

FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD
Board Meeting Minutes
April 18-19, 2023
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.

Tuesday, April 18, 2023

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. McNamee, Patton, and Vicks. The executive director, Ms. Valentine, and general counsel, Mr. Kirwan, were present throughout the meeting. Ms. Valentine conducted a verbal roll call of the members.

Administrative Matters

- **Approval of Minutes**

The chair approved the February meeting minutes prior to the meeting.

- **Clippings and Updates**

Ms. Reese, Governmental Accounting Standards Board (GASB) senior project manager, provided a brief overview of GASB's recent activities.

Ms. Reese highlighted the following GASB projects:

- 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. GASB continued Preliminary Views deliberations on developing a conceptual foundation, specifically defining “transaction.” GASB decided to define “transaction” as a type of economic activity between the government and at least one counterparty that is evidenced by a binding arrangement. GASB also defined “unit of account.”
- Reporting model – The goal is to enhance the effectiveness of the model in providing information that is essential for decision-making, enhance users' ability to assess a government's accounting, and address certain application issues. GASB continued re-deliberations on exposure draft (ED) feedback. The Board discussed the hierarchy of recognition and an exception to the presentation of governmental funding of long-term debt issued for short-term purposes. The members also reviewed the results of staff research on reconciliations of governmental fund information to government-wide information on unusual or infrequent items.
- Certain risk disclosures – The goal is to identify potential risks associated with concentration and constraints in state and local governments and consider developing disclosure requirements associated with those risks. The Board discussed criteria when the circumstance triggers the specific disclosures.
- Going concern uncertainties and severe financial stress – GASB is working towards a proposal to address disclosures for going concern uncertainties and severe financial stress. The Board is assessing the usefulness of such a disclosure.
- Classification of non-financial assets – The goal is to reconsider the existing classification of nonfinancial assets and other related sub-

classifications. The Board discussed a definition of capital assets held for sale.

- Annual implementation guide update – The Board engages in an annual process where it adds questions as needed to the comprehensive implementation guide. The Board is considering ED feedback.
 - The Board is still discussing a question in the ED on Subscription-Based Information Technology Arrangements (SBITAs). The Board wants to make clear the types of arrangements that meet the definition of a SBITA. This question makes clear that three of the commonly used deployment models for SBITAs—software as a service, platform as a service, and infrastructure as a service—include both a component of software and a tangible capital asset (one of the needed characteristics to be considered a SBITA).
- The Board has been discussing implications of the passage of the Financial Data and Transparency Act, specifically the requirement for state and local governments to have procedures in place to provide financial statements in electronic form.

One member asked what GASB intended by “financial statements in electronic form.” Does this include PDF versions? Ms. Reese noted that she did not believe PDF versions would qualify as an electronic form. Another member asked Ms. Reese for further clarification on GASB’s definition of “transaction.” Ms. Reese elaborated.

Mr. Scott thanked Ms. Reese for keeping the Board informed of the GASB’s activities.

Agenda Topics

- **Reexamination of Existing Standards**

Ms. Batchelor, assistant director, introduced [topic B](#) by explaining that the Board agreed to solicit feedback through an Invitation to Comment (ITC) as its first step to the reexamination of existing standards project. The Board had agreed to release the ITC for comment in early spring due to stakeholder availability during the year-end reporting cycle.

Staff had provided the Board an updated draft ITC in March 2023. The March draft incorporated the edits approved at the February 2023 meeting and other streamlining edits. Although most edits were minor, certain members noted sections of the document to streamline further. Staff agreed with streamlining because there were fewer topics in the reexamination portion of the ITC after removing the discussion of the approaches. Bullet points replaced certain narrative, providing a succinct way to summarize key points for respondents. Staff also opted to put the detail regarding FASAB’s agenda setting in an appendix. Staff had incorporated these streamlining and flow changes in the April draft ITC.

Question 1 – Does the Board generally agree with the revised ITC? If no, please provide feedback or suggested improvements.

Member comments on the April draft ITC were favorable, and the majority of members indicated they were ready for ballot. All Board members had provided minor comments and editorial suggestions. Ms. Batchelor suggested that the Board go through the edits at the meeting for Board approval. After the Board approves the edits, staff can incorporate any additional edits suggested during the session into the final ballot ITC.

Mr. Scott agreed and confirmed that the Board was comfortable with the approach. Staff guided the Board through the minor edits in the ITC. The Board also agreed to a few additional edits discussed at the meeting. The majority of the Board concurred with all changes in the ITC.

Question 2 – Does the Board generally agree with proceeding to approve (ballot) the release of the ITC?

Ms. Batchelor explained that the majority of members had indicated they were prepared to ballot. After the Board's agreement on the final edits, staff concluded that the ITC was ready for ballot. She explained that staff would send the final ballot ITC with a ballot form after the meeting.

Ms. Batchelor also explained that staff would work on testing the fillable form (see attachment 3 from [topic B](#)) for entry and submission. Specifically, staff would like to ensure respondents can attach additional files (if respondents would like to attach a separate file, such as an excerpt from financial statements or audit report) and that there are no data limits in the response boxes. Although the ITC had gone through an editorial review, there have been changes since that time. Therefore, the document would go through a final editorial review before FASAB released it for public comment.

The Board agreed with proceeding to ballot the ITC.

Next steps: Staff will provide the Board the final ballot ITC with a ballot form approximately two weeks after the April 2023 meeting. FASAB anticipates releasing the ITC in mid-May.

- **Climate-Related Financial Reporting**

Ms. Gilliam, assistant director, introduced [topic A](#), the climate-related financial reporting project. The project is in the research phase to develop a climate-related financial disclosure framework. In December 2022, staff presented an education session on how Canadian cities are using the Task Force on Climate-related Financial Disclosures (TCFD) framework in their climate-related disclosures. In February 2023, staff presented an education on SEC's proposed climate-related rules.

The objective of this meeting was to present research on the following Board questions:

What types of reporting are agencies currently using to comply with the various federal climate-related legislative acts and presidential executive orders (EOs)?

Ms. Gilliam thanked the 14 agencies from the climate task force that provided information to address this question. Ms. Sherry Lee, senior analyst, then explained how she consolidated the information to help provide the analysis to members.

The climate task force agencies reported on six federal legislative acts that are driving their climate-related activity and related reporting. Ms. Gilliam reviewed the Infrastructure Investment and Jobs Act and the Inflation Reduction Act, which respectively provide a five-year \$973 billion investment and an estimated \$50.6 billion investment in climate-related adaptation, mitigation, and resilience projects. Federal agencies are overseeing these investments through grants to the states and massive bridge and transit projects.

Climate task force agencies reported on eight EOs. Ms. Gilliam highlighted EO 14008, *Tackling the Climate Crisis at Home and Abroad*, enacted January 27, 2021, and EO 14037, *Strengthening American Leadership in Clean Cars and Trucks*, enacted August 5, 2021. Both of these EOs are the reason why agencies prepare climate adaptation and resilience plans, sustainability plans, and climate adaption progress reports. All of this information can be found at sustainability.gov.

What information are agencies reporting in financial reports based on the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, for optional and required climate-related reporting?

Ms. Lee explained that staff had consolidated information from the climate task force agencies. She also analyzed the 24 Chief Financial Officer (CFO) Act agencies in the reporting on climate change section of the Management's Discussion and Analysis (MD&A) within the consolidated financial report of the U.S. Government (CFR).

OMB Circular A-136

- **Section II.2.6 Forward-Looking Information** – recommends that agencies report climate-related, forward-looking information in the MD&A as follows:

For FY 2022, significant entities should summarize any efforts taken or planned to assess, measure, and mitigate any significant climate-related risks that could affect the entity's performance, financial position, or financial condition. The risks include risks to assets (such as property, plant, and equipment, and loan portfolios), liabilities (including loan guarantee liabilities), contingent liabilities, and program costs.

Staff analysis showed that 54% of the CFO Act agencies discussed forward-looking information in MD&A, 33% included climate-related

information in MD&A without specifically referencing it as forward-looking, and 13% did not discuss climate in MD&A.

- **Section II.4.10.1 *Required Hyperlinks to Reports***

Ms. Lee noted that because this was an OMB Circular A-136 requirement, all agencies included hyperlinks to climate action plans, sustainability reports, implementation plans, and other reports with information relevant to climate-related risk or climate-related financial risk that they had issued during fiscal year (FY) 22.

- **Section II.4.10.2 *Optional Budget Information***

For FY 2022, significant entities are encouraged to report ... FY 2021 budget authority or outlays related to reducing the Federal Government's exposure to climate-related financial risks.

Staff analysis showed that 13% of the CFO Act agencies reported budget information in Other Information (OI).

- **Section II.4.10.3 *Optional Governance, Strategy, Risk Management, and Metrics Information***

Staff analysis showed that 17% of the CFO Act agencies included detailed information for TCFD-like reporting, 63% included general information on TCFD-like reporting, and 20% did not report any TCFD-like information.

Can FASAB leverage and reference current agency climate-related reporting, including climate-related risks, to help users understand the reporting entity's ability to sustain operations?

Staff's research showed that agencies are capable of reporting climate-related activity and its effect through

- quantitative budget information and explanations about what they expect to achieve;
- quantitative net cost information;
- qualitative TCFD-like information as it relates to government operations; and
- quantitative and qualitative information about loan and loan guarantees affected by climate-risk.

Members then discussed the following questions from the briefing materials:

Question 1 – What are members' thoughts on staff's research?

- The research was comprehensive.
- Staff's analysis was thorough and thoughtful.
- The TCFD framework is viable.
- OMB Circular A-136 shows a broad range of possibilities for agency climate-related reporting.
- An agency's mission informs its climate risk.
- Consistency is a key factor for the climate-related disclosure framework.
- Financial risks should not be limited to loan and loan guarantees.
- The climate-related disclosure framework should
 - provide guidance to present information that is complimentary and not redundant to existing climate-related reporting (for example, [sustainability.gov](https://www.sustainability.gov));
 - consider the cost-benefit of reporting;
 - provide minimum requirements that allow agencies flexibility; and
 - provide value to users.
- Including statutory requirements helped to show congressional interests.

Question 2 – Is there any additional information members would like staff to research to help develop climate-related financial disclosure framework?

- What challenges do agencies have with reporting TCFD?
- How can the framework summarize or reference information from [sustainability.gov](https://www.sustainability.gov)?
- How can budget and expense information inform climate-related priorities?
- What other federal information is available to understand climate-related financial risks?
- Are MD&A-specific reporting requirements necessary for climate-related risks?
- Should the Board focus first on government-wide reporting for climate-related financial risks?

- What information do users want to understand climate-related financial risks?
- **MD&A / Omnibus Concepts / MD&A Alternative View**

Ms. Gilliam introduced [topic c.1](#) and presented a pre-ballot ED for MD&A. Members reviewed final technical edits in preparation for a ballot.

Questions for Respondents

Staff added “partially agreed” as an option for each question for respondents to support a new online survey for collecting comments. A couple members were concerned with this choice but understood that history shows that respondents often “partially agree” and provide an explanation as to why. The survey will provide space for explanations for comments.

Basis for Conclusions

Ms. Gilliam explained that a basis for conclusions paragraph may start with “the Board believes...” or “the Board’s intent is...” When a paragraph starts with “the Board believes,” this text will explain what the Board wants to achieve. When one starts with “the Board’s intent is,” this text will explain how to achieve the reporting.

Members agreed to the following edits in the basis for conclusions:

- Insert the phrase “standards-like” in paragraph A2 and footnote 13 to reference Statement of Federal Financial Accounting Concepts (SFFAC) 3, *Management’s Discussion and Analysis*.
- Remove a reference in footnote 13 to the concepts being authoritative.
- Change the phrase “each major program” in paragraph A16 to “major programs as presented in the reporting entity’s statement of net cost.”
- Remove any references to performance in paragraph A18.
- Add “key organizational components” to paragraph A20.
- Change the phrase “that may enhance” in paragraph A21 to “what are the effects.”

Mr. Scott was unable to take a vote for a pre-ballot on the MD&A ED because staff had received an alternative view from Ms. Johnson the previous evening. Mr. Scott moved the discussion to [topic c.2](#), concepts omnibus, which the Board had aimed to pre-ballot with MD&A, before discussing the alternative view.

Ms. Gilliam introduced topic c.2 and presented a pre-ballot ED for the concepts omnibus. This draft ED was ready in December 2021 for a pre-ballot; however,

members wanted to give respondents an opportunity to provide comments at the same time as MD&A. Therefore, members reviewed this ED during the April 2023 meeting for a pre-ballot at the same time as MD&A.

Questions for Respondents

Members agreed to include an excerpt from the Handbook chapter *Preamble to Statements of Federal Financial Accounting Concepts* to introduce what concepts do. The Board also agreed to remove some language from each question.

Note Disclosures Concepts

Paragraph 68.A – Members agreed that note disclosure concepts should reference disaggregation of an item and not aggregation of an item.

MD&A Basis for Conclusions

Members agreed with restructuring the basis for conclusions for the MD&A concepts to synchronize the text with the basis for conclusions for the MD&A standards.

Paragraph A7 – Members changed “Practice shows that agencies ‘have focused’” to “‘relied primarily’ on Statement of Federal Financial Accounting Standards (SFFAS) 15, *Management’s Discussions and Analysis*, when preparing MD&As.”

The Board did not discuss the following questions that were included in the briefing materials:

Question 1 – Are the proposed concepts amendments sufficient to guide the Board in developing standards for note disclosures and MD&A?

Question 2 – Does the Board approve the *Omnibus Concepts Amendments* ED?

MD&A Alternative View

Mr. Scott directed the Board to Ms. Johnson’s alternative view.

Ms. Valentine explained that staff had received an alternative view to the MD&A pre-ballot ED from Ms. Johnson the previous evening. Ms. Valentine had sent it to the Board just prior to this meeting. An alternative view gives respondents an opportunity to hear a different view from a member that is contrary to what the Board is proposing.

Mr. Scott asked Ms. Johnson if she would like to make any statements about her alternative view.

Ms. Johnson began by saying that the MD&A project enabled the Board to solidify its view of what should be in the MD&A. She believed that SFFAS 15 was well researched and well written more than 20 years ago and has done a good job in fulfilling its purpose.

The project has provided an opportunity to review the good work the agencies have done with their MD&A. She realized that some agency MD&As are longer than they need to be, might contain technical language, or might contain some duplicative information.

She did not think that a new SFFAS would resolve these challenges or issues. Agencies just need more time. She assumed the agency MD&A preparers gather information from multiple sources, compile it, and just publish MD&A in response to deadlines. Therefore, it is not intentional if there is any duplication, technical language, or excessive length. As the MD&A pilot showed, if agencies really focused on and dedicated time to drafting the MD&A, they could do a good job.

Ms. Johnson wanted to give the community a chance to think about another option—more targeted changes to SFFAS 15 rather than rescinding SFFAS 15 and issuing a new SFFAS. If the response was positive towards this new SFFAS, then she would be more comfortable with the new Statement and rescission of SFFAS 15.

Mr. Scott thanked Ms. Johnson and reiterated that the Board had unanimously agreed to rescind SFFAS 15 upon approval of this project. Rescinding SFFAS 15 was only one of many reasons for the MD&A project. He opened the discussion up to members.

One member wanted to know what Ms. Johnson meant in the alternative view introduction that the project had informed updates to OMB Circular A-136. Ms. Johnson explained that she used the Board's thinking and insights from the MD&A project to update the MD&A chapter of OMB Circular A-136.

One member asked for clarification on the first two concerns in Ms. Johnson's alternative view, which seemed to be in conflict with each other. Her first concern said rescinding SFFAS 15 and issuing new MD&A standards incorrectly suggests that the Board is changing the requirements extensively. Her second concern stated that SFFAS 15 is principles-based and that the ED includes more prescriptive requirements, which seems like an extensive change to requirements.

Ms. Johnson replied that her first concern was that the ED does not provide any significant changes. Her second concern was how the ED explicitly includes a standard for each MD&A characteristic; SFFAS 15 embedded these characteristics within the standards and basis for conclusions. Ms. Johnson was concerned that a specific standard for each characteristic would increase the burden to agencies because they would have more items to add to their checklist for completing MD&A.

Another member noted that Ms. Johnson's third concern was about which entities are required to have an MD&A as currently required under SFFAS 15. Is this a true concern for not issuing a new Statement? Ms. Johnson had not included an amendment to SFFAS 15 to address it; therefore, the member was not sure if the Board would need to consider this.

Ms. Johnson replied that she had not proposed that as a change. The changes she had proposed were whether respondents wanted to address amendments to SFFAS 15 instead of the proposed Statement. She had heard from a number of small agencies who want OMB to exercise its authority to waive the audited statement requirement, and, for various reasons, OMB is not in a position to do that. She believed that MD&A might be a way to address that. If the proposal had addressed which agencies were required to do an MD&A then that might have been a justification for completely rescinding and replacing SFFAS 15.

Ms. Johnson asked if she could amend her alternative view. Mr. Scott said yes and thanked Ms. Johnson. He asked Ms. Valentine to provide next steps to members.

Ms. Valentine asked Ms. Johnson to send the updated alternative view as soon as possible. Staff would send the update to members to allow time to provide responses to the exact points of the alternative view.

Next steps: Staff will prepare an analysis on the alternative view for the June 2023 meeting for members to discuss. This will include an updated basis for conclusions with a standard introductory paragraph about alternative views from FASAB's rules of procedure and the alternative view as presented by Ms. Johnson, as long as there are no actual misstatements or any content that is factually incorrect.

Staff will add a question to the pre-ballot ED for respondents to provide comments on the alternative view. The Board has an opportunity, in the introduction to the question for respondents, to reaffirm its position as it relates to the alternative view, including if there are any points in the alternative view where the Board disagrees.

Members will also determine whether to update the basis for conclusions to discuss any particular points of the alternative view that the Board thinks are relevant to consider.

- **Software Technology**

Mr. Williams, senior analyst, introduced [topic D](#) by providing the Board a recap of the previous Board meeting deliberations. He stated that the Board had previously deliberated whether cloud-service arrangements possessed the asset characteristics from SFFAC 5, *Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements*, and whether cloud-service arrangements were more like right-to-use lease assets or service contracts.

Mr. Williams then explained that, per the Board's request, staff was presenting a cost-benefit analysis that considered potential preparer burdens and user benefits for financial reporting options for cloud-service arrangements:

1. Balance sheet recognition – This reporting option would require federal entities to recognize multi-year cloud-service commitments as a right-to-use asset with a corresponding liability for future payment on the balance sheet.
2. Commitment disclosure – This reporting option would require federal entities to disclose the dollar amount of multi-year cloud-service commitments.
3. Expense disclosure – This reporting option would require federal entities to disclose all cloud-service annual expenditures.
4. Expense recognition only – This reporting option would only require federal entities to recognize cloud-service arrangement costs as general operating expenses without any further reporting requirements.

Mr. Williams then explained that he still believed that some types of multi-year commitment cloud-service arrangements, such as software-as-a-service access rights and reserved compute/capacity instances, could represent right-to-use assets because federal entities theoretically control the right to access future services of an underlying IT resource with a known future service capacity as part of the arrangements. He further explained that he viewed software-as-a-service arrangements as essentially possessing the same economic substance as a software license, for which the Board previously required asset recognition.

However, Mr. Williams said that he had significant concerns with the balance sheet recognition approach for cloud-service arrangements based on the cost-benefit analysis. He stated that it does not appear that the right-to-use-asset-reporting framework cleanly fits with the current federal cloud environment. Federal entities appear to acquire cloud services in many ways, often in a pay-as-you-go manner based on variable usage with no fixed payment or term commitments. These types of arrangements would not fit the scope of the balance sheet recognition reporting option and would therefore not be subject to the required reporting. This would ultimately provide users an incomplete reporting of the federal cloud-service cost environment.

Furthermore, cloud-service arrangements often include a bundle of multiple IT resource and service components that likely make them a blend of a right-to-use asset and service contract. Mr. Williams explained that it would require significant preparer effort to assess the asset value within these arrangements.

Mr. Williams then stated that when staff weighed the user benefits and preparer burdens of each reporting option, it appeared that annual cloud-service expense disclosures were the optimal reporting option. He further explained that multiple non-preparer and preparer stakeholders believed that this reporting option could help provide transparency, accountability, and decision-making benefits for cloud-service resources in the federal environment. Furthermore, Mr. Williams voiced his agreement with a non-preparer stakeholder's comment that expense disclosures accompanied by

robust qualitative information could help management better understand what federal entities spend on cloud services and, therefore, help with more cost-effective decisions with future cloud and IT-service purchases.

Mr. Williams explained that while annual cloud-service costs appear quite insignificant relative to total government-wide operational expenditures, the annual cloud-service costs are significant when compared with current internal use software capitalization and amortization amounts. He also stated that staff believes that users are currently not aware of the full federal IT resource and cost environment without insight into cloud-service expenditures.

Question 1 – Do members have feedback and/or need additional information on the cloud-service arrangements reporting options?

Question 2 – Which cloud-service arrangement reporting option do members prefer?

The Board overwhelmingly agreed with the cost-benefit analysis and supported staff's recommendation that reporting guidance should require federal entities to disclose annual expenditures of cloud-service arrangements. Most members agreed with staff that expense disclosure made the most sense after considering the potential preparer burdens and user benefits of each reporting option. Some members noted that IT expenses are an especially important and growing issue in the federal environment. One member, however, preferred the expense recognition only reporting option.

One member agreed with staff that some cloud-service arrangements appeared to fit the right-to-use asset framework but understood that many of the arrangements present as pay-as-you-go and did not want reporting requirements to influence how federal entities acquire cloud services. Another member was still not convinced that cloud-service arrangements were right-to-use assets.

One member stressed that it is important for the Board to sufficiently deliberate the scope of cloud-service expense disclosures that reporting guidance should require. Other members agreed that there was still more work required to determine what types of disclosures would most benefit users. Another member suggested that disclosure requirements should at least include a high-level analysis of what the acquired cloud-services provide the federal entities and a breakdown of costs by different service and deployment models. A few members contemplated the idea of also requiring expense disclosures for other IT expenses or any other type of significant operational cost.

One member suggested that cloud-service and other IT expense disclosures could help management assess costs and risks between in-house and cloud resources. Another member suggested that even just an annual total expense figure could provide meaningful information with the current cloud-service capacity that federal entities use for operations.

It also appeared that the majority of members favored requiring that annual cloud-service expenses be disclosed in required supplementary information (RSI) rather than financial statement notes, at least initially. One member suggested beginning with RSI disclosure and suggested that the Board continue to monitor how the federal cloud environment develops for future consideration of other reporting options. One member suggested that total expenses be disclosed in financial statement notes while specific expense categories be disclosed in RSI, at least temporarily.

Some members were concerned that expense disclosure alone would not be sufficient at providing transparency on all the benefits and risks of cloud-service arrangements and preferred to require multi-year cloud-service commitment disclosures along with expense disclosures. The members believed that financial reports should provide transparency on multi-year contracts or agreements that federal entities enter into for cloud services if the arrangement requires a known liability to pay federal funds in the future. A few members stated that these potential reporting benefits could apply to all types of multi-year commitments, not just cloud services. One member mentioned that federal entities have reported undelivered orders in the past and suggested that the Board consider general multi-year commitment reporting as part of the reexamination of existing standards project.

Mr. Williams confirmed that the Board clearly supported moving forward with developing a draft ED for guidance requiring expense disclosures for cloud services. He stated that he would coordinate with the working group to develop a definition and scope for the Board's consideration at a future meeting.

- **Omnibus Amendments 202X**

In addition to the proposed amendment to SFFAS 38, *Accounting for Federal Oil and Gas Resources*, members reviewed [topic E](#) to discuss the various staff proposed amendments to SFFAS 3, *Accounting for Inventory and Related Property*; SFFAS 33, *Pensions, Other Retirement Benefits, and Other Postemployment Benefits*; and SFFAS 49, *Public-Private Partnerships*. Mr. Savini, assistant director, began the discussion. One member questioned the overall omnibus amendment process, expressing concern that it could be reducing the Board's deliberations over issues deserving greater attention. Staff replied by noting that this fairly recent amendment process was a direct result of listening to FASAB practitioners who have expressed concerns with the timeliness of amendments, many of which are modest, focused, and narrow in scope. Staff believes that an omnibus amendment process is not only timely, but also cost effective, efficient, and, above all, responsive to the federal management community.

Question 2 – Do members agree with the proposed amendments to SFFAS 33?

Although members recognized that timely guidance could be provided to practitioners by clarifying certain language in the existing SFFAS, members were concerned about doing so in a piecemeal manner. Specifically, members noted that a more comprehensive approach through the reexamination of existing standards project would serve practitioners best given that other aspects of SFFAS 33 could warrant additional

changes. As a result, members decided not to proceed at this time with the proposed amendment to SFFAS 33.

Question 3 – Do members agree with the proposal of removing the exception in paragraph 24b of SFFAS 49?

Given that the Board has been addressing implementation challenges and assisting practitioners through training and outreach for over a year (and more recently with a dedicated task force), the majority of members agreed to the proposed amendment. One member objected and expressed a preference to consider all SFFAS 49 amendments in the context of the public-private-partnerships project. In the end, the majority of members agreed with the task force recommendation to amend this language to help achieve the intent of the SFFAS.

Question 4 – Do members agree with staff's recommendation to develop guidance updates for SFFAS 3 to address seized and forfeited digital assets?

Mr. Williams proposed that the Board consider developing amendments to SFFAS 3 to address seized and forfeited digital assets as part of the omnibus amendments effort. He reminded the Board that digital assets were part of the scope for the software technology guidance update and that staff had planned to eventually address digital asset guidance after other topics. However, over the last two years, a federal entity had approached staff multiple times with issues analogizing and applying existing seized and forfeited property guidance from SFFAS 3 to an increasingly material amount of seized and forfeited digital assets.

Mr. Williams reminded members that the Board has never addressed reporting guidance for digital assets. He stated that staff believes that amending the seized and forfeited property guidance in SFFAS 3 to apply it to digital assets is the best course of action to address this need. Research indicates that any material activity with digital assets in the federal environment specifically relates to seized and forfeited property, for which level-A generally accepted accounting principles (GAAP) already exists. Therefore, staff believes that amending the relevant level-A GAAP in SFFAS 3 is the most efficient method to address the current financial reporting guidance issues with digital assets, and a new SFFAS addressing digital assets in general is not currently needed in the federal space.

Mr. Williams then notified the Board that, during the pre-meeting comment period, a member had suggested that a Technical Bulletin (TB) might be more appropriate to narrowly address the seized and forfeited digital asset issue. Mr. Williams stated that staff agreed that issuing a TB was also a viable option for the Board to address the issue but that staff would need more time to analyze the pros and cons of a TB versus amending SFFAS 3. Therefore, Mr. Williams requested that members provide feedback on whether the Board should move forward now with addressing the identified guidance issues for seized and forfeited digital assets.

The Board generally agreed that digital assets are a timely and important topic to address but did not support staff's proposal to amend SFFAS 3 for seized and forfeited digital assets as part of the omnibus amendment effort. Several members viewed digital assets as a major issue that the Board should take sufficient time to deliberate for general reporting guidance and did not think the current reporting issue with seized and forfeited guidance was significant enough to warrant immediate action. Therefore, some members suggested setting the issue aside for a larger project in the future.

Some members agreed that the Board should deliberate whether digital assets are monetary or non-monetary property but believed that the Board should deliberate that at a more general level, not specific to seized and forfeited property. Likewise, some members expressed concern about the increasing need for the Board to address reporting guidance for intangible-like resources, such as digital assets, without first developing broader principles-based guidance for intangible assets in the federal environment.

One member asked about some of the current SFFAS 3 guidance issues that presently cause issues for preparers and auditors for seized and forfeited digital assets. Mr. Williams replied that some issues include the fact that SFFAS 3 generally requires forfeited property to be recognized at fair value and that fair value recognition may not be appropriate for certain digital assets and could mislead financial report users.

Additionally, some preparers and auditors have voiced issues with assessing existence and control of seized and forfeited digital assets.

Mr. Williams also pointed out that seized property guidance in SFFAS 3 does not address intangible property as a non-monetary instrument while forfeited property guidance does. However, it is not clear why the Board omitted intangible property from seized property guidance. This has led to some preparers questioning whether seized digital assets would meet FASAB's asset concepts. Further complicating the matter is that SFFAS 3 provides savings and loan charters as examples of intangible assets and the Board clearly would not have developed the guidance with digital assets in mind back in the early 1990s. This has ultimately caused confusion for preparers when determining whether they need to report both seized and forfeited digital assets, or only forfeited digital assets.

While the Board did not support staff's proposal to amend SFFAS 3 for seized and forfeited digital assets, some members were open to considering issuing a TB to more narrowly address the issues identified by staff that could help preparers in the short term but would not conflict with a larger project later. One member requested that staff consider if a TB could solve the identified issues with seized and forfeited digital assets. Mr. Williams stated that he would reconvene the working group to discuss and develop a draft TB for the Board's consideration at a future Board meeting.

The Board did not discuss the following question from the briefing materials:

Question 1 – Do members agree with the SFFAS 38-related draft Omnibus Amendments 202X and TB 202X-X proposals?

Adjournment

The Board meeting adjourned for the day at 5:15 p.m.

Wednesday, April 19, 2023

Agenda Topics

- **Leases Clarification Discussion**

Mr. Perry, senior analyst, introduced [topic F](#), reminding members of recent letters submitted to the Board discussing the status of and challenges with implementing SFFAS 54, *Leases*.

The first panel included (1) Mr. Donald L. Wood, Director, Office of Financial Reporting and Analysis (Department of State); (2) Ms. Tonya R. Johnson, Deputy Chief Financial Officer (Department of the Interior); (3) Ms. Joanne Choi, Deputy Assistant Secretary for Finance, Office of Finance (Department of Veterans Affairs); and (4) Mr. Jeffrey Carr, Director of Financial Reporting, Office of Finance and Accounting (Department of Energy).

Panelists provided brief opening remarks (2-3 minutes per panelist) prior to the clarification discussion. Panelists summarized the primary challenges and concerns that they had observed, as described in previous letters submitted to the Board in advance of its February 2023 meeting. During the opening remarks, Mr. Wood and Ms. Johnson requested that the Board consider deferring the effective date from FY 24 to FY 27, while Ms. Choi and Mr. Carr suggested that the Board consider rescinding the Statement altogether.

The Board engaged in a question-and-answer session following the opening remarks to obtain additional information about implementation challenges, including:

- Upfront and ongoing perceived costs of implementation
- Resource constraints
- Challenges related to managing financial systems requirements and engaging with vendors to ensure that systems comply with the standards
- Challenges with certain implementation guidance in Technical Release (TR) 20, *Implementation Guidance for Leases*
- Ongoing and previously completed government-wide U.S. Standard General Ledger (USSGL) guidance efforts

- The status of lease identification and data extraction efforts, including embedded leases

Mr. Scott and members of the Board thanked the first panel for their engagement and the extensive preparations and information provided to enhance the Board's implementation monitoring efforts.

The Board briefly recessed prior to the second panel.

The second panel included (1) Mr. Tremayne O. Cobb, Director, Office of Financial Management, Federal Aviation Administration (Department of Transportation); and (2) Ms. April M. Pratt, Director, Public Buildings Service Financial Operations Division, (General Services Administration or GSA).

The panelists provided brief opening remarks (2-3 minutes per panelist) prior to the clarification discussion. Panelists highlighted their historical implementation activities, the projected results of their implementation efforts in the effective reporting period, and ongoing implementation challenges. Mr. Cobb recommended that the Board consider a one-year implementation deferral to accommodate implementation challenges associated with identifying and analyzing embedded leases and systems implementation efforts. Ms. Pratt noted that GSA is on track to implement in FY 24. Ms. Pratt emphasized the importance of coordination with the Board, its staff, and the staff at the Department of the Treasury as a contributing factor to the agency's implementation efforts and understanding of SFFAS 54 requirements.

As with the first panel, the Board engaged in a question-and-answer session with the second panel immediately following the opening remarks to obtain additional information about implementation challenges, including:

- Whether any additional Board guidance should be provided. The ongoing Accounting and Auditing Policy Committee project to update TR 20 was acknowledged. The panelists did not provide any additional suggestions.
- Challenges associated with embedded leases
- The status of lease identification and data extraction efforts, including embedded leases
- Ms. Pratt noted that GSA systems requirements development efforts were not hindered by the timing of the issuance of FY 2024 USSGL updates.

Mr. Scott and members of the Board thanked the second panel for their engagement and the extensive preparations and information provided to enhance the Board's implementation monitoring efforts.

The meeting adjourned for lunch.

Following the clarification discussion, members discussed their impressions and takeaways from the discussion.

Mr. Scott noted that the Board must provide a clear and decisive message to the community regarding its intended next steps. He expressed concern that continued abstract discussions might create unnecessary confusion.

A majority of members voted in favor (5-4) of proceeding with the current effective reporting period of FY 24.

A majority of members voted in favor (6-3) of exploring transitional accommodation options associated with embedded leases.

Next steps: Staff will present a paper with transitional accommodation options and recommendations for embedded leases at the June 2023 meeting.

- **Overview of the FY 2022 Financial Report of the U.S. Government**

Mr. Bell briefed the Board on the FY 22 CFR, noting that the building blocks of the financial report consolidate over 160 entities, including the 24 CFO Act agencies, 16 significant entities, and more than 120 other smaller entities. Mr. Bell's full presentation can be found at attachment 1 in the minutes.

Mr. Bell discussed the extensive CFR preparation and audit process involving Treasury, OMB, and the Government Accountability Office.

Mr. Bell's presentation included a discussion of the changes in key financial position and condition metrics, including but not limited to the deficit, net cost, total tax and other revenues, debt, and sustainability measures. The budget deficit was reduced in half over FY 2021 from \$2.8 trillion to \$1.4 trillion for FY 22. By comparison, net operating cost increased from \$3.1 trillion to \$4.1 trillion, due largely to a \$1.6 trillion loss from changes in assumptions (an SFFAS 33 component). Mr. Bell highlighted the agencies that contributed significantly to the increases and decreases in net cost as well as assets and liabilities.

Federal debt held by the public (public debt) increased by \$2 trillion to \$24 trillion as of the end of FY 22. Mr. Bell also discussed the projected trends in social insurance and fiscal sustainability amounts as discussed in the FY 22 CFR.

Mr. Dacey noted that the government-wide audit resulted in a disclaimer. Of the 24 CFO Act agencies, 20 received unmodified audit opinions, one agency received a qualified opinion, and three received disclaimers (Department of Defense, Small Business Administration, and Department of Education). He also noted the significant progress made in addressing some of the ongoing challenges.

Adjournment

The Board meeting adjourned for the day at 2:45 p.m.

- **Steering Committee Meeting**

The Committee approved FASAB's FY 24 budget. Actual funding levels are dependent on final FY 24 appropriations and will be determined after appropriations are provided to each of the Board's sponsors. The FY 25 budget discussion will begin at the next meeting. The Committee also discussed other administrative matters.

Attachment 1



The Financial Report of the U.S. Government

R. Scott Bell

Office of the Fiscal Assistant Secretary (OFAS)

FASAB Briefing

April 19, 2023



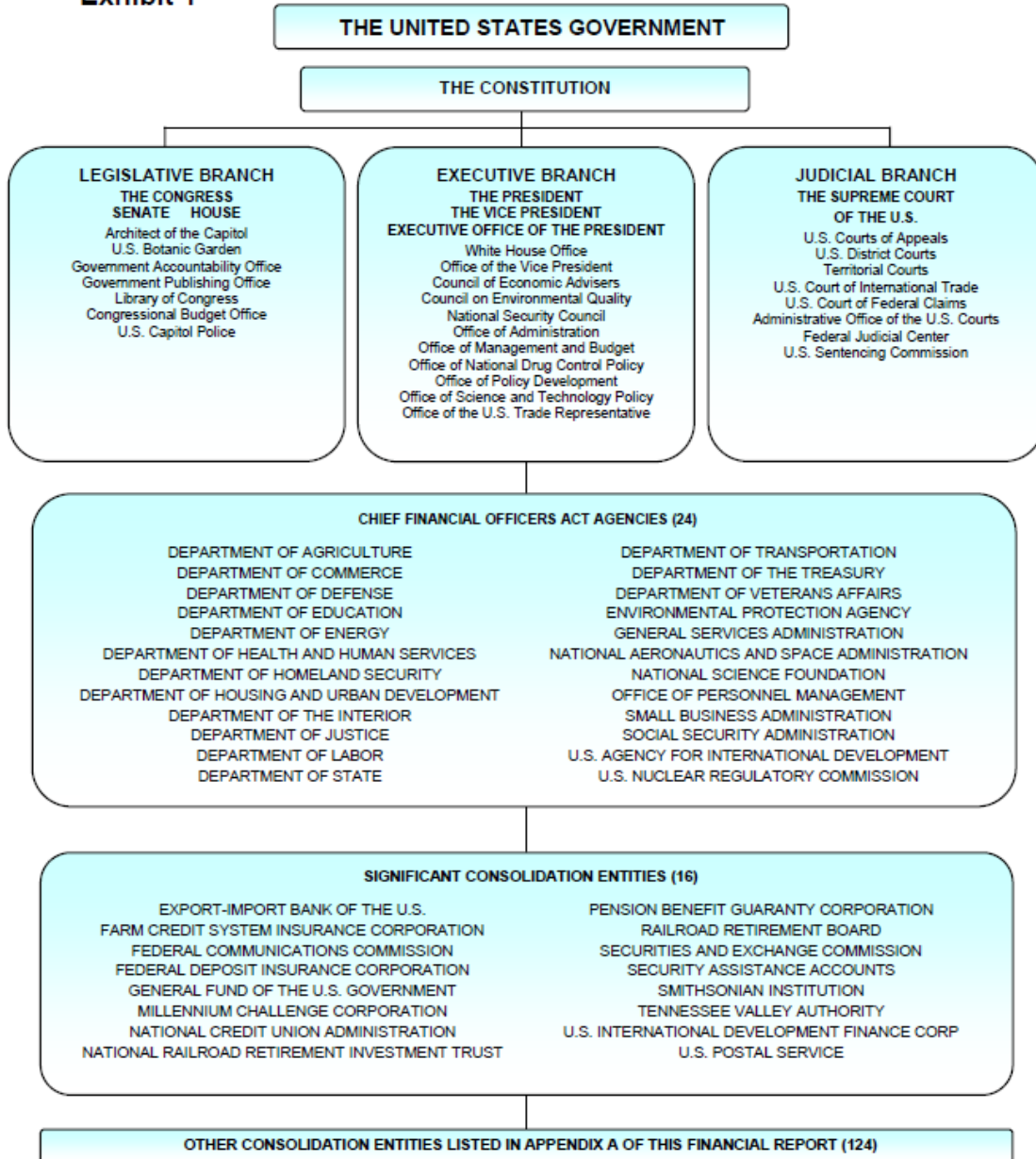
Building Blocks - Process

Highlights of the FY 2022 Financial Report

Building Blocks



Exhibit 1



Long-Term
Fiscal
Projections

Financial
Management
Priorities



Compilation (Fiscal Service)
MD&A, Summary (OFAS)

Agency Financial Reports
Performance & Accountability Reports
40 Significant Reporting Entities
124 Other Reporting Entities
Audited by Inspectors General & Contract Auditors



Table 1
The Federal Government's Financial Position and Condition

	2022	2021*	Increase / (Decrease)	
			\$	%
FINANCIAL MEASURES (Dollars in Billions)				
Gross Cost	\$ (7,420.0)	\$ (7,406.6)	\$ 13.4	0.2%
Less: Earned Revenue	\$ 531.1	\$ 574.2	\$ (43.1)	(7.5%)
Gain/(Loss) from Changes in Assumptions	\$ (2,207.9)	\$ (518.4)	\$ 1,689.5	325.9%
Net Cost	\$ (9,096.8)	\$ (7,350.8)	\$ 1,746.0	23.8%
Less: Total Tax and Other Unearned Revenues	\$ 4,925.9	\$ 4,255.9	\$ 670.0	15.7%
Net Operating Cost	\$ (4,170.9)	\$ (3,094.9)	\$ 1,076.0	34.8%
Budget Deficit	\$ (1,375.5)	\$ (2,775.6)	\$ (1,400.1)	(50.4%)
Assets:				
Cash & Other Monetary Assets	\$ 877.8	\$ 475.0	\$ 402.8	84.8%
Inventory and Related Property, Net	\$ 406.9	\$ 399.2	\$ 7.7	1.9%
Loans Receivable, Net	\$ 1,434.1	\$ 1,651.0	\$ (216.9)	(13.1%)
General Property, Plant & Equipment, Net	\$ 1,197.5	\$ 1,176.9	\$ 20.6	1.8%
Other	\$ 1,046.1	\$ 1,191.5	\$ (145.4)	(12.2%)
Total Assets	\$ 4,962.4	\$ 4,893.6	\$ 68.8	1.4%
Liabilities:				
Federal Debt and Interest Payable	\$ (24,328.0)	\$ (22,344.8)	\$ 1,983.2	8.9%
Federal Employee & Veteran Benefits Payable	\$ (12,811.9)	\$ (10,183.0)	\$ 2,628.9	25.8%
Other	\$ (1,882.4)	\$ (2,249.9)	\$ (367.5)	(16.3%)
Total Liabilities	\$ (39,022.3)	\$ (34,777.7)	\$ 4,244.6	12.2%
Unmatched Transactions and Balances ¹	\$ (1.3)	\$ (1.7)	\$ (0.4)	(23.5%)
Net Position	\$ (34,061.2)	\$ (29,885.8)	\$ 4,175.4	14.0%
SUSTAINABILITY MEASURES (Dollars in Trillions)				
Social Insurance Net Expenditures:				
Social Security (OASDI)	\$ (23.3)	\$ (22.7)	\$ 0.6	2.6%
Medicare (Parts A, B, & D)	\$ (52.5)	\$ (48.2)	\$ 4.3	8.9%
Other	\$ (0.1)	\$ (0.1)	\$ -	0.0%
Total Social Insurance Net Expenditures	\$ (75.9)	\$ (71.0)	\$ 4.9	6.9%
Total Federal Non-Interest Net Expenditures	\$ (79.5)	\$ (97.6)	\$ (18.0)	(18.4%)
75-Year Fiscal Gap (Percent of Gross Domestic Product)²	(4.9%)	(6.2%)	(1.4%)	(22.6%)

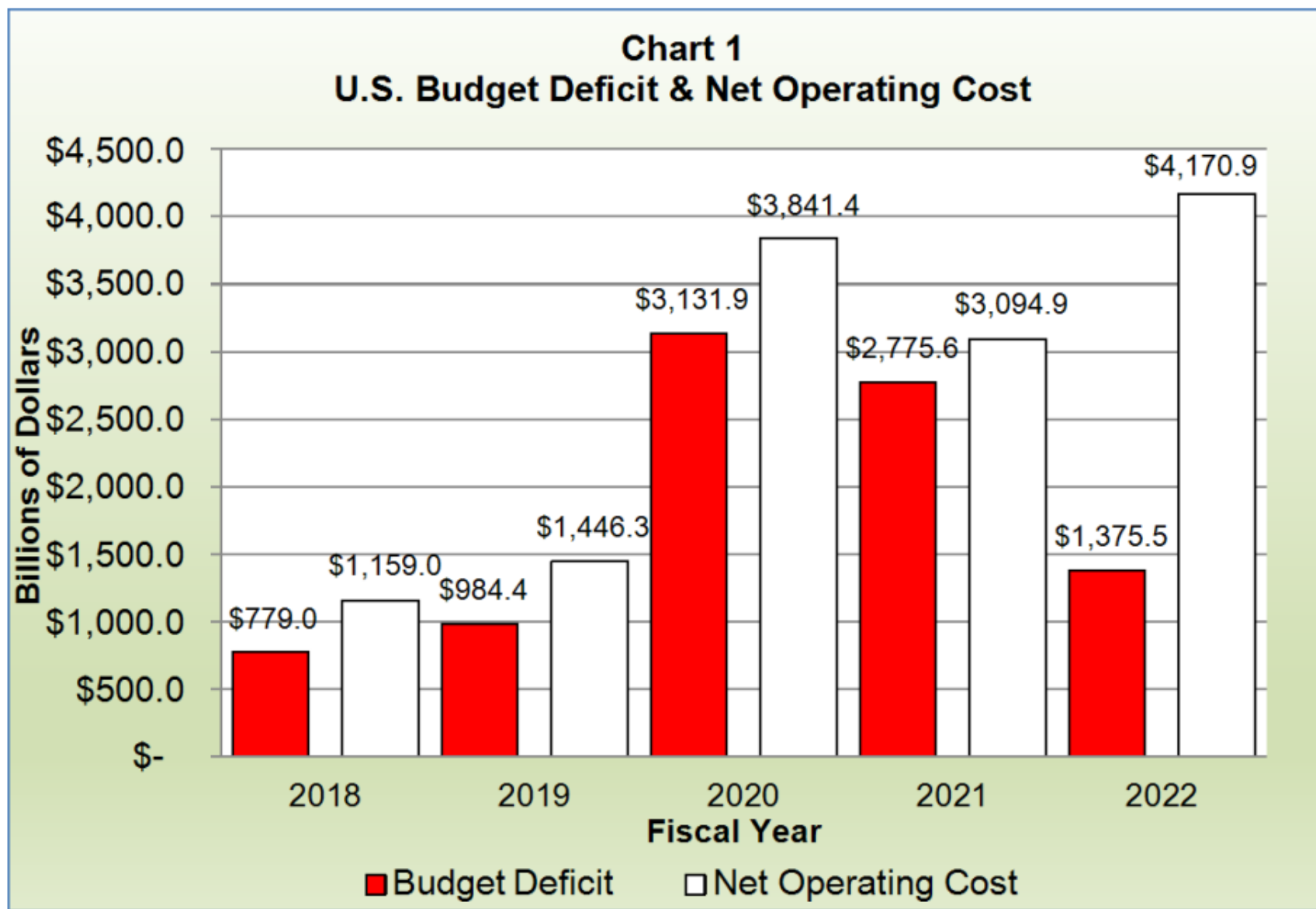
¹ Unmatched transactions and balances are net adjustments needed to balance the financial statements and are due primarily to unresolved intra-governmental differences. Net unmatched transactions and balances of \$0.2 billion for both FY 2022 and FY 2021 are also included in the Statements of Operations and Changes in Net Position. See Financial Statement Note 1.T.

² To prevent the debt-to-GDP ratio from rising over the next 75 years, a combination of non-interest spending reductions and receipts increases that amounts to 4.9 percent of GDP on average is needed (6.2 percent of GDP on average in 2021). See Financial Statement Note 24.

* Restated (see Financial Statement Note 1.V).

Costs & Revenues

Deficit vs Cost





Increases and Decreases – Net Cost

Total	FY 2022	FY 2021	Change	Comment
Net Cost	\$9,096.8	\$7,350.8	+\$1,746.0	See Below
Agency	FY 2022	FY 2021	Change	Comment
VA	\$1,937.7	\$693.4	+ \$1,244.3	Assumptions Changes – Veterans Benefits
DOD	\$1,456.6	\$890.6	+ \$566.0	Military Retirement Fund Assumptions, Operations
ED	\$539.5	\$208.6	+ \$330.9	Projected cost of student debt relief
SBA	\$ 43.5	\$ 347.4	- \$304.3	PPP, EIDL decrease, reestimates
Treasury	\$526.5	\$830.8	- \$303.9	Decrease in Economic Impact Payments (EIP)
DOL	\$42.3	\$396.8	- \$354.5	Decrease in UI claims

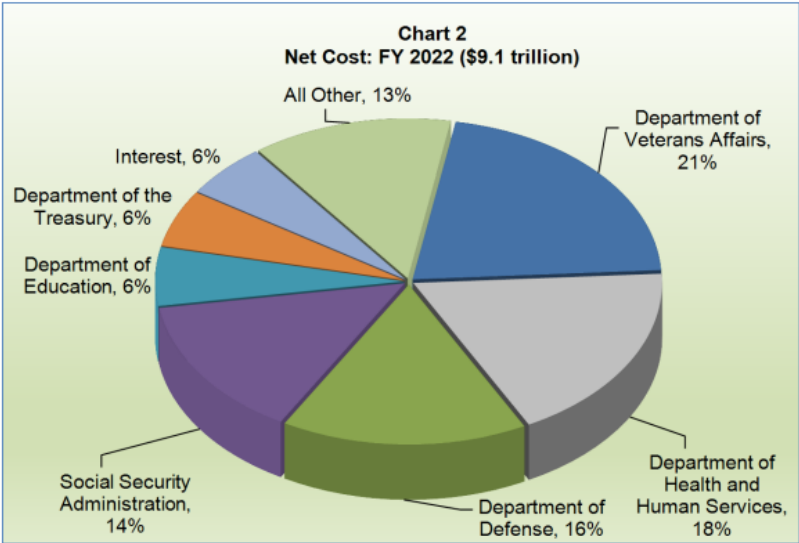




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* Restated (see Financial Statement Note 1.V).

**Balance Sheet:
Assets & Liabilities**



Increases and Decreases – Balance Sheet

Line Item	FY 2022	FY 2021	Change	Comment
Assets				
Total Assets	\$4,962.4	\$4,893.6	+ \$68.8	See Below
Total Liabilities	\$39,022.3	\$34,777.7	+ 4,244.6	See Below

Line Item	FY 2022	FY 2021	Change	Comment
Assets				
Cash & Monetary Assets	\$877.8	\$475.0	+ \$402.8	Return to “normal” cash management levels
Net Loans Receivable	\$1,434.1	\$1,651.0	- \$216.9	Education (student loans), SBA (PPP, EIDL)
PP&E	\$1,197.5	\$1,176.9	+ \$20.6	DOD @68%
Liabilities				
Debt Held By The Public	\$24,328.0	\$22,344.8	+ \$1,983.2	Debt/GDP: @97%; Does not include intragov debt
Fed Empl & Vet Benefits	\$12,811.9	\$10,183.0	+ \$2,628.9	Assumptions Changes – Veterans Benefits

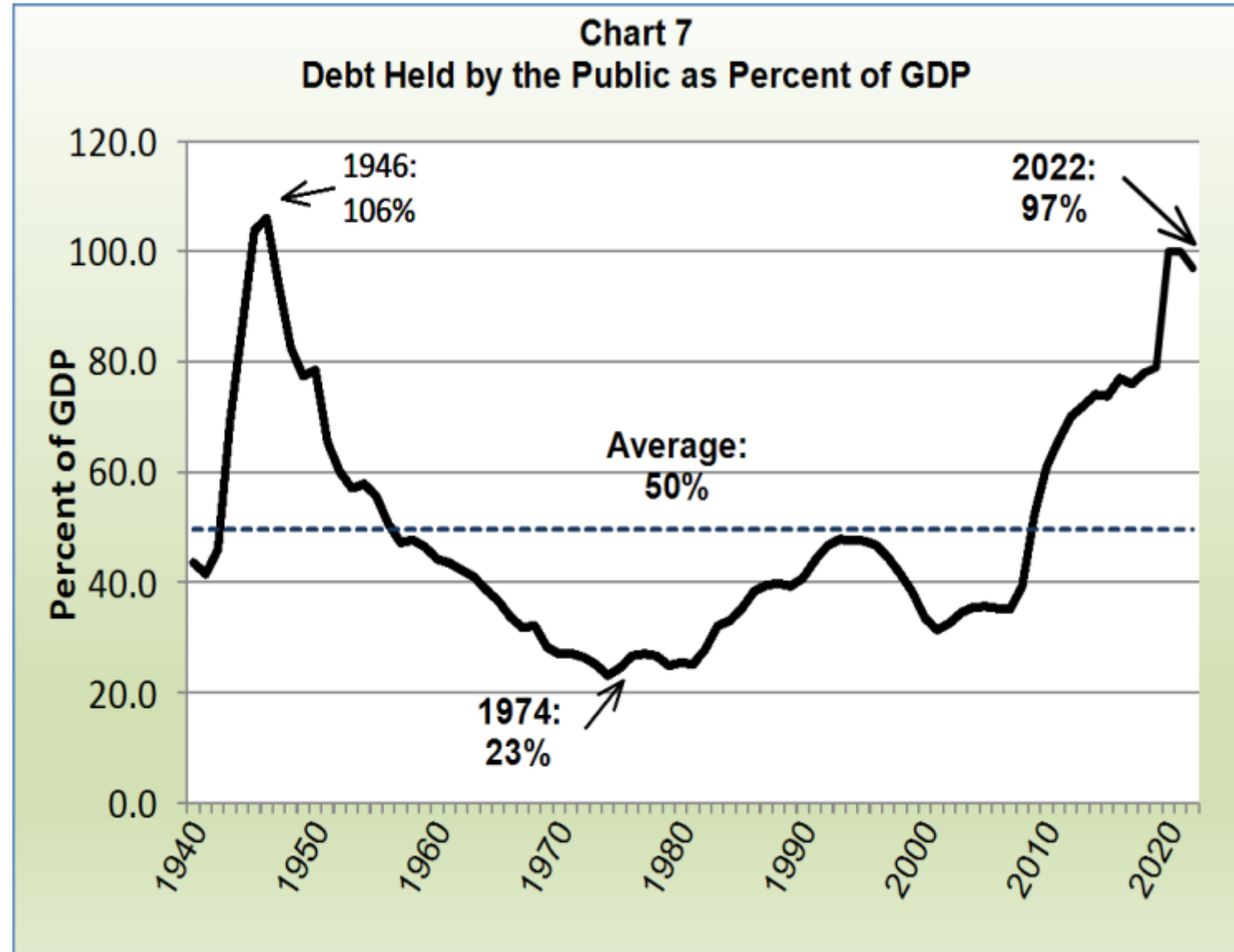




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**Sustainability:
Social Insurance &
Long-Term
Fiscal Projections**

- Current Law (SOSI) & Policy (Fiscal Sustainability)
- Projections, NOT Predictions.
- 75-Year Projections = ***UNCERTAINTY***

Statement of Social Insurance Summary

- ▶ Consolidated statement of the actuarially calculated status of major social insurance programs
 - Social Security, Medicare (Parts A, B, D), Railroad Retirement Board (RRB), Black Lung
 - Actuarial net present value of expenditures / revenues over **75 years***
 - Current Law (with exceptions – e.g., Debt Limit)
- ▶ *Black Lung – 40 years

Social Insurance Future Expenditures in Excess of Future Revenues					
Dollars in Trillions	2022	2021	Increase / (Decrease)		
			\$		%
Open Group (Net):					
Social Security (OASDI)	\$ (23.3)	\$ (22.7)	\$ 0.6		2.6%
Medicare (Parts A, B, & D)	\$ (52.5)	\$ (48.2)	\$ 4.3		8.9%
Other	\$ (0.1)	\$ (0.1)	\$ -		0.0%
Total Social Insurance Expenditures, Net (Open Group)	\$ (75.9)	\$ (71.0)	\$ 4.9		6.9%
Total Social Insurance Expenditures, Net (Open Group) - Percent of GDP	(4.2%)	(4.4%)			

Source: Statement of Social Insurance

Audit Disclaimer - "...significant uncertainties...primarily related to the achievement of projected reductions in Medicare cost growth...prevented us from expressing an opinion..."

SOSI – Trust Fund Depletion



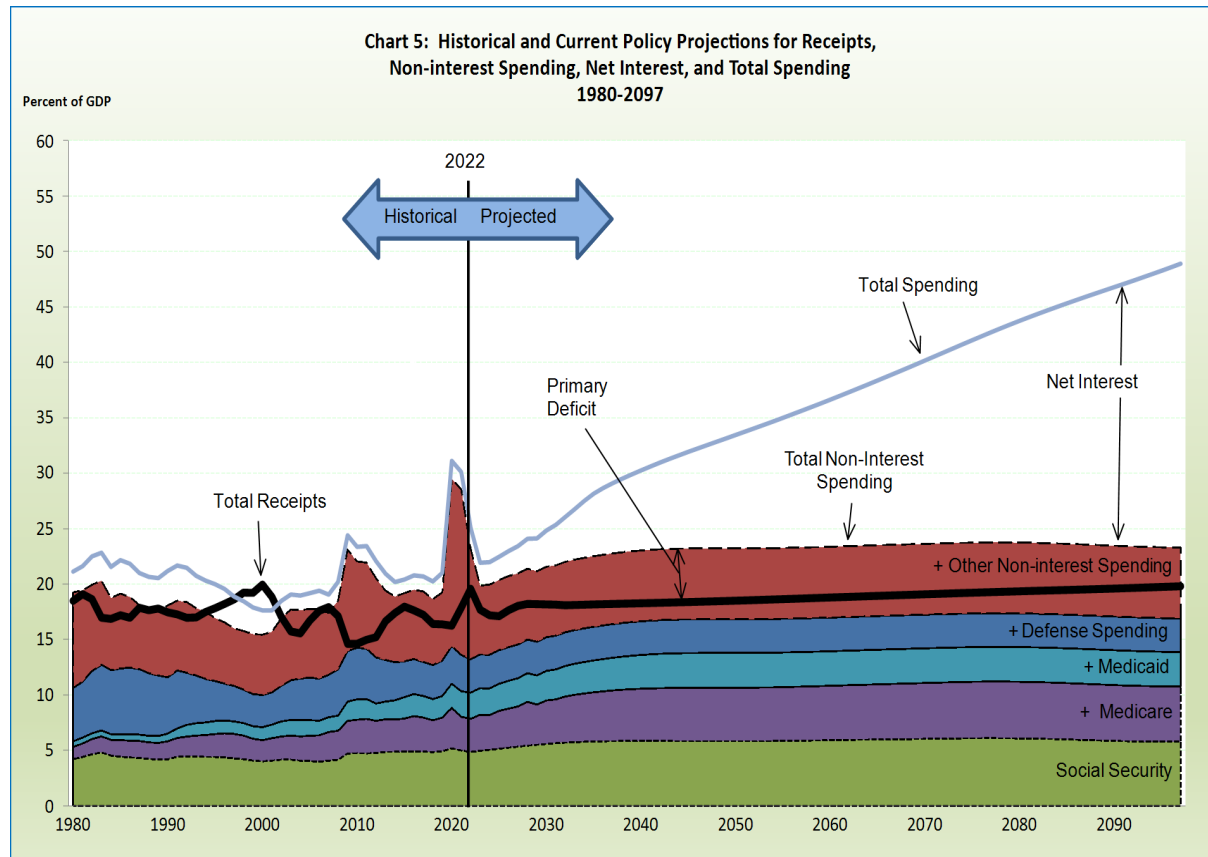
Table 1: Trust Fund Status		
Fund	Projected Depletion	Projected Post-Depletion Trend
Medicare Hospital Insurance *	2028	In 2028, trust fund income is projected to cover 90.0 percent of benefits, decreasing to 80.0 percent in 2046, then returning to 93.0 percent by 2096.
Combined Old-Age Survivors and Disability Insurance **	2035	In 2035, trust fund income is projected to cover 80.0 percent of scheduled benefits, decreasing to 74.0 percent by 2096.
* Source: 2022 Medicare Trustees Report ** Source: 2022 OASDI Trustees Report		
This Report's projections assume full Social Security and Medicare benefits are paid after fund depletion contrary to current law.		

Long Term Fiscal Projections (OMB)

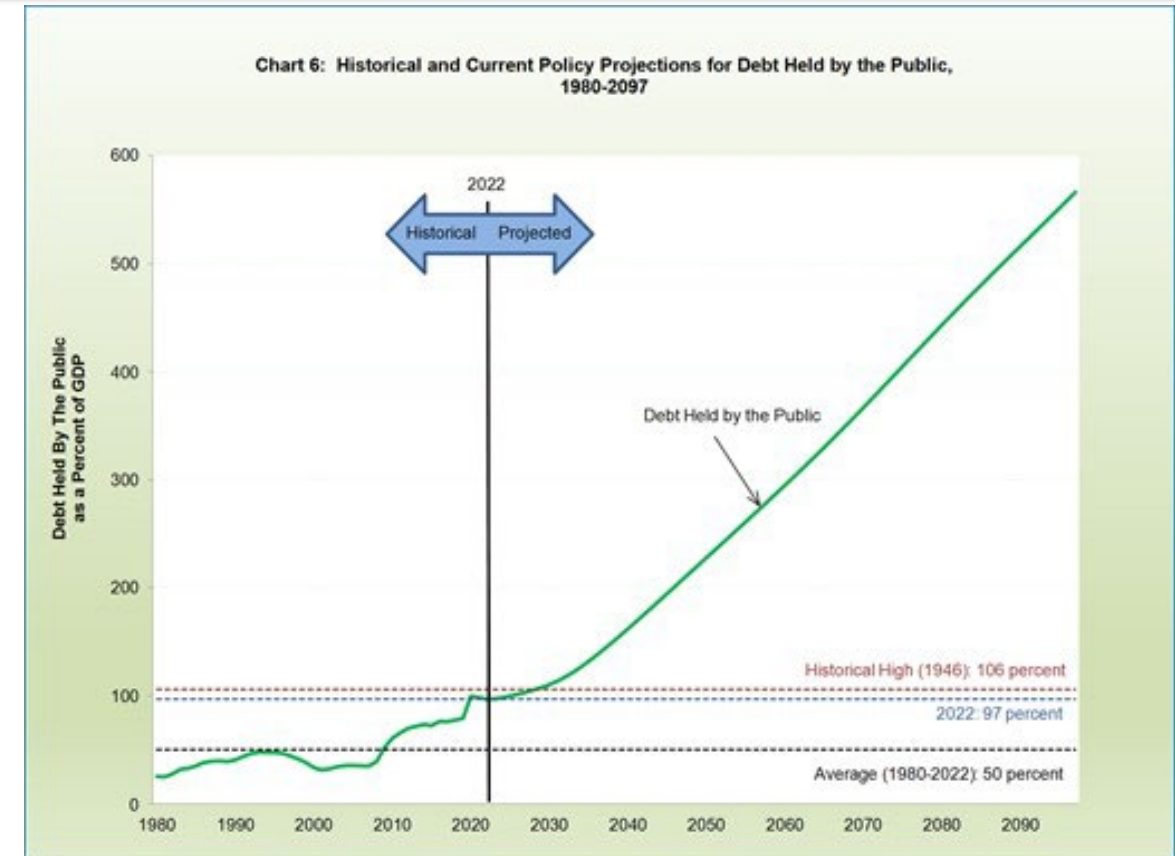
Sustainability Definition:

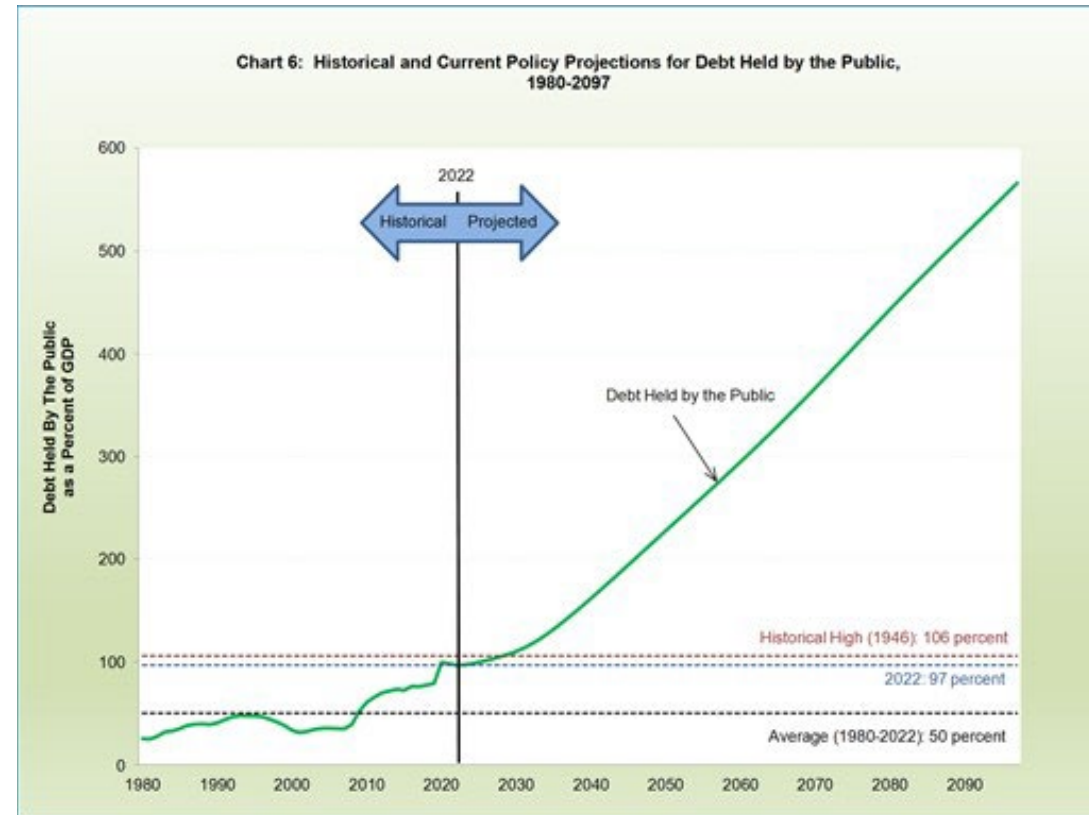
Debt/GDP remains stable/declines over the long term.

Receipts, Spending, Deficits as % of GDP



Debt Held By The Public as % of GDP





Projections in the Financial Report indicate that the Government's debt-to-GDP ratio is projected to continuously rise over the projection period and beyond if current policy is kept in place. ***This trend implies that current policy is not sustainable.***

- OMB guidance for FY 2022 reporting:
 - requires agencies to “summarize efforts taken or planned to assess, measure, and mitigate risks related to climate change that could affect the entity’s financial performance” in their MD&As
 - Requires agencies to include hyperlinks to their Climate Action Plans and other information.
 - Encourages additional information.

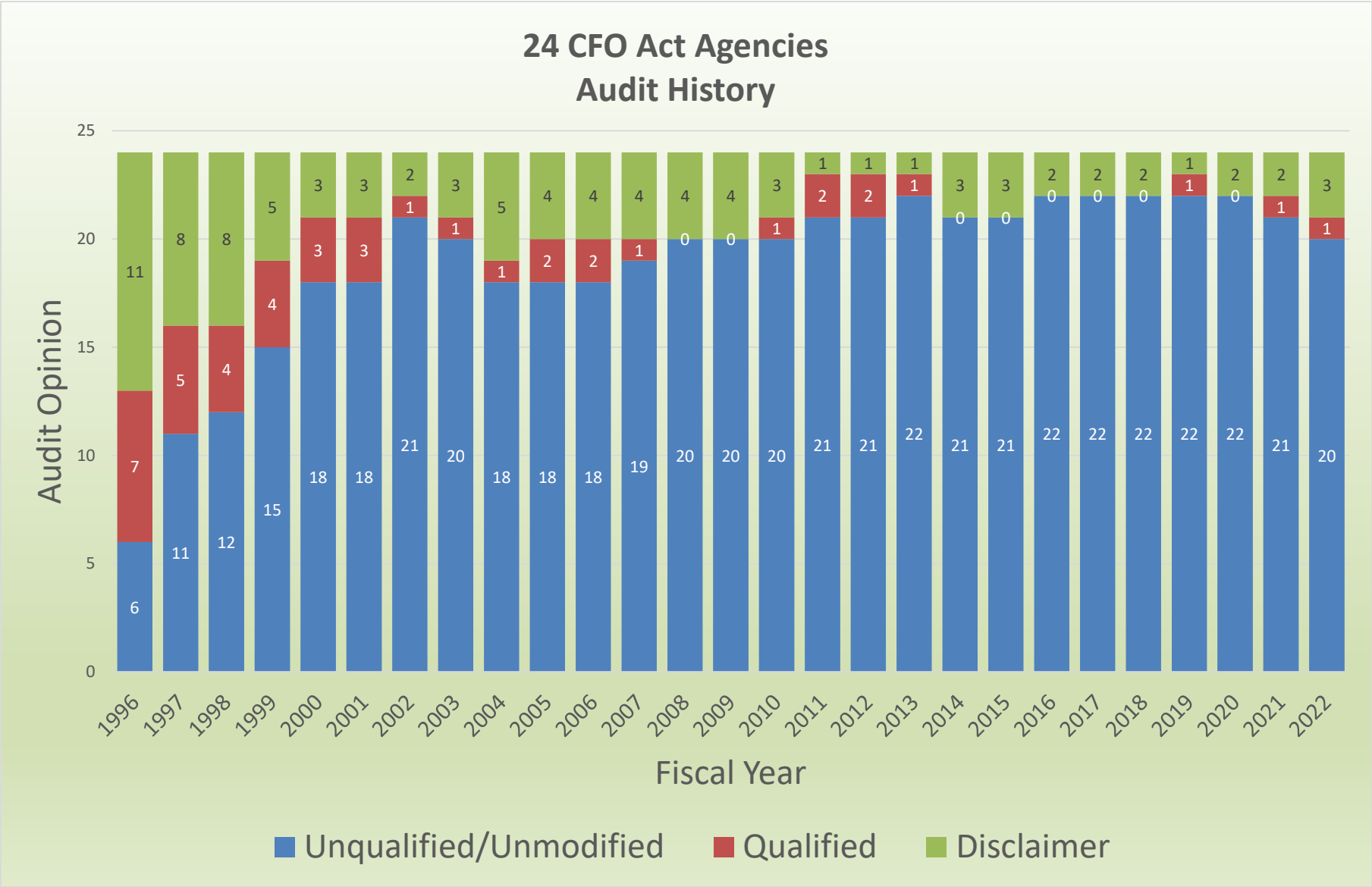
Source – OMB Circular A-136, Federal Financial Reporting



Financial Report of the U.S. Government Selected Data	FY 1997	FY 2022
Budget Deficit	\$15 b	\$1.4 t
Tax and Other Revenue	\$1.6 t	\$4.9 t
Net Operating Cost	\$21 b	\$4.2 t
Total Assets	\$1.6 t	\$5.0 t
Public Debt + Accrued Interest	\$3.8 t	\$24.3 t
Total Liabilities	\$6.6 t	\$39.0 t
Social Insurance Net Expenditures	\$1.8 t*	\$75.9 t

*Required Supplementary Stewardship Information

Agency Unmodified Audit Opinions	10	20
FRUSG Audit Opinion	Disclaimer	Disclaimer



USASpending & Your Guide to America's Finances



"A regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time."

U.S. Constitution, Article 1, Section 9



YOUR GUIDE TO AMERICA'S FINANCES

How much money has the federal government collected and spent in fiscal year 2023¹?



 Overview

Revenue

Spending

Deficit

Debt

<https://www.usaspending.gov/>

<https://fiscaldata.treasury.gov/americas-finance-guide/>

For More Information



https://www.fiscal.treasury.gov/fsreports/rpt/finrep/fr/fr_index.htm

www.usaspending.gov

<https://www.whitehouse.gov/omb/management/office-federal-financial-management/>

<https://www.gao.gov/federal-financial-accountability>