

FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD
Board Meeting Minutes
February 27, 2019
Room 7C13 and Teleconference
441 G Street, NW
Washington, D.C. 20548

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

The meeting was brief due to the lapse in funding for many executive branch agencies from late December 2018 to late January 2019. The resulting furlough meant that comment periods on active proposals were extended and staff was prevented from contacting agencies to address member concerns.

Wednesday, February 27, 2019

Attendance

The following Federal Accounting Standards Advisory Board (FASAB or “the Board”) members were present throughout the meeting: Mr. Showalter (chair), Messrs. Bell, Dacey, McNamee, Scott, and Soltis. The following FASAB members participated via teleconference: Ms. Bronner and Messrs. Granof and Smith. The executive director, Ms. Payne, and general counsel, Mr. Kirwan, were also present throughout the meeting.

Administrative Matters

- **Approval of Minutes**

The Board approved the December 2018 meeting minutes prior to the meeting.

- **Clippings**

The International Public Sector Accounting Standards Board has not held a meeting since the previous update so there are no new actions to report.

Mr. Granof reported that the Governmental Accounting Standards Board (GASB) has made progress on the reporting model and revenue and expense projects. The GASB is also preparing to issue an implementation guide on leases.

Comments on clippings provided to the Board referenced an article discussing natural resources as assets, the International Monetary Fund's concerns with balance sheets, and the reporting on the new FASAB guidance on classified information. Regarding a Rolling Stone Magazine article on SFFAS 56, *Classified Activities*, Ms. Payne noted staff did provide information that staff do not believe was reflected in the article and believe there were some misleading statements in the article. Staff simply chose not to respond to the misleading statements since staff had provided more informative information ahead of the article that was not reflected in the final published article.

Agenda Topics

- **Reporting Model**

Mr. Ross Simms, assistant director, conducted the discussion on improvements to management's discussion and analysis (MD&A) from [tab A](#) of the briefing materials. Mr. Simms noted that staff had drafted an Interpretation of Statement of Federal Financial Accounting Standards (SFFAS) 15, *Management's Discussion and Analysis*. Paragraph 2 of SFFAS 15 states that "MD&A should contain sections that address the entity's mission and organizational structure; performance goals, objectives, and results; financial statements; and systems, controls, and legal compliance." The proposed Interpretation would clarify that reporting entities have the flexibility to structure MD&A in a manner most appropriate for communicating the topics SFFAS 15 requires.

Question 1 – Does the Board agree with the draft proposed Interpretation of SFFAS 15, paragraph 2?

The Board agreed to amend SFFAS 15 rather than develop an Interpretation. The Board noted that reporting entity mission-related programs, functions, and activities are complex; therefore, preparers need a flexible framework to discuss the topics SFFAS 15 requires. SFFAS 15, however, is explicit regarding the structure of MD&A and requires preparers to organize their discussion of specific topics into specific sections. The Board

agreed that the requirement should be changed to provide the flexibility preparers need to communicate the required information to users.

The Board did not answer questions 2-5 because they related to the draft Interpretation.

Next steps: Staff will draft an amendment to SFFAS 15.

- **Note Disclosures**

Ms. Grace Wu, assistant director, presented updated draft language for note disclosure (NODI) principles from [tab B](#) of the briefing materials. Ms. Wu noted that the updated draft language was based on the partial NODI draft principles that the Board had approved at the December 2018 meeting. This updated version addressed the comments from the last Board meeting and added additional language to help the Board apply the principles.

Question 1 – Does the Board agree with the updated draft principles? If not, do members have any suggestions?

Members agreed with the updated draft and discussed the following topics:

- Staff will continue to use the term “essential” because this wording is found historically in other FASAB concepts statements. The term “essential” is further explained in this draft to provide report users a threshold to understand the concepts. Members suggested adding the rationale for this decision in the basis for conclusions in the exposure draft.
- The Board discussed the usage and meaning of the terms “service” and “function.” While some federal internal activities might be viewed as functions only, service could potentially cover the function based on the current concepts statements. Staff will research the topic further; a footnote may be added to explain the broader term used to support the consideration of all government activities.
- One member suggested modifying the wording in the draft related to the second type of explanatory information in the notes. Then the wording for the three types of notes will be parallel in their construction.
- One member questioned the wording and example used in the relevance and materiality sections related to the consolidated financial statements of the U.S. government. Members agreed that the entity should make materiality judgments, not the Board. The Board may make the judgment regarding the relevance of the disclosures. The wording will be modified to clarify the principles.

Question 2 – Does the Board wish to discuss any other matters not identified by staff in the proposed sections?

The Board had no additional matters to discuss.

Next steps: Staff will update the draft based on the input received and continue to draft the NODI principles according to the outline.

- **Land**

Mr. Domenic Savini, assistant director, presented from [tab C](#) the open items from the land proposal. Members discussed the following technical issues:

- Continued capitalization of general property, plant, and equipment (G-PP&E) land and permanent land rights
- Inseparable capitalized land costs
- The implementation timeline

A summary of the Board discussion follows:

Question 1a – continued capitalization of G-PP&E land – Which approach do members generally prefer and why?

Question 1b – continued capitalization of G-PP&E land – Do members agree with each of the pre-conditions?

Staff proposed various criteria that would need to be met for an entity to either disclose the cost of G-PP&E land and permanent land rights or report that amount on the face of the financial statements.

In light of staff's analysis, members questioned whether any exceptions should be granted to the proposed de-recognition requirement for G-PP&E land and permanent land rights. Some members noted that there was no need for exceptions because any entity could include disclosures of the cost of G-PP&E land and permanent land rights at its discretion without explicit guidance. Other members noted that it would be confusing if some entities reported G-PP&E land and permanent land rights on the face of the financial statements while others did not. The forthcoming Statement would not necessarily have to apply to the entries recorded in an entity's general ledger, only to its financial statement reporting. That is, if the cost of G-PP&E land and permanent land rights needs to be capitalized for management purposes, it still can be. In conclusion, the Board generally agreed that there would be no exceptions to the de-recognition requirement for G-PP&E land and permanent land rights.

Question 2 – inseparable capitalized land costs – Does the Board agree with the draft language allowing exceptions for both existing and new acquisitions of G-

PP&E land and permanent land rights when such costs are inseparable from the real property holding or investment?

Staff proposed an exception to the de-recognition requirements for G-PP&E land and permanent land rights that would allow a composite asset approach when the cost of land was not separable from the related building or infrastructure. Staff's proposal included an exception for both existing and future acquisitions.

As with the first issue, the Board did not believe it was necessary to explicitly provide an exception in this circumstance. The Board believes that if the cost of G-PP&E land and permanent land rights is material, additional effort should be made to identify its cost. Staff suggested that in those circumstances where land and permanent land rights could be treated as incidental to the associated capital asset, the Accounting and Auditing Policy Committee (AAPC) could potentially provide guidance similar to its existing guidance in paragraph 46 of Technical Release 9, *Implementation Guide for Statement of Federal Financial Accounting Standards 29: Heritage Assets and Stewardship Land*. This would address land that does not have an identifiable cost or where cost is nominal or insignificant.

The Board generally agreed with having the AAPC provide additional guidance and asked staff to work with agencies and clarify the Board's position that if the cost of G-PP&E land and permanent land rights is material, additional effort should be made to identify its cost.

Question 3 – revised implementation timeline – Which option do members generally prefer and why?

Staff proposed two alternatives: (1) a requirements phase-in approach with acreage information beginning as required supplementary information (RSI) and converting to basic note disclosure information and (2) a graduated phase-in approach predicated on the amount of consolidated acreage entity holdings.

The Board believed that the second option would pose significant challenges for preparation of the consolidated financial report of the U.S. Government. The Board also believed that the proposed timeline in the requirements approach did not provide sufficient time for the Board to act should there be greater challenges than expected with auditing the acreage information. The Board generally agreed to a simplified requirements, phase-in approach effective in fiscal year (FY) 2021, followed by a two-year RSI reporting period with acreage information converting to basic and de-recognition of G-PP&E in FY 2024. In addition, transition guidance would not permit early implementation.

Next steps:

- Staff will work with agencies and clarify the Board's position that if the cost of G-PP&E land and permanent land rights is material, additional effort should be made to identify its cost.

- Staff will incorporate a revised basis for conclusions pursuant to Board deliberations.

Adjournment

The Board meeting adjourned for the day at 12:15 p.m.