DISCLAIMER

- Views expressed are those of the speaker.
Overview

- Reporting Model
- Leases
- Insurance Programs
- Opening Balances for General PP&E
- Land
- Budget and Accrual Reconciliation
- Tax Expenditures
External users need to

- Understand the relationship among
  - budgetary information
  - cost information
  - performance information

- Determine whether the government’s financial condition improved or deteriorated
  - what measure(s) should be considered
External users need to

- Understand component reporting
  - budgetary terms and concepts unique to federal government
  - how the financial statements relate to the government-wide financial statements

- Understand the relationship between
  - information required by GAAP (*required information*) and
  - other information
    - presented voluntarily
    - presented to comply with legislation or administrative directives
Board developing conceptual guidance

• Concepts intended to
  ◦ guide the Board in developing reporting model standards
  ◦ help others understand the purposes for required information

• Discuss the relationship between required and other information
  ◦ required information
    • based on common understanding of terms
    • complete
  ◦ other information
    • might not meet the qualitative characteristics of required information
    • might not be exposed to the same level of discipline as required information
Board developing conceptual guidance

- Distinguish required information for
  - the government-wide reporting entity
    - power to tax
    - charge fees
    - borrow
  - component reporting entities
    - authority through appropriations
    - diverse missions and activities
Board developing conceptual guidance

- Reporting concepts regarding
  - component budgetary information
  - the relationship among different financial statements
  - disaggregation of cost and budgetary information
  - performance information
  - summary reporting
Potential impact on standards

- Guidance regarding
  - presentation of component budgetary information
  - disaggregating and classifying cost and budget information
  - the presentation of trends
  - financial information to include in summary reports
  - performance reporting
Leases

- FASAB collaborating with GASB to develop standards for governmental organizations.
- GASB’s preliminary views document should improve clarity of ultimate exposure draft.
- Each board will issue an exposure draft.
Tentative decision to establish a single model (with exceptions for short-term arrangements – 24 months for federal).

- Leases create assets consisting of the “right to use” a resource.
- Leases create liabilities consisting of the obligation to pay for the resource.

Treatment should help identify the interest cost associated with leases.
Questions

- **Budget Scoring vs Balance Sheet Liability**
  - Do we need to minimize cases where the budget scores an obligation but there is no balance sheet liability?
  - Should the option exist to recognize a liability for short-term leases?
Leases-Intragovernmental Exceptions

- Leases between two consolidation entities (as defined in SFFAS 47) would be expensed by lessor when due and payable.
- Minimal disclosure requirements.
Leases

Tentative Timelines

- ED by summer 2016
- Final early 2017
Risk Assumed – Government Cost of Federal Crop Insurance (Source: CRS R40532)
Risk Assumed – Insurance Phase

- Define insurance programs
- Improve terminology
- Address measurement uncertainty regarding estimated losses on open contracts
  - Determine best measurement model
  - Improve disclosures
- Disclose risk assumed for insurance programs with:
  - Narrative including risk factors
  - Coverage in force (maximum loss)
Establishing Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials

- Should estimates of historical cost be permitted?
  - Of course, but does that solve the problem?

Deemed Cost Proposal – Finalized

- Several valuation bases permitted
- Flexible dates to allow components to establish opening balances at different dates
  - Respondents sought clarification but generally supported proposal.

Expect Issuance by March 2016.
Establishing opening balances for general property, plant, and equipment

- DoD sought guidance on detail needed for capital improvements to real property.
- Other issues were identified.
Tentative decisions:
- Allow deemed cost (estimated historical cost, fair value, replacement cost) for all general PP&E.
- Provide prospective treatment for internal use software with options.
- Expense land.
  - Acres of land would be disclosed.

Look for final standards by 9/30/16.
Land

- Project goal: Improve accounting/reporting for land
  - SFFAS 6 requires capitalization of land & land rights acquired in connection with GPP&E at the cost incurred.
  - SFFAS 29 defines “stewardship land” as land other than GPP&E land. It requires disclosures regarding policies for managing land, categories of land, and physical quantity information.
Land

- Project objectives: Recommend recognition, measurement, and disclosure requirements as appropriate:
  - What is the most appropriate reporting objective?
  - Does predominant use or managerial intent influence the accounting and/or reporting?
  - Which measurement attribute(s) should be considered for recognition purposes?
  - Which non-financial attributes if any, should be presented?
  - What are agency best practices and practical limitations?

- Join our Task Force - “This land is your land, this land is my land, from California to FASAB Standards”......This land was meant for YOU and me!!
Budget and Accrual Reconciliation

- **Project Goal:**
  - Improve the component reporting entity’s budgetary and net cost reconciliation
  - Support the Government-Wide Accounting (GWA) reconciliation

- **Project Objectives:**
  - Review usefulness of the current Statement of Financing note disclosure
  - Improve the component reporting entity budget and accrual reconciliation
  - Research and recommend alternative component level reconciliation that may support GWA reconciliation

- **Working Group & Proposed Timeline**
What Are Tax Expenditures?

Revenue losses attributable to provisions of the U. S. Federal tax laws which allow:

- special exclusion, exemption, or deduction from gross income
- provide a special credit, a preferential rate of tax, or a deferral of tax liability

Source: Congressional Budget and Impoundment Act of 1974
Examples

Not taxed:

- Employer-provided health insurance
- Gains from the sale of a home
- Earnings set aside for retirement
- Interest on state and local bonds
Use Increasing

Figure 2: Tax Expenditures Approach the Size of Discretionary Spending

Dollars in billions (in 2014 dollars)

Source: GAO analysis of Treasury estimates and OMB historical data.
Does it Help Meet Reporting Objectives?

- Operating Performance – cost of government actions and how costs are financed should be known.

  Tax expenditures are a growing part of the story of service efforts and accomplishments.

- Stewardship – how the government makes investments that impact the nation’s financial condition is important information.

  Tax expenditures are an investment tool that may be overlooked by citizens.
QUESTIONS