



FASAB News
Federal Accounting Standards
Advisory Board

APRIL/MAY 2008

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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.

Current Board Projects

(For more information on any of the current projects, click on the title of the project below to be directed to the related active project page.)

Concepts Projects

Federal Entity

At the April 2008 Board meeting, staff provided the Board with an update on the project and the Federal Entity Task Force. The Federal Entity Task Force held its first meeting in late February. The summary of key points developed by the task force included:

- A survey of the community to identify organizations would be helpful
- Preference for a principles-based approach in the standard
- Proposed standard should address consolidation and other disclosures
- General principles stand alone
- All branches of the federal government should report
- Ownership is separate from control
- Control is key factor in assessing boundaries
- Exceptions and other organizations to be considered at future federal entity task force meetings
- Separate meeting with intelligence representatives to occur

The Board approved staff recommendations for next steps in the Federal Entity project. Specifically, staff will distribute a survey to the federal financial management community to obtain feedback and examples of 'questionable' organizations that have been considered in determining the boundaries of entities. The survey will also assess current treatment and criteria used. Staff will also send a separate survey directly to FFRDCs to gather information. Additionally, staff plans to work with Treasury, GAO and the task force to further research issues with the legislative and judicial branches and assess whether it is material to the CFS. Staff will also continue work with the task force on developing specific definitions, finalizing the principles and developing criteria for the boundaries of the reporting entity.

Point of Contact: Melissa Loughan, 202-512-5976, loughanm@fasab.gov

The Financial Report Phase: MD&A, Statements, Notes, RSI and OAI

Members discussed a plan for developing concepts that describe the reporting model and how it relates to the reporting objectives. Concepts would provide a framework for guiding the Board in determining the financial statements necessary to achieve the broad reporting objectives. Knowledge of these concepts should help preparers, auditors, and users to understand the purposes of each statement and the information that they are designed to provide. Also, enhancing readers' understanding may assist them in selecting and evaluating the information they need for assessing accountability and decision-making.

The project plan involved reviewing the existing financial statements and determining how well the statements help achieve the reporting objectives and reviewing the objectives for areas that are not being addressed. The project would begin by reviewing the statement of net costs because of its contribution to helping readers assess operating performance.

Members expressed concern about focusing on "what is" or the existing model and noted the need to ensure that the reporting objectives are adequately addressed and to provide financial statements that are useful to readers. Members discussed a possible financial statement that could help better address the budgetary integrity objective and provide more useful information. The statement would integrate budgetary and accrual basis information.

Members also discussed the present relationship between the balance sheet and the statement of net costs and other factors. Members questioned whether a relationship should exist between the statements and wanted to consider non-articulation as an alternative during the project. In addition, members believed that the project should involve comparisons with other reporting models.

Staff plans to proceed with the project by reviewing the statement of net costs and the balance sheet and will consider issues such as how well the reporting objectives are being achieved, whether the statements should articulate, and how the model compares with other reporting models.

Point of Contact: Ross Simms, 202-512-2512, simmsr@fasab.gov,

Fiscal Sustainability Reporting

Note: At this agenda session, Mr. Robert B. Anderson, a senior economist at the Office of Management and Budget, responded to technical questions from the Board members. Mr. Anderson is one of the technical experts serving on the Fiscal Sustainability Reporting Task Force.

Ms. Parlow said that FASAB staff met with participants of the Fiscal Sustainability Task Force on March 31, 2008 for a technical review of the preballot draft ED, and that there were comments on six topics:

1. Factors that drive high/low variance

2. Population characteristics in projecting growth per capita
3. Limitations of showing fiscal imbalance as a ratio of projected receipts or spending
4. Assumptions that depart from current law
5. The concept of “fiscal imbalance”
6. Terminology used for “current levels” and “current policy.”

The Board approved the following edits that were recommended by staff based upon the March 31, 2008 task force meeting.

- add a requirement to identify the major causes of high/low variances that significantly impact the projections;
- add clarifying footnotes:
 - for spending projections that involve per capita, the characteristics of the population should be considered for expenditures that benefit identifiable subgroups; and
 - when displaying ratios of fiscal imbalances to total projected receipts and total projected spending, note that the usefulness of such a display is limited because policy adjustments could alter both the numerator and the denominator of such ratios;
- add a requirement for the narrative to describe significant differences between current law and the policy assumptions upon which the projections are based, such as allowing for exceeding the statutory limit on Federal debt; and
- add additional discussion in the Basis for Conclusions about current level/current policy.

In addition, wording will be added to indicate that factors that drive high/low variances only need to be discussed if they significantly impact the projected fiscal imbalance.

For the June 2008 meeting,

- Staff will develop:
 - the issue of fiscal imbalance versus fiscal gap,
 - how potential fiscal imbalance and fiscal gap measures would be linked to the most appropriate time horizon (finite versus infinite), and
 - for fiscal gap, develop both options discussed at the April meeting: keeping the debt-to-GDP level at the level of the first year of implementation, and resetting it each year.
- In addition, members raising new ideas or concerns agreed to further develop these and provide the Board with any resulting proposals before the June meeting.

Point of Contact: Eileen Parlow, 202-512-7356, parlowe@fasab.gov

Natural Resources

The project was not discussed at the April meeting. Staff expects that a detailed summary of the eight comment letters received will be provided at the June meeting.

Point of Contact: Julia Ranagan, 202-512-7377, ranaganr@fasab.gov

Reporting the Gains and Losses from Changes in Assumptions and Other Requirements for Accounting for Post-Employment Benefits

The objective for April 17 was to review and approve the changes needed to convert the exposure draft *Reporting Gains and Losses from Changes in Assumptions and Selection of Discount Rates and Valuation Dates* ("the ED") to a final Statement of Federal Financial Accounting Standards (SFFAS).

The staff asked the Board to respond to four questions regarding changes to the ED. The first question was whether the Board continued to prefer that the standard have a limited scope and address only pensions, other retirement benefits (ORB), and other post-employment benefits (OPEB), rather than all changes in long-term assumptions other than instances specifically addressed in other FASAB standards. The Board agreed not to change paragraph 17 in that regard.

The second staff question was whether the Board approved the guidance regarding the administrative and employer entity reporting requirements. The Board did not think the standard was clear enough regarding the employer entity responsibilities. Employer entities, as defined in SFFAS 5, would not have to report gains and losses from changes in assumptions separately on the cost statement if they do not report the associated liability. In those instances, the administrative entity is reporting all costs and the liability. The staff will clarify the standard in this regard.

The third staff question asked whether the Board wished to require a minimum number of yearly rates, for example, 5 yearly rates, for the calculation of an average historical Treasury discount rate. The Board discussed the quality of the average that would result from the number of yearly rates used from each maturity. Board agreed to set a minimum of 5 yearly rates to include in the average historical Treasury rate.

The fourth staff question asked whether the Board wished to be more specific with respect to the assumptions to be reviewed by the preparer. The Board discussed this and decided not to change the standard. The Board discussed paragraph 26 of the standard that required disclosure of 10-, 20-, and 30-year current market rates for Treasury securities to compare the discount rate the entity was using. A member found this somewhat contradictory in that the standard requires using average historical Treasury rates. The current market rates are a benchmark with which to compare the average historical rates, and that the Board had considered but decided

not to require the preparer to discuss what the cost would have been had the entity used the current market rate. The Board discussed the relative merits of average historical rates vs. current market rates as a benchmark with which to compare the average historical rates used by the preparer. Staff explained that the reason was to disclose the current market rate as a benchmark is that the discount rate can make a big difference in what the entity reports as a cost. Other standard-setters do require the current market rate, and therefore a good contrast with the average historical rates. Staff noted that the Board had discussed but decided not to require an analysis of the effect of using current market rates on cost and liabilities to accompany the rates themselves. A member noted that the standard does not require the preparer to disclose the rates they use. He said he would vote to take it out because there would be nothing to compare it to. The Board voted six to four to delete paragraph 26.

Point of Contact: Richard Fontenrose, 202-512-7358, fontenroser@fasab.gov

Social Insurance

The objective for the April meeting was to decide whether to approve the staff's proposal for a revised social insurance (SI) accounting standard and proceed to an exposure draft. The staff proposed that the standard require two new financial statements, new line items for current statements, and continuation of all Statement of Federal Financial Accounting Standards (SFFAS) 17 requirements. The proposed new statements would be designated "basic information."

A majority favored requiring highlights information in management's discussion and analysis as required supplementary information. The Board was more evenly divided about the balance sheet line items. However, a majority opposed line items on the operating statement.

For the next meeting in June 2008 the staff will continue to work on the statement of changes in SOSI amounts and MD&A, structure a more formal vote on the other parts of the proposal and develop some other alternatives regarding display.

In addition, staff will provide a matrix showing the members' views on the various proposals – highlights, statement of changes, balance sheet, etc.

Point of Contact: Richard Fontenrose, 202-512-7358, fontenroser@fasab.gov

Appropriate Source of GAAP

Staff is currently considering the options for developing guidance that will reflect the views of the members as communicated at the February 2008 meeting. Refer to the [February-March 2008 issue](#) of *FASAB News* for further information on the February 2008 meeting.

Point of Contact: Julia Ranagan, 202-512-7377, ranaganj@fasab.gov

FASAB Current Technical Agenda and Status of Projects

Project	Key Milestones	Quarter 2 2008	Quarter 3 2008	Quarter 4 2008	Quarter 1 2009	Staff Contact
Natural Resources	ED – May 2007	Oil & Gas DP	Oil & Gas DP	UR		Julia Ranagan, 202-512-7377
Fiduciary Activity	SFFAS 31 Issued – October 2006			Develop Q&As	Implementation Guidance Finalized	Eileen Parlow, 202-512-7356
Fiscal Sustainability		Research	ED	DP	DP	Eileen Parlow, 202-512-7356
The Federal Entity		Research	Research	Research	ED	Melissa Loughan, 202-512-5976
Social Insurance Liabilities	PV -- October 2006	DP	DP	DP	ED	Richard Fontenrose, 202-512-7358
Reporting Gains & Losses from Changes in Assumptions	ED – August 2007	DP	UR			Richard Fontenrose, 202-512-7358
Appropriate Source of GAAP		Research	Research	Research	ED	Julia Ranagan, 202-512-7377
Conceptual Framework Project:						
Measurement Attributes		Research	Research	Research	Research	Penny Wardlow, 202-512-7350
Financial Reporting Communications Methods		ED	DP	DP	UR	Ross Simms, 202-512-2512

Key Activities or Status

Note that all estimates of progress assume that exposure drafts are finalized as statements without re-exposure due to significant changes.

Research—Staff Research Phase of Project & Board Deliberations

ED—Exposure Draft Issued

DP—Board Due Process, including review of comment letters, etc.

PH—Public Hearing

PV—Preliminary Views Issued

UR—Under Review, document approved by FASAB and sent to sponsors for 90-day review

Final—Final Standard, Concept, Interpretation, etc. issued final.

Accounting and Auditing Policy Committee

At the January 2008 AAPC meeting the Agenda Committee recommended and the AAPC approved a new project plan that includes three PP&E issues that were identified by the FASAB. The AAPC has been asked by the FASAB to develop guidance regarding issues on group/composite depreciation, accounting for assets deployed to a war zone, and cost accounting (assignment of R&D, support and overhead to general PP&E). The new AAPC PP&E task force will be co-chaired by AAPC members Donjette Gilmore and Dan Fletcher.

The PP&E project has the potential to impact a large number of federal entities and as such calls for broad participation from the federal community. Broad participation is important to ensuring that the guidance developed is appropriate for all impacted. The task force has been formed, but will welcome additional members to participate. If interested, please contact FASAB Project Director Monica Valentine by email at valentinem@fasab.gov, with your information (email, phone number, etc.) The task force had its kick off meeting on Tuesday, March 18 and will be holding its next task force meeting on Tuesday May 6, 2008. Additional information on the work of the task, initial list of issues, meetings, and other contact information can be found at the AAPC G-PP&E Task Force web portal at <http://fasab.gov/aapc/genproptaskforce.html> .

Updates on all AAPC projects can be found on the AAPC website. The minutes for all meetings can be found on the FASAB/AAPC website at <http://fasab.gov/aapc/meeting.html>.

Point of Contact: Monica Valentine, 202-512-7362, valentinem@fasab.gov

FASAB Meeting Schedule

Schedule for 2008 Meetings:

Wednesday, June 18th and Thursday, June 19th
Wednesday, August 20th and Thursday, August 21st
Wednesday, October 22nd and Thursday, October 23rd
Wednesday, December 17th and Thursday, December 18th

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

AAPC Meeting Schedule

Schedule for 2008 Meetings:

Thursday, May 15th
Thursday, July 17th
Thursday, September 18th
Thursday, November 20th

Unless otherwise noted, meetings begin at 1 PM and conclude at 3 PM. Meetings are held at 441 G Street NW in room 7C13. Agendas are available at <http://fasab.gov/aapc/meeting.html> 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 staff at 202-512-7350 or fasab@fasab.gov **at least two days before the meeting**. The Government Accountability 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.