

# FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

## Board Meeting Minutes

### February 23-24, 2022

### Zoom for Government

<b><i>Wednesday, February 23, 2022</i></b> .....	<b>1</b>
<b>Attendance</b> .....	<b>1</b>
<b>Administrative Matters</b> .....	<b>2</b>
• Approval of Minutes.....	2
• Updates and Clippings.....	2
<b>Agenda Topics</b> .....	<b>3</b>
• Management's Discussion and Analysis .....	3
• Leases.....	8
• Overview of the FY 2021 Financial Report of the U.S. Government .....	10
<b>Adjournment</b> .....	<b>11</b>
<b><i>Thursday, February 24, 2022</i></b> .....	<b>11</b>
<b>Agenda Topics</b> .....	<b>11</b>
• Public-Private Partnerships Update .....	11
• Software Technology .....	13
• Intangible Asset Working Definition .....	18
• Management's Discussion and Analysis .....	22
• Mid-Fiscal Year Technical Agenda and Annual Report Comments.....	23
<b>Adjournment</b> .....	<b>25</b>

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

### ***Wednesday, February 23, 2022***

#### **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, Ms. Harper and Johnson, and Messrs. McNamee, Patton, and Smith. The executive director, Ms. Valentine, and general counsel, Mr. Culliton, were also present throughout the meeting. Ms. Valentine conducted a verbal roll call of the members.

## Administrative Matters

- **Approval of Minutes**

The Board approved the December 2021 meeting minutes prior to the meeting.

- **Updates and Clippings**

Mr. Scott asked the members if there were any comments on the clippings. No members had comments.

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

Ms. Reese first noted the “big three” projects: the conceptual framework project on disclosures that GASB had re-exposed in late June, revenue and expense preliminary views, and the financial reporting model reexamination project. The comment period for the conceptual framework project ended, and GASB is deliberating the feedback from the re-exposed exposure draft (ED). The Board is in the process of finalizing the concepts statement, possibly by June. GASB continues to review the feedback on the revenue and expense preliminary views document. Members want to explore what a “transaction” is and possibly create a very specific definition. GASB expects a long timeline on this project, possibly going into 2027. The Board is considering feedback on the financial reporting model reexamination project. GASB did discuss the relationship between the issues in the revenue and expense recognition project and the financial reporting model reexamination project, specifically the recognition and governmental funds.

GASB is also reviewing the feedback on the *Compensated Absences, Accounting Changes and Error Correction*, and *Omnibus* EDs.

GASB continues to work on the risk and uncertainty disclosures project. The Board also plans to begin discussions in July on the two most recently added projects to its agenda: (1) going concern and severe financial stress disclosures and (2) classification of non-financial assets.

One member asked Ms. Reese how often GASB re-exposes EDs. Ms. Reese noted it was rare.

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

Mr. Scott noted the extensive outreach efforts in the past two months from both Board members and staff.

Ms. Valentine introduced FASAB’s new staff member and senior analyst, Sherry Lee. Ms. Lee joined FASAB in February 2022. Ms. Lee began her federal career in 2005 at the U.S. Coast Guard. From 2009 to 2020, Ms. Lee worked for the Department of the

Interior as an accountant in the consolidated financial reporting team. Just prior to joining FASAB, Ms. Lee worked for the Internal Revenue Service as an accountant in the property and equipment financial reporting team. Over the years, Ms. Lee represented the agencies on various FASAB projects including land, leases, and public-private partnerships (P3s). Ms. Lee graduated from the George Washington University with a bachelor's degree in accounting. She is a Certified Public Accountant in the State of Maryland and a Certified Government Financial Manager. Members and staff welcomed her. Ms. Lee expressed that she was looking forward to working with everyone.

Ms. Valentine also introduced FASAB's new part-time detailee, Brian Casto. Mr. Casto comes to FASAB from the Department of the Treasury's Fiscal Service. He will be working with Mr. Perry on the leases reimbursable work authorization project. Members and staff welcomed him. Mr. Casto expressed that he was looking forward to working with FASAB.

Ms. Valentine asked Mr. Culliton to introduce a new member of FASAB's general counsel team, Juan Garay. Mr. Garay is a senior attorney and has been with the Government Accountability Office (GAO) since 2017. Members and staff welcomed him. Mr. Garay expressed he is very enthusiastic about supporting FASAB's legal needs and looks forward to working more directly with everyone.

## **Agenda Topics**

- **Management's Discussion and Analysis**

Ms. Gilliam, assistant director, began [topic A](#) about management's discussion and analysis (MD&A) by thanking the members for providing preliminary comments and edits. She noted the goal of the session was to review the pre-ballot ED. Staff had drafted the proposed ED based on the following history of the MD&A project, which began in June 2019. The Board developed 11 MD&A standards and the MD&A vision framework through December 2020. Staff conducted a pilot between January and March 2021 with 17 agencies and 16 user reviewers. The Board received pilot feedback that the MD&A objectives and framework were sufficient in developing amended standards. Ms. Gilliam went through the pre-ballot ED for member feedback and comments.

Some members did not agree that this document was ready for a pre-ballot.

### **Question 1 – Do members have any minor edits for the pre-ballot MD&A ED?**

Members requested that staff make the following changes to the executive summary:

- Focus on the Board's vision for MD&A, which should include the terms "balanced," "integrated," and "concise." These keywords should be used consistently throughout the executive summary and the rest of the document.

- Focus on what the Board wants to achieve and not on what is being removed from Statement of Federal Financial Accounting Standards (SFFAS) 15, *Management's Discussions and Analysis*.
- Discuss how the proposed MD&A standards should change reporting behaviors. For example, report on performance in relation to cost and achievements instead of in relation to GPRAMA requirements. Also, avoid categorization silos that create duplication and repetition in MD&As.
- Reduce the discussion about the two themes.
- Discuss how the standards-based language from Statement of Federal Financial Accounting Concepts (SFFAC) 3, *Management's Discussion and Analysis*, was incorporated into the proposed standards.
- Discuss that SFFAS 37, *Social Insurance: Additional Requirements for Management's Discussion and Analysis and Basic Financial Statements*, will not be affected by this proposed guidance.
- Add to the discussion about "scaling" the MD&A language that encourages reporting entities to be flexible when considering what and how much to report based on their size and mission.

While reviewing the executive summary, the Board discussed the phrase "streamlined holistic story." Some members preferred descriptions without the word "story" and suggested alternatives. Other members voiced support for keeping this phrase, as the Board has referenced it throughout the entire project. Members did not reach a consensus about the phrase but agreed that whatever wording the Board ultimately chooses should be used consistently throughout the document. One member also asked for clarification on the phrase "...nature of mission-related programs that may or may not be diverse or complex..." in the executive summary.

Members agreed to update the first question in the questions for respondents section to learn if the proposed standards, which will rescind SFFAS 15, incorporate standards-based language from SFFAC 3, and leave SFFAS 37 unchanged, will achieve the Board's vision of a balanced, integrated, and concise MD&A.

Members had no edits to the scope section in paragraphs 1-4. One member noted that the reference to a "balanced, integrated, and concise MD&A" in the fourth paragraph is important in relation to the Board's vision of what the MD&A should provide.

Members discussed the language in the fifth paragraph about rescinding SFFAS 15. Members noted that this is the first time FASAB would rescind and replace an SFFAS; they discussed the terms "superseded," "replaced," and "rescinded."

The Board agreed to the following two theme titles: *Information Discussed and Analyzed in MD&A* and *Presenting Information in MD&A*.

The Board had the following general comments on the sixth paragraph, which addresses information discussed and analyzed in the MD&A:

- One member recommended weaving the Board's vision of a balanced, integrated, and concise MD&A throughout the paragraph. Other members agreed.
- One member recommended the phrasing for paragraph A7 be used in place of the current wording for paragraph 6. Other members agreed.
- One member explained that there is a challenge at the government-wide level in reporting detailed information on program performance because there are no government-wide metrics to extract that information about agencies. Therefore, historically, the government-wide MD&A does not include detailed performance information in its MD&A. However, it does refer users to the agency statements for information on their performance. The member concluded by asking the rest of the Board if guidance should be included to address this exception for the government-wide MD&A. Members did not respond.

The Board discussed paragraph 6.a. Members do not want entities to report GPRAMA information in MD&A and instead want information that ties cost to performance. Therefore, members want to explain what "key performance" means and how the information requested in the proposed standards is different from GPRAMA information. Members requested that staff explain key performance achievements and challenges.

The Board had the following comments on paragraph 6.b:

- Members do not want to tie a change in net cost explicitly to performance because other elements could affect cost.
- Members asked staff to clarify how net cost relates to key performance achievements and challenges to better relate cost to performance.
- Some members found the phrase "as it relates to" confusing. One member suggested the following wording to remove the phrase from the sentence:  
  
MD&A should concisely explain reasons for significant changes in net costs, the relationship of the changes, if any, to key performance achievements and challenges from the prior reporting period and any significant trends over multiple years (past reporting periods).
- Members wanted to reference "significant trends" consistently throughout the sixth paragraph.

The Board discussed paragraph 6.c. Members requested that staff refer to "budgetary and financing resources" consistently throughout the document and clarify the phrase

“significant trends.” The phrase “significant trends over multiple years” is clearer in 6.b. than how it is presented in 6.c.

One member said that 6.a, b, and c might continue to encourage sections while the Board’s vision is for a balanced, integrated, and concise MD&A.

The Board had the following comments on paragraph 6.d:

- Members noted that use of the word “sustainability” could be ambiguous for agencies that use annual appropriations versus those that are fee based. This word could also be ambiguous within the context of environmental, social, and governance.
- One member noted that there are no measurements for sustainability.
- One member suggested that sustainability should refer to the reporting entity’s mission, not just the reporting entity.
- Most members wanted to focus on the sustainability of the government and social insurance programs and agreed to update this paragraph to only refer to agencies that provide sustainability reports. This section will not reference any specific standards to avoid missing a reference.

The Board discussed paragraph 6d.i. Members did not decide if this was a good location for the risk discussion but did agree that “key opportunities and risks” should be defined in the standards, possibly in a footnote.

The Board discussed paragraph 6.d.ii. Members questioned whether the MD&A should address the nation’s wellbeing or just the government’s wellbeing when discussing financial condition. The Board also discussed how to determine which agencies may contribute materially to the nation’s wellbeing when all reporting entities contribute through their mission.

The Board had the following comments on paragraph 6.e:

- One member asked if “non-compliance” with laws and regulations only affects achieving reliable financial information or if “non-compliance” could also affect the actual operation or program of a reporting entity. Would the Board want entities to disclose both?
- One member noted that FASAB could look to GAO’s Yellow Book for a definition of compliance.
- A number of members believe it is important to report a summary of how various laws, such as the Federal Managers Financial Integrity Act, Federal Financial Management Improvement Act, and Federal Information

Security Management Act, relate to the entity's financial reporting. One member recommended the following wording from the MD&A objectives:

"MD&A should concisely describe the conditions of data systems and controls that affect the entity's ability to produce reliable financial information."

- Another member said this did not solve the "non-compliance" issue.
- Another member agreed and said this encompasses more than what affects financial information. This also includes what threatens the ability of the entity to carry out its programs and its missions, which is outside the scope of financial condition.
- Members acknowledged that this information is important but could be included in Other Information, which is already required in Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*.

The Board had the following comments on paragraph 7, which addresses presenting information in MD&A:

- Members recommended removing "should" and replacing with "may." One member said that stating "MD&A presents" may also be appropriate.
- One member wanted to be clear about how MD&A presents information. For example, entities have the option to include visual and/or narrative content.
- One member wanted to include "vital few" from SFFAS 15.
- One member wanted to incorporate the updated vision and include the phrase "balanced, integrated, and concise."
- One member wanted to include the following phrase: "providing a perspective on the reporting entities financial statements based on currently known facts."
- One member said MD&A includes summary information about the entire financial report, in addition to the financial statements. Therefore, the member recommended wording such as, "financial statements and related information."

The Board discussed paragraph 7.a, deliberating where to include a description of the word "significant." Some members wanted to merge the content in paragraph 7.a with paragraph 7. One member said that "significant" could possibly be relocated to the beginning of paragraph 6 to clarify that only significant information should be included.

The Board discussed paragraph 7.b, agreeing to remove it and later determine if anything needs to be included in paragraph 6 about performance after the aforementioned edits are made.

**Question 2 – Do members approve the pre-ballot MD&A ED?**

Members did not approve the pre-ballot, agreeing that it was too soon to pre-ballot. Members wanted to review the updated version based on the edits made during the session. Members will also review an updated draft at the April 2022 meeting.

Mr. Scott informed members that time was up for this session but wanted the Board to complete a full review of the MD&A ED. Mr. Scott scheduled a follow-up session for the next day, Thursday, February 24, 2022, from 2:00 to 3:00pm.

The meeting adjourned for lunch.

- **Leases**

Mr. Perry, senior analyst, began the leases session under [topic B](#) by recapping the status of the project. Following the October 2021 meeting, staff had performed additional analysis and implemented revisions to the previously discussed proposal for addressing incremental borrowing rates. Revisions include providing the guidance on discounting through issuance of omnibus amendments rather than a separate Interpretation, along with other revisions.

Mr. Perry clarified to members that, based on consultations with Mr. Scott and Ms. Valentine, the omnibus proposals under development would likely not be exposed jointly for public comment in tandem with the proposal on reimbursable work authorizations. Although both of these proposals under development have a relationship to leases, they may not be sufficiently correlated for such an approach.

**Question 1 – Do members have any feedback on staff’s basis for the level of detail and pronouncement type recommended by staff with respect to clarifying paragraphs 42 and 59 of SFFAS 54, Leases?**

Members supported staff’s recommended basis for the level of detail and pronouncement type. One member observed that, although the level of detail is more than that typically provided in Statements, the staff analysis and related factors demonstrated a need for such detail.

**Question 2 – Do members have any feedback on staff’s comparative analysis of the proposals in attachment 2 for paragraphs 42 and 59 of SFFAS 54 to SFFAS 33, ASC 842, and GASB 87 or questions in response to staff’s rationale for justifying the comparative differences identified?**

Members concurred with staff’s basis for the level of detail and pronouncement type recommended by staff. A few members noted that the comparative analysis of the discount rate guidance in SFFAS 33, *Pensions, Other Retirement Benefits, and Other*



*Postemployment Benefits*, was also helpful in understanding certain technical changes to the draft proposal since the October meeting and the basis for such changes.

Mr. Perry thanked one member for the feedback provided at the October meeting resulting in the comparative analysis and further technical improvements to the proposal.

**Question 3 – Do members have any feedback or questions regarding attachment 2 and the related staff proposals to amend SFFAS 54 for purposes of clarifying paragraphs 42, 47-48, 59, 89, and 92?**

Mr. Perry reminded members that these proposals are intended to provide narrow, clarifying amendments that are consistent with the Board's original intent provided under these paragraphs. Mr. Perry further noted that these proposals would improve the flow and understandability of SFFAS 54 by seamlessly integrating clarifying provisions within the existing guidance.

One member requested that staff further explain and clarify that these proposals would require use of a single discount rate for the entire payment stream based on the end of the lease term. However, SFFAS 33, by comparison, anticipated different discount rates for different periods with payment streams.

Mr. Perry agreed. Mr. Perry noted that the Board could conceivably propose other approaches for discounting, such as calculating a blended rate to apply to a payment stream or an approach similar to SFFAS 33. Staff recommended the single rate based on the end of the lease term. Mr. Perry noted, for example, that there are a limited number of reporting entities implementing the requirements of SFFAS 33 and these agencies have in-house technical expertise, specialists, actuaries, and audit specialists necessary to implement more complex discounting methodologies. Task force members expressed concerns that similar methodologies would be technically impracticable to implement in the context of SFFAS 54. Mr. Perry noted that marginal improvements to accuracy would not likely be worth the additional technical burdens associated with more complex discounting requirements.

In discussing staff's proposals for paragraph 42 and 59, members agreed to replace the phrase "with similar maturity to the term of the lease" with more precise language: "with similar maturity to the end of the lease term."

Members agreed with staff's basis for striking the exception for entities with independent borrowing authorities based on staff's follow-up research and the reasons enumerated in staff's analysis.

In discussing staff's proposals for paragraph 42A and 59A, members agreed to strike the term "reasonably" from the language. Members agreed that the term was not necessary.

Members concurred with clarifying revisions to paragraph 42B.

Mr. Perry noted that several members had expressed a preference to reword paragraph 42C and avoid use of the term “maximal” when providing preliminary responses to staff in advance of the meeting. One member provided a few options for rephrasing to staff. Staff and other members agreed with the suggestions. Staff will implement the feedback after the meeting, working directly with the member to fine-tune the clarifying revision.

For paragraphs 47-48, Mr. Perry will make conforming changes to the language based on previous Board comments on paragraph 42. Members had no additional comments on these paragraphs.

Members concurred with staff’s recommended omnibus amendments to paragraphs 89 and 92 of SFFAS 54 and the basis for these recommendations reflected in staff’s analysis. Mr. Perry explained that, after consulting with Mr. Dacey and Mr. O’Neill, staff believes that the Board’s original intent was likely not to scope out intragovernmental leases from these principles. Mr. Perry hypothesized that the rarity of intragovernmental sale-leasebacks may have resulted in unintentional references only to leases with the public in these two paragraphs. These omnibus amendments should clarify how to carry out the requirements of SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, and SFFAS 54 disclosure requirements as they relate to intragovernmental sales and leasebacks, respectively.

**Question 4 – Do members have any comments on or suggested improvements to the questions for respondents and basis for conclusions?**

Due to time constraints, the Board did not discuss this question. Board members that provided responses to this question to staff in advance of the meeting were generally supportive of the draft language in these sections. The Board will discuss these elements of the draft proposal, and any feedback thereon, at the April meeting prior to balloting.

**Next steps:** Staff will return in April with a pre-ballot version of the proposal along with briefing materials on accounting for reimbursable work authorizations and proposed accounting guidance that could resolve outstanding intragovernmental differences in this area.

- **Overview of the FY 2021 Financial Report of the U.S. Government**

Mr. Bell briefed the Board on the fiscal year (FY) 2021 consolidated financial report of the U.S. Government (CFR), highlighting that 2021 marked the 25th edition of the report in its current form. Mr. Bell’s full presentation can be found at attachment 1 in the minutes. He also gave an overview of the report’s evolution from 1973 through 1997.

Mr. Bell discussed the extensive CFR preparation and audit process involving Treasury, OMB, and GAO. He noted that 21 of the 24 Chief Financial Officer (CFO) agencies had unmodified audit opinions in FY 2021. As was the case with the FY 2020 CFR, the pandemic’s effects on the federal government’s financial results are referenced

throughout the FY 2021 CFR, including but not limited to presentations of the approximately \$4.8 trillion in COVID-19-related appropriations over the past two fiscal years as well as discussion of the effects of the pandemic response efforts on net cost and balance sheet amounts.

Mr. Bell's presentation included 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 decreased by \$356.3 billion (11.4 percent) to \$2.8 trillion for 2021. By comparison, net operating cost decreased by \$746.5 billion (19.4 percent) to \$3.1 trillion, due largely to a \$684 billion increase in tax and other revenues. Federal debt held by the public (public debt) increased by \$1.3 trillion to \$22 trillion as of the end of FY 2021. Mr. Bell also discussed the projected trends in social insurance and fiscal sustainability amounts as discussed in the FY 2021 CFR.

Mr. Bell also noted an added discussion in the CFR's MD&A on climate change initiatives, which summarized agency discussions of climate change-related efforts in their annual reports.

Ms. Johnson noted that agencies were encouraged to discuss climate-related financial risk in their MD&As.

Mr. Dacey noted that the government-wide audit resulted in a disclaimer. Of the 24 CFO agencies, 21 received unmodified audit opinions, one agency received a qualified opinion, and two received disclaimers (Department of Defense and Small Business Administration). He also noted the significant progress made in addressing some of the ongoing challenges.

The Board briefly discussed other areas of the report.

## **Adjournment**

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

***Thursday, February 24, 2022***

## **Agenda Topics**

- **Public-Private Partnerships Update**

Mr. Domenic Savini, assistant director, provided the Board with an overview of the [topic D](#) materials for the P3 project. For context purposes, staff explained that the Board had initiated the P3 project in 2012 with the understanding that existing guidance was available for addressing most foreseeable long-term implications of such agreements (for example, SFFAS 47, *Reporting Entity*, and SFFAS 2, *Accounting for Direct Loans and Loan Guarantees*). Nevertheless, the Board desired a principles-based Statement specifically for P3s, which culminated with the issuance of SFFAS 49, *Public-Private*

*Partnerships*. This was to be followed by measurement and recognition guidance once the Board sufficiently identified the types of P3s in the federal space.

Staff further noted that SFFAS 49 preceded leases guidance (SFFAS 54) and was developed in connection with reporting entity guidance (SFFAS 47). The Board intended for SFFAS 49 to be treated as supplemental guidance to not only existing guidance, but for any future guidance addressing long-term implications commonly found in P3s.

Staff concluded by providing an overview of member feedback to the questions in the briefing materials. Staff noted certain member queries (for example, P3 definitions used in practice in relation to the SFFAS 49 definition) and consultations (for example, potential P3s at Customs and Border Patrol noted in GAO Report GAO-22-105421, *U.S. Ports of Entry: Update on CBP Public-Private Partnership Programs*).

**Question 1 – As staff begins its training and outreach to agencies, do members have any specific questions they would like answered concerning what staff has learned thus far? Are there any (other) entities that members would like staff to contact (refer to attachment 2)?**

The Board agreed with continuing its training and outreach and noted the following:

- Staff should take this opportunity to provide historical background in the training sessions and gather information from the attendees to identify SFFAS 49 implementation challenges.
- The Board should identify why risks, specifically financial risks, are not clearly identified in entity disclosures (for example, energy savings arrangements).
- The Board should identify what changes, if any, SFFAS 49 could benefit from.
- Staff should capture and retain for future use any potential measurement and recognition issues not yet identified and update the list of eight issues as now contained at question 3.

**Question 2 – Do members desire any specific insight or have questions concerning any of the five approaches so far identified? Are there any approaches that members believe (1) do not warrant any additional research; (2) staff should directly focus resources towards; (3) should be added to the existing list?**

Members did not specifically comment on any of the five approaches and noted the need for additional information concerning SFFAS 49 implementation issues. Staff explained that some members desired initial research into potential measurement and recognition classification approaches. To that end, staff suggested that a modicum of work be done in this regard to leverage existing resources currently available to staff.

Although the Board reiterated its position that committing staff resources at this time to measurement and recognition is premature, members generally agreed that, to the extent practical, staff should capture and retain for future use any potential measurement and recognition issues not yet identified and update the list of eight issues as now contained at question 3.

Members agreed with staff's approach to develop a list of potential measurement and recognition issues, especially those brought forward during training and outreach sessions.

Additionally, members noted the following:

- The Board needs to identify the nature of federal P3s as a precursor to measurement and recognition.
- The Board should consider consistency of measurement and recognition guidance from a government-wide perspective.
- Until FASAB issues measurement and recognition guidance, entities should continue to follow SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.

**Question 3 – Do members agree with staff's approach? If not, why not? Please note in your response what changes you would recommend be made to the proposed next steps.**

The majority of members generally agreed with staff's proposed next steps. However, they noted that measurement and recognition efforts should be limited to maintaining and updating a list of potential topics for future use.

**Next steps:** Staff will continue (1) training and outreach while incorporating member advice to identify any unresolved issues with implementation of SFFAS 49, including assessing P3 disclosures in the current reporting cycle, and (2) identifying potential areas to improve SFFAS 49 guidance.

- **Software Technology**

Mr. Williams, senior analyst, introduced [topic E](#) by reminding everyone that the Board approved an intangible assets project during the August 2021 meeting with three specific objectives:

- Develop updates for software reporting guidance
- Develop a working definition of intangible assets for the Board's internal use

- Further assess the costs versus benefits of developing reporting guidance for intangible assets

Mr. Williams explained that Topic E would address the first objective of developing updates for software reporting guidance. He clarified that the intent of the session was to present an issues paper to the Board to propose a scope and project plan to bridge the gap between existing software guidance and guidance needs among federal entities.

Mr. Williams stated that he had formed a working group of volunteers with accounting, internal review, auditing, and information technology (IT) expertise throughout federal entities and an audit firm. He explained that he had corresponded extensively with the volunteers to identify significant software guidance needs and develop a list of software technology related terms and definitions that formed the foundation for the proposed scope. Mr. Williams also stated that he had consulted software reporting guidance from GASB, the International Public Sector Accounting Standards Board (IPSASB), and the Financial Accounting Standards Board (FASB) when developing the scope for software guidance updates.

**Question 1 – Do members have any feedback on the proposed scope for software guidance updates?**

Mr. Williams then presented a scope of software technology resources that he recommended the Board address when developing reporting guidance updates. The scope consisted of four major categories:

- Internal use software
- Cloud service arrangements
- Shared services
- Other software technology

Mr. Williams explained that each category represents unique software technology resources that are currently relevant to federal entities. He recommended that the Board deliberate reporting guidance issues for each category separately because each category would require distinct reporting frameworks.

Mr. Williams stated that current FASAB guidance largely addresses internal use software and that research indicated a need to consider updates for several aspects of existing guidance. He further explained that one of the most prevalent issues raised by federal entities involved cost recognition complexities with accounting for internally developed software using agile development methods. Current guidance primarily addresses linear development models, but more federal entities are using various non-linear models that create internal use software through incremental and iterative development cycles that release usable products, or prototypes, multiple times

throughout the process. Mr. Williams indicated that federal entities have voiced cost accounting difficulties regarding separating and recognizing capitalized and expensed costs in agile development methods.

Mr. Williams explained that the term “cloud service arrangements” represents arrangements in which a government entity accesses IT resources provided and managed by a vendor over the internet on demand, often in the form of a subscription. He stated that cloud service arrangements have and continue to grow significantly throughout the federal government and appeared to represent the greatest need for new reporting guidance.

Mr. Williams then explained that shared services appeared to primarily consist of cloud service arrangements that federal entities receive from other federal entities. However, he caveated that shared services could also include labor components. Research indicates that shared services in the federal environment could also include a pooled group of pre-qualified private vendors that federal agencies can enter into agreements with to provide various services.

Mr. Williams explained that the “other software technology” category was a catchall category for other types of software technology resources that staff believes the Board should consider for reporting guidance updates. This category includes potential software-related resources such as blockchain technology, cryptocurrency, and robotic process automation technology. None of the working group volunteers had mentioned these resources as representing significant guidance needs. However, multiple federal entities indicated that they are currently using or planning to use blockchain and robotic process automation technology in their operations. He stated that staff was not aware of a federal entity that purchases cryptocurrency and caveated that the only cryptocurrency scenario staff was aware of involves forfeitures and seizures. Nevertheless, Mr. Williams recommended that the Board keep these types of other software technology resources on its radar for possible reporting guidance needs in the future.

The Board overwhelmingly supported the proposed scope of software technology categories for guidance update considerations. Members stated that the scope categories make logical sense and serve as a good starting point. Some members emphasized that the scope is not fixed and the Board should be flexible for scope changes as the project progresses.

One member cautioned not to spend resources and time on some resources that may not be relevant to the federal environment or may be more appropriate in a separate project, such as cryptocurrency. Another member expressed a similar concern with the entire other software technology category and stated that guidance for the proposed other resources could lead to burdensome and unnecessary reporting requirements. However, another member indicated support for the other software technology category and opined that the identified resources were worth considering for reporting guidance updates. One member cautioned that cost accounting is difficult with internal use software and suggested considering these challenges moving forward.

Some members had concerns with the shared services scope category. One member expressed the need to consider the costs and benefits of reporting guidance with shared services as they involve complex intragovernmental transactions. The member further explained that asset recognition requirements for shared services could be overly burdensome to preparers. Another member agreed and emphasized that it could be difficult to determine period and capital costs for cloud service arrangements and shared services.

Mr. Williams agreed with that notion and emphasized that cost versus benefit considerations would be important as the Board deliberates capital and expense reporting requirements for these resources. Mr. Williams also stated that, regardless of the reporting requirements the Board ultimately issues, it is important to address reporting guidance for these resources to ensure consistency among federal entities. A few other members stated that it is important to be aware that shared services could apply to other existing Standards and recommended approaching the shared service category with a narrow scope.

**Question 2 – Do members have any feedback on the proposed project plan for developing updates for software guidance?**

Mr. Williams then presented a project plan to the Board for developing guidance updates in accordance with the recommended scope. He recommended that the Board address each major scope component in the following sequential order:

1. Cloud service arrangements
2. Shared services
3. Internal use software
4. Other software technology

Mr. Williams stated that staff believes addressing these categories of software technology one by one will enable a more efficient project timeline by focusing Board, staff, and working group attention on one major guidance issue at a time. He clarified that he was recommending the Board consider a framework of major reporting requirements for each category, not to develop an ED for each separately. He further explained that staff would consider guidance updates for enhancements, impairment, maintenance, updates, disclosures, useful life, and other issues as they apply to each major scope category.

Mr. Williams explained that he was recommending the Board consider cloud service arrangements first because it was apparent that they represent the greatest need for reporting guidance. He recommended addressing shared services second because they share similar characteristics to cloud service arrangements and that the discussions and decisions during the cloud service arrangement phase would naturally flow into guidance considerations for shared services.



Mr. Williams recommended the Board address internal use software third because that category represents more of a true update of existing guidance since the Board has already issued a lot of guidance on internal use software. He stated that it would be most effective for the Board to address new reporting requirements for cloud service arrangements and shared services first and then consider how the existing internal use software guidance still applies or needs updating around the new requirements.

Mr. Williams recommended addressing the other software technology category last. He explained that staff believes the Board should consider reporting guidance for these other resources at some point in the project. However, the working group did not identify any significant reporting guidance needs associated with the other category, leading staff to consider the category as the lowest priority. Mr. Williams added that it was possible that additional reporting guidance would not be needed for the other software resources after the first three categories are addressed. For example, he explained that blockchain and robotic process automation could potentially apply to cloud service arrangement or internal use software reporting guidance.

Next, Mr. Williams recommended that the Board develop guidance updates with the approach of rescinding the current software guidance and replacing it with a new Statement without tracked amendments so that the resulting guidance is not convoluted or difficult to understand. Mr. Williams emphasized that federal entities indicated that they prefer to reference a new Statement without tracked amendments and prefer to reference only one SFFAS for reporting guidance on a particular topic rather than having to cross-reference multiple standards, such as an omnibus amendment, to assemble all of the relevant guidance.

Mr. Williams indicated to the Board that it was likely that the multitude of identified guidance needs would require updates to both SFFAS 10, *Accounting for Internal Use Software*, (level A) and Technical Release (TR) 16, *Implementation Guidance for Internal Use Software*, (level C) guidance. Staff believes that any new reporting guidance for cloud service arrangements and shared services would require level A guidance since the updates would likely include new requirements. However, the Board could potentially address some of the internal use software issues through both level A and level C guidance updates. Mr. Williams indicated that staff planned to first develop level A guidance while identifying issues that would be more appropriately addressed by implementation guidance updates.

Mr. Williams indicated that one federal entity stated that SFFAS 10 was currently sufficient for applying agile development methods while other federal entities have requested additional guidance on the topic. He stated that this could indicate that additional implementation guidance is appropriate to provide preparers instruction on how to apply the current standards.

The Board overwhelmingly agreed with the proposed project plan and general approach. Additionally, members overwhelmingly agreed with the proposed sequence of scope categories that staff planned to follow. However, several members pointed out that the categories will not be exclusive from one another but will ultimately blend. Mr.

Williams agreed with this notion and clarified that the scope and project plan lay out a framework on how best to approach the reporting guidance updates. However, he completely agreed that ultimately the categories would relate to one another and should not be addressed in silos. One member stated that the internal use software category could be easy to finish first, since it is more of a true update of existing guidance.

Members generally understood that the software guidance updates would likely require both level A and level C updates. Some members expressed that it was too soon to fully envision the plan but understood the approach. One member questioned if both SFFAS 10 and TR 16 should be replaced by one Statement.

Some members emphasized the importance of first establishing a framework depicting how the Board generally recognizes assets in the federal environment. The members stated that an established asset recognition framework would serve as a useful reference for deliberating reporting guidance for the scope categories in the future.

Mr. Williams agreed with this suggestion and stated that his plan was to lay out the common principles and characteristics that the Board has used to identify federal assets, including internal use software and leases. He explained that his planned next steps were to provide the Board this framework to reference with the characteristics of cloud service arrangements so that members could deliberate whether cloud service arrangements properly meet the characteristics of an asset.

The meeting adjourned for lunch.

- **Intangible Asset Working Definition**

Mr. Williams introduced [topic F](#) by stating that the Board approved an intangible assets project during the August 2021 meeting with three specific objectives:

- Develop updates for software reporting guidance
- Develop a working definition of intangible assets for the Board's internal use
- Further assess the costs versus benefits of developing reporting guidance for intangible assets

Mr. Williams explained that Topic F would address the second objective of developing a working definition of intangible assets for the Board's internal use. Mr. Williams reminded everyone that given the recognition and measurement concerns of the task force, the Board decided that it was best to establish a non-authoritative definition before further considering the costs versus benefits of developing reporting guidance for intangible assets.

Mr. Williams further clarified that the goal of Topic F was to discuss a draft definition of intangible assets only and that the Board had not yet decided on any next steps. He

stated that it was staff's opinion that any further efforts to develop reporting guidance for intangible assets would represent a major project that would necessitate Board deliberation and approval.

Mr. Williams stated that he had formed a working group of volunteers from multiple federal entities and an audit firm and had corresponded with the volunteers to draft the intangible assets definition and associated list of federal resources that could apply to the definition. He caveated that a lot of the research was derived from the previous task force's research. Several of the definition characteristics were also derived from FASAB's SFFAC 5, *Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements*, and intangible asset guidance from GASB, IPSASB, and FASB.

**Question 1 – Do members have any feedback on the proposed intangible asset definition?**

Mr. Williams proposed the following intangible asset definition to the Board.

A recognizable intangible asset is a resource that

- Lacks physical substance
- Represents a nonmonetary asset
- Has a useful life greater than two years
- Is identifiable as a separate asset from the entity
- Embodies future economic benefits or services
- The entity controls
- Has measurable value

Mr. Williams then further explained each characteristic in more detail. He explained that the format of the definition provided the Board a checklist of characteristics that a resource would need to possess to meet the definition of an intangible asset. He caveated that the first six definition characteristics would indicate an intangible asset but that the final "measurable" characteristic would be necessary for an intangible asset to be eligible for financial statement recognition.

Board members overwhelmingly supported the proposed working definition. A few members specifically appreciated that the definition format portrayed a decision tree or building block approach that offers clear and distinct characteristics for determining if a resource is an intangible asset. One member emphasized that the underlying resource is important to consider when identifying an intangible asset.

Some members had some questions and concerns about some of the proposed characteristics. A few members questioned if both the “useful life” and “measurable” characteristic would be more appropriate as part of recognition guidance instead of the definition. Mr. Williams replied that he understood the notion that those two characteristics could better apply to recognition guidance. However, he initially wanted to present them in the proposed working definition so that the Board could observe all of the characteristics that staff believes should apply to an intangible asset eligible for financial reporting, even if perhaps some of the characteristics are later determined more appropriate somewhere in reporting guidance other than the definition.

Two members suggested editing the “useful life” characteristic. One member suggested changing the proposed “useful life greater than two years” to “indeterminate useful life” due to the observation that the useful life of intangible resources could be difficult to know with certainty. Another member recommended the characteristic say “remaining useful life greater than two years” because many intangible assets already exist in the federal government.

One member questioned the meaning of the “represents a nonmonetary asset” characteristic of the definition. Mr. Williams replied that the purpose of that characteristic was to exclude from intangible assets major types of financial assets that are already recognized in financial statements, such as investments, receivables, prepaid assets, and currency-related assets. He further explained that he had initially used the term “nonfinancial asset” but that some members of the task force found that term confusing. Another Board member voiced support for the term “nonmonetary” and stated that the characteristic was clear and understandable when explained.

One member suggested that the definition or future guidance clarify that the federal government’s power to tax does not represent an asset. Staff agreed that the power to tax would not meet the characteristics of an asset and noted that the Board had already stated such in SFFAC 5. Another member confirmed that paragraph 34 of SFFAC 5 indicates the power to tax does not meet the “control” characteristic. However, both members suggested reaffirming this position in any future intangible asset reporting guidance.

**Question 2 – Do members have any feedback regarding which resources the proposed definition should encompass or exclude?**

Mr. Williams then stated that the following list of federal assets would likely not meet the characteristics of the proposed intangible asset definition:

- Property, plant, and equipment
- Inventory
- Natural resources
- Security investments

- Cash-based holdings
- Receivables
- Prepaid assets
- Goodwill

He further explained that the items were not necessarily a complete list of resources that the intangible asset definition would scope out of future guidance.

Mr. Williams then presented a bubble diagram of suggested intangible resources relevant to the federal environment. He clarified that the bubble diagram depicted intangible resources, which are resources that would most likely meet the “lacks physical substance” and “nonmonetary” characteristics from the definition. He further explained that these resources could potentially meet the remaining definition characteristics of an intangible asset depending on individual and unique circumstances of each.

The intangible resources in the bubble diagram fell within a wide spectrum of asset potential. Mr. Williams clarified that the bubble diagram included several resources that people would typically consider basic intangible assets, such as patents, trademarks, copyrights, and software. However, the bubble diagram also consisted of resources that are more difficult to label as intangible assets, such as data sets, trusted vendor lists, and research reports. This was done intentionally so that members could observe all of the possible resources that preparers would have to consider for the intangible asset definition characteristics.

Identifying intangible assets is complex because so many different resources could potentially fall within the definition. The definition would encompass a wide range of assets so long as they meet the characteristics. Mr. Williams stated that preparers would have to apply judgement on whether each identified resource meets the definition characteristics of an intangible asset and that could prove difficult. Mr. Williams explained that the proposed definition was therefore designed to help management apply a checklist of characteristics to determine whether a certain resource meets the requirements of an intangible asset.

The Board overwhelmingly agreed with the proposed assets to exclude from the intangible asset definition. Several members specifically voiced support for the proposed approach of providing preparers a checklist of requirements to determine if a resource is an intangible asset on a circumstantial basis.

Some Board members provided thoughts about specific intangible resources. One member voiced skepticism on whether some intangible resources would ever meet the intangible asset characteristics, such as trusted vendor lists. Another member agreed that the current universe of potential intangible assets was likely too broad.

Other members discussed whether federal agency developed data sets could meet the intangible asset definition characteristics. For example, one member questioned if federal entities had control over data sets if they were required to be publicly available and acknowledged reporting these types of data sets as intangible assets would likely be burdensome to preparers. Another member suggested that agency developed data sets may not even represent an asset to the entity but represent a service or product provided to an end user.

One Board member voiced concern with measuring and recognizing fair value with certain types of intangible assets, such as data sets. The member further explained that some intangible resources in the federal government create value for the good of society beyond the cost to create the asset. However, the member had concerns that it would be difficult for preparers to measure that type of value in any accurate or meaningful way. Mr. Williams agreed and stated that many federal entities had voiced concerns with recognizing fair value for intangible assets.

One Board member had concerns with the burden on preparers with having to recognize any internally generated intangible assets. Mr. Williams acknowledged that many federal entities had mentioned the cost accounting difficulties with reporting capital costs for internally generated intangible assets. Another member questioned whether federal entities should have to report any intangible asset unless they possessed some kind of monetary value. One Board member opined that there was perhaps some benefit in disclosing at least some types of intangible assets, such as trademarks or other assets, which are integral to the mission of a federal entity.

Mr. Williams replied that all of the suggestions were helpful. He further stated that many of the Board's concerns appeared to pertain to recognition issues that would be appropriate for members to deliberate further when developing reporting guidance for intangible assets, if the Board decides to do so in the future. Mr. Williams stated that he would further consider edits to the proposed intangible asset definition based on the discussion and comments submitted by Board members.

- **Management's Discussion and Analysis**

Ms. Gilliam began the second session of MD&A from [topic A](#) with a review of what the basis for conclusions should accomplish. She noted that the first two paragraphs were standard language used in all FASAB bases for conclusions. She explained that the basis for conclusions is dynamic and will change as staff incorporates updates from the session.

One member requested editing paragraph A2 of the project history section so that the language is more constructive, such as removing "has been ignored."

Ms. Gilliam noted that the content in paragraph A3 about rescinding SFFAS 15 would change in relation to the updates to paragraph 5.

Members agreed to the following decisions in paragraphs A4-A11 in the development of proposed amended MD&A standards section of the basis for conclusions:

- The basis for conclusions should concisely reflect why the Board decided on the proposed standards.
- The basis for conclusions can explain that the Board developed MD&A objectives and an MD&A framework, conducted a pilot to field test them, then deliberated to develop these proposed standards.
- The basis for conclusions does not need specific detail about the MD&A objectives and MD&A framework; therefore, a crosswalk is not necessary.

A few members wanted to reference the MD&A objectives and MD&A draft vision framework for historical purposes in either an appendix or a link to another document. One member recommended moving content from paragraph A7 to paragraph 6. The Board also suggested that staff merge paragraph A11 with previous paragraphs.

After reviewing paragraphs A12-A21, members agreed to provide only information about how and why the Board developed these proposed standards and not repeat entire concepts. These paragraphs would simply address how the Board used SFFAC 3 to develop the proposed SFFAS.

**Next steps:** Staff will make the updates agreed to by the Board, removing the pre-ballot status from the document. The Board will review the updated version of the draft ED at the April meeting.

- **Mid-Fiscal Year Technical Agenda and Annual Report Comments**

Ms. Valentine introduced the annual report/mid-year technical agenda review discussion from [topic G](#) of the briefing materials.

Ms. Valentine noted that FASAB had issued its FY 2021 annual report and three-year plan on November 15, 2021, with comments requested by January 18, 2022. Staff received eight comment letters on the annual report from various federal entities and professional organizations. Ms. Valentine gave an overview of the comments received on the following topics:

- Current projects
- Outreach and training
- Technical inquiries
- Collaboration with FASAB sponsors

Ms. Valentine noted that, based on staff's assessment of the responses, she did not recommend any change to the Board's current technical agenda. Staff plans to continue

its outreach and training efforts, including the annual update in April. Staff will further discuss with the Board the possibility of publishing a high-level summary of technical inquiries received. Ms. Valentine strongly discouraged the Board against providing specific details of those technical inquiries on the FASAB website due to the risk of entities trying to analyze staff responses to circumstances that have unique factors and applying it to their own technical questions. Staff encouraged entities to submit their questions through the technical inquiry portal.

Mr. Scott asked the members to respond to the first three questions staff had posed to the Board.

**Question 1 – Does the Board want to follow up with any of the respondents to get further information or clarity on their comments?**

**Question 2 – Does the Board agree with staff's assessment of the responses and recommendations and planned discussions?**

**Question 3 – Do the members have other specific comments on any of the responses?**

Several members stated that they agreed with staff recommendations and had no other comments. Other comments noted from members include:

- It is necessary to address the inconsistencies between FASAB guidance and other guidance, like OMB Circular A-136, *Financial Reporting Requirements*, and Treasury's Financial Manual.
- The land implementation and reexamination of existing standards projects are very important.
- The Board should ensure priority projects are well resourced.
- A summarization of technical inquiry responses may be valuable.
- Technical inquiry responses should be specific to facts and circumstances, not generalized guidance.
- GASB does not respond to technical inquiries in writing and does not publish any information about those inquiries.

Ms. Valentine reminded the Board about the August 2021 technical agenda session during which the members had agreed to continue the projects currently on the technical agenda and add the three research topics. The Board had also agreed to conduct a mid-year review of the technical agenda at the February 2022 meeting.



Ms. Valentine gave the members an overview of the status of those projects. Based on the progress of the current technical projects and the current staffing level, staff recommends no changes in the Board's technical agenda at this time.

Mr. Scott asked the members to respond to the final question staff had posed to the Board.

**Question 4 – Does the Board agree with staff's recommendation that no changes be made to the Board's technical agenda at this time and that staff resources also be allocated to the work of the Accounting and Auditing Policy Committee as needed?**

One member asked staff about the status of the note disclosures project. Ms. Valentine noted that the Board had agreed to address the concepts portion of that project first and then move onto the evaluation portion of the project. The note disclosure concepts are being addresses in the draft omnibus concepts amendments ED. The note disclosure evaluation will be address as a part of the reexamination project.



No other members provided comment on staff's question.

Mr. Scott also mentioned [topic H](#), which included information on non-agenda topics.

## **Adjournment**

The Board meeting adjourned at 3:15 p.m.

# Attachment 1




## **The Financial Report of the U.S. Government at 25**


Office of the Fiscal Assistant Secretary (OFAS)  
R. Scott Bell

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**February 24, 2022**



### **Agenda**



**Where it Began**

**Preparation and Audit**

**Highlights of the FY 2021 Financial Report**

## Where it Began



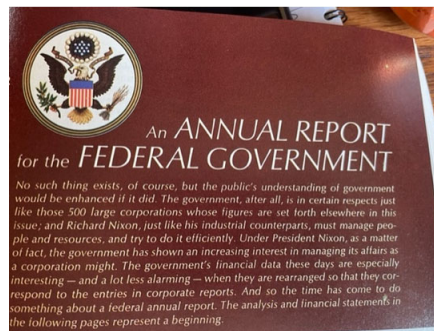
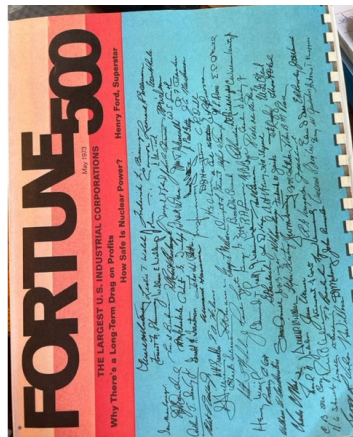
May 1973  
Fortune Article  
(Carol Loomis)

1975  
Arthur Andersen  
Research Project  
Prototype Report

1976-1996  
Treasury produces  
prototype reports

1990  
CFO Act  
FASAB

1994  
Government  
Management  
and Reform Act



“The democratic process works best when the citizenry is well-informed... The basics are well within the grasp of the citizen if the jargon is stripped away, the details are condensed to fundamentals and the financial profile is based upon common accounting concepts.”  
- Treasury Secretary William Simon  
1976

<https://fiscal.treasury.gov/files/reports-statements/financial-report/97cfs.pdf>  
<https://fiscal.treasury.gov/reports-statements/financial-report/previous-reports.html>



**1997  
Consolidated  
Financial  
Statements  
of the  
United States  
Government**

- [1996 Consolidated Financial Statements](#)
- [1995 Consolidated Financial Statements](#)
- [1994 Consolidated Financial Statements](#)
- [1993 Consolidated Financial Statements](#)
- [1992 Consolidated Financial Statements](#)
- [1991 Consolidated Financial Statements](#)
- [1990 Consolidated Financial Statements](#)
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- [1981 Consolidated Financial Statements](#)
- [1980 Consolidated Financial Statements](#)
- [1979 Consolidated Financial Statements](#)
- [1977 Consolidated Financial Statements](#)
- [1976 Consolidated Financial Statements](#)
- [1975 Consolidated Financial Statements](#)

## Federal Accounting Standards Advisory Board

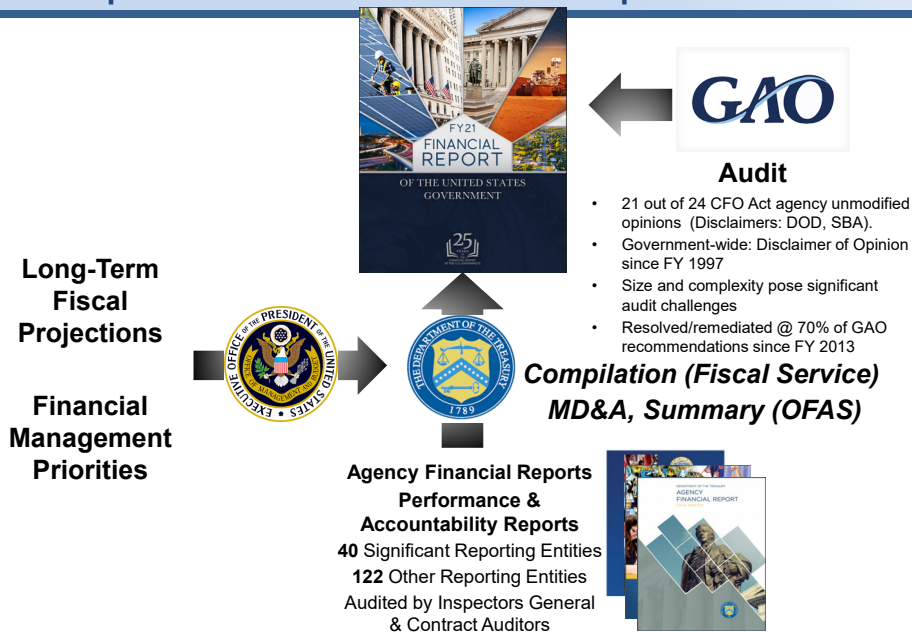


- Formed in 1990
- FASAB's mission - to develop accounting standards after considering the financial and budgetary information needs of congressional oversight groups, executive agencies and the needs of other users of federal financial information.
- 9 members – 3 government (OMB, Treasury, GAO), 6 nongovernment members.
- Like FASB for private sector, GASB for state/local sector.

[www.fasab.gov](http://www.fasab.gov)

<https://fasab.gov/accounting-standards/document-by-chapter/>

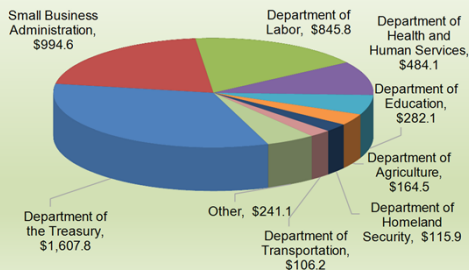
## Financial Report of the U.S. Government – Preparation and Audit



## COVID-19 in the Financial Report



**Chart 1**  
Appropriations for COVID-19 Response from Relief Laws\*  
Total (FYs 2020-2021): \$4.8 Trillion  
as of September 30, 2021  
Dollars in Billions



**Table 3: COVID-19 Response From Relief Laws (FYs 2020-2021)**

Dollars in Billions	Appropriations		
	FY 2021*	FY 2020	Total FY 2020-2021*
Department of the Treasury	\$ 632.8	\$ 975.0	\$ 1,607.8
Small Business Administration	\$ 242.8	\$ 751.8	\$ 994.6
Department of Labor	\$ 451.5	\$ 394.3	\$ 845.8
Department of Health and Human Services	\$ 233.7	\$ 250.4	\$ 484.1
Department of Education	\$ 251.1	\$ 31.0	\$ 282.1
Department of Agriculture	\$ 91.3	\$ 73.2	\$ 164.5
Department of Homeland Security	\$ 70.0	\$ 45.9	\$ 115.9
Department of Transportation	\$ 70.2	\$ 36.0	\$ 106.2
Other	\$ 165.1	\$ 76.0	\$ 241.1
<b>Total</b>	<b>\$ 2,208.5</b>	<b>\$ 2,633.6</b>	<b>\$ 4,842.1</b>

\*Net of Rescissions, Transfers, and Other Adjustments, including rescissions enacted in FY 2021, but which affected 2020 amounts. Does not include indirect appropriations related to COVID-19 activity.

Source: Appropriation Warrants. See Note 30—COVID-19 Activity and Agency Financial Reports for additional information.

**Table 1**  
The Federal Government's Financial Position and Condition

	2021	2020*	Increase / (Decrease)	
			\$	%
<b>FINANCIAL MEASURES (Dollars in Billions)</b>				
Gross Cost	\$ (7,294.7)	\$ (7,195.1)	\$ 99.6	1.4%
Less: Earned Revenue	\$ 462.3	\$ 461.6	\$ 0.7	0.2%
Gain/(Loss) from Changes in Assumptions	\$ (518.4)	\$ (679.5)	\$ (161.1)	(23.7%)
<b>Net Cost</b>	<b>\$ (7,350.8)</b>	<b>\$ (7,413.0)</b>	<b>\$ (62.2)</b>	<b>(0.8%)</b>
Less: Total Tax and Other Unearned Revenues	\$ 4,255.9	\$ 3,571.6	\$ 684.3	19.2%
<b>Net Operating Cost</b>	<b>\$ (3,094.9)</b>	<b>\$ (3,841.4)</b>	<b>\$ (746.5)</b>	<b>(19.4%)</b>
<b>Budget Deficit</b>	<b>\$ (2,775.6)</b>	<b>\$ (3,131.9)</b>	<b>\$ (356.3)</b>	<b>(11.4%)</b>
<b>Assets:</b>				
Cash & Other Monetary Assets	\$ 475.0	\$ 1,926.9	\$ (1,451.9)	(75.3%)
Accounts Receivable, Net	\$ 401.0	\$ 321.2	\$ 79.8	24.8%
Loans Receivable, Net	\$ 1,651.0	\$ 1,577.4	\$ 73.6	4.7%
General Property, Plant & Equipment, Net	\$ 1,176.9	\$ 1,139.9	\$ 37.0	3.2%
Other	\$ 1,189.7	\$ 990.3	\$ 199.4	20.1%
<b>Total Assets</b>	<b>\$ 4,893.6</b>	<b>\$ 5,955.7</b>	<b>\$ (1,062.1)</b>	<b>(17.8%)</b>
<b>Liabilities:</b>				
Federal Debt and Interest Payable	\$ (22,344.8)	\$ (21,082.9)	\$ 1,261.9	6.0%
Federal Employee & Veteran Benefits Payable	\$ (10,183.0)	\$ (9,415.5)	\$ 767.5	8.2%
Other	\$ (2,249.9)	\$ (2,245.6)	\$ 4.3	0.2%
<b>Total Liabilities</b>	<b>\$ (34,777.7)</b>	<b>\$ (32,744.0)</b>	<b>\$ 2,033.7</b>	<b>6.2%</b>
Unmatched Transactions and Balances <sup>1</sup>	\$ (1.7)	\$ (3.1)	\$ (1.4)	(45.2%)
<b>Net Position</b>	<b>\$ (29,885.8)</b>	<b>\$ (26,791.4)</b>	<b>\$ 3,094.4</b>	<b>11.5%</b>
<b>SUSTAINABILITY MEASURES (Dollars in Trillions)</b>				
<b>Social Insurance Net Expenditures:</b>				
Social Security (OASDI)	\$ (22.7)	\$ (19.7)	\$ 3.0	15.2%
Medicare (Parts A, B, & D)	\$ (48.2)	\$ (45.7)	\$ 2.5	5.5%
Other	\$ (0.1)	\$ (0.1)	\$ -	0.0%
<b>Total Social Insurance Net Expenditures</b>	<b>\$ (71.0)</b>	<b>\$ (65.5)</b>	<b>\$ 5.5</b>	<b>8.4%</b>
<b>Total Federal Non-Interest Net Expenditures</b>	<b>\$ (97.6)</b>	<b>\$ (79.5)</b>	<b>\$ 18.1</b>	<b>22.8%</b>
<b>75-Year Fiscal Gap (Percent of Gross Domestic Product)<sup>2</sup></b>	<b>(6.2%)</b>	<b>(5.4%)</b>	<b>0.8%</b>	<b>14.8%</b>

<sup>1</sup>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 FY 2021 and \$11.5 billion for FY 2020 are also included in the Statements of Operations and Changes in Net Position.

<sup>2</sup>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 6.2 percent of GDP on average is needed (5.4 percent of GDP on average in 2020). See Financial Statement Note 26.

\*Restated (see Financial Statement Note 1.V and Note 1.W).

### Costs & Revenues



## Deficit vs Cost

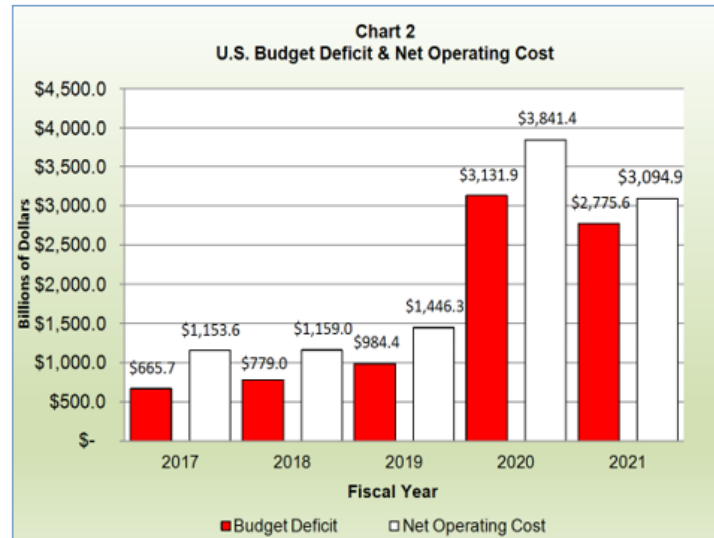


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<b>Total Liabilities</b>	<b>\$ (34,777.7)</b>	<b>\$ (32,744.0)</b>	<b>\$ 2,033.7</b>	<b>6.2%</b>
Unmatched Transactions and Balances <sup>1</sup>	\$ (1.7)	\$ (3.1)	\$ (1.4)	(45.2%)
<b>Net Position</b>	<b>\$ (29,885.8)</b>	<b>\$ (26,791.4)</b>	<b>\$ 3,094.4</b>	<b>11.5%</b>
SUSTAINABILITY MEASURES (Dollars in Trillions)				
<b>Social Insurance Net Expenditures:</b>				
Social Security (OASDI)	\$ (22.7)	\$ (19.7)	\$ 3.0	15.2%
Medicare (Parts A, B, & D)	\$ (48.2)	\$ (45.7)	\$ 2.5	5.5%
Other	\$ (0.1)	\$ (0.1)	\$ -	0.0%
<b>Total Social Insurance Net Expenditures</b>	<b>\$ (71.0)</b>	<b>\$ (65.5)</b>	<b>\$ 5.5</b>	<b>8.4%</b>
<b>Total Federal Non-Interest Net Expenditures</b>	<b>\$ (97.6)</b>	<b>\$ (79.5)</b>	<b>\$ 18.1</b>	<b>22.8%</b>
<b>75-Year Fiscal Gap (Percent of Gross Domestic Product)<sup>2</sup></b>	<b>(6.2%)</b>	<b>(5.4%)</b>	<b>0.8%</b>	<b>14.8%</b>

**Balance Sheet:  
Assets & Liabilities**

<sup>1</sup>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 FY 2021 and \$11.5 billion for FY 2020 are also included in the Statements of Operations and Changes in Net Position.

<sup>2</sup>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 6.2 percent of GDP on average is needed (5.4 percent of GDP on average in 2020). See Financial Statement Note 26.

\*Restated (see Financial Statement Note 1.V and Note 1.W).

## Increases and Decreases



### Net Costs

Agency	FY 2021	FY 2020	Change	Comment
Treasury	\$830.8	\$560.7	+ \$270.1	EIP
DOD	\$890.6	\$745.8	+ \$144.8	MRF, Operations
HHS	\$1,507.9	\$1407.1	+ \$100.8	Medicare, Medicaid increase, PHSSEF decrease
VA	\$ 693.4	\$ 985.2	- \$291.8	Assumptions Changes – Veterans Benefits
SBA	\$347.4	\$559.0	- \$211.6	PPP, EIDL (+ \$559.1 in FY 20), reestimates
DOL	\$396.8	\$493.2	- \$96.4	Decrease in UI claims (+ \$452.7 in FY 2020)

### Balance Sheet: Assets & Liabilities

Agency	FY 2021	FY 2020	Change	Comment
Cash & Monetary Assets	\$475.0	\$1,926.9	- \$1,451.9	Return to “normal” cash levels (+ \$1,402.3 in FY 20)
Net Loans Receivable	\$1,651.0	\$1,577.4	+ \$79.8	Education (student loans), SBA (PPP, EIDL)
PP&E	\$1,176.9	\$1,139.9	+\$37.0	DOD @70%
Debt Held By The Public	\$22,344.8	\$21,082.9	+ \$1,261.9	Debt/GDP: @100%; Does not include intragov debt.
Fed Empl & Vet Benefits	\$10,183.0	\$9,415.5	+ \$767.5	Assumptions Changes – Veterans Benefits

## Trivia Question:



The historical high for the federal government's debt/GDP is:

- A) 100 percent.
- B) 103 percent.
- C) 106 percent.
- D) 108 percent



Table 1 The Federal Government's Financial Position and Condition					
	2021	2020*	Increase / (Decrease)		
			\$	%	
FINANCIAL MEASURES (Dollars in Billions)					
Gross Cost	\$ (7,294.7)	\$ (7,195.1)	\$ 99.6	1.4%	
Less: Earned Revenue	\$ 462.3	\$ 461.6	\$ 0.7	0.2%	
Gain/(Loss) from Changes in Assumptions	\$ (518.4)	\$ (679.5)	\$ (161.1)	(23.7%)	
Net Cost	\$ (7,350.8)	\$ (7,413.0)	\$ (62.2)	(0.8%)	
Less: Total Tax and Other Unearned Revenues	\$ 4,255.9	\$ 3,571.6	\$ 684.3	19.2%	
Net Operating Cost	\$ (3,094.9)	\$ (3,841.4)	\$ (746.5)	(19.4%)	
Budget Deficit	\$ (2,775.6)	\$ (3,131.9)	\$ (356.3)	(11.4%)	
Assets:					
Cash & Other Monetary Assets	\$ 475.0	\$ 1,926.9	\$ (1,451.9)	(75.3%)	
Accounts Receivable, Net	\$ 401.0	\$ 321.2	\$ 79.8	24.8%	
Loans Receivable, Net	\$ 1,651.0	\$ 1,577.4	\$ 73.6	4.7%	
General Property, Plant & Equipment, Net	\$ 1,176.9	\$ 1,139.9	\$ 37.0	3.2%	
Other	\$ 1,189.7	\$ 990.3	\$ 199.4	20.1%	
Total Assets	\$ 4,893.6	\$ 5,955.7	\$ (1,062.1)	(17.8%)	
Liabilities:					
Federal Debt and Interest Payable	\$ (22,344.8)	\$ (21,082.9)	\$ 1,261.9	6.0%	
Federal Employee & Veteran Benefits Payable	\$ (10,183.0)	\$ (9,415.5)	\$ 767.5	8.2%	
Other	\$ (2,249.9)	\$ (2,245.6)	\$ 4.3	0.2%	
Total Liabilities	\$ (34,777.7)	\$ (32,744.0)	\$ 2,033.7	6.2%	
Unmatched Transactions and Balances <sup>1</sup>	\$ (1.7)	\$ (3.1)	\$ (1.4)	(45.2%)	
Net Position	\$ (29,885.8)	\$ (26,791.4)	\$ 3,094.4	11.5%	
SUSTAINABILITY MEASURES (Dollars in Trillions)					
Social Insurance Net Expenditures:					
Social Security (OASDI)	\$ (22.7)	\$ (19.7)	\$ 3.0	15.2%	
Medicare (Parts A, B, & D)	\$ (48.2)	\$ (45.7)	\$ 2.5	5.5%	
Other	\$ (0.1)	\$ (0.1)	\$ -	0.0%	
Total Social Insurance Net Expenditures	\$ (71.0)	\$ (65.5)	\$ 5.5	8.4%	
Total Federal Non-Interest Net Expenditures	\$ (97.6)	\$ (79.5)	\$ 18.1	22.8%	
75-Year Fiscal Gap (Percent of Gross Domestic Product) <sup>2</sup>	(6.2%)	(5.4%)	0.8%	14.8%	

<sup>1</sup>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 FY 2021 and \$11.5 billion for FY 2020 are also included in the Statements of Operations and Changes in Net Position.

<sup>2</sup>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 6.2 percent of GDP on average is needed (5.4 percent of GDP on average in 2020). See Financial Statement Note 26.

\*Restated (see Financial Statement Note 1.V and Note 1.W).

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

## 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

Table 8: Social Insurance Future Expenditures in Excess of Future Revenues					
	Dollars in Trillions		2021	2020	Increase / (Decrease)
			\$	\$	%
Open Group (Net):					
Social Security (OASDI)	\$	(22.7)	\$	(19.7)	\$ 3.0 15.2%
Medicare (Parts A, B, & D)	\$	(48.2)	\$	(45.7)	\$ 2.5 5.5%
Other	\$	(0.1)	\$	(0.1)	\$ - 0.0%
Total Social Insurance Expenditures, Net (Open Group)	\$	(71.0)	\$	(65.5)	\$ 5.5 8.4%
Total Social Insurance Expenditures, Net (Closed Group)	\$	(93.6)	\$	(87.0)	\$ 6.6 7.6%
Social Insurance Net Expenditures as a % of GDP*					
Open Group					
Social Security (OASDI)		(1.3%)		(1.2%)	
Medicare (Parts A, B, & D)		(3.1%)		(3.0%)	
Total (Open Group)		(4.4%)		(4.2%)	
Total (Closed Group)		(5.8%)		(5.6%)	

Source: SOSI. Amounts equal estimated present value of projected revenues and expenditures for scheduled benefits over the next 75 years of certain 'Social Insurance' programs (e.g., Social Security, Medicare). 'Open Group' totals reflect all current and projected program participants during the 75-year projection period. 'Closed Group' totals reflect only current participants.

\* GDP values used are from the 2021 & 2020 Social Security and Medicare Trustees Reports and represent the present value of GDP over the 75-year projection period. As the GDP used for Social Security and Medicare differ slightly in the Trustees Reports, the two values are averaged to estimate the 'Other' and Total Net Social Insurance Expenditures as percent of GDP. As a result, totals may not equal the sum of components due to rounding.

**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

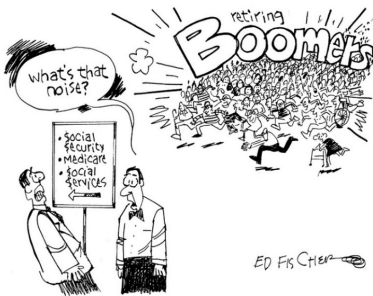


Table 1: Trust Fund Status		
Fund	Projected Depletion	Projected Post-Depletion Trend
Medicare Hospital Insurance *	2026 (unchanged from FY 2020 Report)	In 2026, trust fund income is projected to cover 91.0 percent of benefits, decreasing to 78.0 percent in 2045, then returning to 91.0 percent by 2095.
Combined Old-Age Survivors and Disability Insurance **	2034 (one year earlier than FY 2020 Report)	In 2034, trust fund income is projected to cover 78.0 percent of scheduled benefits, decreasing to 74.0 percent by 2095.

\* Source: 2021 Medicare Trustees Report \*\* Source: 2021 OASDI Trustees Report

Projections assume full Social Security and Medicare benefits are paid after fund depletion contrary to current law.

## Why is this happening?



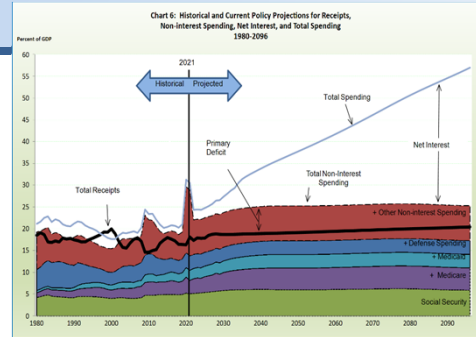
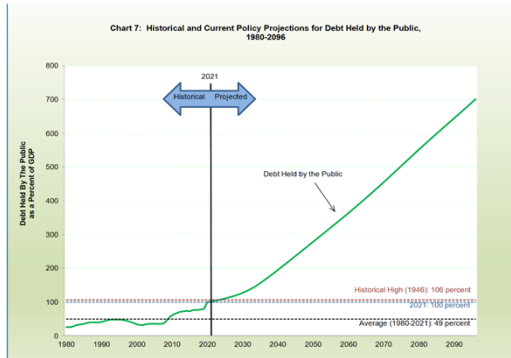
ED FISHER  
CartoonStock.com



## Long Term Fiscal Projections (OMB)

### Sustainability Definition:

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

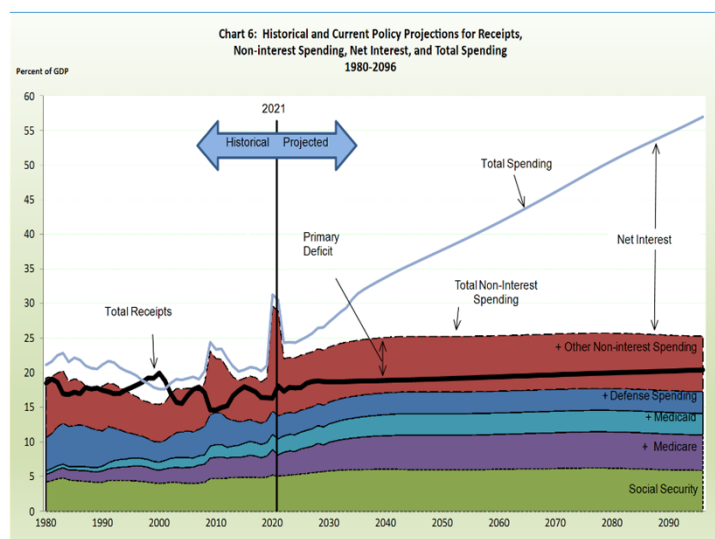


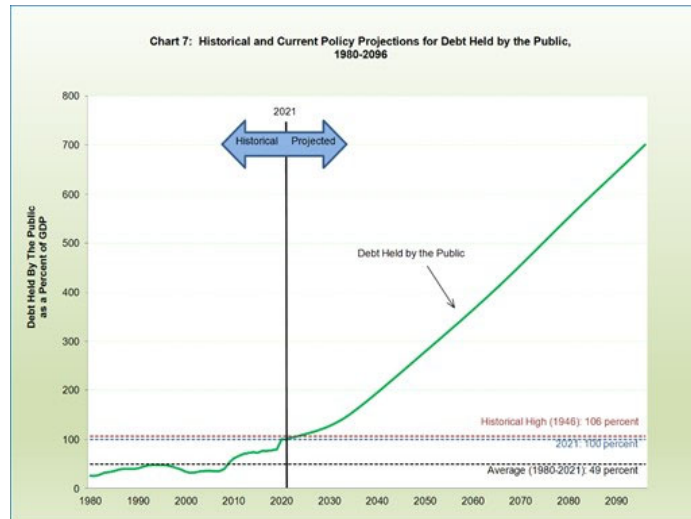
### Key Assumptions:

- Current Law & Policy
- 75-Year Projections = Uncertainty
- Projections, NOT Predictions.

**\*UNCERTAINTY**

## Receipts, Spending, Deficits 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.***



## For More Information



[https://www.fiscal.treasury.gov/fsreports/rpt/finrep/fr/fr\\_index.htm](https://www.fiscal.treasury.gov/fsreports/rpt/finrep/fr/fr_index.htm)  
[www.usaspending.gov](http://www.usaspending.gov)  
<https://www.whitehouse.gov/omb/management/office-federal-financial-management/>  
<https://www.gao.gov/federal-financial-accountability>