



# FASAB Newsletter

## Federal Accounting Standards Advisory Board

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#### Disclaimer

The staff of the Federal Accounting Standards Advisory Board publishes the FASAB newsletter following Board meetings to provide highlights of recent Board actions and issues. When an article refers to a Board decision, it should be understood that this is tentative until FASAB issues a Statement of Federal Financial Accounting Concepts (SFFAC) or Statement of Federal Financial Accounting Standards (SFFAS).

Please direct newsletter editorial questions to Leigha Kiger at 202-512-7358 or [kigerl@fasab.gov](mailto:kigerl@fasab.gov).

Please direct AAPC technical questions to Grace Wu at 202-512-7377 or [wug@fasab.gov](mailto:wug@fasab.gov).

Please direct FASAB and AAPC administrative questions to Romona Parker at 202-512-7350 or [parkerr1@fasab.gov](mailto:parkerr1@fasab.gov).

## Current Board Projects

*(For more information, click on the title of the project to be directed to the related active project page.)*

### Financial Reporting Model

The Federal Accounting Standards Advisory Board (FASAB or “the Board”) plans to consider opportunities for streamlining management’s discussion and analysis (MD&A) and required supplementary stewardship information (RSSI). In May 2017, Board members reviewed financial reports and FASAB staff conducted roundtable discussions to determine potential areas for streamlining. As a result, staff noted several areas, including MD&A, RSSI, other information, the overall reporting model, and certain financial statements and note disclosures that might be suitable for the streamlining initiative.

The Board decided to use a two-phased approach for reviewing the streamlining options. During the first phase, the Board will focus on areas that can be addressed in the near term and, in the second phase, consider areas to address over the long term.

The Board's near-term efforts involve MD&A and RSSI; as such, the Board will begin a note disclosure project. Staff will engage roundtable participants to help determine streamlining prospects for MD&A and RSSI. MD&A is intended to be concise. However, Board members and others noted MD&A is often broad and may overwhelm readers. In addition, with respect to RSSI, users can access the information from other sources, such as *Analytical Perspectives*, *Budget of the United States Government*, *Fiscal Year 2017*. Related performance information may also be presented in agency performance reports.

For the long term, staff will consider the other areas proposed by Board members and roundtable participants. Members discussed that the entire financial reporting community can become involved in the process of identifying opportunities for streamlining financial reports; users do not necessarily need to wait for standards to be developed.

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### Leases

The objective for the June meeting was for the Board to provide direction to staff on the issues raised in the briefing materials and to raise any other technical issues for staff to address. Staff aims to have remaining technical issues addressed at the August meeting so that a pre-ballot draft can be provided to the Board after the August meeting.

At the February 2017 FASAB meeting, the Board considered responses to its 2016 *Leases* exposure draft (ED) and at the April 2017 meeting representatives from five federal entities discussed their comments on the ED with members. The Board asked staff to consider additional scope exclusions, continue to highlight the benefits associated with revising the lease standards, and explore options to ease the anticipated burdens and costs of the revisions to federal preparers.

At the June meeting, staff discussed the following three issues with the Board:

- Definition of a lease
- Scope of the revised lease standards
- Lease term determination

The Board agreed with the broader definition of a lease over the more narrow definition that would only include property, plant, and equipment (PP&E). The broader definition will allow flexibility for leases that are not PP&E, or those not specifically scoped out to be considered for recognition in accordance with the standards.

The Board agreed with the additional scope exclusions. The scope exclusions will include natural resources per Statement of Federal Financial Accounting Standards (SFFAS) 38, *Accounting for Federal Oil and Gas Resources*, and Technical Bulletin

2011-1, *Accounting for Federal Natural Resources Other Than Oil and Gas*; leases of inventory; leases of assets under construction; leases of intangibles; and leases (licenses) of internal use software. With the broader definition, an entity would need to identify all items meeting the definition and justify the exclusions. The broader definition encourages entities to evaluate the substance of the transaction.

The Board agreed to revise the lease term determination language but retain the probable threshold. Staff will also work to ensure the lease term determination language is clear and includes the necessary explanations and definitions. The probable threshold gives the entity a better basis for assessing the lease term, as opposed to the higher reasonably certain threshold which could be more challenging to establish.

**Next steps:** Staff will make the necessary revisions to the draft standards based on all Board discussions since the ED and present the draft to the Board at the August meeting.

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### [Accounting and Reporting of Government Land](#)

At the June 22, 2017, Board meeting, members reviewed a draft ED. The Board agreed with the staff recommendation that the ED should highlight the two major proposed changes being considered: (a) reclassifying general property, plant, and equipment (G-PP&E) land as a non-capitalized asset with no dollar amounts reported on the balance sheet and (b) requiring consistent and uniform disclosures and presentation of information for G- PP&E land and stewardship land (SL).

Staff has initially identified four standards requiring amendments:

- SFFAS 6, *Accounting for Property, Plant, and Equipment*
- SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*
- SFFAS 29, *Heritage Assets and Stewardship Land*
- SFFAS 32, *Consolidated Financial Report of the United States Government Requirements: Implementing Statement of Federal Financial Accounting Concepts 4 "Intended Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government"*

Additionally, staff has identified for rescission guidance regarding SL contained in Technical Release (TR) 9, *Implementation Guide for Statement of Federal Financial Accounting Standards 29: Heritage Assets and Stewardship Land*. Please note that TR 9 would retain guidance relating to heritage assets.

Members also identified three additional issues, two of which were resolved during the meeting: (1) land rights, (2) land leases, and (3) the lack of a distinct definition for SL.

The Board agreed that because land rights are intangible assets, any open issues related to their treatment not addressed by SFFAS 6 should be excluded from the land project's scope. Members also agreed that leased land should be subject to the revised lease standards and that disclosures should be harmonized to the extent practical. The Board requested staff develop a definition for SL along with the incorporation of additional edits.

Lastly, members requested the following questions be added to the draft ED:

- Should the disclosures related to G-PP&E and SL be combined into a single note disclosure?
- Do the three proposed predominant use categories supersede the G-PP&E and SL categories, making them obsolete?
- What type of audit guidance will preparers need to satisfy the proposed accounting standards?

The Board tasked staff with developing a revised draft ED for further consideration.

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#### **Risk Assumed**

At the June 22, 2017, Board meeting, members discussed focus group feedback to determine which suggestions should be included in risk assumed reporting.

Members do not want to include

- discussions that predict unforeseen catastrophes and their potential financial impact;
- trends for using emergency funding as an indicator of fiscal exposure to risk shocks;
- comparisons of estimates to actuals; or
- management of past risk events.

Members **do want to**

- include past events that affect the current financial position; and
- include and define major risk events with a relationship to long-term sustainability that are not already reported.

Members also reviewed the USAFacts 10-K risk section—Item 1A Risk Factors—to determine if it was an appropriate model for reporting risk assumed in the federal financial report. Members did not favor a separate risk section. They did want

meaningful, streamlined information presented as a broad analysis, rather than specific details within already existing disclosures. Members agreed to continue using the risk exposure categories provided in tab G, appendix C as a foundation for the ongoing gap analysis.

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### DoD Implementation Guidance Request

At the June 2017 meeting, the Board request from the Department of Defense (DoD) related to DoD intragovernmental activities/costs. Staff proposed the following flexibilities for component reporting entities other than those conducting business-type activities that are consolidated in the DoD financial statements:

- Inter-entity, including intra-departmental, costs addressed in SFFAS 4, *Managerial Cost Accounting Standards and Concepts* (including Interpretation 6, *Accounting for Imputed Intra-departmental Costs: An Interpretation of SFFAS 4*), need not be imputed.
- Concepts state that an asset would be recognized by the component entity that has a comprehensive relationship to it. This may be different than the component reporting entity that has legal title to or funded the asset. Assets may be assigned to component reporting entities on any basis.
- With the exception of cleanup costs intended to be covered by rates charged in a business-type activity,<sup>1</sup> DoD may assign cleanup cost liabilities to component reporting entities on any basis. For example, the cleanup cost liability may be assigned to the component reporting entity that reports the asset or to another entity.
- DoD has the option to classify intragovernmental transactions as transfers-out (SFFAS 7, par. 70) or as a cost. This flexibility is necessary because it can be difficult to determine whether an exchange has occurred between the federal components, departments, or agencies involved.

Some members questioned why the four flexibilities were proposed for DoD and why DoD is different than other reporting entities. Still other Board members recognized unique characteristics specific to DoD.

After discussion, the Board agreed that the provisions should be broadened to apply government-wide. The Board decided it would be best to handle each provision in separate, appropriate GAAP-level documents.

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<sup>1</sup> A business-type activity required or expected to recover cleanup costs through rates should recognize those cleanup costs per SFFASs 5 and 6.

### [Budget to Accrual Reconciliation](#)

After the April 23, 2017, Board meeting, staff provided an updated budget and accrual reconciliation (BAR) format to the nine agencies that had expressed concern about the breakdown during the ED comment period. This new format included the Department of the Treasury's (Treasury) updated, detailed account-level guidance with a breakdown of Intragovernmental and With the Public. At the June 22, 2017, Board meeting, members reviewed responses from six agencies that responded. All respondents preferred this updated format after piloting both the format and the guidance. Because the updated BAR format addressed some of the concerns from the agencies, it will be included as an illustration in Statement of Federal Financial Accounting Concepts 2, Entity and Display, as amended by the Statement.

Members also agreed to clarifying that the BAR breakdown format is a concept illustration, so it is not a requirement for the new Statement.

Based on the above comments, an updated pre-ballot will be provided to the members for review prior to moving to the ballot stage before the next Board meeting.

Point of Contact: Grace Wu, 202-512-7377, [wug@fasab.gov](mailto:wug@fasab.gov)

### [Tax Expenditures](#)

On May 31, 2017, FASAB issued SFFAS 52, *Tax Expenditures*. SFFAS 52 requires narrative disclosures and information regarding tax expenditures. According to Chairman Showalter, the new standards, which affect disclosures in the consolidated financial report of the U.S. Government, "will help users understand tax expenditures, their general purposes, impact on tax collections, and contribution to program costs."

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## [Accounting and Auditing Policy Committee](#)

The Accounting and Auditing Policy Committee (AAPC) held a meeting on June 15, 2017, to discuss the committee members' comments on the ED TR, *Implementation Guidance for Establishing Opening Balances*. Prior to the meeting, the Committee had received a draft of the ED for review. The members discussed significant comments and approved minor changes to the ballot draft at the meeting.

Staff subsequently brought this ED to the FASAB meeting for input from Board members. The ED TR was released on June 21, 2017.

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# FASAB Meeting Schedule

## Schedule for 2017 Meetings

August 30 and 31  
October 25 and 26  
December 20 and 21

Unless otherwise noted, FASAB meetings begin at 9 a.m. and conclude before 5 p.m. Meetings are held at the Government Accountability Office (GAO) at 441 G Street, NW in room 7C13. Agendas and briefing materials are available at <http://www.fasab.gov/briefing-materials/> approximately one week before the meetings.

# AAPC Meeting Schedule

## Schedule for 2017 Meetings

August 17  
November 16

Unless otherwise noted, AAPC meetings begin at 1 p.m. and conclude at 3 p.m. Meetings are held at GAO at 441 G Street, NW in room 7C13. Agendas are available at <http://www.fasab.gov/aapc-activities/> approximately one week before the meetings.

# Security Notice

If you wish to attend a FASAB or an AAPC meeting, please pre-register on our website at <http://www.fasab.gov/pre-registration/> **no later than 8 a.m. the Tuesday before the meeting to be observed.** GAO, which provides space for our meetings, has increased its security procedures, and your name must be provided in advance to the GAO security force before you can enter the building. **When you arrive, please advise the security officer that you are attending either a FASAB or an AAPC meeting. Doing so will assist the officer in locating the correct security list.** Thank you.