

FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD
Board Meeting Minutes
August 16-17, 2023
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. McNamee, Patton, and Vicks. The executive director, Ms. Valentine, was present throughout the meeting. Mr. Garay represented FASAB’s General Counsel.

Wednesday, August 16, 2023

Administrative Matters

- **Clippings and Updates**

Mr. Scott recognized Mr. Bell for receiving the AGA Einhorn-Gary Award presented at the 2023 AGA Professional Development Training. The award recognizes an AGA member or an organization that has, over a sustained period, made major contributions to advancing government accountability at the local, state, and/or federal level.

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 evaluating the feedback on the Preliminary Views document. They are currently focused on “category B transactions” (transactions that do not have a performance obligation) and the associated recognition unit of account. Members decided to retain the time requirements as a recognition attribute. They also decided that purpose restrictions should not be a recognition attribute.
- 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. The Board decided to remove governmental funds from the scope of the project, including their recognition and presentation. Members also decided not to proceed with the related concepts statement project on recognition of elements of financial statements.
- 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 is on the path to a final Statement. Members discussed the illustrations extensively at the last meeting.
- 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 class, and more specific guidance on a “capital asset held for sale.” The Board approved a pre-ballot exposure draft (ED); the ballot draft is expected to be approved at the next meeting.
- 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 is focusing on refining the terminology. Members spent considerable time discussing whether “severe financial *distress*” or “severe financial *stress*”

is most appropriate. They ultimately decided on “severe financial *stress*.” Members defined “severe” as greater than substantial, including but not limited to catastrophic matters.

- Infrastructure assets – This new project is the result of research on capital assets. The project will address issues related to accounting and financial reporting for infrastructure 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 is discussing the definition of “infrastructure assets” and reviewing the definition from Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*. Members are considering a few modifications to the existing definition of “infrastructure” to make it more contemporary and clear. They agreed that infrastructure assets should continue to be reported at historical cost and should either be depreciated over their estimated useful life or subject to a preservation method. One concept with the preservation method that differs from the existing approach is that the government cannot lower the condition level when it is below the established level.
- Subsequent events (reexamination of Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*) – GASB has added to its pre-research agenda a project on subsequent events. The objectives of the pre-agenda research are (1) to evaluate the effectiveness of the existing guidance for subsequent events and (2) to consider the need for revisions to those standards. If additional guidance is needed, another objective is to consider revising accounting and financial reporting for subsequent events. The pre-agenda research did show some inconsistencies in the reporting and understanding of subsequent events.
- 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 in electronic form. 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 the Financial Accounting Standards Board (FASB) and the International Accounting Standards

Board (IASB) on their taxonomies to understand what their approaches are and the associated benefits and drawbacks.

One member asked if GASB has a sense of the extent to which governments are now using the modified approach for infrastructure assets. Ms. Reese noted that staff had researched and found that it is a relatively small number (possibly 20%). More states are applying the modified approach than local governments.

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

Agenda Topics

- **Climate-Related Financial Reporting**

Ms. Gilliam, assistant director, introduced [topic A](#), the climate-related financial reporting project, and reviewed the project history. During the June 2022 meeting, members had agreed to analyze the Task Force for Climate-Related Financial Disclosures (TCFD) recommendations as a starting point for developing the federal framework. From December 2022 through June 2023, staff had presented education sessions to help members learn more about TCFD and which organizations are adapting it.

In June 2023, the International Sustainability Standards Board (ISSB) published the International Financial Reporting Standards (IFRS) S2, *Climate Related Disclosures* (IFRS S2 or S2). IFRS S2 included the four core TCFD recommendations (governance, strategy, risk management, and metrics and targets) and the 11 recommended disclosures. The International Public Sector Accounting Standards Board (IPSASB) decided to adapt IFRS S2 for public sector climate-related disclosures.

Ms. Gilliam recommended IFRS S2 to the Board to begin developing the federal climate-related financial disclosure framework. She presented five factors for the Board in considering IFRS S2.

Factor 1: IFRS incorporated all TCFD requirements into its S2 standards, which are already being adopted worldwide. For example, the federal government began using TCFD terminology in 2021. Executive Order 14030, *Climate-Related Financial Risk*, included a policy about “physical risks” and “transition risks” in section 1, which are the risks referred to in TCFD. Other governments, such as a number of Canadian cities, are adapting TCFD for financial reporting disclosures, and the Securities and Exchange Commission has based its climate-related disclosure proposal on TCFD recommendations.

In addition, the Office of Management and Budget's (OMB) Circular A-136, *Financial Reporting Requirements*, recommended including TCFD information in Other Information. Some federal entities have included a discussion on climate-related events in their fiscal year (FY) 2022 financial reports based on the four TCFD pillars.

IFRS S2 has incorporated all TCFD recommendations and, therefore, would provide an excellent model to begin assessing information that potentially could be included in the federal reporting model to disclose federal climate-related risks and opportunities.

Factor 2: IFRS S2 includes authoritative terms such as climate resilience, climate-related physical risks, and climate-related risks and opportunities. IFRS S2 terms are a good starting point for FASAB to begin defining its climate-related terms.

Factor 3: IFRS S2 requires reporting only on material climate-related risks and opportunities. FASAB standards require only reporting of items material to reporting entities. IFRS S2 is a good starting point to assess federal reporting of material climate-related risks and opportunities in relation to governance, strategy, risk management, and metrics and targets.

Factor 4: IFRS S2 addresses preparer burden by recognizing an organization's capacity for gathering necessary climate-related information. According to the Budget of the U.S. Government for FY 2024: Analytical Perspectives, there are limited climate financial tools, which results in underestimating climate risk. The lack of data and modeling make it difficult to accurately assess climate-related financial risk.

IFRS S2 is a good starting point to understand a reporting entity's capacity and potential challenges in collecting information for climate-related financial disclosures.

Factor 5: IPSASB will develop public sector climate-related disclosures using the IFRS S2 model.

To explain factor 5, Ms. Gilliam introduced the IPSASB education session and panelists:

- Mr. Dave Warren, deputy director of IPSASB
- Ms. Celine Chan, senior manager at IPSASB and project lead on climate-related disclosures
- Ms. Renée Pichard, CPA, partner in Deloitte's Accounting and Environmental, Social, and Governance Reporting Advisory, represents Canada as a member of the IPSASB, serves as chair of IPSASB's natural resources task force, and is a member of IPSASB's sustainability reporting steering committee

The IPSASB panelists reviewed the following:

IPSASB published a consultation paper on public sector sustainability reporting in May 2022. Feedback indicated strong support for initiating a project.

IPSASB decided to move forward with developing standards for climate-related disclosures. IPSASB may explore other sustainability reporting as it identifies funding.

IPSASB will start with IFRS S2 as a baseline for developing the public sector standards and will layer on additional guidance from the Global Reporting Initiative to address the multi-stakeholder approach called for by public sector constituents. IPSASB provided an overview of IFRS S2, highlighting six key disclosure areas including strategy and decision-making, current and anticipated financial effects, climate resilience, scope 1-3 greenhouse gas (GHG) emissions, industry-based disclosures, and climate-related targets.

Next steps for IPSASB include developing a climate-related disclosures ED (expected June 2024), setting up working groups, and securing funding and resources to advance sustainability reporting.

IPSASB reviewed reporting of climate-related reporting by other governments:

The Canadian Sustainability Standards Board has been established and will address both the private and public sectors. The first meeting was in July 2023.

The United Kingdom is rolling out adoption of the TCFD framework by 2025-2026 with a phased-in approach.

Section 23 of the Net-Zero Emissions Accountability Act (March 2023) requires the Canadian government to publish an annual report on key measures taken to manage climate-related financial risks and opportunities. The first report is due by the end of 2024.

Mr. Scott thanked the panelists and opened the floor to Q&A.

Before answering questions, IPSASB emphasized that this project is just beginning and there are many unknowns.

IFRS S2 includes multiple references to reporting about resource capacity/limitations. What feedback did IPSASB receive on the consultation paper as it relates to managing the disclosure burden in accordance with resources? Is IPSASB going to index the requirements to resource capacity?

The trend for sustainability reporting is that users want more information. IPSASB will develop standards that provide a balance between user needs and resource capability. IPSASB is not looking to overextend jurisdictions that have limited resources. It will follow the ISSB literature that states that reporting should be in line with the resources that are available.

Why did Great Britain decide to use TCFD instead of IFRS S2?

Great Britain initiated the project over a year ago when TCFD was the only option available. His Majesty's Treasury remains open to adjusting its requirements as IPSASB explores the future of public sector sustainability standards. His Majesty's Treasury is reviewing the overlap between TCFD and S2 and is following IPSASB to monitor that reporting option since His Majesty's Treasury is a public sector entity.

FASAB uses the term “disclosure” to describe a footnote to the financial statements. How does IPSASB define disclosures for this project? Is it outside the financial statements but in the general purpose federal financial report (GPFFR)?

IPSASB is not using the term “disclosure” for recognition measurement. It would be a “non-financial information disclosure” in GPFFRs.

Members are concerned about how extensive TCFD/S2 reporting is and whether it connects with financial reporting. For example, Canadian city TCFD reporting goes on for pages trying to make the connection between sustainability reporting and financial reporting. How does IPSASB view S2 and its connection to financial reporting?

IPSASB plans to introduce sustainability standards as a suite of standards that will be separate from any existing financial reporting standards. IPSASB believes that sustainability reporting disclosures should encourage better financial decision making.

TCFD recommends discussing financial implications on financial planning, financial performance, and financial position. IFRS S2 provides more specific guidance than TCFD on linking sustainability reporting to the financial statements.

The IASB is assessing what information financial statements should disclose, where it should be located, and how this information relates to sustainability reporting and the climate-related risks and opportunity disclosure outside of the financial statements. IASB may provide guidance on how to bridge the gap between sustainability and financial reporting for better integration.

TCFD requires reporting about governance. Governance for the U.S. government is at the government-wide level, the department level, and agency level. Has IPSASB considered how to scale S2 for different entity sizes so this information does not overwhelm the rest of the GPFFR?

Yes, the guidance in S2 on governance can be adapted to different entity sizes. IPSASB recognizes that governance over climate change can be complex. In an organization the size of the U.S. government, it would be more challenging to disclose.

The TCFD framework provides guidance for the management of climate-related risks and opportunities and their impact on financial planning, financial performance, and financial position. Some entities may be just starting to produce these reports. Over time, IPSASB hopes the reports will become clearer, more streamlined, and succinct.

How is IPSASB planning to develop industry-specific disclosures for the public sector?

IFRS S2 refers to Sustainability Accounting Standards Board standards for industry. IPSASB will consider how to apply the standards to the international and public sector.

IPSASB wants to align public sector standards to the private sector standards, where appropriate, to ensure that disclosures for similar actions against climate change across industries and sectors are comparable, consistent, and reliable (for example, GHG emissions reporting). The principle behind scope 1, 2, and 3 is irrespective of how an entity builds or organizes its supply chain—the standards call for GHG emissions reporting across the entire supply chain.

For example, there could be two organizations that operate differently. One produces its product primarily in-house. Scope 1 and 2 reporting would make up the majority of its emissions. Another organization primarily outsources through its supply chain from a third party. That entity's emissions would spread across scopes 1, 2, and 3. By requiring disclosure of scope 1, 2 and 3, both organizations present their emissions across the supply chain in a consistent manner. This provides a more comparable measure of total emissions.

Is there a baseline for eco-friendly use of energy?

There is nothing specific on the energy profile of a nation. However, through S2, entities should disclose risks associated with the climate environment. For example, a coal power plant that is spewing smoke into the air versus one that is using carbon capture as power to generate a significant amount of its energy. The country has already taken steps to move away from GHG emissions as they relate to energy, so IPSASB would expect that to be a disclosure if the country was applying S2 or an IPSASB framework.

A key characteristic of reporting is faithful representation, which gives a complete and neutral view of the entity's position, risks, and opportunities. This carries over into sustainability reporting and would help with comparability, consistency, and reliability of these reports.

Question 1 – Do members agree with using IFRS S2, *Climate-related Disclosures*, as a model to begin developing a federal climate-related financial disclosure framework?

Members agreed that IFRS S2 was a good starting point but had the following comments and concerns:

- S2 (TCFD) reporting includes an extensive list of requirements.
- The Board should determine what requirements from S2 are appropriate for FASAB's mission and concepts.
- The Board should focus on a principles-based approach.
- Do S2 standards include a financial connection?
- The Board should determine if and how to disclose quantitative financial effects.

- What information is relevant and where should it go in the GPFFR—management’s discussion and analysis (MD&A) or required supplementary information?
- How will the information be audited?
- Should the Board consider long-term projections, similar to the statement of social insurance?
- Will entities report all necessary information if the Board includes the S2 requirement that preparers can use judgment in considering undue cost or effort to report the information?
- What should agencies report to provide relevant information at the government-wide level?
- Should the Board consider a phased approach?
- The Board should not create a compliance model that becomes a checklist.

Next steps: Review a project plan to determine the steps necessary for the Board to analyze S2 in relation to FASAB’s mission and concepts.

The meeting adjourned for lunch.

- **Leases**

Mr. Perry, assistant director, introduced [topic B on leases](#).

Mr. Scott instructed staff to summarize the staff analysis corresponding to each of the 10 questions for the Board in the briefing material, along with the preliminary responses of members to those questions.

The Board also agreed to move through the questions in the following order: questions 1-7, followed by question 10, followed by questions 8-9.

Question 1 – Do members have any questions or concerns as it relates to the responses received to the ED proposal based on the responses received on question for respondents (QFR) #1?

Mr. Perry provided a high-level summary of the comment letters submitted in response to the ED, [Transitional Amendment to Statement of Federal Financial Accounting Standards \(SFFAS\) 54](#), and QFR #1. He noted that a majority of respondents, 17 of 21, generally agreed with the proposed transitional amendment. Sixteen of 21 respondents also agreed or partially agreed with the alternative view. Some respondents also expressed concerns with the proposal and/or alternative view. To that end, staff also included an analysis of conceptual, technical, procedural, and other considerations

related to the alternative view in the briefing materials to assist members during deliberations.

Mr. Perry noted that all seven members providing preliminary feedback to staff in advance of the meeting generally agreed with staff's analysis of QFR #1. A few members expressed that, while they had additional feedback on the responses received that would require Board discussion, they would discuss those items under subsequent QFRs and discussion items.

One member expressed a general observation that some respondents did not appear to fully understand the extent to which the proposals would provide transitional relief for existing contracts and agreements meeting the eligibility criteria.

Several members also agreed that longstanding federal generally accepted accounting principles (GAAP) have required the separation of lease and nonlease elements of multiple element arrangements under FASB Accounting Standards Codification® Topic 840-10-15, paragraphs 16-19. The Board elected to bring these provisions into SFFAS 54, *Leases*, paragraphs 72-77, based on extensive due process and deliberation. At least one member observed that the basis for conclusions in SFFAS 54 did not have an extensive discussion of paragraphs 72-77.

Question 2 – Do members have any questions or concerns as it relates to the responses received in response to QFR #2?

Question 3 – Do members agree with staff recommendation #1 (and the related edits at attachment 2, par. 3)?

Mr. Perry noted that respondents generally agreed that paragraph 96A proposals would effectively scope in “embedded leases.”

Mr. Perry also summarized the mixed views provided by respondents on the expected level of effort for applying the paragraph 96A eligibility criteria proposals. The Board discussed that several respondents found the criteria to be reasonable and sufficient for reducing implementation burdens.

Several members encouraged staff to perform outreach on the transitional amendment to clarify certain matters raised by respondents. Members encouraged staff to consider releasing a podcast to answer common questions that are likely to be raised.

In summarizing staff recommendation #1, Mr. Perry expressed staff's belief that, based on the nature of certain comments in response to paragraphs 3-4 of the ED, it would likely be helpful for the basis for conclusions to discuss the contextual nature of these two paragraphs and also explain the use of the term “may” under paragraph 96A.a.

Members generally agreed it would be helpful to align the contextual information provided under paragraph 3 with the language used in paragraph 73 of SFFAS 54.

Mr. Perry noted that members generally did not have any additional questions or concerns about the responses to QFR #2. He also noted that all seven members providing preliminary feedback to staff in advance of the meeting agreed with staff's recommendation #1.

Members expressed their agreement with staff recommendation #1. (*Staff note: The Board further discussed the corresponding revisions to the basis for conclusions on Thursday; see Thursday meeting minutes below.*)

Question 4 – Do members have any questions or concerns as it relates to the responses received in response to QFR #3-5?

Mr. Perry summarized that a substantial majority of respondents were generally supportive of the design of paragraphs 96B-96C proposals. He noted that respondents taking exception generally requested further relief, including lengthening of the accommodation period, or additional guidance on the proposals. Mr. Perry noted that respondents were also generally supportive of the paragraph 96D proposal to allow reporting entities to apply the provisions of paragraphs 96A-96C to groups of contracts or agreements that are reasonably similar in nature.

Mr. Perry noted that four of eight members providing preliminary feedback to staff on question 4 in advance of the meeting did not have any additional questions or concerns, while four of eight members provided preliminary general or technical observations to staff.

One member noted that the prospective application proposal is intended to apply to modifications that *become* (emphasis added) effective after the accommodation period-end. The member noted that modifications occurring prior to the accommodation period-end would oftentimes continue to be effective after the accommodation period-end; however, the Board did not intend to require prospective application of paragraph 73 in such instances. The member stated that the phrase “are effective” should be changed to “become effective” in paragraph 96C. The Board agreed to implement this change.

Question 5 – Do members agree with staff recommendation #2 (and the related edits at attachment 2, par. 5)?

The Board discussed the relevant factors presented by staff for analyzing the accommodation period length and the recommended options for the Board to consider. Options included keeping the maximum two-year accommodation period as proposed in the ED; extending the maximum accommodation period from two to three years; or extending the maximum accommodation period from two to four years.

Mr. Perry noted that five of the seven members providing preliminary feedback to staff on question 5 in advance of the meeting agreed with staff recommendation #2 to extend the maximum accommodation period to three years.

Members noted that some responses to the ED indicated that an additional year could be beneficial to facilitate applying the requirements of paragraph 73 for contracts or agreements meeting the eligibility criteria.

In light of this feedback, the Board agreed to extend the maximum accommodation period from two to three years.

Question 6 – Do members have any questions or concerns as it relates to the responses received to QFR #6?

Question 7 – Do members agree with staff recommendation #3?

The Board agreed that respondents were generally supportive of the proposed disclosure requirements of paragraph 96E.

Members discussed the intent of the provision to limit the disclosure to the reporting periods during the accommodation period and the reporting period immediately following the accommodation period. Members generally agreed that the provisions would provide for consistent disclosures and prevent costs associated with assessing the decreasing significance of the election on financial statements during reporting periods subsequent to the reporting period immediately following the accommodation period.

Members agreed that this provision was consistent with the Board's objective to prevent undue burdens for reporting entities electing to apply the accommodation. One member noted that paragraph A11.d of the ED already addresses the provision within the context of this Board objective. Accordingly, the Board agreed that additional explanatory basis for conclusions discussion on the matter (staff recommendation #3) would be redundant and, therefore, unnecessary.

Question 10 – Do members agree with staff recommendation #4 or otherwise wish to remove the illustration under appendix B of the proposed Statement?

The Board expressed concurrence with staff recommendation #4 and agreed to include the non-authoritative illustration appendix in the final pronouncement.

Next steps: Mr. Scott—noting the allotted time on the next day's agenda for discussing leases—instructed staff to prepare updates to the basis for conclusions for Board review and discussion.

- **Annual Report Review**

In addition to the Board, the following Appointments Panel members were present for the session: Ms. Harrison, Ganeriwala, and Mr. Murrin. Mr. Showalter was absent.

Mr. Scott opened the discussion by noting that for the first time FASAB members and the FASAB Appointments Panel members were meeting in a joint session. Due to

forthcoming structural changes to the Appointments Panel, the Appointments Panel members will be meeting in public sessions to discuss the FASAB annual report.

Ms. Valentine introduced the draft FY 2023 annual report from topic C. She noted that FASAB releases an annual report and three-year plan each fiscal year to enhance visibility of its operations and to obtain input regarding the Board's plans. The report includes a letter from the chair and a letter from the executive director. It also includes FASAB's collaboration, outreach, and educational activities throughout the fiscal year, as well as a section on governance, operations, and budgetary resources.

Ms. Valentine added that Board members complete a survey annually to assess the Board's conformance to the five criteria, as identified by the American Institute of CPAs, that are essential for a GAAP standard-setting body. The survey results provide information needed for the annual report and support continuous improvement. The survey results are provided to the Appointments Panel and the Board. Survey results are also summarized and included in the annual report.

Ms. Valentine noted that she had added to the report highlights from the member survey identifying areas that contributed to the effectiveness and efficiency of the Board during the year. She asked members to note others as needed. Ms. Valentine reminded Board members that an administrative session would be held in December to discuss specific operational improvements noted by members in the survey.

The objective for the session was for the Appointments Panel and Board members to review an initial draft of the FY 2023 annual report and three-year plan. Ms. Valentine reminded the members that since the report would not be issued until November, they would have an opportunity to see an updated version at the October Board meeting. She also noted that staff had received some comments from members with suggested edits on the draft report. A couple of other members noted they would be submitting their suggested edits to staff in the coming week.

Ms. Valentine asked the members two questions:

Question 1 – Do members have any suggested revisions to the annual report?

Question 2 – Do members have any suggested revisions to the three-year plan?

The members of the Appointments Panel and the Board primarily discussed how to document in the annual report FASAB's performance in terms of outcomes and output measures (for FASAB as both a GAAP standard setter and a Federal Advisory Committee Act committee). The group also discussed how to promote a theme of relevance. The Board discussed several suggestions:

- Confer with staff at GASB and FASB on their output measures.
- Consider using technical inquiry response times as a measure.

- Increase the use of podcasts to reach the community.
- Highlight cross-cutting standard-setting activities.
- Expand the section on standard-setting activities.
- Include balanced training feedback.

Ms. Valentine addressed the suggestion to consider using technical inquiry responses as an output measure. She noted that measuring staff's technical inquiry response time would not be an appropriate measure given the numerous factors that affect a final inquiry response. Those factors include staff's workload at the time of the inquiry, Board meeting preparation, follow-up with the submitter, the potential need for additional information from the submitter, when additional information is provided, availability of peer review, etc. Ms. Valentine reminded members that, in addition to regularly providing responses to technical inquiries, staff also conducts task force meetings, attends government-wide meetings representing FASAB, and participates in a variety of outreach activities.

Ms. Valentine noted that she would work with staff to update the draft FY 2023 annual report based on the meeting discussion and subsequent comments from both Appointments Panel and Board members.

Ms. Valentine reminded Appointments Panel and Board members to provide any other suggested edits to her so that staff could make those updates and have a final draft ready for the October Board meeting.

Adjournment

The Board meeting adjourned for the day at 4:15 p.m.

- **Steering Committee Meeting**

The Committee discussed FASAB's FY 25 budget, as well as other administrative matters.

Thursday, August 17, 2023

Agenda Topics

- **Leases**

Question 8 – Do members have any questions or concerns as it relates to the responses to QFR #7?

Question 9 – Do members agree with the conceptual, technical, and other considerations provided under staff's analysis of QFR #7? Do members have

other factors that they considered when analyzing responses to QFR #7 that they wish to discuss?

Mr. Perry introduced an updated version of topic B attachment 2. He noted that staff completed updates to the basis for conclusions after the first leases session on Wednesday.

Mr. Perry summarized the updates to the basis for conclusions:

- Staff summarized changes implemented by the Board in response to feedback from ED respondents during Wednesday's deliberations.
- Staff included an introductory statement referring to input provided by respondents that did not result in further modifications to the Statement.
- Staff included a paragraph summarizing factors considered by the Board during Wednesday's deliberations when analyzing the length of the accommodation period and related respondent feedback to the proposal and alternative view. Mr. Perry summarized the four factors, noting that they were generally consistent with factors analyzed in the briefing material (topic B, p. 10-14). Staff recommended summarizing the concerns and considerations identified by the Board and respondents rather than provide too much detail in the basis for conclusions. Mr. Perry noted staff's suggestion to provide an example of one of the many concerns and considerations identified by the Board and respondents.
- Staff included considerations associated with the concept of unit of account. Mr. Perry highlighted the importance of unit of account considerations and why such considerations served as a basis for Board decisions when evaluating alternatives suggested by respondents and discussed among the Board and within the alternative view.
- Staff included proposed explanatory language agreed to by the Board during Wednesday's deliberations on (a) the Board's basis for use of the term "may" in paragraph 96A.a and (b) the contextual language of paragraph 4 of the draft Statement.
- Staff included language suggested by a member related to the alternative view. Mr. Perry noted that the proposed language acknowledges support among many respondents for the alternative view and summarizes the feedback provided by respondents highlighting concerns underscoring that additional research and due process would be necessary before the Board could consider such actions.

Throughout Board deliberations of questions 1-7 on Wednesday the members also discussed aspects of staff's analysis and issues related to questions 8 & 9 in their discussions and decisions on the basis for conclusions summarized above.

Members agreed to several clarifying edits, technical corrections, and other revisions to the updated basis for conclusions, including conforming the references to the accommodation period timeline under paragraphs A9-11 to the Board's Wednesday decision to extend the maximum accommodation period from two to three years.

Mr. Scott noted that the Board might benefit from additional time to review and consider the updates to the basis for conclusions presented by staff. Mr. Scott moved to begin the discussion on the Board's technical agenda and hold the remainder of the leases discussion until after lunch. Members agreed.

- **Technical Agenda Review**

Ms. Valentine introduced [topic E](#)— the technical agenda review—to the Board. She noted that the Board annually reviews its technical agenda to determine priorities for the upcoming year. In addition to setting the Board's priorities in August, the Board will conduct a mid-year review of the technical agenda at the February 2024 meeting.

Ms. Valentine reminded the members that current FASAB staff resources include four assistant directors, two senior analysts, one analyst, one communications analyst, one executive assistant, and the executive director. As many members have noted, given the limited resources, staff continues to provide well-written, well-researched, and technically sound products to the Board and the Accounting and Auditing Policy Committee (AAPC) for deliberations. In addition, staff regularly provides responses to technical inquiries, conducts task force meetings, attends government-wide meetings representing FASAB, and participates in a variety of outreach activities.

Ms. Valentine stated that resources such as detailees and interns, where appropriate, cannot be viewed as permanent resource replacements, given the considerable learning curve and short-term nature of these appointments. She noted that part of her work is to continually monitor all project stages to determine the pace of each particular project.

The objective for the session was for the members to review the Board's technical agenda projects and pre-research topics to determine priorities for the upcoming year.

Current Technical Agenda Projects:

- Climate-Related Financial Reporting
- Land Post-issuance
- Leases Post-issuance
- Omnibus Amendments
- Public-Private Partnerships

- Reexamination of Existing Standards
- Reporting Model – Omnibus Concepts
- Reporting Model – MD&A
- Software Technology: Cloud-Service Arrangements
- Technical Clarifications of Existing Standards
- AAPC – Leases Implementation Guidance Updates

Pre-Research Topic:

- Commitments

Ms. Valentine noted that she had heard from a few members on the two questions posed by staff prior to the meeting. Most members agreed with staff's recommendations. One member did not support the SFFAS 3, *Accounting for Inventory and Related Property*, digital assets work or adding commitments to the research agenda.

One member asked for an update on the responses to the reexamination project's Invitation to Comment (ITC). Ms. Valentine noted that staff had not received any responses on the ITC. She also noted that staff had sent several email reminders via FASAB's listserv and continues to promote the ITC in its outreach. She reminded the members that staff will be reviewing the responses from the ITC in the coming months and that those discussions may lead to adjustments in the Board's current technical agenda.

Ms. Johnson explained that her suggestion to remove digital assets from the technical agenda was because of staff's limited resources and that OMB could handle the issue in Circular A-136. Another member asked about the extent of questions surrounding the issue. Mr. Williams, senior analyst and project manager for this research, responded to the member stating that he is working with several federal entities who have expressed strong interest in FASAB addressing this limited scope issue.

Ms. Valentine directed the members' attention to staff's proposal to add commitments to the Board's research agenda. Ms. Lee, senior analyst, provided a brief pre-research paper on current federal commitments reporting. As noted in the paper, members have raised questions about federal entity reporting of commitments.

One member asked how the commitments research project would affect staff resources needed for the reexamination project. Ms. Valentine reiterated that the Board would have an opportunity in February to discuss the technical agenda again. At that time member can reevaluate project priorities.

Ms. Johnson echoed the other member's concerns about having staff resources available for the reexamination project. She also noted that Circular A-136 could address any issues staff identifies with commitments. Ms. Valentine acknowledged that OMB had added the current commitments reporting requirements in Circular A-136 because of the current gaps in FASAB's accounting standards in the area of commitments. She further noted that she believes the Board should issue level-A GAAP to address voids in the accounting literature and not rely on Circular A-136 for this.

Question 1 – Does the Board agree to continue with the current technical agenda projects and that the use of detailees where appropriate and interns be available to supplement FASAB staff resources to continue moving the projects forward?

Question 2 – Do members believe that a research project on commitments is appropriate?

The Board agreed with staff's recommendations to

- continue with the current technical agenda projects;
- use detailees and interns to supplement FASAB staff resources and continue moving the projects forward, where appropriate; and
- add a commitments project to the Board's research agenda.

There were also brief discussions on

- a potential research project to look into the applicability of FASB's project on more disaggregated income statement disclosures,
 - periodic briefings from FASB and IPSASB staff, and
 - use of detailees, where appropriate.
- **Leases**

Members discussed and agreed to additional revisions to the summary of outreach and responses section in the basis for conclusions.

- Members discussed and agreed to the rearrangement of the proposed paragraphs to improve the flow of the discussion.
- Members discussed and agreed to clarify the proposed paragraph explaining the significance of the relief being provided. Specifically, members agreed to clarify the exception for contracts or agreements existing prior to the accommodation period-end—detailing that they would continue to be accounted for as nonlease contracts unless they are modified after the end of the accommodation period.

- Members discussed and agreed to clarify its re-deliberations and decisions to provide transitional relief based on contract-level primary purpose assessments rather than providing permanent contract-level unit of account measurement approach alternatives based on Wednesday's deliberations.
- Members discussed and agreed to include language referencing the alternative view, acknowledging the support among many respondents, and highlighting the concerns identified by respondents that underscore additional research and due process would be necessary for the Board to consider additional actions. Members also agreed to add a statement indicating that such research would be contrary to the Board's objectives for offering timely relief on "embedded leases" provisions before October 1.

Following the Board's discussion on the revisions to the basis for conclusions, members did not have any further comments on the basis for conclusions.

Next steps: The Board agreed that staff would implement the discussed revisions and distribute a ballot draft, along with ballots, to members. Staff requested that members submit their ballots as expeditiously as possible.

Adjournment

The Board meeting adjourned for the day at 3:00 p.m.