

**FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD**  
**Board Meeting Minutes**  
**February 23, 2021**  
**WebEx and Teleconference**

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

**Tuesday, February 23, 2021**

**Attendance**

The following Federal Accounting Standards Advisory Board (FASAB or “the Board”) members were present throughout the meeting: Messrs. Scott (chair) and Bell, Ms. Bronner, Mr. Dacey, Mses. Harper and Kearney, and Messrs. McNamee, Patton, and Smith. The executive director, Ms. Valentine, and general counsel, Ms. Motley, 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 meeting minutes prior to the meeting.

- **Updates and Clippings**

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

three due process documents out for comment—revenue and expense preliminary views, recognition of elements of financial statements concepts, and financial reporting model reexamination. She also mentioned GASB’s work on the disclosures concepts; compensated absences; risks and uncertainties; and prior period adjustments, accounting changes, and error corrections. She also referenced GASB’s omnibus project, transition guidance for infrastructure, and the renaming of the comprehensive annual financial report project. 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.

Mr. Savini, assistant director, introduced Professor David Harvey of the National Defense University.

Mr. Perry, senior analyst, introduced the new FASAB intern, Mr. Rick Marcello.

Ms. Valentine noted that FASAB Detailee Christi Dewhirst’s term has been extended until April 30, 2021.

## Agenda Topics

- **Technical Clarifications: Fund Balance with Treasury**

Ms. Batchelor, assistant director, explained the objective of the session was to consider the comment letters, staff analysis, and staff’s recommendations on the proposed *Interpretation Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31): An Interpretation of SFFAS 1 and SFFAS 31*. The materials for the session are available at [tab D](#) of the briefing materials.

Ms. Batchelor recapped the history of the project by explaining that it resolves ambiguity regarding the presentation of non-federal non-entity Fund Balance with Treasury as it relates to paragraph 31 of Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*.

FASAB released the proposed Interpretation for comment on October 29, 2020, and subsequently received 16 comment letters. Respondents agreed with the proposed guidance that non-federal non-entity amounts received for unfilled orders that are reflected in FBWT should be reported as an intragovernmental asset of the component reporting entity. No respondents disagreed with the proposal and there had only been one suggested edit.

Ms. Batchelor explained that seven Board members had responded to staff questions and were supportive of moving to a pre-ballot document. Members had provided minor edits and staff had prepared a marked pre-ballot noting these edits to review during the meeting.

Mr. Scott suggested any Board member who had not submitted comments may share thoughts on the staff questions prior to staff reviewing the pre-ballot edits.

**Question 1 – After reviewing the comment letters, staff analysis and the accompanying Table A (that includes a disposition of all comments) does the Board generally agree with the staff assessment?**

The Board was in agreement with the staff assessment.

**Question 2 – Do Board members have any comments on the proposed Interpretation *Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31): An Interpretation of SFFAS 1 and SFFAS 31*?**

One member suggested changing “the majority of the respondents” to “the respondents generally agreed” because all respondents (except for the one that did not indicate a response) agreed.

**Question 3 – Are Board members prepared to move forward to a pre-ballot version? Ballot version?**

Prior to the meeting, a majority of members had indicated they were prepared to move to a pre-ballot Interpretation. Staff had prepared a pre-ballot marked version for review at the meeting. The Board agreed to the pre-ballot edits and agreed to move to a ballot version of the proposed Interpretation.

**Next steps:** The Board agreed to move forward to a ballot version of the proposed Interpretation *Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31): An Interpretation of SFFAS 1 and SFFAS 31*. Staff will provide a ballot and proposed Interpretation electronically for the Board to review during March 2021. Once approved by the Board, the Interpretation will be submitted to the members representing the sponsor agencies for 45 days. If within 45 days none of the members object, then it will be published by FASAB.

- **Technical Clarifications: Debt Cancellation**

Ms. Batchelor explained the objective of the session was to consider a revised exposure draft (ED) Interpretation titled *Debt Cancellation: An Interpretation of SFFAS 7, Paragraph 313*. The materials for the session are available at [tab E](#) of the briefing materials.

Ms. Batchelor recapped the history of the project by explaining that it relates to paragraph 313 of SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*. The Board had agreed to resolve the issue with the lowest level of generally accepted accounting principles (GAAP) guidance necessary. At the December 2020 meeting, the Board had agreed to move forward with the draft Interpretation, pending incorporation of additional clarifying

edits as agreed to by members. Specifically, the Board agreed additional language may be necessary to clarify debt cancellation activity within the statement of changes in net position (SCNP) and the interrelationship with Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements* (form and content).

Ms. Batchelor explained that FASAB staff had coordinated with OMB staff and determined that eliminating the sub-categories “Budgetary Financing Sources” and “Other Financing Sources (Non-exchange)” presented under the Cumulative Results on the SCNP from the A-136 form and content requirements would enhance clarity and ensure consistency with GAAP. OMB plans to propose removing the sub-category classifications in the next A-136 update. Staff explained that when OMB removes the sub-category classification on the SCNP, this will alleviate the sub-category classification issue that the Board had considered in this project. Therefore, there would be no reason for the Interpretation to reference the sub-category classifications (if the sub-category classifications are no longer presented or required by A-136 on the SCNP).

Additional narrative was included in the Interpretation to explain that the budgetary accounting and reporting for debt cancellation should be based upon language provided in the enacted legislation canceling the debt and that guidance would be provided by central agencies.

Ms. Batchelor explained that she had heard from seven Board members prior to the February meeting and the majority of members were prepared to move forward to a pre-ballot ED. Staff stressed the importance of the A-136 revisions and that staff would not recommend that the Interpretation move forward as currently drafted without the A-136 revisions. FASAB staff is comfortable with the ED being exposed for comment while A-136 is under revision because the ED sufficiently explains this. Further, the final Interpretation would not be issued until the A-136 update is complete.

**Question 1 – Does the Board agree with the staff recommendations detailed above that includes revisions to the draft Interpretation based on changes to OMB A-136 to remove the sub-category classifications on the SCNP and the addition of language referencing budgetary accounting and reporting?**

The Board agreed with the staff recommendations.

**Question 2 – Are members prepared to move to a pre-ballot or ballot Interpretation ED?**

The Board was prepared to move to a pre-ballot Interpretation.

**Question 3 – Do members have any suggested edits to the draft Interpretation *Debt Cancellation: An Interpretation of SFFAS 7, Paragraph 313*? (If members prefer, they may send comments electronically in the staff provided CLEAN word version.)**

One member suggested adding a footnote to paragraph 3 of the draft Interpretation ED. The footnote reference to “other financing sources” would make more explicit that the paragraph is referring to transactions and avoid any confusion with different contexts, such as line item presentation in the SCNP. The member offered proposed wording for the footnote as follows: “The subtitle, “Other Financing Sources” referenced in SFFAS 7, Appendix B does not infer a particular financial statement line item classification. Rather, the subtitle is only intended to reference other transaction types not considered exchange transactions or nonexchange transactions.”

Staff did not believe a footnote was necessary because paragraph 3 of the draft Interpretation is clear that it is referring to transactions. Paragraph 3 contains the term “transactions” several times and also refers readers to paragraph 32 of SFFAS 7, which also has additional information regarding the topic. Staff noted that this is within the authoritative text of the Interpretation so the paragraph does not require a footnote.

Members indicated that the draft Interpretation appeared clear on the issue but understood the member’s concern to alleviate any potential confusion regarding the term. The Board determined a footnote was not necessary. Certain members expressed that they did not want to stop the draft Interpretation from being released for public comment and would consider an alternative, such as a question for respondents.

One member suggested this could be an area to request feedback through the use of a focused question regarding the definition of “other financing sources” as used in the document. The member did not want to address issues that are transitory, such as the A-136 revisions, because that may confuse readers.

Mr. Scott requested the Board member who had suggested the footnote draft a very focused question and provide to staff.

One member had additional suggestions on the ninth paragraph in the draft Interpretation. After discussion, the Board agreed to the following language to paragraph 9:

In addition to the proprietary accounting and reporting discussed above, budgetary accounting and reporting should be considered. As noted in paragraph 313 of SFFAS 7, the cancellation of debt requires an Act of Congress. Each debt cancellation is governed by the particular language used in the enacted legislation canceling the debt. For example, Congress may provide an appropriation to the agency for the purposes of cancelling the debt or it may cancel the debt without providing an appropriation. Central agencies will provide guidance on budgetary accounting<sup>FN</sup> and reporting for debt cancellation based upon language provided in the legislation canceling the debt.

FN See paragraphs 23-26 and paragraphs 77-82 of SFFAS 7 for discussion about budgetary information and the budgetary accounting perspective. In addition paragraphs 203 -223 of the basis for conclusions provides further

rationale and explanation of SFFAS 7 specific to budgetary principles, the budget process and its linkage to proprietary accounting.

Ms. Batchelor explained that one member was concerned about the length of the basis for conclusions with the inclusion of excerpts from SFFAS 7. Certain members agreed but noted relevant excerpts might be helpful during the ED process. The Board asked if there were options to streamline, reference, or include the excerpts as an attachment that could be dropped after the ED. The Board requested staff to research options for its consideration.

**Next steps:** The Board agreed to move forward to a pre-ballot ED Interpretation titled *Debt Cancellation: An Interpretation of SFFAS 7, Paragraph 313*, pending incorporation of additional edits as agreed to by members.

- **Note Disclosure Concepts**

Ms. Valentine introduced the note disclosures discussion from [tab F](#) of the briefing materials. Ms. Valentine noted that she would be shepherding the note disclosures project for now to ensure it progresses in spite of the recent retirement of Mr. Ross Simms. She reminded the Board that in December members had decided that the note disclosure concepts would be included as amendments to Statement of Federal Financial Accounting Concepts (SFFAC) 2, *Entity and Display*. The materials included the latest round of edits to SFFAC 2 and excerpts from SFFAC 1, *Objectives of Federal Financial Reporting*, on stewardship, accountability, cost-benefit, understandability, and materiality. She reminded the Board that the concepts statements are a framework for the Board to use when developing accounting standards. She also acknowledged Mr. Patton's assistance, given his vast experience with concepts statements.

Ms. Valentine noted that she heard back from several members on the three questions posed to the members.

**Question 1 – Does the Board agree with the updated proposed amendments to SFFAC 2 to enhance the note disclosures concepts?**

**Question 2 – Does the Board have additional note disclosure concepts edits to the proposed amendments to SFFAC 2?**

Ms. Valentine briefly went over the latest proposed edits since the last meeting.

- The subject heading was changed from “Other Information” to “Note Disclosures” to distinguish it from Required Supplementary Information. Note disclosures are basic information along with the financial statements.
- The opening sentence was updated to read, “Financial information is also conveyed with note disclosures, which are an integral part of the basic financial statements.”

- One member had suggested adding “financial” as a qualifier to “accountability,” but the Board agreed that accountability is broader than just financial accountability. For example, heritage assets and stewardship land.
- The Board considered whether to add the term “essential” to the first sentence of A. The proposed sentence reads, “Note disclosures may provide *essential* information to explain or further describe items of information recognized in financial statements.” Members discussed whether “essential” should be included only in A. or in the opening paragraph to avoid using it in A. – D. A member noted that many disclosures are directly tied to their GAAP presentation and questioned how the word “essential” would tie in with those requirements.
- A member asked if the reference to “restrictions” in A. and B. creates overlap. Is a distinction needed? Another member noted that in A. the Board discusses restrictions on the use of an item, whereas B. applies more broadly to special restrictions or privileges on an entity.
- A member noted the concept of risk is important and suggested the Board deliberate where it is most appropriately discussed—in A. or C. The suggestion was to add “including risk assessments.” Two members noted that risks are not normally recognized in the financial statements. Mr. Dacey noted that he would think about language to add surrounding “uncertainties” to address the concerns.
- In an effort to streamline the language, one member suggested deleting from B. the phrase “receive budget authority through appropriations to,” noting that all agencies receive appropriations (annual, multi-year, or permanent). The members agreed with the deletion.
- A member suggested adding language to address legislative purposes behind government activities. The Board agreed to add the following sentence to the end of B: “In addition, note disclosures may communicate information regarding the legislative purpose behind governmental activities and the related accounting impact.”
- The Board agreed to revise A. – D. to delete the specific references to users and instead refer to the use of the information.
- The Board agreed to shorten the title of C. so that it is not just a repeat of the first sentence in C. The revised title is, “Past events and current conditions not recognized.” The title “Stewardship and operating performance” was also deleted in an effort to not give weight to any particular concepts.

- The Board agreed to simplify D. and to distinguish it from what is outlined in A. – C.

**Question 3 – Does the Board agree with staff’s recommendation to not add duplicate language on stewardship, accountability, cost-benefit, understandability, and materiality in the updated note disclosure concepts amendments?**

There were no objections to staff’s recommendation to not duplicate language on stewardship, accountability, cost-benefit, understandability, and materiality in the updated note disclosure concepts amendments. Member comments included the following:

- I see the concepts statements as one package because they are all talking about different elements of a total financial model. I do not think we need to mention these issues under each one of these topics.
- We also seem to have some “apples and oranges” here among the various characteristics and it is inconsistent in the suggested manner that we would be proposing to use them.

**Next steps:** Staff will work with members via email to revise the language for the SFFAC 2 note disclosure amendments and return in April to continue the discussion.

- **FASAB Annual Report**

In reference to [tab G](#) of the briefing materials, Ms. Valentine noted that members’ comments on the annual report were supportive of staff’s recommendation to not change the Board’s current agenda at this time and to consider the comments received when the Board reviews the full agenda later this year. The Board does not need to make any other decisions at this time.

**Next steps:** Ms. Valentine will consult with Mr. Scott to assess if the annual report discussion needs to be presented to the Board in April.

## **Adjournment**

The Board meeting adjourned for the day at 5:15 p.m.

The Appointments Panel met in closed session on February 24, 2021, to discuss the reappointments process and the timeline for the appointment of a new member in June 2022. The reason for the closure was that matters covered by 5 U.S.C. 552b(c)(2) and (6) were discussed. The discussions related solely to internal personnel rules and practices of the sponsor agencies and the disclosure of information of a personal nature where disclosure would constitute a clearly unwarranted invasion of personal privacy. A determination has been made in writing by the U.S. Government Accountability Office,

the U.S. Department of the Treasury, and the Office of Management and Budget, as required by section 10(d) of the Federal Advisory Committee Act, 5 U.S.C. App., that the meeting may be closed to the public in accordance with 5 U.S.C. 552b(c)(2) and (6).