



FASAB – Recent Standards and Pending Proposals

GWSCPA GAAC

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June 18, 2013

Disclaimer



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

Overview

- Recent Standards
 - Earmarked Funds become Funds from Dedicated Collections (2013)
 - Deferred Maintenance and Repairs
 - Impairment of General PP&E (2015)
- Ongoing Projects
 - Federal Financial Reporting Model
 - Federal Entity
- New Projects
 - Public-Private Partnerships
 - Risk Assumed
 - Leases
 - *Next new project to be selected at June 19th meeting*



SFFAS 43 – Earmarked Funds



- “Earmarked funds” becomes “funds from dedicated collections.”
- Modifying the definition of a “fund from dedicated collections” by:
 - clarifying that at least one source of funds external to the federal government must exist for a fund to qualify as a fund from dedicated collections, and
 - adding an explicit exclusion for any fund established to account for pensions, other retirement benefits, other postemployment or other benefits provided for federal employees (civilian and military).
- Permitting either consolidated or combined data on funds from dedicated collections to be provided.
- Permitting certain component entities to report on funds from dedicated collections for amounts related to the statement of changes in net position in a note rather than on the face of the statement.
- Illustrating optional formats for displaying information on the face of the balance sheet and statement of changes in net position.

Illustrative Statement of Changes in Net Position with Parenthetical Amounts

| | <u>FY 2XX1</u> |
|---|----------------|
| <u>Cumulative Results Of Operations:</u> | |
| Beginning balance, as adjusted (includes Funds from Dedicated Collections of of \$XX in FY XXXX and \$XX in FY XXXX (Combined Totals) - See Note X) | <u>xxx</u> |
| <u>Budgetary Financing Sources:</u> | |
| Other adjustments | xxx |
| Appropriations used | xxx |
| Non-exchange revenue | xxx |
| Donations and forfeitures of cash and cash equivalents | xxx |
| Transfers in/out without reimbursement | xxx |
| Other | xxx |
| <u>Other Financing Sources (Non-Exchange):</u> | |
| Donations and forfeitures of property | xxx |
| Transfers in/out without reimbursement | xxx |
| Imputed financing | xxx |
| Other | <u>xxx</u> |
| <u>Total Financing Sources</u> (includes Funds from Dedicated Collections of \$XX in FY XXXX and \$XX in FY XXXX (Combined Totals) - See Note X) | xxx |
| <u>Net Cost of Operations</u> (includes Funds from Dedicated Collections of \$XX in FY XXXX and \$XX in FY XXXX (Combined Totals) – See Note X) | <u>xxx</u> |
| <u>Net Change</u> | <u>xxx</u> |

Federal Reporting Model

- Seeking to enhance the benefits of accrual basis financial statements
- Input to the Board:
 - User needs surveys, focus groups, and roundtables
 - FASAB Task Force on Government-wide Financial Reports (Dec 2010)
 - CFO Act 20-Year Report
 - Input from task forces focusing on agency level reporting on cost, budget and performance
 - Statement of spending pilots
 - Study of other sovereign government practices



Research Results

- Participants want particular or **specialized** information to meet their needs.
- **Understandability** of financial information.
- **Centralized source** for obtaining data
 - Move toward real-time data
 - Address program managers needs
- **Integrate data**
 - Financial and non-financial performance information
 - Program level cost information
 - Add **forward-looking** information in agency reports



Research Results, continued

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- Improvement Needed in the **Statement of Net Cost**
 - Currently, most agencies present cost by strategic goal
 - Strategic goals change over time even if programs do not
 - Strategic goals are broad and analysis for decision making is not done at that level
 - Some programs relate to multiple strategic goals
 - Some prefer to focus on “cost” by organizations, programs or projects
 - Matching cost and output (and eventually outcome) is still quite challenging:
 - Costs are reported each period but outputs may not relate to the same period or occur immediately
 - Costs are often external to the organization but still contribute to the outcome
 - Budgets are not structured with cost accounting in mind
 - Same terms are used differently by different disciplines(cost per the budget versus cost per accrual principles versus cost per program evaluators)



Reporting Model – Next Steps

- Develop a framework for integrated reporting
 - What is the ideal?
 - Can we define a path to move toward the ideal?



Federal Entity

- FASAB established concepts in mid-90's
- Standards now being developed
- Questions:
 - What to include (all entities “established by” the federal government or a subset)?
 - How to present information (all consolidated, some separately displayed or disclosed)?
 - What distinguishes “related” parties from parties included in governmental reports?





Federal Entity –Proposal

- Include in GPFFR all organizations:
 - budgeted for,
 - controlled with potential for risk or reward, or
 - owned
- Does not specifically address particular entities



Federal Entity –Proposal

- Distinguish between consolidation entities and disclosure organizations
 - Consolidation entities are supported by general taxes and on-going decision making is more clearly linked to elected officials. Information for core entities is to be consolidated in financial statements.
 - Disclosure organizations are somewhat independent from elected officials and may be financial self-sustaining. Information regarding such organizations is to be disclosed in notes with emphasis on risk.



Federal Entity –Proposal

- Also addresses:
 - What entities are subject to SFFAS 34 – the GAAP hierarchy for federal entities
 - What organizations to include in component reporting entity GPFRR
 - How to deal with:
 - FASB-basis information for consolidation entities
 - Different year ends for disclosure organizations
 - Related parties
 - Amendments to SFFAC 2, *Entity and Display*
- Alternative View:
 - Organizations in receivership, conservatorship, or owned/controlled through interventions should not be equated with other disclosure organizations.
 - All interventions should be addressed in a single standard on risk assumed.

New Projects

- Risk Assumed
- Public-Private Partnerships

About to start:

- Leases

Within the next 12 months one more project will start:

- June 19th the Board will consider potential projects on:
 - Tax expenditures and revenue reporting
 - Linking cost to performance and managerial cost accounting
 - Reconciling accrual and budget information



Risk Assumed

- Current reporting:
 - Risk assumed information (the present value of expected future cash flows for insurance in force) is required supplemental information with implementation inconsistent.
 - Commitments and contingencies disclosures vary and at the government-wide level there is uncertainty about comparability of component information and completeness.
- Objective:
 - Meaningful disclosures regarding risks assumed by the government. Challenges include
 - Implicit risk assumptions
 - Definition applicable across a diverse set of programs
 - Measurement



Public-Private Partnerships

- Governments increasingly use innovative approaches to partnering with non-governmental entities.
 - Benefits include:
 - Risk sharing
 - Enhanced performance incentives
 - Financing arrangements to avoid large up front investments of taxpayer funds
 - Arrangements may obscure costs and results.
- The project will consider how the lease and entity standards may be applied to such arrangements and fill any voids in the standards.



Leases

- Federal standards currently align with private sector and state/local government standards.
- FASB and IASB are developing a new approach which will limit the scope of “operating leases” dramatically.
- The FASAB project will consider:
 - Issues and practices in the federal domain
 - Merits of the revised FASB standards
 - A solution that meets federal financial reporting objectives
- FASB and IASB expect to issue a proposal (a revised ED) within the next 3 months.
- A FASAB task force has been formed to research current practice and identify issues.



Contact and Website Information

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