

**BIG**  
CHALLENGES

**BIGGER**  
THINKING



**2013**

**AGA's 62<sup>nd</sup> Annual PDC**

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**JULY 14-17** | 24 CPE HOURS  
DALLAS | GAYLORD TEXAN

## Defining the Boundaries of the Federal Reporting Entity

- Tom Allen, Chairman, Federal Accounting Standards Advisory Board (FASAB)
- Monica Valentine, Assistant Director, FASAB
- Wendy Payne, Executive Director, FASAB

**Moderator** - Ross Simms, Assistance Director, FASAB

## Disclaimer

- Views expressed are those of the speaker. The Board expresses its views in official publications.

## Reporting Entity–Exposure Draft

- INCLUSION PRINCIPLES (applied from the perspective of the government as a whole)
  - Include in GPPFR all organizations meeting any one of the three principles:
    - In the budget
    - Majority ownership interest
    - Control with risk of loss or expectation of benefit
- Misleading to Exclude

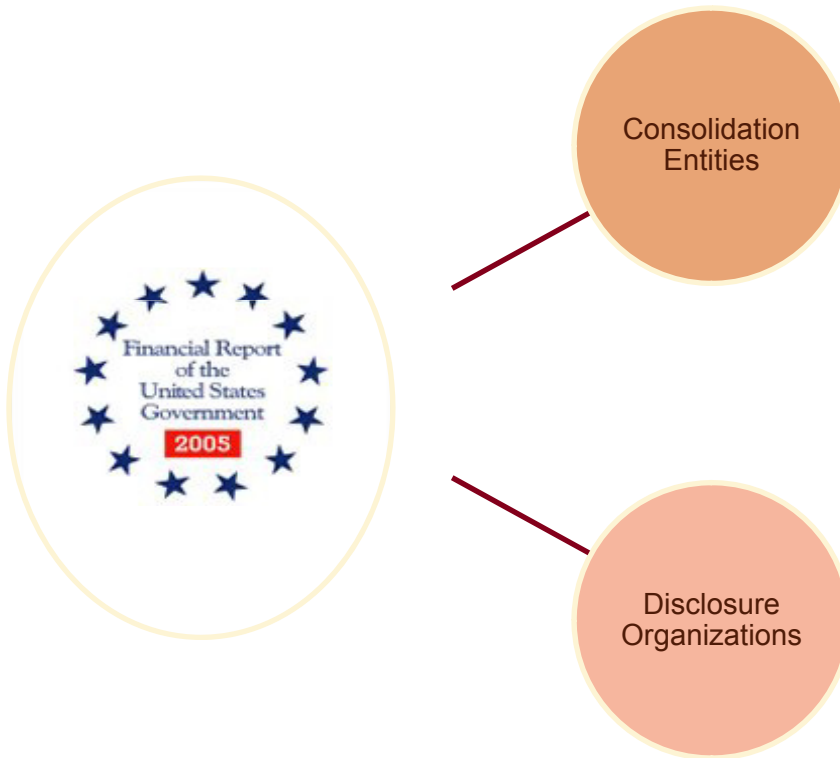
## Does Your Perspective on Control Matter?

- Museum of Quilt Art (MQA)
  - Non-profit funded through Appropriations administered by the Department of Art
  - Department of Art has no MQA management role and frequently has difficulty getting answers to questions
  - President appoints a Board to manage the museum
  - Congress provides funding in legislation and no non-federal funds may be used by the MQA

**Does the Department of Museums  
Control the Museum of Quilt Art?**

**Does the Federal Government  
Control the Museum of Quilt Art?**

# Proposed Distinction for Reporting



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# Consolidated Financial Statements

## Consolidation entities:

- are supported by general taxes and non-exchange revenue.
- on-going decision making is more clearly linked to elected officials.
- risks and rewards fall to the federal government.
- are providing goods and services on a non-market basis.



- Is it a consolidation entity:
  - Department of the Treasury?
  - Amtrak?
  - An LLP formed to build a regional hospital in partnership with a federal agency?

# Disclosures

## Disclosure organizations:

- Are somewhat independent from elected officials.
- May maintain separate legal identity or governance structure to insulate from political influence.
- Receive limited or no funding from general tax revenues so as to be financially self-sustaining or have relative financial independence.
- Limited risk and rewards fall to the federal government.

## Component Reporting Entity

- A Component Reporting Entity's GPFFR will include all consolidation entities and disclosure organizations administratively assigned to it.
  - Scope of the Budget Process
  - Accountability Established Within a Component Reporting Entity
  - Misleading to Exclude and/or Misleading to Include

## Content of GPFFR Regarding Consolidation Entities

- Consolidation entities apply GAAP as defined in SFFAS 34
  - Consolidation entities still record transactions and events relating to disclosure organizations
  - Still allows for application of FASB as the primary standards
- FASAB and FASB based information should be consolidated without conversion of FASB-based information to FASAB basis

# Content of GPFFR Regarding Disclosure Organizations

- Information to be disclosed in notes:
  - Emphasis on meeting 3 objectives:
    - Relationship & Organization,
    - Relevant Activity and
    - Future Exposures
- Factors provided to assist and examples of information
- Disclosures should be integrated
- Different year ends for disclosure organizations

# Central Banking System

- Minimum Disclosures:
  - governance,
  - significant roles and responsibilities,
  - actions to achieve monetary and fiscal policy objectives,
  - transactions with the reporting entity,
  - risks to the federal government and
  - future exposures to gains and losses.
- Disclosures should be integrated

## Related Party

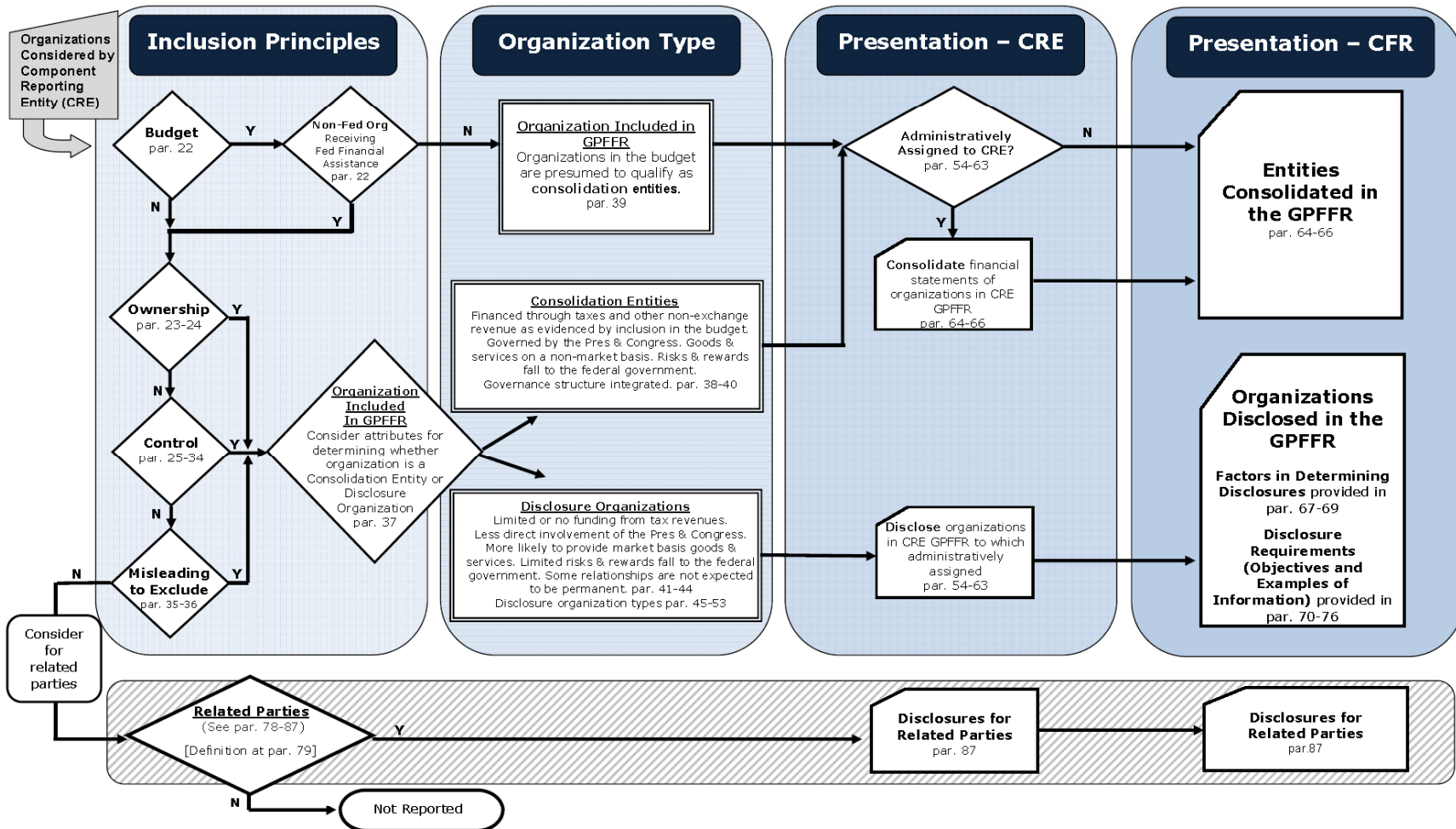
- Organizations are considered to be related parties if the existing relationship or one party to the existing relationship has the ability to exercise significant influence over the other party in making financial and operating decisions.
- Significant influence is the power to participate in the policy decisions of an entity, but not control those policies.

## Reporting Entity–ED

- Other Items
  - Amendments to SFFAC 2, *Entity and Display*
  - Flowchart
  - Illustrations



**FLOW CHART (Appendix B)**





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# **Leases, PP&E, Risk Assumed**

## Public-Private Partnerships

- Complex relationships that fundamentally share risks among partners through creative financial and management arrangements.
  - Diverse group run under many names (alternative financing arrangements, privatization, performance based arrangements)
  - Often look like leases
    - Government may be lessee or lessor
    - May deliver goods and services to the public or the government

## Status of FASAB Effort

- Research and formation of task force complete
- Exploring the need for disclosures regarding fiscal exposure
- Will consider recognition and measurement
  - Leases?
  - Reporting Entity?