

# FASAB Update 2016



**APRIL 18, 2016**  
**8:30 AM – 12:15 PM**

# 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

# Reporting Model



**ROSS SIMMS, CPA**  
**ASSISTANT DIRECTOR**

# Reporting Model



## Challenges observed

### Presently...

- Financial statements
  - highly aggregated
  - Static
  - Present cost by strategic goals
- Multiple sources of information available through websites
  - GAAP
  - Non-GAAP
- Multiple measurement bases
  - Accrual, budget, projections
- Spending is mostly mandatory not discretionary

### However...

- Users also looking to
  - Review functions or programs
  - Make comparisons
  - Drill-down
  - Access data
  - Create their own reports
  - Identify trends, patterns
  - Analyze performance
  - Compare budgeted to actual

# Reporting Model



## How should financial reporting...

- Relate GAAP and non-GAAP sources
- Help users understand
  - Differences between government-wide and component financing
  - The relationship among the different measurement bases
  - Mandatory vs. discretionary spending
- Facilitate multi-dimensional analyses

# Reporting Model



Given the variety of issues  
the model can take different paths



# Leases



**WENDY PAYNE, CPA  
EXECUTIVE DIRECTOR**



# 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.

# Leases



- 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.

# 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

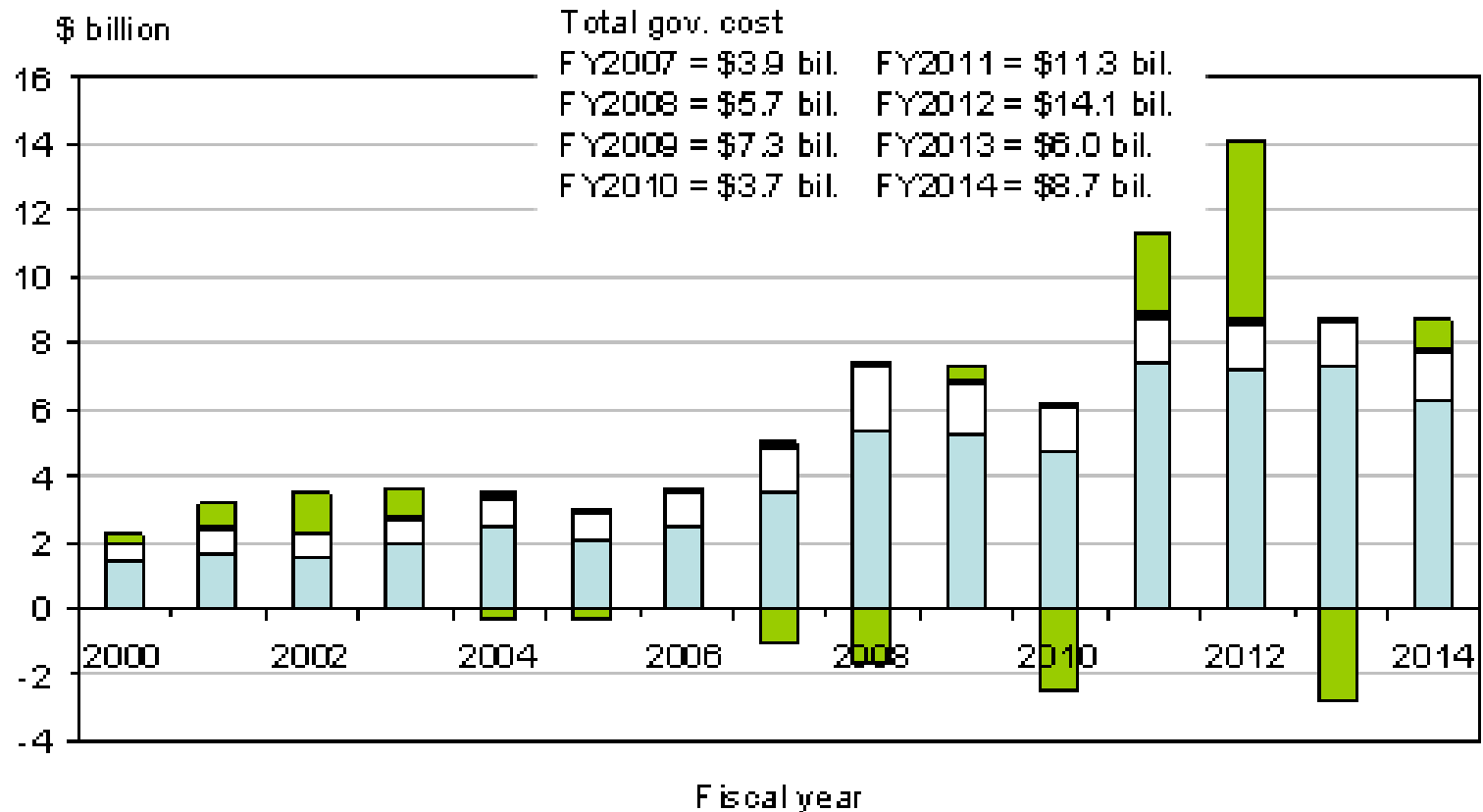
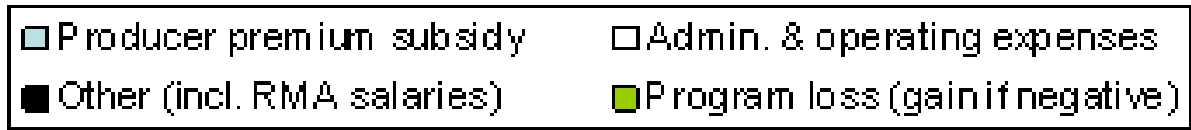
- FASB/IASB – Final expected late 2015
- GASB – ED early 2016 and final early 2017
- FASAB – ED early 2016 and final early 2017

# Insurance Programs



**ROBIN GILLIAM, CPA**  
**ASSISTANT DIRECTOR**

# 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)

# Opening Balances for General PP&E



**MELISSA BATCHELOR, CPA**  
**ASSISTANT DIRECTOR**



# Department of Defense – Implementation Issues



- **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.**

# Department of Defense – Implementation Issues



- 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 and land.
    - ✦ Acres of land would be disclosed.
- Look for an exposure draft by the end of 2015.

# Land



**DOMENIC SAVINI, CPA, CMA, CGMA**  
**ASSISTANT DIRECTOR**

# 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.
- 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



**GRACE WU, CPA, CGFM**  
**PROJECT MANAGER**

# 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**

# Tax Expenditures



**WENDY PAYNE, CPA  
EXECUTIVE DIRECTOR**

# Tax Expenditures

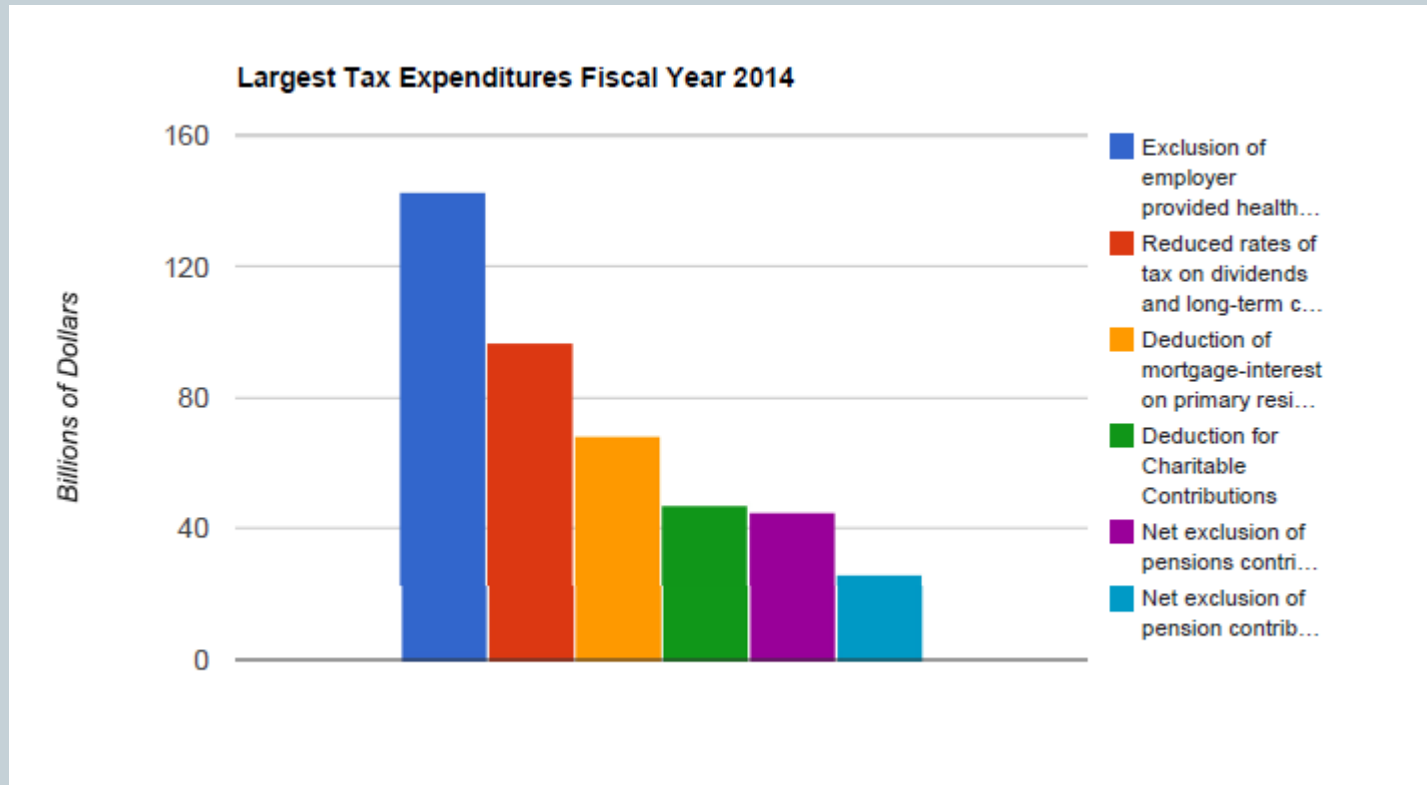


- **What are they?**
  - Income tax code provisions that decrease tax liabilities or direct cash (credits) to taxpayers engaging in desirable activities or facing certain circumstances.
- **Who gets them?**
  - What do you think – more tax expenditures for corporations or individuals?



# Tax Expenditures

Source: Concord Coalition



# QUESTIONS

