



FASAB news

*Federal Accounting Standards
Advisory Board*

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TABLE OF CONTENTS

Current Board Projects.....	1
Stewardship Responsibilities	1
Natural Resources	3
Heritage Assets and Stewardship Land.....	4
Dedicated Collections (or Earmarked Funds).....	5
Fiduciary Activity.....	6
Intradepartmental Costs	6
Concepts Project	7
Homeland Security Act of 2002	8
Other FASAB Information.....	8
Recent Documents Issued.....	8
New Preamble to the Basis for Conclusion.....	8
Accounting and Auditing Policy Committee.....	9
FASAB Meeting Schedule.....	9
Security Notice	9

Current Board Projects

Stewardship Responsibilities

Objective:

Information about stewardship responsibilities is currently designated Required Supplementary Stewardship Information (RSSI), a category unique to federal financial reporting. The project objective was to consider reclassifying the items to basic information, required supplementary information or other accompanying information. Stewardship responsibilities include:

- ▶ **risk assumed** information required by SFFAS 5, *Accounting for Liabilities of the Federal Government*
- ▶ the **current services assessment** (CSA) required by SFFAS 8, *Supplementary Stewardship Reporting*, and
- ▶ **social insurance** information required by SFFAS 17, *Accounting for Social Insurance*.

Disclaimer

The staff of the Federal Accounting Standards Advisory Board publishes FASAB News 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 Board decisions are 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 Melissa Loughan, 202-512-5976, loughanm@fasab.gov.

Please direct AAPC technical questions to Monica Valentine, 202-512-7362, valentinem@fasab.gov.

Please direct FASAB and AAPC administrative questions to Charles Jackson, 202-512-7352, jacksoncw1@fasab.gov.

Project History:

In February, 2002, the Board issued an exposure draft entitled: *Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment*. The exposure draft proposed that risk assumed information and the CSA be reclassified as required supplementary information (RSI). Because it is deemed essential to fair presentation, Social Insurance information would be reclassified as an integral part of the basic financial statements. The Exposure Draft also included the Alternative Views of one Board member. The exposure draft also proposed that the requirement to report the CSA be eliminated after FY 2003, because improved timeliness in issuing audited financial statements should mean that these statements will be available before the President's Budget is published. The President's Budget is the source of the CSA.

The Board considered comments on the ED at its June and August 2002 meetings. In October 2002, the Board met with representatives of the AICPA to discuss audit issues and the AICPA's proposal to address liability recognition for social insurance. Draft statements of standards were reviewed by the Board at its December 2002 and February 2003 meetings. For detailed information on Board meetings, see <http://www.fasab.gov/meeting.htm>

The Board made the following changes to the proposal in the ED: 1.) The Statement of Social Insurance would be presented as a basic financial statement beginning with fiscal year 2005 reports. 2.) Other information required by SFFAS 17 would be categorized as required supplementary information beginning with fiscal year 2005 reports.

Recent Actions and Plans:

A majority of the Board approved the standard for issuance. Statement of Federal Financial Accounting Standards 25, *Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment* was submitted to the sponsors for the 90-day review. Issuance will be July 17th absent an objection.

Point of Contact:

Robert Bramlett, 202 512-7355, bramlettr@fasab.gov

Natural Resources

Objective:

To develop an accounting standard for the oil & gas natural resources owned by or under the stewardship of the Federal Government. Specifically, to determine under what conditions a value and a quantity should be measured and reported for oil & gas, how revenue and the related costs should be recognized and measured, and what disclosures or supplemental information are essential to meeting the reporting objectives. The accounting standards for oil & gas shall be developed to meet the federal financial reporting objectives (SFFAC 1), subject to the pervasive constraint that benefits exceed cost.

Project History:

The project began with the formation of a task force to conduct research. The task force produced a research report in June 2000 entitled *Accounting for the Natural Resources of the Federal Government*. (See <http://www.fasab.gov/reports.htm> to access the report.) The Board is resuming active consideration of the issues raised by the task force after a deferral to address other issues. At the October and December 2002 meetings, the Board was provided background information on the project and considered the project plan. The Board decided to proceed with developing standards for oil and gas due to the extensive literature available in other domains. In February 2003, the Board received information on selected practices as well as an update on staff research.

Recent Actions and Plans:

During the April 2003 Board meeting, staff presented a draft skeletal exposure draft (ED) on the proposed oil and gas standards for discussion by the Board. Staff will continue their research on current reporting practices for oil and gas information, as well as options for measuring the oil & gas resources, and present the information to the Board at the June 2003 meeting for discussion.

Points of Contact:

Monica Valentine, 202-512-7362, valentinem@fasab.gov or Richard Wascak, 202 512-7363, wascakr@fasab.gov

Heritage Assets and Stewardship Land

Objective:

SFFAS 8 requires reporting of stewardship PP&E, which includes heritage assets and stewardship land (HA & SL.) As described in SFFAS 8, required supplementary stewardship information (RSSI) is a category created by FASAB and its audit status was not designated. RSSI was intended to provide information that the Board believed was necessary for the 'fair presentation' of financial statements. In practice, preparers and users have not understood that RSSI is integral to fair presentation and people often assume that the information reported in RSSI is supplementary or of a secondary nature. This is contrary to the Board's intention. Consequently, the Board is reviewing and re-categorizing the stewardship elements in the Federal financial model. (If this effort leads to reclassification of all items in the RSSI category, the Board will ultimately eliminate the category.) The Board solicited comments on its efforts to eliminate the RSSI category through a Preliminary Views document in December 2000 (the preliminary views document can be found at <http://www.fasab.gov/pdf/rssi.pdf>) This particular project addresses appropriate categorization of two of the stewardship elements: heritage assets and stewardship land.

Project History:

At the February 2003 meeting, staff solicited Board input on the project objective, project scope, and initial project issues. The Board reviewed the history of the project and discussed some of the issues identified in the past. The Board requested staff to prepare a summary of all remaining RSSI elements, including current standard requirements, for the Board's consideration before proceeding on the HA & SL project.

Recent Actions and Plans:

At the April 2003 meeting, staff provided an overview of the staff prepared working Exposure Draft *Heritage Assets and Stewardship Land: Reclassification from Required Supplementary Stewardship Information*. The working ED proposes that heritage assets and stewardship land information be reported as basic information, except for condition reporting, which is currently, and should remain, Required Supplementary Information. The working ED provides for a line item to be shown on the balance sheet for significant heritage assets and stewardship land, but no financial amount should be shown. Instead, the line item would reference a note disclosure that would provide the current minimum reporting requirements consistent with those in SFFAS No. 8. The Board agreed with the proposal and directed staff to incorporate some suggestions for revisions made during the meeting and to work toward finalizing an exposure draft for issuance.

Point of Contact:

Melissa Loughan, 202-512-5976, loughanm@fasab.gov

Dedicated Collections (or Earmarked Funds)

Objective:

The objective is to ensure that financial reporting clearly distinguishes between the various types of funds used or managed by the federal government. With respect to dedicated collections or earmarked funds, to ensure that the objectives of federal financial reporting are addressed at both the entity and the consolidated level reports for “trust funds” that are committed to fund future Federal program activity.

Project History:

The project research began in August 2001. In December 2001 and February 2002, the Board reviewed information on (1) reporting under current accounting standards (SFFAS 7, par. 83-87), (2) the universe of special and trust funds in the federal government and existing definitions, (3) the nature of the surpluses generated in some funds (e.g., the Social Security Trust Fund) and public confusion regarding the investments acquired with the surpluses, (4) fiduciary activities addressed in SFFAS 7, par. 83-87, (5) whether the fund balances are also liabilities to the potential beneficiaries of the funds, and (6) characteristics of these funds. The Board decided to address “fiduciary activity” through another project. In April, June, August, and December 2002, the Board reviewed issues papers, illustrations and draft definitions. The Board tentatively concluded that the surpluses or cumulative results of operations for these types of funds are distinguishable from cumulative results of operations from operations financed through the general fund. The Board requested that staff develop an exposure draft that would (1) define the types of activities that result in a dedicated or earmarked fund, (2) segregate the net positions – cumulative results of operations – resulting from these activities from general fund activities, and (3) require disclosure of changes net assets supporting future activities.

Recent Actions and Plans:

During the April 2003 Board meeting the Board discussed the Exposure Draft presented by staff and suggested several changes. They also requested that staff develop several alternatives for presenting the flows of earmarked funds, including showing the flows on the face of the financial statements.

Point of Contact:

Andrea Palmer McKinney, 202-512-7360, mckinneya@fasab.gov

Fiduciary Activity

Objective:

The objective of the fiduciary activity project is to (1) define and characterize fiduciary activity in the Federal Government and (2) develop accounting and reporting standards for such activity. Federal fiduciary activity is the same as what is commonly understood to be trust fund activity in the private sector. The project will distinguish Federal fiduciary activity from other Federal activity referred to as "dedicated collection" or "earmarked funds" activity that is often referred to as "trust fund" activity but that is in fact Federal program activity.

Recent Actions and Plans:

The Board voted in April to publish the exposure draft of a proposed standard entitled *Accounting for Fiduciary Activities*. The proposed standard shows how to distinguish Federal fiduciary activity from Federal program activity that in many cases is called "trust fund" activity but in fact represents taxes or other Federal resources dedicated to specific Federal programs. The proposed standard provides guidance about how to account for and report fiduciary activity. The FASAB is working on a second exposure draft regarding how to account for and report "trust funds" that arise from dedicated or "earmarked" fund activity conducted as a federal program. Comments on the exposure draft are due by July 31. See FASAB Web site www.fasab.gov/exposure.htm.

Point of Contact:

Richard Fontenrose, 202-512-7360, fontenroser@fasab.gov

Intradepartmental Costs

Objective:

To clarify par. 110 of Statement of Federal Financial Accounting Standards (SFFAS) No. 4, with respect to recognizing imputed intra-departmental costs. Although par. 110 of SFFAS No. 4, when considered in conjunction with section 4.3 of OMB Bulletin 01-09 (*Form and Content of Agency Financial Statements*) does limit the recognition of inter-entity costs, this proposed interpretation clarifies that the limitation does not apply to recognition of imputed intra-departmental costs. This proposed interpretation further explains that intra-departmental costs should be accounted for in accordance with the full cost provisions of SFFAS No. 4, which includes the recognition of imputed intra-departmental costs.

Recent Actions and Plans:

The Board issued Interpretation Number 6, *Accounting for Imputed Intra-departmental Cost: An Interpretation of SFFAS No. 4*, on April 18, 2003. An electronic version of

Interpretation No. 6 is available on the World Wide Web at www.fasab.gov. Printed copies have been mailed to those on the FASAB mailing list and can be obtained from FASAB by calling 202-512-7350.

Point of Contact:

Melissa Loughan, 202-512-5976, loughanm@fasab.gov

Concepts Project

Objective:

To ensure that the Federal Financial Accounting Standards are based on a sound framework of objectives and fundamental concepts regarding the nature of accounting, financial statements, and other communications methods. The framework should:

- provide structure by describing the nature and limits of federal financial reporting,
- identify objectives that give direction to standard setters,
- define the elements critical to meeting financial reporting objectives and describe the statements used to present elements,
- identify means of communicating information necessary to meeting objectives and describe when a particular means should be used, and
- enable those affected by or interested in standards to understand better the purposes, content, and characteristics of information provided in federal financial reports.

Project History:

The Board approved a project plan at its February 2003 meeting. At the April 2003 meeting, the Board will begin discussing reporting objectives. Ms. Justine Rodriguez of OMB will brief the Board on the stewardship reporting objective and the federal balance sheet presented each year in Analytical Perspectives of the President's Budget.

Recent Actions and Plans:

At the April Board meeting, Ms. Justine Rodriguez and Mr. Robert Anderson of the Office of Management and Budget visited with the Board. Ms. Rodriguez provided background on the development of the federal financial reporting objectives. She also provided an overview of the stewardship chapter of the Analytical Perspectives volume of the President's Budget. Mr. Anderson provided background on the development of estimates for many of the resources reported on in the chapter.

Point of Contact:

Robert Bramlett, 202 512-7355, bramlettr@fasab.gov

Homeland Security Act of 2002

Objective:

Based on inquiries to FASAB staff regarding application of (1) the change in entity provisions of Accounting Principles Board Opinion 20 and/or (2) the discontinued operations provisions of Financial Accounting Standards 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, to entities affected by the Homeland Security Act of 2003, staff developed a proposed technical bulletin.

Actions and Plans:

The bulletin was issued for comment on March 21, 2003. Comments were considered at the April 23-24th board meeting. Comments generally supported the proposal. Several additional questions were posed but few changes to the document are envisioned. The Board will receive a proposed final Technical Bulletin in May for comment. Release of the final Technical Bulletin is expected in June.

Other FASAB Information

Recent Documents Issued

The following FASAB documents were issued during April-May 2003:

- ▶ Interpretation Number 6, *Accounting for Imputed Intra-departmental Cost: An Interpretation of SFFAS No. 4*
- ▶ Statement of Federal Financial Accounting Standard 23, *Eliminating The Category National Defense Property, Plant And Equipment*
- ▶ Exposure Draft of a proposed standard entitled *Accounting for Fiduciary Activities*. Comments on the exposure draft are due by July 31.

New Preamble to the Basis for Conclusion

During the April Board meeting, the Board considered a staff proposal for a new preamble to the Basis for Conclusions. The agreed upon language was:

This appendix discusses factors considered significant by Board members in reaching the conclusions in this Statement. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The standards enunciated in this statement---not the material in this appendix---should govern the accounting for specific transactions, events or conditions.

Accounting and Auditing Policy Committee

Recent Activities:

The AAPC has two active projects: (1) revising Federal Financial Accounting and Auditing Technical Release No. 3: *Preparing and Auditing Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act* and (2) research on inter-entity costs. Both projects are staffed by an intra-agency working group.

Plans for Future Meetings:

The AAPC will meet on May 22, 2003 at 1:30 PM in room 6N30. The meeting is open to observers (see "security notice" below) and an agenda will be provided via the FASAB electronic mailing list and posted to the website shortly before the meeting. To access the agenda, visit <http://www.fasab.gov/aapc/meeting.htm>.

Point of Contact:

Monica Valentine, 202-512-7362, valentinem@fasab.gov

FASAB Meeting Schedule

Remaining meetings for 2003 are:

June 18th & 19th
August 13th & 14th
October 8th & 9th
December 10th & 11th

Unless otherwise noted, meetings begin at 9 AM and end before 4 PM. Meetings are held at 441 G Street NW in room 7C13. Agendas are available at <http://www.fasab.gov/briefingmats.htm> approximately one week before the meetings.

Security Notice

If you wish to attend a FASAB or an AAPC meeting, please provide your name, organization, and phone number to Marian Nicholson, at 202-512-7350 or nicholsonm@fasab.gov **at least two days before the meeting**. The General Accounting Office, which provides space for our meetings, has increased its security procedures and your name must be provided to the security force before you can enter the building. Thank you.