if there were specific disclosure the members wanted to discuss.

Mr. Reger noted that it appears staff worked on the compromise and many of these were paraphrased from the AV. He explained that he has a continuing problem with dates, specifically during and at the end of the period.

Mr. Dacey explained if we are limited to the transactions of the central bank with the reporting entity Treasury should have that data available and audited. Mr. Reger asked if we have the year-end balances audited. Mr. Dacey stated yes.

Mr. Dacey explained separating staff proposed D into two pieces might avoid some confusion. But if you take the last part of D on its own, between the central bank and the reporting entity those would be audited and would be available, and are reported currently. Mr. Dacey explained that for E, he believes if it were consolidated, there are both possibilities--E as a separate requirement or is it inherently going to be addressed through all the other standards we have to deal with it. If it were disclosed, it is a matter of whether these are incremental to the ones in 69 through 70. He added, it depends on how you look at it. If it is a replacement you have a lot of disclosures here. If it were to be consolidated it may not be necessary or appropriate. Mr.

Reger noted on F, this is the amount of the federal government's exposure in the past.

Ms. Loughan explained some of these are a repeat of what we already have. Mr. Dacey notes this brings back his earlier question--Should this list be viewed as incremental if it were disclosed, incremental to the requirements on page 69, or is it kind of a replacement list, saying this is what you have? Ms. Loughan suggested some may consider a full list for when it's a consolidation entity. Mr. Dacey noted that is what it was based on when we originally drafted a section.

Mr. Dacey stated that he believes the list goes beyond what the AV proposed.

Mr. Allen asked if the second bullet satisfied the AV authors as it seemed to be the biggest point of contention. Mr. Showalter explained at least at a minimum we'd want a

Staff Draft Disclosures Discussed during the Meeting
<p>The central bank is a unique federal organization. Whether classified as a consolidation entity or a disclosure entity, the reporting entity must disclose, at a minimum, the following regarding the central bank:</p> <ul style="list-style-type: none">a. Its mission including identification of significant roles and responsibilitiesb. The relationship of its mission to federal policy objectivesc. Its organizational and governance structure with particular emphasis on matters affecting its independence and insulation from political influenced. A discussion of the nature and purpose of significant monetary and fiscal policy activity during the period, and significant balances between the central bank and the reporting entity during and at the end of the periode. A description of any significant financial and non-financial risks and potential benefitsf. If possible, the amount of the federal government's exposure to gains and losses from the past or future operationsg. The availability of its annual financial report and how it can be obtained

description, but it sounds like Mr. Reger is saying he can describe it but he can't give any numbers.

Mr. Reger explained to the extent the numbers are already covered in Treasury's financial statements he can give provide the numbers. But to the extent that there might be something in the Federal Reserve's financial statement but not in a relationship with Treasury, that is not something he could provide. Mr. Reger noted they could discuss monetary policy stuff, but he did not know if they provide numbers regarding that.

Mr. Dacey explained that he didn't see a problem discussing the general nature of monetary policy and how it's carried out and some of the vehicles we're using to carry out monetary policy conceptually. However, if we start discussing what monetary policy decisions they made last week that is a different level of detail and support, because it gets back to audit evidence. He explained we can determine this is generally what the Fed is doing, and get enough audit evidence to support that through documentation, but when you get too detailed it becomes more problematic.

Mr. Showalter questioned whether the second bullet from the AV disclosures is completely addressed in the staff proposal.

Mr. Allen noted his concerns with the second bullet from the AV because they are too detailed, it discusses the Fed's types of transactions and specific disclosures about each of those and why they undertook those.

Mr. Steinberg explained much of the detail came from the Don Hammond briefing in August.

Mr. Granof explained the Federal Reserve is part of the federal government and if the federal government is going to engage in multiple millions of dollars in transactions - in buying mortgage backed securities or engaging in transactions with foreign banks - which are not only monetarily significant but politically significant as well, then they should be disclosed in the financial statements.

Mr. McCall explained he had concern with how one considers some of the disclosure requirements--describe the relationship of the organization, the nature of the federal government's relationship with the disclosure entity, and specifically as it relates to the

Alternative View Draft Disclosures for Reference
<p>1. the following additional disclosures should be incorporated into the exposure draft:</p> <ul style="list-style-type: none">• the bank's unique organizational and governance structure and how that structure provides the bank with greater independence and insulation from political influence;• the bank's significant monetary and fiscal policy activities, such as purchases of Treasury securities, mortgage-backed securities, and the debt of government-sponsored entities; central bank liquidity swaps; investments made in consolidated variable investment vehicles, and other lender of last resort activities, with disclosure for each, why and how the activity was undertaken, and trends in the level of activity; and• the bank's other roles and responsibilities, such as supervising and regulating banking institutions and providing financial services to depository institutions, the government, and foreign official institutions.

Federal Reserve System, is it the federal government? Or is it a federal entity? He noted it is not a state or a local government, it is not a non-profit or a for-profit, and then what is left. What is it? Mr. McCall explained that he did not think the Board had complete agreement that the Federal Reserve is part of the federal government.

Mr. Allen explained there are criteria for inclusion in the GPFFR. He added he did not think any members disagreed. He believed the question was how to include it and that may be open to debate.

Mr. Dacey stated that he agrees conceptually with describing policy actions but the words in the AV suggested that a lower level of detail may have been intended. Mr. Dacey explained he was generally supportive of information about what the Fed is undertaking; it just has to be something that we can audit because there are some limitations on access. It is just when you start getting into very finite details it becomes much more problematic.

Mr. Dong explained he wanted to support Mr. Dacey's point. In addition, it would be helpful to get clarity from the colleagues who wrote the AV to explain specifically what gap we are trying to fill, and then bring it back to the question proposed before the break, and that is given those incremental disclosure requirements how does that relate back to the cost?

Mr. Showalter explained that item D in the staff proposal needed additional language and clarification as to what it means. He agreed that the AV wording may be a little strong, but "Discuss the nature and purpose" is not strong enough.

The Board discussed ways of improving item D in the staff proposal by adding examples from the AV without putting in too much required detail. The agreed upon wording at the meeting was:

"A discussion of the various actions undertaken by the central bank to achieve monetary and fiscal policy objectives including significant actions such as adjusting the discount rate, purchasing securities (for example, Treasury securities, mortgage-backed securities), or undertaking central bank liquidity swaps" – [the requirement would be more descriptive of the nature of the transactions to be discussed]

Mr. Allen explained staff will provide revised wording for disclosures at the next meeting and it could be fleshed out more fully then. He suggested the Board move on to the next AV.

Ms. Loughan suggested the second AV on interventions, receiverships, and conservatorships be handled the same way. Staff explained Mr. Steinberg had sent revised wording so it might be beneficial for Mr. Steinberg to explain the alternative view so members have a clear understanding.

Mr. Steinberg explained the original wording saying limited to sovereign functions got across the wrong point, therefore there are revisions. The AV authors were concerned about failed banks, GSEs and bailout entities. He explained they believe they were not meant to be part of the federal entity.

Mr. Steinberg explained the AV says it can be corrected by removing receiverships, conservatorships, and intervention entities from the proposed standard by stating that because they were never intended to perform the federal government's sovereign functions, plus they have less than a permanent relationship with the federal government, they are not part of the federal reporting entity.

Mr. Allen acknowledged this is an issue the Board struggled with over the past couple of years. He noted one of the first paragraphs makes a statement that the standard is not saying whether something is legally part of the government or is not part of the government. Mr. Allen explained if that is where this leads, he has some concerns with the unintended consequences of this, because it kicks out more than just those three types of organizations if we have sovereign purpose.

Mr. Steinberg stated the word sovereign purpose could be dropped. He explained they were not meant to be part of the federal entity.

Mr. Showalter explained the AV authors put sovereign in because we were trying to get a principle-based approach, but we can take it out if it is a problem. Mr. Steinberg stated that it is an explanation for why those three kinds of groups are not part of the government.

Mr. Dacey explained he has a fundamental question because the AV refers to these as being part of the federal entity. Mr. Dacey explained the structure of the draft ED as it currently exists, says we have entities for which elected officials are accountable, and then we define that as meeting these certain criteria, and then a decision is made about consolidation or disclosure. Mr. Dacey explained the document explains consolidation entities are federal entities and that means they follow SFFAS 34- FASAB GAAP, but that only applies to the consolidation entities.

Mr. Dacey explained disclosure entities are not part of the federal entity definition, and we do not require them to follow FASAB GAAP. Mr. Dacey explained he does not think our standard is saying it is part of the "federal" entity. He expressed concern with the AV as this may be shifting the whole paradigm of the exposure draft. Mr. Dacey explained that the ED says disclosure entities are part of the GPFRR, not part of the federal entity.

Mr. Reger explained that he was confused too. He questioned what was the intent in doing an AV? He explained he could not make out the difference between it and excluding this stuff.

Mr. Steinberg explained as he read the ED, the failed banks are called a part of the government because the title of the standard is Reporting Entity. In addition,

receiverships and conservatorships are included because the federal government may take control or ownership of failed financial institutions. Mr. Steinberg explained to him that is implying that they are going to be part of the federal entity. He noted we have reporting on those right now because of other standards in GAAP.

Mr. Dacey explained his view that the equivalent of what is included in the reporting entity under SFFAC 2 is synonymous with consolidation entity in the ED. He also noted informed readers are looking at the statements and may be thinking that owned or controlled in most other standards setters are consolidated. Mr. Dacey explained he believed there was a need for heightened disclosure for these other entities to provide the reader with additional information.

Mr. Steinberg noted it is temporary ownership or control. Also, there are disclosures there because we have other standards that say we should have the disclosures.

Mr. Dacey explained the disclosures are there because of fair presentation and there are related parties and there are other reasons why this information is generally disclosed, but it is not all in the standards.

Ms. Payne agreed but noted it is also is not universal that the concept of “fair presentation” drove to a good result. For example, for Amtrak, which started as an intervention, the disclosure was minimal over the years and has gradually increased, but still does not meet the level that this exposure draft would require. So you don’t have the same outcome across the board with interventions at this point.

Mr. Steinberg noted once the project is final, Amtrak may not be considered an intervention entity. Ms. Payne explained that is another point because it is still being treated as an intervention after many years—actually classified as a related party and excluded. Further—preparers cannot rely on the private sector notion of fleeting being 12 months because most of these activities are not that brief. This leaves unanswered the question of when an intervention activity over and a government activity begun. Mr. Steinberg explained that criteria could be legislation has been set up to make it a federal agency rather than it being a private sector entity to say that something is no longer an intervention activity.

Mr. Showalter explained these entities should be in the financial statement, so this is not about whether they are in the financial statement. The AV is about what standards are going to address how they get into the financial statements. The AV authors believed interventions are risk assumed by the federal government.

Mr. Showalter explained that he believes people want to get the right disclosures and what convinced him was the fact we are splitting these types of transactions up and we have not dealt with all the disclosures. Mr. Showalter noted that at one time we had specific disclosures related to interventions but that went away when we went to generic disclosures.

Mr. Showalter also commented on the temporary nature—and we may say it is not a year, but it is two years or three years, and it is coming in or going out. He acknowledged it is a different intention here than in the commercial sense. Mr. Showalter noted the reason he supported the AV was to get other people's views about whether we are treating these right. He explained we ought to at least get a question about whether we are handling these entities/transactions appropriately.

Mr. Allen explained he struggled with the notion that we are splitting them in half. He also noted concern with how related parties might be affected. Also, the AV uses the word standard overload, but he explained it is standard overload now to say go out and do all those different standards and use professional judgment to decide whether they need to be disclosed, as opposed to having clear guidance all in one place.

Mr. Showalter noted the project is supposed to be about relationships, but if you believe that, then you can collapse interventions into the upcoming risk assumed standard. Mr. Allen noted there is a separate project to look at that.

Mr. Dacey explained an example may be helpful--TARP acquired AIG and General Motors. Mr. Dacey explained there wasn't any question that we owned the majority of the stock in those two entities as a result of the intervention activities. At the same time there was more of a need when going through the reporting process to say more about GM and AIG, because the federal government had control and ownership, in fact there's even a paragraph in GAO's report about these entities. He explained the presumption by other standard setters that if you own or control an entity, it is consolidated. He added (excluding the conservatorships and receiverships). Mr. Dacey explained he believes if it is owned or controlled you would have a higher level of reporting beyond what would be reported. He noted if the Board does not agree with that maybe that is a good question to ask.

~ (Lunch) ~

Mr. Allen explained he would like to open the meeting back up for pros and cons of exclusion or not, and then take a vote on that.

Mr. Dacey asked for clarification of the AV and whether there is agreement that these entities should not be consolidated, and whether it is a question of whether they are included as disclosure entities or excluded totally.

Mr. Allen explained his understanding is that we have criteria for inclusion in the reporting entity, and then we have criteria for whether we decide it is a disclosure entity or a consolidation entity and then we have related parties. Mr. Allen explained it seems like we have a problem if you exclude this group from this standard-- why in the world would you still keep related parties in this standard--they're actually further removed than these kinds of organizations.

Mr. Allen explained he thought the standard was good because it tried to deal with all relational issues while acknowledging that there may be some other risk issues that we need to resolve.

Mr. Reger asked if the AV authors could explain their perspective a bit further.

Mr. Dong asked what the benefit to taking this approach was.

Mr. Steinberg explained there are two: 1. it is ideologically pure as to what the federal reporting entity is. The federal reporting entity should reflect what is intended to be within the federal government. 2. it assures that in regard to the intervention entities it will put all of the intervention entities into a single standard. Further, Mr. Steinberg explained the document as written does not provide for all disclosures you would want for intervention entities.

Mr. Dacey noted concern because if we took out those three categories, we would have other disclosure entities conceivably out there, and we are still not saying those are part of the federal reporting entity. He notes there is a keen distinction for following FASAB GAAP and at this point it is only the consolidation entities.

Mr. Steinberg explained this is part of what he believes to be unintended consequences that Mr. Granof referred to before. If you are saying that only the consolidation entities are part of the federal entity there could be some things that we have as disclosure entities when we follow the other criteria, like the postal service or Amtrak. Are we willing to say the postal service is not part of the federal government?

Mr. Dacey explained he thought the proposed ED was clear as to establishing what is a federal reporting entity for applying SFFAS 34 and that aligned with consolidation entities that have to follow FASAB standards.

Mr. Steinberg explained his interpretation of the ED is that the reporting entity includes both consolidation and the disclosure entities. Mr. Dacey noted disclosure entities are in the report but they are not in the federal entity. The standard lays it out as “in the report”, not “in the entities”. He noted the ED makes reference to this.

Mr. Steinberg explained he also believes all interventions should be in one standard and addressed at some point. Ms. Payne noted all interventions would be addressed in standards but it was not clear that could be done in a single standard due to the diversity of interventions. For example, in the economic recovery act funds there were loan guarantees and direct loans to alternate energy companies; does that make them interventions? Staff noted the recovery act funds were intended to stimulate the economy and they were targeted to an industry which could not otherwise thrive. There were other policy reasons for pursuing alternative energy. Ms. Payne asked if it made sense to exempt them all and address them in one standard and whether that meant amending SFFAS 2 to exclude from the existing loan guarantee standards any loan guarantees made through intervention activities?

Mr. Dacey noted TARP made significant loans and equity investments. Under current standards, there is SFFAS 5, SFFAS 2 as well as level D GAAP and the equity investments themselves are reported at fair value so there is a range of standards that may apply but there is concern if one expects to have one standard on interventions. That would be a challenge, and he explained he was not sure how to pose a question to respondents about that.

Mr. Steinberg explained he didn't think we had spent enough time to make the assumption. If the only thing is we intervened, the entity is not part of the federal government.

Mr. McCall noted his concern is the AV appeared to add a fourth principle for determining whether an entity should be included. He explained that when he looked at the inclusion principles, by adding a fourth does not mean that you only report on the sovereign entities. Mr. McCall explained that by adding a fourth principle did not take out interventions, receiverships, and conservatorships. He explained that he believes they should be part of the federal report. Mr. McCall stated the AV was less clear.

Mr. Reger agreed and stated that he did not see the need for it. He explained if certain members are having trouble understanding the AV, respondents who have not had the in depth discussion will have difficulty.

Mr. Steinberg explained he did not want them in the standard. However, he noted that does not mean you do not report and that is the same thing that was done in SFFAC 2. Mr. Steinberg noted the first question you ought to ask is do you want them in or out.

Mr. Allen explained that his belief is this document is not about defining something that is the federal government; it is about defining what should be included in the financial statements of the federal government.

Mr. Granof noted that in this document we are equating the intervention and receiverships with the Fed and they are both disclosure entities because that is how they are categorized. He noted in his opinion, the Fed is an integral part of the government, but these are not.

Mr. Allen explained he understood his point, but they both should be included in the report because we are trying to capture all of these kinds of relationships. Mr. Granof stated that he agreed but it should be clear that they are categorically different than other types of disclosure entities.

Mr. Dacey noted that there does not seem to be any debate around the table that these entities are not consolidated. The issue seems to be whether we have additional disclosure apply to these entities, because they are out under this alternative view, they are not consolidated, or they're not part of the federal entity.

Mr. Dacey also noted there was discussion about not needing the disclosure because the AV said they are covered in other standards. Mr. Dacey also asked if we own or

control an entity but do not consolidate—is there a need to disclose more about that as opposed to other entities like the interventions where we do not have control or ownership. He noted that he believes there is a need to explain more in those situations, using the example before, GM and AIG versus some of the banks, which are all intervention activity.

Mr. Steinberg noted that paragraph 9 of the alternative view, indicates there are some additional disclosures that would be appropriate for intervention entities. Mr. Steinberg also noted that he had exception with Mr. Dacey's point that the federal entity is only the consolidation entities.

Mr. Dacey explained that he is only differentiating federal to mean they have to apply FASAB GAAP under SFFAS 34. Mr. Steinberg noted that he thought a lot of disclosure entities have to apply FASAB GAAP. Mr. Dacey explained that he did not agree because the AICPA recognizes FASAB as the standard-setter for federal entities, and it is based on the definition in SFFAC 2 currently for what is a federal entity. He added that if we say disclosure entities have to follow FASAB GAAP, there would be issues. Mr. Dacey explained that it appears to be a wording issue—the ED uses “included in the report”, whereas Mr. Steinberg refers to “in the “federal entity.” Mr. Dacey noted this was a difference in the way the standard was set up and staff was explicit, in various points throughout. Staff noted paragraph 64 is explicit.

Mr. Allen noted that paragraph 66 lays out what we are trying to accomplish by saying our federal financial reporting objectives could not be met without information regarding these disclosure entities.

Ms. Loughan explained when we started the project and considered scope, it was the boundaries of the reporting entity—to consider all of the organizations for which elected official are accountable that should be included in that report. Staff believes to not include all of them would seem incomplete and that is one of the reasons staff does not agree with the AV. Some may view it as a difference in terminology, but the scope of the project and the standard was to identify the organizations that should be included in the GPFRR.

Mr. Smith asked staff with that summary, does staff believe there is no entity being excluded under the standard, so all would be in the report? Ms. Loughan explained that is what the inclusion principles were developed for, along with the misleading to exclude principle, so it would appear to capture all material organizations. Staff explained part of Mr. Steinberg's (AV) reasoning is to guard against peoples' impressions of what is a federal entity for political or legal purposes and in the first paragraph of the executive summary of the exposure draft we try to guard against that.

Mr. Allen suggested the Board take a vote on the AV so we know if it represents the majority view.

Mr. Reger explained he did not support the AV and did not want to restate anything because he was confused by the need for the AV.

Mr. Steinberg supported the AV because he believes it has been not been addressed adequately. He reiterated that he wanted to get interventions, receiverships and conservatorship out of the federal entity, but not out of federal reporting. He suggested taking out the division of receiverships and conservatorships, federal government intervention and quasi-governmental – because quasi-governmental covers everything. He noted that they could not be taken out completely. Instead, he would address them in an explicit statement, similar to SFFAC 2, that they are not part of the federal entity but there are still required disclosures.

Mr. McCall stated he would leave the discussion of the three within the current ED.

Mr. Granof explained there needs to be more clarity in the ED, perhaps distinguish between something that's disclosed and the disclosure entity.

Mr. Showalter agreed with Mr. Granof's comment (distinguish disclosure entities from disclosure.) Mr. Allen also commented that paragraph 64 could be expanded upon. Mr. Showalter explained that he found the second AV and discussion confusing, but there appears to be a question if the interventions are really disclosure entities, but the Board may end up in the same spot if we still disclose information. He noted originally he thought this was about risk assumed disclosure and that is why he thought it was valid, but that does not appear to be at this point.

Mr. Smith explained these are not part of the federal entity, but the disclosure in the standard seems fine. He was not sure if there was a way to tweak the language but they need to be disclosed and he is comfortable with them in the standard because when staff explained it covers all organizations considered, and then it is why it should be in the proposed standard.

Mr. Dacey explained he likes the draft ED. He added he does not favor moving to the AV because we then have to argue that the federal government is not accountable for these entities. He explained he would understand if there are some additional disclosures that people think are necessary for intervention activities, but he noted we have one in the list already for intervention activities. Mr. Dacey also noted the Board could add questions to solicit feedback.

Mr. Dong stated he did not see the need to have the AV.

Mr. Allen agreed and said he did not support the AV. He believes that since we want disclosures about these things it just seems like this is the natural place. However, Mr. Allen explained he would be open to clarity considering if several of you would support clarifying certain things such as the difference between "federal entity" and "in the financial report" and "disclosed" and "disclosure entity" better.

Mr. Allen noted the vote shows the ED will remain the majority position on interventions, conservatorships and receiverships.

Mr. Steinberg noted that Mr. Allen had previously asked him how he would handle this area, so he wanted to repeat his thoughts for the Board and staff consideration as they make changes. Mr. Steinberg explained he would drop the three categories of disclosure entities, then rewritten what was dropped because maybe some has to come back in. Next, he suggested reading the document to ensure there is no indication that these intervention receiverships are part of the federal entity and if so, insert a specific statement that being part of disclosure is not the same as being part of an entity. Mr. Allen explained that the Board is in agreement the document should be reread to clarify any inferences and such.

Ms. Payne explained making changes regarding inferences are difficult. Staff explained in the draft we refer to “organizations” being considered for inclusion, and once they were included we shifted to calling them “entities”, hence the name “consolidation entity” and “disclosure entity”. Ms. Payne asked if “disclosure organization” would be a better name.

Mr. Showalter explained that it was a step in the right direction. Mr. McCall noted he liked “disclosure organization” and believes it helps because we talk about disclosures related to consolidation entities. Mr. Dacey suggested considering “disclosure relationships” because that is what we are talking about.

Mr. Steinberg explained it may be a slippery slope. He also noted concern because we have not taken a look at the different things that are in this report to determine how they may be affected and what some of the implications are. Mr. Allen suggested the use of a question if that is the kind of feedback he wants.

Mr. Steinberg asked if GASB does pilot tests of some of the standards before they issue them. Mr. Allen explained it might be beneficial if you have particular concerns just to have staff send something to an agency and ask for feedback, just as we did with the Federal Reserve. Mr. Steinberg explained that he did not think it was an agency level issue. Mr. Reger noted the agencies are easy; the question is those other significant entities.

Mr. Dacey clarified that there was no longer any reason to discuss any aspects of the sovereign issue based on the discussion. Mr. Allen confirmed.

Ms. Loughan requested members to forward any other comments on the ED.

Ms. Payne explained the plan going forward is for staff to do a rewrite based on the agreements at today’s meeting, but that would not put the Board at a point of voting next meeting. Mr. Allen thanked staff and agreed the Board would see a revised draft ED at the February meeting.

CONCLUSIONS: The Board agreed to explore additional disclosures for the Federal Reserve and start with the staff proposed disclosures.

The Board directed staff to:

- Develop Questions for Respondents to address the following Federal Reserve issues:
 - Are the attributes for consolidation and disclosure entity sufficient to make a determination for a central bank (the Federal Reserve System)? Also, are there other significant entities (please identify) for which it may be difficult to determine if it is a consolidation or disclosure entity?
 - Are enough disclosures about the central bank (or other significant entities) required? If not, what additional disclosures should be made?
- Develop additional disclosures for the Federal Reserve and start with the staff recommendation but also incorporate Board member suggestions from the meeting.
- Review the document and revise to clarify inferences with “federal entity” and “in the financial report” and “disclosed” and “disclosure entity” in ways that may make the document clearer to readers.

Staff will have a revised ED at the February meeting with the agreed upon changes, but there is not a plan to vote at the next meeting. Staff will provide a revised timeline and milestones in February.

- **Reporting Model**

Overview

The Board discussed whether to revisit Statement of Federal Financial Accounting Standard (SFFAS) 4, *Managerial Cost Accounting Standards and Concepts*, and the complexities involved in reporting cost and performance information. The Board’s task forces on cost, budget, and performance information recommended revisiting the standard to help provide the information that users expect and help the federal government better manage its costs. Members noted that the recommended project is broad and involves matters that are not exclusively within FASAB’s purview. Also, coordination with the Office of Management and Budget (OMB), Department of the Treasury (Treasury), and possibly the Government Accountability Office (GAO) would be fundamental to any cost accounting effort the Board decides to initiate. Consequently, for the February 2013 meeting, staff will discuss the key issue(s) and, given the role of FASAB, the issue(s) the Board should address and the scope of a project that could be completed within a reasonable time period.

Also, the Board discussed the merits of an online educational tool for users and staff will begin its development. In addition, the Board plans to discuss recommendations to

streamline reporting requirements. It was noted that streamlining reporting requirements involve auditing and other issues that are beyond FASAB's role.

Discussion

Members discussed the task forces' recommendation to revisit SFFAS 4. Mr. Simms noted that the statement provides both cost and financial accounting guidance and some task force members believed that as part of the project the Board should revisit the definition of responsibility segments. They believed that the current definition permits a lot of flexibility for financial reporting purposes. Also, task force members believed that adding financial reporting criteria could drive departments and agencies to implementing cost accounting.

Mr. Steinberg noted that many users want to know the cost of certain programs. Therefore, regardless of how departments and agencies present their costs (strategic goal, function, program, etc.), they could be required to present the cost of major programs in the note disclosures or required supplementary information. This approach could result in better implementation of cost accounting and departments and agencies would meet the information needs of users. Also, Ms. Payne noted that non-authoritative guidance would be helpful. In this environment where there are resource constraints, it would be helpful for FASAB staff to work with departments and agencies to move toward a better statement of net cost presentation.

Mr. Reger noted that there are various initiatives being implemented that are focused on data consistency and would allow for comparability across government. For example, the Data Act requires the development of data standards and to define programs. Also, the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) is being developed to provide a single means of reporting agency trial balance data. It would facilitate more consistent financial data and analytical reporting. Mr. Allen noted that the Government Accountability Office (GAO) recommended that federal Chief Information Officers ensure that agencies use a standardized cost model to improve data center consolidation planning. The Board could inquire of GAO to determine what they were thinking with respect to a cost model.

Mr. Dacey expressed concern that even if the Board required lower level reporting, agencies would likely continue to use broad allocations. Mr. Reger also noted that he was not sure whether agencies have the infrastructure to distinguish indirect and direct costs, overhead, etc. and consistent data standards are needed. Mr. Dacey noted that it is difficult to determine what FASAB could do to get agencies to adopt and use cost accounting. He also noted that there are issues with requiring and integrating program reporting, such as the budget account symbols are generally not program based. In addition, with respect to performance information, the Board could leverage the work of other standards-setters such as the International Public Sector Accounting Standards Board in providing voluntary guidance rather than a standard.

Mr. Allen noted that improving cost and performance reporting are the issues that are noted each time the Board convenes a task force to identify improvements in the

reporting model. He also noted that there are several OMB administrative initiatives related to cost and performance and the success of a FASAB project is contingent upon ensuring that the project's focus is consistent with OMB's focus. Mr. Dong noted that the efforts need to be complementary. He noted that the staff recommendation to amend SFFAS 15, *Management's Discussion and Analysis*, seems to involve requiring prescriptive detail that is in the purview of OMB rather than FASAB. Accordingly, there needs to be an understanding of the roles and responsibilities of the different organizations when considering performance reporting and cost accounting.

Mr. McCall noted that the Governmental Accounting Standards Board (GASB) provides guidance for voluntary reporting of service performance at the state and local government level but, at the federal level, the OMB requires federal agencies to report on service performance. So, it may be easier to include service performance information in financial reports at the federal level. Mr. Allen noted that, if properly coordinated with OMB, the Department of the Treasury (Treasury), GAO, etc., service performance reporting could be a successful project for FASAB; however, we would need to clearly state the end goal. Mr. Reger added that the Board could describe where it thought cost accounting should be and that might help Treasury and others to focus on what needs to be done to move toward that model. However, it would be a long process.

Mr. Steinberg noted that if we want to be responsive to users, FASAB could require each agency to report the cost of their important programs. Each agency knows what programs are important to them.

Mr. Allen noted that we could consider how to segment the project, coordinate with OMB, and engage some pilot agencies so that the agencies can have the information they need. Mr. Showalter noted that information gets traction when it is used in the operations to make decisions. Preparers are reluctant to generate information unless it will be used. Members also discussed that agencies may want to compare the cost of similar activities so that they can determine possible improvements in operations but they would be reluctant to publish that information externally.

Ms. Kearney noted that there may not be a lot of value in revisiting SFFAS 4 presently. In general, it is not clear whether revisiting SFFAS 4 would produce the results that the Board intends. The Board should consider whether there are incentives that would drive agencies to improve their cost accounting. Agencies are not funded based on accrual basis costs so they may not have the incentive to implement robust cost accounting systems.

Mr. Smith noted that he is supportive of the project; however, the Board needs to clearly state the "end game" and what can be accomplished within the parameters of FASAB. The project is broad, so it needs parameters - making it clear with respect to what we are trying to solve and the expected outcome. Also, while the project is a good idea, the FASAB does not control the outcome and it is not clear whether the outcome would be used. Mr. Showalter agreed with Mr. Smith and noted that the Board needed to work with OMB.

Mr. Granof noted that he is supportive of a project that results in better linking cost and performance. However, the Board should not try to develop sophisticated cost accounting standards because each agency is unique and not much would be accomplished in that regard.

Mr. McCall agreed with Mr. Granof with respect to cost and noted that it may not be feasible to satisfy everyone's information needs. However, we could decide on those basic items that should be provided.

Mr. Steinberg agreed with Mr. Smith and other members' comments.

Mr. Reger agreed with Mr. Smith and noted that there are a lot of initiatives taking place throughout the federal government. If the Board continues to stay abreast of these matters, the Board will be able to better determine its role.

Mr. Dacey noted that some improvements are needed and there should be some coordination with OMB. Also, we need to determine how FASAB can contribute to the process.

Mr. Allen agreed with Mr. Smith and noted that, for the next Board meeting, staff should determine and report on: the key issues or problems; what issue(s) the Board could solve within a reasonable time period; and what would be the scope of the project. Based on the task forces' report and today's comments, it is clear that some improvements are needed. However, the challenge is determining the role of the Board.

Regarding the staff proposal to implement an online educational tool, Mr. Allen noted that an online tool would be consistent with how we access information today and would provide an approach for addressing user questions timely. He noted that GASB had to issue new guidance each year to respond to new questions regarding Statement 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments. Members did not object to the staff proposal and Ms. Kearney noted that once developed, it could be used in conjunction with agency financial reports and performance and accountability reports.

Mr. Allen noted that the report, Chief Financial Officers Act of 1990 – 20 Years Later: Report to the Congress and the Comptroller General, includes a recommendation to streamline financial reporting requirements and, at some point, he would like to revisit this recommendation. He noted that the recommendation involves areas that are not within FASAB's scope, such as how financial statements are prepared and whether each agency needs to have a comprehensive audit. Ms. Kearney noted that she would be supportive of the staff proposal to conduct some streamlining of reporting requirements. The Board should look at whether it is necessary to report certain information in financial statements.

Conclusion: For the February 2013 meeting, staff will discuss the key issue(s) and, given the role of FASAB, the issue(s) the Board should address and the scope of a project that could be completed within a reasonable time period. Also,

staff will begin developing an online educational tool for users and the Board will revisit the topic of streamlining reporting requirements.

- **Public-Private Partnerships**

Mr. Allen began this portion of the meeting by asking members to take a few minutes each to provide some tentative feedback to staff. He asked that members not debate matters but rather, give tentative feedback to what staff is proposing. Turning to staff, Mr. Allen asked if guidance regarding whether to issue a technical bulletin or standard would be needed at this time.

Mr. Savini noted that the Board could delay that decision for a while and stated that the more important question is whether to adopt similar positions taken by the GASB and IPSASB. Both Boards took a surgical approach to limit their public-private partnership (P3) guidance to service concession arrangements (SCAs) (noting they have slightly different definitions for SCAs). Staff has looked at this and is proposing that if we really want to address public/private partnerships in the Federal space, we have to go broader than both GASB and IPSASB. Staff noted that if we do not go broad we would (1) not be assisting the preparer community with issues they currently face and (2) create gaps (or inconsistencies) in guidance. For example, P3 arrangements resulting in assets or liabilities might not be reflected on an entity's balance sheet. Staff is recommending that the Board allow time to work through the P3 transactions that GAO and CBO have identified; refer to TAB C, Illustration 1, Hierarchy of P3 Arrangements / Transactions.

Ms. Kearney then asked a more general question related to an earlier discussion that morning regarding the Exposure Draft on the Federal Reporting Entity project. She referred to a question she thought was asked by Mr. Smith. Specifically, if we are going to include an entity in the federal report following that specific guidance, is the entity also going to be covered in any forthcoming P3 guidance? That is, since we are not always really dealing with an entity per se but a relationship in a P3, how does that relationship relate back to the Federal Reporting Entity standard?

In reply Mr. Savini referred to the GASB deliberations wherein they opined that entity-standards should (first) address P3 transactions/arrangements. Basically, whatever the Federal entity-standards do not capture, either through the consolidated or disclosure requirements, to include related party, P3 guidance would serve as a backstop to provide the community with some guidance as to how to best handle such transactions or arrangements not covered by the entity-standards.

Ms. Kearney then summarized her understanding by stating that there would not be new standards per se, but rather guidance that would assist practitioners in certain kinds of situations and how they would apply existing standards.

Mr. Savini stated that he believed FASAB has robust enough guidance in place that can cover most P3 transactions/arrangements.¹ However, there are some unique transactions that are not covered by existing FASAB guidance. Notwithstanding these unique transactions, what Ms. Kearney summarized is a fair statement of staff's intent.

Mr. Showalter stated that after some email discussion with staff he agreed that the project looks more like an educational endeavor at this point because staff's analysis in TAB C identifies standards that relate to various P3 transactions or arrangements. Although it looks like we have it all covered, it seems like we are not sure where the gaps are. Therefore, is the purpose of this project to go out to see where the gaps are, and then see whether we need to issue any guidance? Or is it just a matter of getting an educational tool to help people fill it in?

Responding to Mr. Showalter's inquiry, Mr. Savini noted that at a prior Board meeting Mr. Granof provided some very sage advice when he cautioned staff that these P3s are going to be complicated. Staff noted that after some initial research we came to that very same conclusion. Staff went on to say that conceptually we could show members an overwhelming list of the major P3 accounting issues but if these issues are not directly applicable to the federal space we shouldn't necessarily worry about them or consume resources in that regard. Rather, staff envisions that for certain areas we might not really have an apparent need for guidance at the moment and in such cases we could issue a more principle-based standard, at a very high level. However, for those P3 transactions/arrangements that we know in fact exist we may need to be more proscriptive. For example, areas such as measuring or valuing revenue or in-kind contributions and nonmonetary exchanges may require more detailed guidance. Whatever it might be, (notwithstanding gaps) staff thinks we can safely guide preparers through the current FASAB literature.

Mr. Allen then asked Mr. Showalter if that was the extent of his comment.

Mr. Showalter replied in the affirmative noting that he just wanted to confirm what the project (goal) was. He stated that he would support proceeding as an educational effort because he does not see the need for a standard at present.

At this time, Mr. Smith noted that due to the voluminous nature of the transactions and the different literature (guidance) that will be used to support this P3 effort, we should look and make sure that we at least have a consistent principle of how we are accounting for these transactions as opposed to saying we account for this transaction a certain way merely because our literature so states. In some cases we may have a P3 transaction that arises from a really different concept from that which was used to get us to the existing literature (guidance). Mr. Smith went on to say that if we are going to have education as a project outcome he does not think we would then address these inconsistencies.

¹ Refer to TAB C, *Types of Public-Private Partnership Arrangement*, pages 4-14.

In addressing Mr. Smith's point about having a consistent principle, Mr. Savini stated this was why he was very pleased with the Board's progress on the Federal Reporting Entity project. For example, staff sees a consistent principle of ownership and control being established for P3 application. This will directly relate to the recognition of assets and/or liabilities. However and somewhat unfortunately, P3s are not structured based on ownership and control, but on different risk and reward models. Therefore, this is a possible disconnect that staff will need to investigate. Conceptually, once entity rules are in place we can basically address comparability of how similar transactions or arrangements will be handled by all of our agencies. It is important to note that in practice some of these P3 transactions or arrangements are guided by legislation, like the enhanced-use lease legislation. Congress will sometimes issue discrete guidance in their appropriations. We could have cases where some agencies might be required to handle a transaction or arrangement in a specific way to be in compliance with the law.

Mr. Dacey noted that this is a complex area. However, he does think we can rely upon existing standards to a great degree. The only area that he suggested further research into was SFFAS 7- specifically regarding deferred revenue. Deferring revenue recognition may be appropriate where we get up-front cash or assets that in theory are attributable to multiple periods. He thinks that the harder issue in this P3 area deals with liabilities or deferred revenue. In his opinion, questions about assets and leases may be answered, with reasonable clarity, by existing standards. On the other hand, revenue recognition and how it conforms over the life of these agreements, which tend to be fairly long-term, can be complex. Mr. Dacey would like to explore this area because, given the experiences of the other standard-setters, it may need more time to research.

Mr. Allen asked if there were any other comments.

At this time Mr. Dong basically reiterated Ms. Kearney's earlier summarization that there would not be new standards per se, but rather guidance that would assist practitioners in certain kinds of situations and how they would apply existing standards; i.e., reinforcing existing guidance.

Mr. Allen said that he believed Mr. Dong's comment was consistent with Mr. Showalter's comment. Mr. Allen elaborated by stating that staff had done an incredible job of identifying P3 transactions/arrangements and all the related standards. When he finished reading the TAB C material he questioned the need for a P3 standard and thought that all we needed was an implementation guide notwithstanding the extent staff needs to look for gaps in the guidance. Mr. Allen went on to say that he also concurred with Mr. Smith's comments that the Board should seek consistent application and principles-based application. The overarching question to ask is if there is a need to issue something that would provide specific P3 guidance rather than just finding something similar that will work but not achieve consistency or comparability. We would look to or be guided by Mr. Smith's comment in this regard.

Addressing staff, Mr. Reger asked what the next steps would be. He noted that Mr. Allen just talked about issuing an implementation guide, but he wanted to know how staff's next steps.

Mr. Savini replied that we are forming a P3 task force with the possibility of getting a smaller working group also in-place. The rationale for two bodies is that we may get a lot of policy people (non-accountants) to join a task force who are going to have some great ideas about all kinds of ways to save the government money, but staff will need a small cadre of accountants to help wade through the major P3 accounting issues. Mr. Savini noted that he is in the process of identifying major P3 accounting issues that exist in the world today and highlighting those that may be relevant in the federal space. Afterwards, staff would expect the task force and/or working group to gravitate towards specific accounting issues which will then serve as a basis for staff's recommendation to the Board. Such recommendations may lead to a principled-based approach or a more prescriptive approach given the circumstances. Staff also asked members to identify people that would like to join the task force.

Mr. Reger then nominated Ms. Ann Davis for the task force.

Mr. Steinberg noted that staff has identified different SFFASs in TAB C and wondered if this is where an omnibus standard might apply and if that would be appropriate. For example, users may enter into one of these transactions and/or arrangements and they might not know that there is guidance in SFFAS 52 or SFFAS 6,3 so the Omnibus Standard would say here are the different types of P3s, and if you are this one, you basically go in here, or if you are that one, you go in there.

Mr. Savini replied that he thought the IPSASB took a similar approach where they actually referenced the other standards (e.g., entity and /or leases) in their P3 guidance so as to better assist practitioners. On the other hand, Messrs Granof or Allen might know more but when GASB looked at P3s, you will see this when you read their basis for conclusions, they state that they are responding to a perceived need for guidance, intimating that existing guidance could be used to properly account for P3s.

Mr. Granof replied that he thinks there is an actual need for P3 guidance because there were a lot of new transactions that were coming out, and all of a sudden, accountants had this raft of governments that were suddenly engaging in these SCAs, and that's why they became a high priority.

Mr. Reger then asked Mr. Granof if he thought that the current guidance is not enough and/or just hard to locate.

Mr. Granof noted that he was hoping that we would find that we can issue a very narrow pronouncement that would probably deal mostly with SCAs and revenue recognitions and a couple of liability issues as well. What he sees as the value of this project is that we will go through each of these P3 transactions and/or arrangements and see what the existing guidance is, and then hopefully they are consistent with each other and that they are all grounded or covered by an overarching principle.

² Statement of Federal Financial Accounting Standards 5: *Accounting for Liabilities of The Federal Government*.

³ Statement of Federal Financial Accounting Standards 6: *Accounting for Property, Plant, and Equipment*.

Mr. McCall noted that he did not have anything to add and that the TAB C materials fit together and made for a very good document. He is interested in whether there are any obvious SFFASs that may have been left out but the analysis looks very comprehensive.

Mr. Savini noted that the problem with trying to identify all relevant accounting standards is that many (government) people are using this term (P3) to mean so many different things because they want to get credit for working with the private sector. We have to separate the wheat from the chaff. That's what makes this project very complex.

Mr. Allen then thanked staff and stated that the Board appreciated what staff did in preparing for the meeting. The Chairman noted that because staff would not have anything ready to start deliberating for several meetings, members would be interested in being updated because the project is sort of open-ended. Mr. Allen concluded that his basic question remains - if staff foresees a need for specific P3 standards, the Board should discuss that matter versus the issuance of technical guidance which would be based on staff opining that there are no significant gaps in our guidance.

- **Steering Committee Meeting**

The Steering Committee members noted that there was no additional information regarding the budget for 2013 or 2014.

Adjournment

The Board meeting adjourned at 3:20 PM.