



FASAB Newsletter

Federal Accounting Standards Advisory Board

October-November 2019 TABLE OF CONTENTS

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Disclaimer

The staff of the Federal Accounting Standards Advisory Board publishes the FASAB newsletter following Board meetings to provide highlights of recent Board actions and issues. When an article refers to a Board decision, it should be understood that this is tentative until FASAB issues a Statement of Federal Financial Accounting Concepts (SFFAC) or Statement of Federal Financial Accounting Standards (SFFAS).

Please direct newsletter editorial questions to Leigha Kiger at 202-512-7358 or kigerl@fasab.gov.

Please direct FASAB and AAPC administrative questions to Romona Parker at 202-512-7350 or parkerr1@fasab.gov.

Former Member News

Former Federal Accounting Standards Advisory Board (FASAB or “the Board”) member and chair, D. Scott Showalter, was recently appointed to serve on the International Public Sector Accounting Standards Board (IPSASB). Mr. Showalter’s term will begin on January 1, 2020. He was nominated by the AICPA. The IPSASB develops accrual-based accounting standards and guidance for use by international governments and public sector entities around the world. Mr. Showalter brings a wealth of leadership experience and knowledge to this new role, having recently completed his ten-year term with FASAB in June 2019. Congratulations, Mr. Showalter, and best wishes in your new role!

How to Provide Input on the Annual Report and Three-Year Plan

FASAB published its *Annual Report for Fiscal Year 2019 and Three-Year Plan* on November 15. The combined report allows stakeholders to consider FASAB's progress and invites them to advise the Board about its plans.

The report reviews the Board's efforts and accomplishments during fiscal year (FY) 2019 and provides information and three-year timelines for current projects. FASAB requests your written comments regarding the content of the annual report and the three-year plan.

Written comments are most helpful if they provide the reasoning for your views. Please provide your comments by **January 17, 2020**, by emailing fasab@fasab.gov.

The report is available at <https://fasab.gov/about-fasab/our-annual-reports/>.

Current Board Projects

(For more information, click on the title of the project to be directed to the related active project page.)

[Accounting and Reporting of Government Land](#)

Given Mr. Soltis' preliminary dissent, the Board did not ballot the draft proposed Statement of Federal Financial Accounting Standards (SFFAS) 58, *Accounting and Reporting of Government Land*. The principal provisions of this proposed Statement involve replacing the requirement to report general property, plant, and equipment (G-PP&E) land on the balance sheet at historical cost with a requirement to disclose estimated acres of land for G-PP&E land and stewardship land in three discrete predominant land use sub-categories. Effective in FY 2021, the estimated acre information initially would be presented as required supplementary information and transitioned to note disclosures in FY 2024. Additionally, Mr. Bell confirmed that he would be joining in the dissent.

Messrs. Soltis and Bell explained that a primary reason for their dissents is because it is not clearly evident what cost and effort would be needed to bring the nonfinancial information (estimated acres of land) into the financial statements as note disclosures. They also expressed concern with removing the cost of G-PP&E land currently reported in the financial statements. In their opinion, removing land from the balance sheet would not only require separating costs of combined assets, such as dams, but also would diminish accountability over G-PP&E land. Although Messrs. Soltis and Bell acknowledged that changes to the basis for conclusions have improved the communication of the Board's reasons for the proposed requirements, they do not believe the benefits of the requirements have been demonstrated to outweigh the costs. As an example, they pointed to information on acres of land that is available in

other types of reporting, and there should be a consideration of how that information might be best included in the financial statements.

The Board discussed these concerns and the reasons for proceeding with the requirements in the draft Statement. These included assessing the cost of developing amounts and classifications of estimated acres compared with the cost of estimating the historical cost of land. Members expressed concerns that existing financial reporting is incomplete because it does not convey the federal government's significant ownership of land. The Board also asserted that predominant use land classifications are not a new requirement in financial reporting (for example, SFFAS 29, *Heritage Assets and Stewardship Land*) or in real property reporting requirements (for example, General Services Administration's federal real property profile).

The Board briefly discussed the possibility of modifying or excluding the final Statement's requirement for the nonfinancial data to transition to note disclosures. The Board must resolve several other open questions at future meetings. Some of these issues cannot be addressed until the December 2019 meeting when (1) Mr. Soltis' final dissent can be discussed and (2) all Board members are expected to be present.

Point of Contact: Domenic Savini, 202-512-6841, savinid@fasab.gov

Evaluation of Existing Standards

Loss Allowance for Intragovernmental Receivables

At the October 2019 meeting, the Board considered the comment letters, staff analysis, and staff's proposed Technical Bulletin (TB) 2019-1, *Loss Allowance for Intragovernmental Receivables*. FASAB received 14 comment letters from preparers, auditors, professional associations, and users of federal financial information. Respondents generally agreed with the proposed guidance.

The Board discussed two edits to the proposed TB during the Board meeting. The Board agreed that the excerpt from paragraph 131 of SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, should be removed because it is not necessary. The Board agreed that the paragraph provides the pertinent information that an allowance for intragovernmental receivables may be appropriate, but it may not always be needed.

The Board discussed the issue of effective date and agreed that the TB should be effective upon issuance because it is a clarification of existing standards. However, two component reporting entities are expected to have a delay in submitting their annual financial report. Therefore, the Board agreed the issuance should be held until all component reports are submitted. FASAB anticipates issuing the proposed TB in February 2020.

No FASAB member objected to issuing the proposed TB 2019-1, *Loss Allowance for Intragovernmental Receivables*.

SFFAS 7 – Debt Cancellation

The Board considered whether paragraph 313 of SFFAS 7, which pertains to debt cancellation, needs to be revised. Messrs. Soltis and Bell requested that FASAB review paragraph 313 of SFFAS 7 because they believed there may be a disconnect in requirements related to debt cancellation. This is based on an issue raised during the FY 2018 audit cycle.

The Board agreed that fundamentally paragraph 313 is accurate, but it may be the imprecision of the terms "gain/loss" that is the issue. The Board also discussed that a presentation issue may exist and may be related to how U.S. Standard General Ledger accounts roll up to the statement of changes in net position. The Board believed it may be important to clarify that the categorization or captioning is not important as long as it is on the statement of changes in net position.

The Board agreed that the issue regarding debt cancellation required generally accepted accounting principles (GAAP) clarification. Specifically, the guidance would clarify that debt cancellation is reported on the statement of changes in net position but need not be presented as a specific "gain/loss" line item. The guidance would also provide for enhanced disclosures as appropriate.

Most Board members agreed that the issue should be resolved with the lowest level of GAAP guidance afforded. The Board will consider options at the next Board meeting.

Point of Contact: Melissa Batchelor, 202-512-5976, batchelorm@fasab.gov

Leases Implementation

Staff, along with a panel of experts from the leases implementation task force, provided the Board with status updates and an overview of ongoing implementation efforts. Staff and the panel also discussed challenges faced by agencies in preparing for the forthcoming effective date of SFFAS 54, *Leases, An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government, and SFFAS 6, Accounting for Property, Plant, and Equipment*.

Many agencies are making significant headway in addressing implementation challenges but need additional time. Challenges include implementing new systems functionalities, developing and testing automated solutions, and identifying and standardizing certain core systems requirements and data elements across government.

Staff recommended that the SFFAS 54 effective date be deferred by two years to allow additional time for post-issuance technical activities (for example, implementation guidance) to be finalized, issued, and considered by the community. Staff reported on numerous sub-projects underway to develop guidance and examine minor changes needed to current guidance to facilitate implementation.

Board members unanimously agreed to propose a two-year deferral of SFFAS 54. Staff will draft and distribute an exposure draft (ED) and possibly a ballot draft of the ED before the December meeting. If the Board approves a ballot draft of the ED at the December meeting, the document would likely be issued for public comment soon after. Constituents are encouraged to monitor the leases project and respond to the ED when it becomes available.

Point of Contact: R. Alan Perry, Jr., 202-512-5720, perryra@fasab.gov

Materiality

At the October 2019 meeting, the Board reviewed staff's analysis of the "probable" definition and considered its relevance to "could reasonably be expected" in the proposed *Materiality* concepts statement. The Board agreed that inconsistencies throughout the FASAB guidance on the use of "probable" may cause confusion about what its true meaning is. The Board also does not believe "more likely than not" is appropriate in assessing the overall application of materiality because it conveys a lower degree of likelihood compared to "could reasonably be expected." Therefore, the Board concluded that both "probable" and "more likely than not" were not appropriate to be used in the materiality definition.

The Board agreed that "could reasonably be expected" conveyed the appropriate level of certainty to use in determining whether a misstatement would affect the judgment of a reasonable user.

The Board agreed with the revised basis for conclusions in the draft concepts statement. Members agreed that a concepts statement is the appropriate place for the materiality guidance. The Board agreed to update the materiality guidance to assist preparers' and auditors' understanding of the Board's intention with respect to making materiality judgments and improving disclosures.

Mr. McNamee withdrew his prior dissent based on the updated basis for conclusions that adequately addresses his previous concerns.

Members agreed to move forward with a pre-ballot Statement prior to the December meeting. The Board plans to ballot the proposed Statement at the December meeting.

Point of Contact: Grace Wu, 202-512-7377, wug@fasab.gov

MD&A Amendments

At the October 2019 meeting, members began developing management's discussion and analysis (MD&A) objectives for operating performance and agreed on the following:

- MD&A should concisely explain how significant costs contributed to agency performance.

- MD&A should concisely explain reasons for significant changes in components of net cost for the prior year and any significant related trends and costs over multiple years.

Members will continue identifying additional operating performance objectives at future meetings.

Point of Contact: Robin Gilliam, 202-512-7356, gilliamr@fasab.gov

Note Disclosures

At the October 2019 meeting, the Board reviewed the updated note disclosures principles outline. The Board discussed condensing the principles to a few core principles. The Board noted that the principles should not be tied to any one topic.

The Board noted that the reporting model should be considered when developing the principles, including the relationship between the financial statements and the note disclosures.

The Board agreed to continue reviewing the core principles. Staff will research and provide recommendations for the remaining core principles.

Point of Contact: Grace Wu, 202-512-7377, wug@fasab.gov

Reporting Model Phase II

During the October 2019 meeting, FASAB discussed plans to research improvements in budgetary reporting. Members noted the importance of determining user needs and discussed topics and questions that should be addressed during the research. Users have access to a broad range of budgetary data through the federal government's open data website, the Office of Management and Budget, and agency websites. Therefore, the project could consider the potential gaps in information that general purpose federal financial reports might address. The Board also noted that the overall project involves several broad topics: budgetary information, performance information, electronic reporting, and data quality and integration. Consequently, the Board decided to develop a vision statement that considers the common areas among the topics and guides the project.

Point of Contact: Ross Simms, 202-512-2512, simmsr@fasab.gov

Accounting and Auditing Policy Committee

At the November Accounting and Auditing Policy Committee (AAPC) meeting, staff and committee members discussed the status, approach, and timelines of the leases implementation guidance project. Staff briefed members on recent AAPC task force proceedings, including ongoing research to identify implementation issues and draft guidance.

Members and staff also reviewed the AAPC charter, operating procedures, and task force policies. Potential modifications to these documents are currently under review by the committee and will ultimately be provided to the Board for approval.

More details of the November AAPC meeting can be found in the meeting minutes, which will be published to the AAPC's activities and archived meetings pages on fasab.gov once approved by the committee.

Point of Contact: R. Alan Perry, Jr., 202-512-5720, perryra@fasab.gov

FASAB Meeting Schedule

2019 Meetings

December 17-18

2020 Meetings

February 26-27

April 22-23

June 24-25

August 26-27

October 21-22

December 15-16

Unless otherwise noted, FASAB meetings begin at 9 a.m. and conclude before 5 p.m. Meetings are held at the Government Accountability Office (GAO) at 441 G Street, NW in room 7C13. Agendas and briefing materials are available at <https://www.fasab.gov/briefing-materials/> approximately one week before the meetings.

AAPC Meeting Schedule

2020 Meetings

February 6

May 7

August 13

November 19

Unless otherwise noted, AAPC meetings begin at 1 p.m. and conclude at 3 p.m. Meetings are held at GAO at 441 G Street, NW in room 7C13. Agendas are available at <https://www.fasab.gov/aapc-activities/> approximately one week before the meetings.

Security Notice

If you wish to attend a FASAB or an AAPC meeting, please pre-register on our website at <https://www.fasab.gov/pre-registration/> **no later than noon the Monday before the meeting to be observed.** GAO, which provides space for our meetings, has increased its security procedures, and your name must be provided in advance to the GAO security force before you can enter the building. **When you arrive, please advise the security officer that you are attending either a FASAB or an AAPC meeting. Doing so will assist the officer in locating the correct security list.** Thank you.