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
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
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
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 and land.
  - Acres of land would be disclosed.

Look for an exposure draft by the end of 2015.
Land

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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

- **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

Largest Tax Expenditures Fiscal Year 2014

Billions of Dollars

- Exclusion of employer provided health...
- Reduced rates of tax on dividends and long-term c...
- Deduction of mortgage-interest on primary resi...
- Deduction for Charitable Contributions
- Net exclusion of pensions contri...
- Net exclusion of pension contrib...
QUESTIONS