FASAB – Recent Standards and Pending Proposals

GWSCPA GAAC

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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

- **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

**Cumulative Results Of Operations:**
Beginning balance, as adjusted (includes Funds from Dedicated Collections of $XX in FY XXXX and $XX in FY XXXX (Combined Totals) - See Note X)

**Budgetary Financing Sources:**
- Other adjustments
- Appropriations used
- Non-exchange revenue
- Donations and forfeitures of cash and cash equivalents
- Transfers in/out without reimbursement
- Other

**Other Financing Sources (Non-Exchange):**
- Donations and forfeitures of property
- Transfers in/out without reimbursement
- Imputed financing
- Other

**Total Financing Sources** (includes Funds from Dedicated Collections of $XX in FY XXXX and $XX in FY XXXX (Combined Totals) - See Note X)

**Net Cost of Operations** (includes Funds from Dedicated Collections of $XX in FY XXXX and $XX in FY XXXX (Combined Totals) - See Note X)

**Net Change**
Federal Reporting Model

• Seeking to enhance the benefits of accrual basis financial statements

• Input to the Board:
  – User needs surveys, focus groups, and roundtables
  – 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
• **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
• 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 GPFFR
  – 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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