

Memorandum

Non-Agenda Topics

February 7, 2023

To: Members of the Board
From: Monica R. Valentine, Executive Director
Subject: **Non-Agenda Project Updates** (Topic F)

INTRODUCTION

Staff is providing project updates on all active projects currently on the Board's technical agenda that will not be discussed at the February 2023 meeting.

Attachment 1 of this memo includes brief project updates on the following topics.

- Intangible Assets Working Definition
- Land Implementation
- Omnibus Amendments
- Public-Private Partnerships
- Reporting Model – Concepts Omnibus
- Software Technology

REQUEST FOR FEEDBACK

These topics do not include any questions for the Board or requests for member feedback. These topics will not be on the Board's discussion agenda for February. Members may provide input and submit follow-up questions on any of these projects to the related staff member at any time.

ATTACHMENTS

1. Project updates

Project Updates

Non-Agenda Topics

February 7, 2023

Attachment 1

INTANGIBLE ASSETS WORKING DEFINITION

At the February 2022 meeting, staff proposed a non-authoritative definition of intangible assets for the Board's internal use. The Board overwhelmingly supported the proposed definition while providing thoughts and suggested edits that generally related to potential reporting requirement concerns. Staff has noted member comments for future deliberations if the Board ultimately approves a project to develop reporting guidance for intangible assets. Staff considers this objective complete and continues to focus time and resources on the software technology project.

LAND IMPLEMENTATION

As last reported, staff continues being available to answer questions and provide technical advice to reporting entities. Staff has done a cursory review of selected agency RSI presentations and notes that: (1) most agencies appear to have satisfactorily reported their land holdings in the three land use sub-categories and (2) G-PP&E land and stewardship land holdings at the majority of agencies surveyed have been reported as operational land and conservation and preservation land, respectively. Next, staff plans on reviewing the reporting of land rights.

OMNIBUS AMENDMENTS

The Board reviewed the draft omnibus amendments and technical bulletin exposure drafts during the December 2022 meeting. Members supported continued RSI presentation for oil and gas information but requested additional information on the reliability of the estimation methodology for coal royalties from recoverable reserves. Staff requested a meeting with Interior to discuss the estimation process for coal recoverable reserves and the methodology for estimating royalties from the recoverable coal reserves. After the discussion with Interior, staff will update the draft exposure drafts and provide to members for review.

PUBLIC-PRIVATE PARTNERSHIPS

Three Task Force meetings were held between November and January. At the November meeting three distinct matters were discussed that could impact future implementation guidance:

1. Clarifying that SFFAS 49 serves as a "safety-net" to overarching standards addressing long-term arrangements such as SFFAS 47, *Reporting Entity*; SFFAS 54, *Leases*; Credit Reform, etc.
2. Developing reporting formats to bring consistency to the type of information provided to users.

3. Addressing whether control as defined by SFFAS 47, which could lead to consolidating a P3 as if it were a “governmental entity,” recasts the private partner as “governmental” and thus excludes it from the SFFAS 49 P3 disclosures that would apply to a “private” partner.

At the December and January meetings the task force ranked/rated the 15 implementation challenges and evaluated potential FASAB action. The Highest Priority Implementation Challenges identified are: Risk Assessments, Identifying P3 Risk, Materiality and Remote Risk, and Reporting Entity and Leases. Medium priority implementation challenges include: Identifying and Understanding Risk Sharing, Cash Flow Estimates, Remote Risk, Expected Life, and Training non-CFO personnel in SFFAS 49 requirements. The task force members generally agreed that several of the challenges can be addressed concurrently with one another. Sub-groups within the task force will be addressing these challenges and recommending discrete actions such as possible amendments, draft case studies and note illustrations, etc., for the Board’s consideration and review.

Lastly, on January 10th staff provided a high-level briefing to the CFO Council that covered (1) the Board’s overarching goal of making the full costs of P3’s transparent, (2) review of the FY2020 CFO Act and Significant Entities use of the P3 term and/or actual reporting of P3s, (3) the 15 implementation challenges, and (4) Board member observations.

REPORTING MODEL – OMNIBUS CONCEPTS

The Board last reviewed the draft *Omnibus Concepts Amendments* exposure draft (ED) at the December 2021 meeting. The draft ED proposes to amend the note disclosure and MD&A concepts in paragraphs 68 and 69 in SFFAC 2 and rescind SFFAC 3 in its entirety. Several member suggested edits were incorporated into the draft based on the December meeting discussion.

The Omnibus Concepts proposal has been drafted in conjunction with the Management’s Discussion & Analysis proposal, and therefore the Board agreed to expose both proposals together. Staff will present an Omnibus Concepts pre-ballot draft ED to the Board to review once the MD&A standards draft ED is also ready for pre-balloting.

SOFTWARE TECHNOLOGY

At the October 2022 meeting, the Board deliberated whether cloud-service arrangements were service contracts or right-to-use assets. Staff is currently reaching out to various federal and non-federal entities to research potential benefits of accounting for cloud-service arrangements in federal financial reports. Staff will also engage with the working group to consider multiple financial reporting options for cloud-service arrangements and will ultimately develop a cost-benefit analysis for future Board deliberations.