

FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD
Board Meeting Minutes
April 16-17, 2024
Hybrid Meeting (In-person and via Zoom for Government)

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For research purposes, please see the briefing materials at www.fasab.gov. Briefing materials for each session are organized by topic; references to these topics in the minutes are hyperlinked.

Attendance

The following Federal Accounting Standards Advisory Board (FASAB or “the Board”) members were present throughout the meeting: Messrs. Scott (chair) and Bell, Ms. Bronner, Mr. Dacey, Mses. Harper and Johnson, and Messrs. Patton and Vicks. The executive director, Ms. Valentine, and general counsel, Mr. Kirwan, were present throughout the meeting.

Tuesday, April 16, 2024

- **Administrative Session**

The Board met in an administrative session that was not open to the public.

The meeting adjourned for lunch.

Agenda Topics

- **Reexamination of Existing Standards – Invitation to Comment**

Ms. Batchelor, assistant director, introduced [topic B](#) by recapping the December 2023 meeting when the Board discussed the comment letters, staff's initial analysis, and staff's recommendations based on the responses to the Invitation to Comment (ITC), *Reexamination of Existing Standards*. The majority of the members had agreed that the priority topics are Statement of Federal Financial Accounting Standards (SFFAS) 5, *Accounting for Liabilities of the Federal Government*, SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*; and SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*. The Board had requested that staff research the issues in SFFAS 5, 7, and 34. In addition, individual members had asked that staff research other areas, including topics on the second tier. The purpose of this research is to assist the Board with prioritizing issue areas.

Ms. Batchelor briefly explained that staff's preliminary research of SFFAS 5, 7 and 34 consisted of outreach and communication with stakeholders who had responded to the ITC. Staff also reviewed FASAB's history to gather more information and specifics about the issues presented. Staff explained that the preliminary research continued to support the reexamination of SFFAS 5, 7 and 34.

Ms. Batchelor suggested that the Board discuss the first two questions from the briefing materials at the same time because both questions relate to the preliminary research. Ms. Batchelor explained that the Board was not expected to deliberate the technical issues at this time. Staff wanted to ensure the Board had adequate information to assist with prioritizing the ITC issues. The goal is to have this completed for the technical agenda setting at the August 2024 Board meeting. Board feedback would also help staff determine next steps, including the extent of research on remaining areas like second-tier topics.

Question 1 – Does the Board have any specific questions or comments regarding the research provided for the priority topics for reexamination?

Question 2 – Does the high-level information provide the Board the necessary details to prioritize topics?

The Board did not have any specific questions on the information provided. The majority of members agreed that the preliminary research continued to support the reexamination of SFFAS 5, 7 and 34.

During the discussion, certain members identified the need for more information about the individual issues presented in SFFAS 7. Although SFFAS 7 is complex with the varying degrees of interactions and relationships with other pronouncements, it would

be helpful to have additional information from staff's research on the specific issues identified by ITC respondents so that it may be considered.

Staff plans to provide research on the remaining topic areas at the June Board meeting.

Question 3 – Does the Board generally agree with staff recommendations related to the reexamination methodology and reexamination approach?

Ms. Batchelor explained that it is important for the Board to consider the reexamination methodology and reexamination approach. The Board generally agreed that developing a core reexamination methodology is important so it can be incorporated into each reexamination project plan. While it does not mean that all projects will follow the same detailed steps, it will help ensure consistent processes and procedures are considered as part of the reexamination project plans. A member suggested that staff consider other standard setters post implementation reviews as part of developing a core methodology. Staff noted that this was being considered.

Ms. Batchelor explained that this planning should allow the Board to address specific issues and reexamine full SFFASs in tandem. Once the Board identifies all the smaller issues within a topic, then the Board can reexamine the topic in its entirety.

The members agreed that the ITC was an excellent tool to accumulate an inventory of the specific issues for reexamination. The Board is taking a priority approach to address the ITC issues but it will eventually address all issues. The members agreed that the prioritization is for the order in which the projects will be addressed and the Board will continue going through the specific issues in a prioritized manner.

The Board discussed the importance of determining the priority order of specific issues or narrow scope projects that should be added to the agenda. Ms. Batchelor explained that the Board had not finalized the factors to use in prioritizing the specific issues. The briefing materials included suggested factors for the Board's consideration. Board member comments and suggestions included:

- Members noted that the suggested factors are like the factors that the Board uses to prioritize projects in its technical agenda setting. Staff agreed and noted that there were additional factors included related to outcome and benefit.
- Certain members believed that determining which specific issue(s) were critically urgent should be the most important factor in prioritization. The critical nature or the significance and severity of the specific issue should be key in determining the order of prioritization.
- Certain members recognized that resource requirements based on the degree of difficulty or complexity is a very important consideration. For example, the Board will need to consider that some of the projects can be done with relatively few resources and in little time compared to others. It

is a balance of the resources and projects. The Board must consider its resources, even if it is not a deciding factor.

- Certain members suggested the factors be streamlined and combined. One member suggested that there be no more than five factors. For example, one member suggested categories:
 - Cost-benefit (includes streamlining and burden reduction)
 - Clarifications
 - Gaps
 - Pervasiveness
- Several members noted that the approach and order of prioritization is subjective to some extent as it involves the judgments of each member.

Staff will consider Board feedback and update the factors to consider in prioritizing the specific issues for reexamination.

Question 4 – Does the Board generally agree that staff time should be devoted to researching and developing a plan for transitioning the FASAB Handbook to an improved format and updated process that would be responsive to user needs?

Ms. Batchelor explained that respondents provided numerous comments about streamlining guidance and improving the FASAB Handbook in their responses to the ITC. As the number of standards increases and the standards are subjected to numerous layers of amendments, it is much more complex for users to follow. Ms. Batchelor believed it was important to be forward-thinking and consider the FASAB Handbook with reexamination. The Board generally agreed that staff should continue working on the FASAB Handbook improvements as time permits.

- **Software Technology**

Mr. Williams, senior analyst, introduced [topic C](#) by explaining that the purpose of the session was for the Board to deliberate financial statement recognition options for implementation costs associated with cloud-service arrangements. He stated that multiple federal entities had requested Board guidance on this topic and that other generally accepted accounting principles standard setters had taken different approaches on accounting for cloud-implementation costs.

Mr. Williams further explained that the Governmental Accounting Standards Board (GASB) considers cloud-service arrangements as right-to-use assets while the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) consider them as service contracts. However, he noted that FASB guidance requires customers of cloud services to capitalize cloud-implementation costs as an

asset in accordance with existing internal use software (IUS) guidance. Alternatively, IASB guidance states that customers of cloud services should not capitalize implementation costs unless those implementation activities result in an additional software resource for which the customer has the power to obtain the future economic benefits and restrict others' access to the benefits.

Staff believed that capitalizing an asset for implementation costs of a cloud-service arrangement that is not recognized as an asset would not conform to the existing FASAB asset conceptual framework if the benefits or services of the implementation costs are not severable from the associated cloud-service arrangement. Because the Board considers cloud-service arrangements as service contracts, not right-to-use assets, staff believes that the implementation costs of a cloud-service arrangement alone do not represent an asset if receiving those economic benefits or services is dependent on execution of the underlying cloud-service arrangement.

Mr. Williams noted that if a federal entity determined that the cloud-implementation costs resulted in a standalone IUS asset, then management could refer to existing guidance in SFFAS 10, *Accounting for Internal Use Software*, for accounting requirements.

Question 1 – Does the Board have any questions or comments on staff's analysis?

Question 2 – Does the Board agree with staff's recommendation that reporting entities should not capitalize implementation costs for cloud-service arrangements unless the implementation activities result in a distinct IUS asset, in accordance with SFFAS 10, independent of the associated cloud-service arrangement?

For reasons stated in staff's analysis, the majority of members agreed that reporting entities should not capitalize implementation costs for cloud-service arrangements unless the implementation activities result in a distinct IUS asset, in accordance with SFFAS 10, independent of the associated cloud-service arrangement. Several members agreed that the accounting guidance for cloud-implementation costs should align with the Board's previous decision to treat cloud-service arrangements as service contracts, not right-to-use assets.

However, one member believed that with some cloud-service agreements, if a federal entity gains the right to use certain resources that solely benefit that entity, then the arrangement is conceptually an asset. The member explained that if a federal entity entered into a contractual agreement with a cloud-service vendor that grants certain rights and privileges that solely benefit the federal entity, then the federal entity would control access to the future economic benefits or services associated with the underlying cloud services contract.

Mr. Williams then provided staff's planned next steps for the software technology project. He stated that staff would coordinate with the working group to research

financial statement recognition options for software licenses, particularly term-based licenses. He indicated that software licenses can be associated with cloud-service arrangements, particularly software-as-a-service models.

Mr. Williams stated that staff also planned to eventually research accounting needs for shared services and the need to update existing SFFAS 10 guidance. One member emphasized that the Board should remain mindful that the IT environment is quickly evolving and that the Board should develop guidance that can broadly apply to current and future IT resources.

One member asked what types of software technology resources staff planned to address as part of the “other” project-scope category. Mr. Williams explained that this category includes digital assets, for which the Board is currently addressing seized and forfeited property. He stated that the “other” category could include any other potential accounting guidance needs for new software technology resources, such as artificial intelligence.

Adjournment

The Board meeting adjourned for the day at 3:30 p.m.

- **Steering Committee Meeting**

The Committee discussed FASAB’s fiscal year 2025 and 2026 budgets, as well as other administrative matters.

Wednesday, April 17, 2024

Administrative Matters

- **Clippings and Updates**

Ms. Reese, GASB senior project manager, provided a brief overview of GASB’s recent activities.

Ms. Reese highlighted the following GASB projects:

- Classification of non-financial assets – The goal is to reconsider the existing classification of non-financial assets and other related sub-classifications. The proposal will also consider certain capital assets, the requirement to separate them by major class, and more specific guidance on a “capital asset held for sale.” The capital asset would be held for sale if the government has decided to sell the asset—so there must be a decision—and it is probable that the sale will be finalized within one year of the financial statement date. The Board is considering respondent feedback on the exposure draft (ED) *Disclosure and Classification of Certain Capital Assets* issued in September 2023. The Board has

tentatively decided to add a right-to-use category to cover public-private partnerships (P3s).

- Financial reporting model reexamination – The goal is to enhance the effectiveness of the reporting model in providing information that is essential for decision-making, enhance users' ability to assess a government's accounting, and address certain application issues. The Statement includes topics on management's discussion and analysis (MD&A), separate presentation of unusual or infrequent items, proprietary fund presentation, major component unit presentation, budgetary information presentation. It also includes a comprehensive illustration. The Board has approved the Statement for issuance.
- Revenue and expense recognition – The goal is to develop a comprehensive, principles-based model that would establish categorization, recognition, and measurement guidance applicable to a wide range of revenue and expense transactions. The Board is reviewing feedback on the Preliminary Views (PV) document. The Board is redeliberating transactions that do not have performance obligations (category B transactions).
- Going concern uncertainties and severe financial stress – GASB is working toward a proposal to address issues related to disclosures for going concern uncertainties and severe financial stress. The Board agreed on a principles-based approach. The Board will address four broad categories: negative trends, other indicators of possible financial difficulties, internal matters, and external matters. The Board discussed the government's dates for the assessments of these items. The Board considered the date associated with the assessment of severe financial stress; they agreed that is the date of the financial statements. The Board is working toward a PV document.

The Board discussed the level of assessment. Members decided that it is at least at the level of a legally separate entity or higher, not a lower level like a reporting unit (such as a major fund). It was also decided that the level of assessment would be for the primary government and blended component units together, so those would be separate legal entities assessed together.

- Infrastructure assets – This new project is the result of research on capital assets. The project will evaluate standards for reporting infrastructure assets. The goal is to make the information (1) more comparable across governments and consistent over time, (2) more useful for making decisions and assessing government accountability, (3) more relevant to assessments of a government's economic condition, and (4) a better reflection of the capacity of those assets to provide service and how that capacity may change over time. The Board continued to discuss what

would be required supplementary information (RSI) associated with infrastructure assets.

Members agreed to include information that compares estimated and actual preservation costs for the current year, as well as for prior years, in RSI.

- Subsequent events (reexamination of Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*) – The objective of this project is to improve the accounting and financial reporting for subsequent events to address issues related to (1) confusion about and challenges associated with applying the existing standards, (2) inconsistency in practice in the information provided about subsequent events, and (3) the usefulness of the information provided about subsequent events. The Board has begun deliberations toward an ED of a proposed Statement.

The Board focused on how the standards should describe a non-recognized subsequent event, which is a subsequent event that is not incorporated in the items presented on the face of the statement, but rather, something that happened after year-end that is required to be disclosed in the notes to the financial statements.

- Electronic financial reporting (a monitoring activity) – GASB has been discussing implications of the Financial Data and Transparency Act—specifically the requirement for state and local governments to have procedures in place to provide financial statements electronically. GASB is discussing its role in providing guidance for these requirements. GASB is considering rules about submitting electronic financial data, so staff is doing outreach in that area and considering the idea of a closed taxonomy that has fixed data elements or an open taxonomy where personalized data tags can be created when the standardized ones do not fit for certain items. Staff has reached out to both FASB and the IASB on their taxonomies to understand what their approaches are and the associated benefits and drawbacks. The Board has also discussed the due process.

There were no questions to Ms. Reese from members. Mr. Scott thanked Ms. Reese for keeping the Board informed of GASB's activities.

Agenda Topics

- **Management's Discussion and Analysis**

Ms. Gilliam, assistant director, introduced MD&A from [topic D](#). Mr. Scott informed members that the goal was to prepare a pre-ballot for the June Board meeting and complete the ballot vote by June 30, 2024. To achieve this, he asked that members focus on edits that address technically incorrect or misleading statements only.

Question 1 – Does the Board agree with the draft SFFAS, *Management’s Discussion and Analysis: Rescinding and Replacing SFFAS 15*?

Staff reviewed proposed edits made after the February 2024 Board meeting:

- Staff edited the summary to better explain why the Board decided to rescind and replace SFFAS 15, *Management’s Discussions and Analysis*.
- Staff edited paragraph 9 to clarify concise.
- Staff edited paragraph 12.c. to better explain key performance results and associate costs, as well as the related basis for conclusions.
- Staff edited the materiality section.

Summary

The Board generally agreed to update the section about improvements to current guidance by changing the lead-in sentence; moving the bullet about merging Statement of Federal Financial Accounting Concepts (SFFAC) 3, *Management’s Discussion and Analysis*, and SFFAS 15; replacing “a reporting entity’s preparation efforts” with “preparer burden;” moving information about users; and removing “duplicating information.”

The updated Summary reads as follows:

This Statement improves current standards by

- merging and updating relevant content from SFFAC 3 and SFFAS 15 based on FASAB’s reporting objectives for budgetary integrity, operating performance, stewardship, and systems and controls;
- providing a concise set of principle-based standards that will guide management in providing a discussion and analysis of the reporting entity’s financial position and condition;
- encouraging flexibility for management to efficiently and effectively prepare MD&A content (thus reducing preparer burden in the long run); and
- guiding management in how to prepare a balanced, concise, integrated, and understandable MD&A that is useful for all users, especially those who are not experts in federal government financial matters.

Concise

The Board generally agreed to update the standards for achieving a concise MD&A. Updates for paragraph 9.c. included changing “reports outside of the general purpose federal financial report (GPFFR)” to “other relevant sources outside of the GPFFR;”

changing “reference to detailed report” to “noting how that information can be obtained;” and removing “including the level of audit assurance.”

Updates to paragraph 9.d included changing “repetition” to “duplication;” adding “within the MD&A;” and moving the remaining information to the new paragraph 9.e.

Updates to paragraph 9.e. included removing the example that referenced regulatory or compliance documents and maintaining the phrase “presenting only information that is relevant for the current reporting period.”

The updated paragraph 9 reads as follows:

To achieve a concise MD&A, management should summarize information that is sufficient to meet the needs of its users. This could be accomplished by

- a. emphasizing the vital few matters that are necessary to support the information required in *Information Discussed and Analyzed in MD&A* (paragraphs 12 and 13);
- b. summarizing and referring to relevant detailed information from other areas of the GPFFR;
- c. summarizing detailed information found in other relevant sources outside of the GPFFR and noting how that information can be obtained;
- d. limiting duplication of content within the MD&A; and
- e. presenting only information that is relevant for the current reporting period.

Key Performance Results and Associated Costs

The Board generally agreed to clarify what is meant by key performance results and associated costs by adding an example to 12.c.i explaining what was meant by associated costs in 12.c.ii with an added footnote.

The updated paragraph 12.c. reads as follows:

12.c. the key performance results and the associated costs by explaining

- i. what performance results are key to the reporting entity, for example, key performance results could be organized based on responsibility segments as reported on the reporting entity’s statement of net cost;
- ii. what actual costs^{FN} the reporting entity incurred to accomplish key performance results; and
- iii. what, if any, cost savings the reporting entity might experience with the accomplishment of key performance.

FN: If actual costs are not available, the explanation should provide obligations incurred or associated outlays.

Materiality

Members generally agreed to keep the materiality boilerplate language on page four and page nine, with no additional discussion in the basis for conclusions. This supersedes a previous decision from the June 2019 Board meeting to remove the materiality boilerplate content and add a paragraph in the basis for conclusions on how materiality is applied differently in MD&A. At this meeting, members generally agreed that materiality is applied the same for all RSI—including MD&A—as it is for basic information and note disclosures.

Appendices

Members generally agreed to remove appendices B and C, which provided additional information in the ED about the Board's process for developing these standards. However, Appendix B and C do not add any value to this Statement as it approaches issuance.

Basis for Conclusions

The Board generally agreed to update the basis for conclusions to reflect changes made in the standards section of the document:

- Paragraph A26 to support changes to paragraph 9.c – 9.e.
- Paragraph A27 to better explain an integrated MD&A.
- Paragraph A29 to support changes made to the summary.
- Paragraph A33 to support changes to paragraph 12.c.

The Board decided to continue the discussion on MD&A in the afternoon in lieu of the session on the consolidated financial report of the U.S. Government (CFR). The briefing on the CFR by FASAB's sponsors will now take place at the June meeting.

- **Public-Private Partnerships**

Mr. Domenic Savini, assistant director, introduced [topic E](#) on P3s. The purpose of the session was to provide feedback and direction based on comments from the Accounting and Auditing Policy Committee (AAPC), the task force's review of those comments, and staff's recommendation.

Question 1 – Does the Board have a general preference for any one of the two proposed options? If so, which one would members suggest pursuing? Lastly, would members like to see any option modified? If so, please explain your rationale.

At the outset of the meeting, the majority of members agreed with option A. However, as a result of the ensuing discussions, the majority of members opined that option B would be the better choice. Key reasons supporting option B include:

- Case study complexities could raise a myriad of questions complicating and obscuring each case study's main point or illustrative emphasis.
- Developing or refining case study scenarios is laborious and time consuming, adversely affecting the timely issuance of guidance.
- Practitioners could look to the case studies as recommended best practices, possibly missing certain disclosure requirements.
- The proposed Q&As and flowchart seem sufficient to help the Board solicit a timely ED response to increase its understanding of what practitioners find challenging.
- Training and outreach seem best suited for communicating each case study's main point or illustrative emphasis.

One member noted that, consistent with the AAPC's notes and previous meeting comments, it would be preferable to first review existing disclosures before moving forward in developing further guidance. Concerns regarding reporting challenges specific to remote risk and cash flow estimates should be addressed. Staff noted that such concerns should be addressed only after the Board answers immediate practitioner concerns that could be contributing to an under reporting of P3 arrangements or transactions.

Question 2 – Does the Board generally agree with the decision tree flowchart to address SFFAS 47, *Reporting Entity*, and SFFAS 54, *Leases*, harmonization? If not, what specific changes or edits would members like to propose?

The majority of members agreed that the decision tree flowchart would facilitate harmonization with SFFAS 47, *Reporting Entity*, and SFFAS 54, *Leases*, especially when considering the proposed Q&As. One member again noted a preference to first review existing disclosures before moving forward in developing further guidance. Additionally, this member noted that the Board should rethink P3s in the context of SFFAS 47.

Question 3 – Does the Board generally agree with the task force developed sample questions and answers? If not, please suggest specific changes or suggested edits. Are there any additional questions members believe need addressing?

The majority of members agreed with the task force's approach of developing sample questions and answers (yet to be finalized) to help address specific implementation questions that have been brought to the task force's attention.

One member again noted a preference to first review existing disclosures before moving forward in developing further guidance. Additionally, this member noted that the Board should rethink P3s in the context of SFFAS 47.

Question 4 – Does the Board generally agree with the sample case study illustrations and disclosures approach employing simple to complex hypothetical circumstances that demonstrate compliance with each of the SFFAS 49, *Public-Private Partnerships*, disclosure requirements?

The majority of members agreed with the sample case study illustrations and disclosures approach. Comments included the following:

- Case study illustrations may be best communicated as non-authoritative guidance.
- Training and outreach may better address the complex issues contained in some of the case studies.
- Case study complexities could raise a myriad of questions best addressed via FASAB's technical inquiry process.

One member reiterated a desire to first review existing disclosures before moving forward in developing further guidance.

Question 5 – Are there any other issues or concerns that members would like for staff to consider? Please note in your response what changes you would recommend be made.

One member suggested that the Board first review existing disclosures before moving forward in developing further guidance. However, some members were concerned that, given the implementation issues faced by preparers and auditors, such a review would be premature and that the Board should wait between 3-5 reporting cycles before reexamining the SFFAS 49 disclosures.

Another member expressed concern over the identification of material P3 risks, noting that practitioners may be struggling with how best to communicate those risks. In reply, another member suggested that by issuing an ED, the Board would learn what specific impediments exist regarding risk reporting.

Next steps: Staff will brief the AAPC in May and present the draft Technical Release for review in accordance with the Board's direction.

The Board adjourned for lunch.

- **Management's Discussion and Analysis (continued)**

The Board continued reviewing the basis for conclusions. The Board generally agreed to update and streamline the *Recission and Replacement of SFFAS* section to support changes to the summary, paragraphs 9.c-e, and paragraph 12.c.

Adjournment

The Board meeting adjourned for the day at 2:15 p.m.