

FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

Board Meeting Minutes

October 22, 2024

Virtual via Zoom for Government

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

Attendance

The following Federal Accounting Standards Advisory Board (FASAB or “the Board”) members were present throughout the meeting: George Scott (chair), R. Scott Bell, Bob Dacey, Diane Dudley, Carol Johnson, Terry Patton, and Ray Vicks. The executive director, Monica Valentine, and FASAB counsel, Jason Kirwan, were present throughout the meeting.

Tuesday, October 22, 2024

Administrative Matters

- **Clippings and Updates**

Mr. Scott asked the members if there were any comments on the clippings provided by staff. He also noted the list of outreach activities and the [non-agenda topics memo](#).

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

Ms. Reese highlighted the following GASB projects:

- Classification of nonfinancial assets – GASB recently issued Statement No. 104, *Disclosure of Capital Assets*. The statement reconsiders the

existing classification of nonfinancial assets and other related sub-classifications. The statement does not address recognition of capital assets but the presentation classifications in the note disclosures related to capital assets. The statement requires certain capital assets to be reported as a separate classification; those include capital assets held for sale, lease assets, subscription assets, intangible assets other than lease and subscription, and assets related to public-private partnerships (P3s).

The guidance includes a definition of “held for sale.” The definition is when a government has decided to sell the asset and it is probable the sale will be finalized within one year of the financial statement date, which is a high threshold. The Board views the held for sale disclosure as the most valuable aspect of the guidance because it provides information on liquidity, which was not previously required.

- Revenue and expense recognition – The goal is to develop a comprehensive, principles-based model that would establish categorization, recognition, and measurement guidance applicable to a wide range of revenue and expense transactions. The Board is reviewing feedback received on the June 2020 Preliminary Views (PV) document and working toward an exposure draft (ED). The Board is now redeliberating transactions that contain a performance obligation, which is a transfer of a distinct good or service (category A transactions). Members confirmed certain items would continue to be scoped out of the project, such as sale purchase, donation of capital assets, inventory leases, subscription-based information technology arrangements, and P3s.
- Going concern uncertainties and severe financial stress – GASB is working toward a proposal to address issues related to disclosures for going concern uncertainties and severe financial stress. The Board agreed on a principles-based approach. A going concern and severe financial stress is a condition where the government is near insolvency. The Board has reached all the tentative decisions that it wants in a PV document and is in the process of drafting the document.
- Infrastructure assets – The Board also recently released a PV document, *Infrastructure Assets*. The project is the result of research on capital assets. The proposed guidance would update the current guidance on accounting and financial reporting for infrastructure assets. The goal is to make the information (1) more comparable across governments and consistent over time, (2) more useful for making decisions and assessing government accountability, (3) more relevant to assessments of a government’s economic condition, and (4) more reflective of the capacity of those assets to provide service and how that capacity may change over time.

The proposal includes a more refined definition of infrastructure assets and requires infrastructure assets to be reported at historical cost net of accumulated depreciation. The useful life of the asset would need to be revisited throughout the life of the asset. The modified approach for reporting was retained as an option.

GASB is also proposing four new disclosure requirements in the PV document: a change in the policy for capitalizing and depreciating assets; separate disclosure of the historical cost of infrastructure assets that have exceeded 80% of their estimated useful life; a disclosure of the actual maintenance expense incurred in the period for infrastructure assets by major class; and disclosure of the policy for monitoring and maintaining or preserving infrastructure assets.

- Subsequent events (reexamination of Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*) – The objective of this project is to improve the accounting and financial reporting for subsequent events to address issues related to (1) confusion about and challenges associated with applying the existing standards, (2) inconsistency in practice in the information provided about subsequent events, and (3) the usefulness of the information provided about subsequent events. The Board is moving toward an ED by the end of 2024.
- Implementation guide update – The Board annually considers whether there are new questions and answers to add to the implementation guide or modifications to the existing questions and answers. The new questions include financial reporting model improvements, management's discussion and analysis (MD&A), the proprietary fund operating statement, leases, conduit debt, and accounting changes. Members will be reviewing a ballot draft at their next meeting.
- Electronic financial reporting (a monitoring activity that is moving to a voluntary reporting project) – GASB has been discussing implications of the Financial Data and Transparency Act—specifically the requirement for state and local governments to have procedures in place to provide financial statements electronically. GASB is discussing its role in providing guidance for these requirements. Members are actively working on building a taxonomy for state and local government financial statements prepared in accordance with generally accepted accounting principles.

Draft consolidated regulations have been issued. The Board has submitted a comment letter on those draft regulations. GASB is advocating for a more specific definition of taxonomy and for financial data requirements to be established at the agency level rather than in joint rulemaking. The Board is in the process of building a consultative group to provide feedback to staff.

One member asked what factors led to GASB's subsequent event project. Ms. Reese noted that it was primarily due to feedback from the Advisory Council.

Another member asked about the consultative group. Ms. Reese noted that the purpose of the consultative group is to get feedback earlier in the process as GASB is building a taxonomy. The Board is looking for broad perspectives, including preparers, auditors, users of the information, and technology experts familiar with taxonomy tools.

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

Agenda Topics

- **Climate-Related Financial Reporting**

Ms. Gilliam, assistant director, introduced [topic B](#) on climate-related financial reporting. She thanked the climate task force members that were observing and the members for providing their preliminary comments.

She reviewed the project objective, which is to provide guidance for reporting entities on reporting the financial impact of climate-related matters in the financial statements. The Board agreed on two phases to address this objective, which are complete.

On May 17, 2022, during the first phase, FASAB staff developed and released a non-authoritative paper titled [Statements of Federal Financial Accounting Standards That May Be Relevant to Climate-Related Financial Reporting](#).

On September 27, 2024, during the second phase, FASAB issued Statement of Federal Financial Accounting Standards (SFFAS) 64, [Management's Discussion and Analysis: Rescinding and Replacing SFFAS 15](#), to use as the framework for reporting climate-related financial information in MD&A.

Therefore, Ms. Gilliam recommended the Board move the climate-related financial reporting project from the Board's active project agenda to a research topic to determine the project's next steps.

Question 1 – Does the Board agree to move the climate-related financial reporting project from the Board's active project agenda to a research topic and to move forward with the suggested research tasks staff has identified?

A few members were concerned that moving the project to a research topic would remove climate as priority work. Ms. Gilliam and Valentine assured members that climate research would remain a priority. Members wanted to know how staff would update them if the climate research topic is not presented at a Board meeting. As with all non-agenda topics, staff will provide updates in the non-agenda topics memo.

The Board agreed to move the climate-related financial reporting project from the active projects agenda to a research project to help determine next steps.

Ms. Gilliam reviewed the first suggested research task from the briefing materials:

1. Analyze the staff paper, *Statements of Federal Financial Accounting Standards That May Be Relevant to Climate-Related Financial Reporting*, to determine if updates are needed or if an authoritative pronouncement should be developed, such as a staff implementation document.

Members suggested changing the references from SFFAS 15, *Management's Discussion and Analysis*, to SFFAS 64 in the staff paper and including an alert on FASAB's website about SFFAS 64 implementation dates.

Ms. Gilliam reviewed the remaining research tasks identified in the memo:

2. Review federal entity financial reports, beginning in fiscal year (FY) 2025, to determine what climate-related financial information entities have reported in MD&A in accordance with SFFAS 64.
3. Monitor whether current climate policy has changed and what effect that may have on climate-related reporting in Office of Management and Budget Circular A-136, *Financial Reporting Requirements*.
4. Monitor any changes in object classes intended to track climate-related obligations.
5. Monitor how other public entities are reporting climate-related financial information in their financial reports.

Members provided the following comments:

- Keep the focus on federal financial reporting concepts and the vision statement identified at the December 2023 Board meeting.
- Staff could combine this research and broadly monitor other governmental financial reports, federal statement of net costs, required supplementary information other than MD&A, climate reports outside of the financial statements, and any changes in climate-related policy or legislation.
- Staff should provide the Board recommendations for any new climate-related issues that may be reportable in federal agency financial reports.

Members asked how to include all risk, not just climate, in MD&A and discussed whether the Board should consider a risk project that can address more than just climate-related risk. Ms. Gilliam responded that the upcoming MD&A training and development of implementation guidance for SFFAS 64 would address all risk and not just climate risk. She also explained that there was a risk assumed project that was rolled into the MD&A project, which resulted in SFFAS 64. All risks should be addressed in MD&A. Therefore, a risk project was not recommended as a separate project.

A couple of members suggested staff define terms such as “climate-related events.” The Board agreed that staff should first learn through a survey or round tables what climate-related information users want to see in federal financial reports, and then identify what terms should be defined.

Next steps: Staff will compile members’ thoughts about and questions for the survey as well as any contacts to include. Staff will then present the draft survey to the Board for review.

The meeting adjourned for lunch.

- **Annual Report Review**

In addition to the Board members, the following Appointments Panel members were present for the session: D. Scott Showalter, Graylin Smith, and Regina Kearney for Deidre Harrison. Manju Ganeriwala was absent.

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

Ms. Valentine introduced the updated draft FY 2024 annual report from topic C to the Board and Appointments Panel. She noted that FASAB releases an annual report and three-year plan each FY to enhance visibility of its operations and to obtain input regarding the Board’s plans. The report includes a letter from the chair and a letter from the executive director. It also includes FASAB’s collaboration, outreach, and educational activities throughout the FY, as well as a section on governance, operations, and budgetary resources. She noted that the FY 2024 actual amounts were not available yet but would be included before the final draft is sent to the members.

The objective for the session was for the Board and Appointments Panel members to review an updated draft of the FY 2024 annual report and three-year plan.

Ms. Valentine noted that revisions discussed at the August meeting, project updates through the end of the FY, and edits provided by members were included in the updated draft. Members suggested a few additional, minor edits.

The Board agreed not to update the annual report for Board activities occurring after September 30, 2024. Ms. Valentine mentioned to the members that a sentence had been added to reflect the results of the five-year trend analysis of the assessment survey. The members agreed to remove the “Budget in Brief” header and instead note any significant changes in the presented budgetary resources.

Ms. Valentine reminded the members that the report would be issued November 15, and the members would have an opportunity to see another final draft before the report was published.

Ms. Valentine asked the members for any final edits/comments as soon as possible, giving staff an opportunity to provide members the final version before the report is issued on November 15, 2024.

Adjournment

The Board meeting adjourned for the day at 2:30 p.m.

- **Steering Committee Meeting**

The Committee discussed FASAB's FY 2026 and 2027 proposed budgets, as well as other administrative matters.