



February 11, 2015

Memorandum

To: Members of the Board

From: Ross Simms, Assistant Director

Through: Wendy M. Payne, Executive Director

Subj: Reporting Model – **TAB A¹**

MEETING OBJECTIVE

The objective is to discuss a revised draft concept statement.

BRIEFING MATERIALS

This memo discusses issues regarding the reporting model draft concepts statement and attachments:

- Attachment I: Illustrative Format for Presenting Budgetary Information – presents FASAB's illustrative format for the Statement of Budgetary Resources (SBR).
- Attachment II: Example Entity Presentations – presents two examples of how component entities present budgetary resources in the SBR.
- Attachment III: Working Draft Concepts Statement – Clean Version provides a clean version of the revised draft concepts statement.
- Attachment IV: Working Draft Concepts Statement – Tracked Changes Version provides a tracked changes version of the revised draft concepts statement.

¹ The staff prepares Board meeting materials to facilitate discussion of issues at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect authoritative views of the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations

BACKGROUND

The Board's user needs research identified issues regarding the current reporting model:

- Users expressed concern that the consolidated and component entity financial statements presenting full costs are too aggregated to be useful in assessing the government's performance. Also, the classification of costs among components is diverse, limiting the ability to make comparisons or determine cross-cutting services. Users expect information on the full cost of government services while accounting standards require reporting entities to apply the concept of responsibility segments. The responsibility segments concept focuses on the organizational structure and components of a reporting entity² and affords broad discretion in how an entity reports full costs. However, the organizational structure and components of the federal government are not always indicators of the specific services being provided.
- In general, users do not understand the statement of budgetary resources (SBR) and internal users expressed that the statement is too aggregated for their analyses. The SBR links to budget execution data reported in the Budget of the U.S. Government and provides a means of determining the reliability of the data. However, users are highly interested in the resources the government planned to receive and spend on services, the amounts actually received and consumed, and the impact of the flows on the deficit and borrowing. They were concerned about the level of debt that may be used to finance current operations and sought to understand whether services could be sustained. Attachment I: Illustrative Format for Presenting Budgetary Information provides FASAB's illustrative format for the SBR and Attachment II: Example Entity Presentations presents two examples of how component entities present budgetary resources in the SBR.
- Users seek better articulation of the resources consumed and the results of services. Currently, cost and performance information are classified differently and report on different periods of time.
- Given the long-term nature of government services, users believe that providing multiple periods of information would help in determining trends such as improving or deteriorating financial conditions.

² Statement of Federal Financial Accounting Standard (SFFAS) 4, Managerial Cost Accounting Standards and Concepts, paragraph 86 states, "Reporting entity management should define and structure its responsibility segments. The designation of responsibility segments should be based on the following factors: (a) the entity's organization structure, (b) its lines of responsibilities and missions, (c) its outputs (goods or services it delivers), and (d) budget accounts and funding authorities. However, the predominant factor is the reporting entity's organization structure and its existing responsibility components, such as bureaus, administrations, offices, and divisions within a department.

- Users expect an electronic, web-based model to facilitate interactivity such as the ability to drill-down from highly aggregated data to less aggregated data. For example, the consolidated financial report for the U.S. (CFR), presents net cost by department or agency. A user may expect to select an individual department and review the cost of the department's services.

Considering the breadth of the issues raised, the Board decided to focus on a conceptual or ideal model without constraints such as systems limitations and what might be practical to accomplish in the short term. Development of the ideal model would begin by considering the flows of resources and staff has developed a working draft.

During the October 22, 2014 meeting, the Board discussed broad concepts included in the initial draft concepts statement and agreed that:

- The interrelationship among information presented in financial statements should be understandable. This may be self-evident or accomplished through narrative explanation.
- There are different levels of reporting, the government-wide and component levels, and they have different characteristics that should be discussed in the conceptual statement.
- The government-wide is the economic entity and components are not economically independent entities.
- The government-wide should help citizens and citizen intermediaries understand the major goods and services and other activities that the federal government provides and where they can obtain detailed information in components.
- The government-wide and components have different financing structures and focus.
- Although it may be challenging for external users to understand, the relationships and differences between the government-wide and component level, the financing should be explained.

Also, the Board believed that the concepts should acknowledge that the process of preparing financial statements instills discipline and a user could be an individual that relies on information that results from the discipline imposed. However, the individual may not necessarily use the financial statements. Accordingly, staff incorporated the concepts in the revised draft concepts statement.

Subsequently, during the December 2014 meeting, the Board reviewed the working draft and agreed:

- Include a summary of the Preamble to Statements of Federal Financial Accounting Concepts (Preamble) in the proposed concepts statement to provide background information for readers.
- Include a discussion on the role of financial statements

The Board also indicated that different presentations of budgetary information for the government-wide and component reporting entities are needed. However, regarding component reporting entities, how the information should be classified (basic or required supplementary information) was not determined. Attachment III: Working Draft Concepts Statement – Clean Version provides a clean version of the revised draft concepts statement and Attachment IV: Working Draft Concepts Statement – Tracked Changes Version provides a tracked changes version of the revised draft concepts statement.

Staff Analysis and Recommendations

Approach to Conceptual Guidance With Respect to Classifying and Aggregating Flows

Concepts can provide general or specific guidance for developing accounting standards. Prior to its designation as the standards-setter for federal reporting entities and before identifying the generally accepted accounting principles (GAAP) hierarchy for such entities, concept statements served a dual purpose. They guided the Board in developing standards and aided OMB in implementing the CFO Act.³ Consequently, earlier Boards developed specific conceptual guidance regarding what was then a new reporting model.

Subsequently, the Board issued Statement of Federal Financial Accounting Standard (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the FASAB*, the GAAP hierarchy. The GAAP hierarchy categorizes concept statements as Other Accounting Literature and items in this category do not establish GAAP.⁴

General guidance is intended to afford the Board a level of flexibility as new ideas evolve rather than restricting the Board to a single approach regardless of the existing circumstances. With respect to conceptual guidance, the Board has stated that “A general framework permits future Boards some level of flexibility in developing standards and the framework would not necessarily need to be revised as changes in the environment occurred.”⁵

Staff Recommendation

The working draft concepts statement proposes a general framework to assist the Board in developing financial reporting standards regarding the classification and aggregation of government-wide and component entity flows. This approach would be consistent with the Board’s current views regarding conceptual guidance and, accordingly, would not be intended to establish GAAP. This approach also implies specific financial statements would not be identified or illustrated in the concepts statements.

Question 1: Does the Board agree or disagree that the framework in concepts statements should be general? That is, it should assist in developing financial reporting standards regarding the classification and aggregation of government-wide and component entity flows but not itself specify rules for classification or aggregation.

³ See SFFAC 2, par. 3 - This Statement also would be useful to the Office of Management and Budget (OMB), when it carries out its statutory responsibilities for specifying who should prepare financial statements and the form and content of those statements

⁴ SFFAS 34, par. A17.

⁵ SFFAC 6, par. A8.

Agreed-upon Concepts and Changes

During the October 2014 meeting, the Board agreed upon concepts and staff has included them in the revised draft:

- The interrelationship among information presented in financial statements should be understandable. This may be self-evident or accomplished through narrative explanation.
- There are different levels of reporting, the government-wide and component levels, and they have different characteristics that should be discussed in the conceptual statement.
- The government-wide is the economic entity and components are not economically independent entities.
- The government-wide and components have different financing structures and focus.
- The government-wide should help citizens and citizen intermediaries understand the major goods and services and other activities that the federal government provides and where they can obtain detailed information in components.
- Although it may be challenging for external users to understand, the relationships and differences between the government-wide and component level, the financing should be explained.

Also, staff incorporated members' comments from the December 2014 meeting into the revised draft concepts statement.

Question 2: Does the Board have comments/suggestions regarding the revised draft concepts statement?

Component Entity Budgetary Information Reporting

Although components have discretion in determining how to display budgetary information, potential users do not find the format of the SBR to be useful. During the Board's December 2014 discussion with budget experts, it was noted that: a) external SBR users have difficulty understanding the statement, primarily because the terms are unique and stocks and flows are displayed in a single statement; and b) internal users believe that the statement is too aggregated. In addition, some analysts note that budgetary information is available from a variety of government sources and multiple sources could confuse potential users. Accordingly, presentations that are complex could adversely affect users' perceptions about the credibility of the report.

However, some support the presentation of the SBR. They expressed that auditing SBRs facilitate an assessment of the reliability of prior year budget execution data presented in the Budget of the U.S. Government.

User Needs Results

Users expect to review information on the budget for a government reporting entity. When asked what information they believed would be important to include in a financial report, participants in user needs research often cited the budget. They wanted to know the amount that the government planned to spend on services. In essence, they sought what would be equivalent to amounts appropriated for programs.

However, the majority of federal spending is not subject to an annual appropriations process. Congress primarily provides budget authority in laws other than appropriations acts. Annual appropriations acts only fund about one-third of total spending while authorizing legislation controls the remainder.⁶ Authorizing legislation can provide reporting entities with the authority or requirement to spend without requiring the Congressional Appropriation Committees to enact funding.⁷

Also, users expected to review a comparison of planned spending to actual spending. They sought to analyze budget-to-actual variances and learn whether the entity complied with their budget and, if not, what were the reasons for the variances - weaknesses in the estimations, financial management weaknesses, changes in economic conditions, changes in policies or the delivery of services.

In addition, users expressed concern about the rising deficit and the need to borrow funds. They may seek information to determine whether the budget provides a reasonable estimate of the cost to provide services and expect to compare amounts budgeted for services to their actual costs.

⁶ Office of Management and Budget, Analytical Perspectives, Budget of the U.S. Government, FY 2016, p.93.

⁷ Ibid.

However, the federal government may incur deficits to protect the nation's interest and actual payments to qualified beneficiaries can determine the budget. Authorizing legislation for some programs entitle beneficiaries to receive government services or payments. Accordingly, the government can be obligated to provide the services prior to enactment of an appropriation.⁸

Although the process of funding components involves controls, it uses terms and concepts that are different from what users might envision when reviewing financial reports. A significant level of federal spending is attributed to authorizing legislation rather than an annual deliberation process. Also, the amounts actually spent can determine the 'budget' amount and agencies tend to spend all of their appropriations. Consequently, explanations would be needed to help some user groups, such as external users, understand a component's budgetary information.

FASAB Concepts and Standards

FASAB considers the effect of categorizing an item as basic information in financial reports and what the auditor's report would communicate if the item is missing or materially misstated. Users may be concerned with the auditor's conclusions regarding the fair presentation of a basic statement and may pay less attention to information considered supplementary. Thus, by designating an item as basic information, the Board can have some influence on the level of importance conveyed in the financial report.⁹

Although budgetary information is provided by other sources, the Board believes that the information is important for inclusion in component entity financial reports and that auditor involvement is needed to provide assurance as to the reliability of the information. Consequently, the concepts call for a basic statement, the SBR, that would be audited.

FASAB standards with respect to the SBR discuss the broad items that should be presented but refer preparers to Office of Management and Budget (OMB) circulars for the recognition and measurement guidance. Statement of Federal Financial Accounting Standards (SFFAS) 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial*, par. 77 requires components to present:

- a) total budgetary resources available to the reporting entity during the period;
- b) the status of those resources (including "obligations incurred");
- c) outlays.

Also, par. 79 requires the following disclosures:

⁸ Ibid, p.103.

⁹ SFFAC 2, par. 73E.b.

- a) the amount of budgetary resources obligated for undelivered orders at the end of the period;
- b) available borrowing and contract authority at the end of the period;
- c) repayment requirements, financing sources for repayment, and other terms of borrowing authority used;
- d) material adjustments during the reporting period to budgetary resources available at the beginning of the year and an explanation thereof;
- e) existence, purpose, and availability of permanent indefinite appropriations;
- f) information about legal arrangements affecting the use of unobligated balances of budget authority such as time limits, purpose, and obligation limitations;
- g) explanations of any material differences between the information required by paragraph 77 and the amounts described as “actual” in the Budget of the United States Government;
- h) the amount, and an explanation that includes identification of balance sheet components, when recognized unfunded liabilities do not equal the total financing sources yet to be provided; and
- i) the amount of any capital infusion received during the reporting period.

Although generally accepted accounting principles (GAAP) permit discretion in presenting the information, components adhere to OMB guidance. In practice, the statement is presented to conform to the format of component reports on budget execution, SF-133, *Report on Budget Execution and Budgetary Resources*.

Options

Board members have suggested various options for improving component budgetary reporting. Those options include:

Replace the SBR with Budget- to- Actual Schedule

Some members noted that a budget- to-actual comparison schedule could help achieve the budgetary integrity objective of financial reporting. Budgetary information is important for achieving the reporting objectives and users expect to know: the amounts components planned to spend to provide services; and how the planned amount compares with the actual costs. Also, the schedule could distinguish mandatory spending from discretionary spending and help inform users about the level of spending not subject to an annual appropriation process.

Move the Information in the SBR to Required Supplementary Information (RSI)

Some members noted that basic financial statements should focus on providing meaningful information that external users cannot readily access or review. Government sources other than financial reports provide the detailed budgetary information that users seek. Thus, when sources other than GAAP routinely provide items of Information, the items are candidates for RSI.¹⁰ However, relocating the SBR information to RSI may not result in the level of discipline that exists today.

Revise the SBR Format

Other members suggested providing guidance for improving the SBR's format. Currently, the standard requires broad items and does not provide specific guidance on how the items should be displayed. Also, a requirement to explain the budgetary terminology in the disclosures or a reference to a central location with explanations¹¹ may be helpful to readers.

Others

Task force members have suggested presenting a comparison of budgetary information (obligations and outlays) with costs to show the differences in the flows by service. Also, components are experimenting with a schedule of spending that provides disaggregated obligations.

Staff Recommendation

Staff recommends that the Board revisit budgetary reporting standards upon completing the concepts for financial statements in general and classifying and aggregating flows. Users need to understand budgetary information and the financing of federal services and they need to understand how budgetary information relates to accrual basis information. Also, as part of the project, the Board could consider components' progress in presenting budgetary information in the schedule of spending and how issues were resolved and how disclosures might be helpful in facilitating user understanding.

Question 3: In considering the next steps for the project, what action should the Board take with respect to the SBR?

¹⁰ SFFAC 2, par. 73E.d.

¹¹ For example, see Budget Concepts and Budget Process, Analytical Perspectives, Budget of the U.S. Government FY 2016.

Next Steps

The working draft concepts statement currently includes a discussion on financial statements in general and focuses on classifying and aggregating flows. When the Board finalizes these concepts, the Board could next focus on financial reporting standards for basic financial statements, including budgetary information, and illustrative depictions for all the statements. Also, the Board could amend SFFAC 2, *Entity and Display*, as needed.

Question 4: What does the Board believe should be the next steps for the project?

QUESTIONS FOR THE BOARD

Question 1: Does the Board agree or disagree that a general framework should be provided to assist in developing financial reporting standards regarding the classification and aggregation of government-wide and component entity flows?

Question 2: Does the Board have comments/suggestions regarding the draft concepts statement?

Question 3: In considering the next steps for the project, what action should the Board take with respect to the Statement of Budgetary Resources?

Question 4: What does the Board believe should be the next steps for the project?

MEMBER FEEDBACK

If you have any questions or comments, please contact me by telephone at (202) 512-2512 or by email at simmsr@fasab.gov with a cc to paynew@fasab.gov .

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Attachment I: Illustrative Format for Presenting Component Budgetary Information

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Appendix 1-E: Statement of Budgetary Resources

Example Financial Statement Formats

STATEMENT OF BUDGETARY RESOURCES - For the year ended September 30, 19X4					
	Suborganization A	Suborganization B	Suborganization C	Total FY 19X4	Total FY 19X3
Budgetary resources made available:					
Budget authority	\$xx	\$xx	\$xx	\$xx	\$xx
Unobligated balances- beginning of period	xxx	xxx	xxx	xxx	xxx
Reimbursements and other income	xxx	xxx	xxx	xxx	xxx
Adjustments	xxx	xxx	xxx	xxx	xxx
Total, budgetary resources made available	xxx	xxx	xxx	xxx	xxx
Status of budgetary resources:					
Obligations incurred (gross)	xxx	xxx	xxx	xxx	xxx
Unobligated balances-end of period	xxx	xxx	xxx	xxx	xxx
Unobligated balances-not available	xxx	xxx	xxx	xxx	xxx
Total, status of budgetary resources	xxx	xxx	xxx	xxx	xxx
Outlays					
Obligations incurred, net	xxx	xxx	xxx	xxx	xxx
Obligations balance transferred	xxx	xxx	xxx	xxx	xxx
Obligations balance-beginning of period	xxx	xxx	xxx	xxx	xxx
Less: obligations balance-end of period	xxx	xxx	xxx	xxx	xxx
Total, outlays	\$xxx	\$xxx	\$xxx	\$xxx	\$xxx

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Attachment II: Example Entity Presentations

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U.S. Department of Health and Human Services
Combined Statement of Budgetary Resources
For the Years Ended September 30, 2014 and 2013
(in Millions)

	2014		2013	
	Budgetary	Non-Budgetary Credit Reform Financing Account	Budgetary	Non-Budgetary Credit Reform Financing Account
Budgetary Resources:				
Unobligated Balance, Brought Forward, Oct 1	\$ 41,577	\$ 111	\$ 80,780	\$ 3,175
Recoveries of Prior Year Unpaid Obligations	26,083	-	24,598	-
Other Changes in Unobligated Balance	(719)	(62)	(1,221)	(1)
Unobligated Balance from Prior Year Budget Authority, Net	66,941	49	104,157	3,174
Appropriations (Discretionary and Mandatory)	1,320,180	(4)	1,193,733	-
Borrowing Authority (Discretionary and Mandatory)	-	237	-	(2,064)
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	24,658	198	25,409	(685)
Total Budgetary Resources	\$ 1,411,779	\$ 480	\$ 1,323,299	\$ 425
Status of Budgetary Resources:				
Obligations Incurred (Note 18)	\$ 1,373,901	\$ 477	\$ 1,281,722	\$ 314
Unobligated Balance, End of Year:				
Apportioned	29,384	-	29,993	40
Exempt from Apportionment	39	-	2,059	-
Unapportioned	8,455	3	9,525	71
Total Unobligated Balance, End of Year	37,878	3	41,577	111
Total Budgetary Resources	\$ 1,411,779	\$ 480	\$ 1,323,299	\$ 425
Change in Obligated Balance:				
Unpaid Obligations:				
Unpaid Obligations, Brought Forward, Oct 1	\$ 188,654	\$ 1,248	\$ 180,754	\$ 1,602
Obligations Incurred (Note 18)	1,373,901	477	1,281,722	314
Outlays (Gross)	(1,320,306)	(727)	(1,249,330)	(668)
Actual Transfers, unpaid obligations	-	-	106	-
Recoveries of Prior Year Unpaid Obligations	(26,083)	-	(24,598)	-
Unpaid Obligations, End of Year	\$ 216,166	\$ 998	\$ 188,654	\$ 1,248
Uncollected Payments:				
Uncollected Customer Payments from Federal Sources, Brought Forward, Oct 1	\$ (11,018)	\$ (536)	\$ (10,103)	\$ (1,587)
Adjustment to Uncollected Payments, Federal Sources	-	-	-	-
Change in Uncollected Customer Payments from Federal Sources	(820)	106	(915)	1,051
Uncollected Payments from Federal Sources, End of Year	\$ (11,838)	\$ (430)	\$ (11,018)	\$ (536)
Memorandum (non-add) Entries:				
Obligated Balance, Start of Year	\$ 177,636	\$ 712	\$ 170,651	\$ 15
Obligated Balance, End of Year	\$ 204,328	\$ 568	\$ 177,636	\$ 712
Budget Authority and Outlays, Net:				
Budget Authority, Gross (Discretionary and Mandatory)	\$ 1,344,838	\$ 431	\$ 1,219,142	\$ (2,749)
Actual Offsetting Collections (Discretionary and Mandatory)	(23,687)	(315)	(24,812)	(366)
Change in Uncollected Customer Payments from Federal Sources (Discretionary and Mandatory)	(820)	106	(915)	1,051
Budget Authority, Net (Discretionary and Mandatory)	\$ 1,320,331	\$ 222	\$ 1,193,415	\$ (2,064)
Outlays, Gross (Discretionary and Mandatory)	\$ 1,320,306	\$ 727	\$ 1,249,330	\$ 668
Actual Offsetting Collections (Discretionary and Mandatory)	(23,687)	(315)	(24,812)	(366)
Outlays, Net (Discretionary and Mandatory)	1,296,619	412	1,224,518	302
Distributed Offsetting Receipts	(359,650)	-	(336,655)	-
Agency Outlays, Net (Discretionary and Mandatory)	\$ 936,969	\$ 412	\$ 887,863	\$ 302

The accompanying "Notes to the Principal Financial Statements" are an integral part of these statements.

**United States Department of Commerce Combined Statements of Budgetary Resources
For the Years Ended September 30, 2014 and 2013 (Note 18) (In Thousands)**

	FY 2014		FY 2013	
	Budgetary	Non-budgetary Credit Program Financing Accounts	Budgetary	Non-budgetary Credit Program Financing Accounts
BUDGETARY RESOURCES:				
Unobligated Balance, Brought Forward, October 1	\$ 10,701,770	\$ 7	\$ 10,352,397	\$ 2
Adjustments to Unobligated Balance, Brought Forward	(2,721)	-	(157)	-
Unobligated Balance, Brought Forward, October 1, as Adjusted	10,699,049	7	10,352,240	2
Actual Recoveries of Prior-years Unpaid Obligations	378,062	6,696	253,455	6,355
Actual Nonexpenditure Transfers of Unobligated Balance, Net	3,826	-	10,647	-
Borrowing Authority Withdrawn	-	(6,696)	-	(6,355)
Other Changes in Unobligated Balance, Net	(46,094)	-	(38,198)	-
Unobligated Balance From Prior-years Budget Authority, Net	11,034,843	7	10,578,144	2
Appropriations	8,429,193	-	7,907,642	-
Borrowing Authority	1,738,475	98,218	251,231	48,029
Spending Authority From Offsetting Collections	4,867,504	30,152	4,232,937	38,558
TOTAL BUDGETARY RESOURCES	\$ 26,070,015	\$ 128,377	\$ 22,969,954	\$ 86,589
STATUS OF BUDGETARY RESOURCES:				
Obligations Incurred	\$ 13,235,589	\$ 128,367	\$ 12,268,184	\$ 86,582
Unobligated Balance, End of Year				
Apportioned	3,449,315	-	1,499,168	-
Exempt From Apportionment	4,016	-	3,848	-
Unapportioned	9,381,095	10	9,198,754	7
Total Unobligated Balance, End of Year	12,834,426	10	10,701,770	7
TOTAL STATUS OF BUDGETARY RESOURCES	\$ 26,070,015	\$ 128,377	\$ 22,969,954	\$ 86,589
CHANGE IN UNPAID OBLIGATED BALANCE, NET:				
Unpaid Obligations:				
Unpaid Obligations, Brought Forward, October 1	\$ 6,656,223	\$ 139,393	\$ 8,348,384	\$ 130,136
Adjustments to Unpaid Obligations, Brought Forward	-	-	157	-
Obligations Incurred	13,235,589	128,367	12,268,184	86,582
Outlays, Gross	(12,835,886)	(78,655)	(13,707,047)	(70,970)
Actual Recoveries of Prior-years Unpaid Obligations	(378,062)	(6,696)	(253,455)	(6,355)
UNPAID OBLIGATIONS, END OF YEAR	\$ 6,677,864	\$ 182,409	\$ 6,656,223	\$ 139,393
Uncollected Customer Payments:				
Uncollected Customer Payments, Brought Forward, October 1	\$ (468,789)	\$ (467)	\$ (608,330)	\$ (494)
Adjustments to Uncollected Customer Payments, Brought Forward	4,025	-	-	-
Change in Uncollected Customer Payments	16,101	-	139,541	27
UNCOLLECTED CUSTOMER PAYMENTS, END OF YEAR	\$ (448,663)	\$ (467)	\$ (468,789)	\$ (467)
Unpaid Obligated Balance, Net, Brought Forward, October 1	\$ 6,191,459	\$ 138,926	\$ 7,740,054	\$ 129,642
Unpaid Obligated Balance, Net, End of Year	\$ 6,229,201	\$ 181,942	\$ 6,187,434	\$ 138,926
BUDGET AUTHORITY, NET:				
Budget Authority, Gross	\$ 15,035,172	\$ 128,370	\$ 12,391,810	\$ 86,587
Actual Offsetting Collections	(4,886,210)	(92,352)	(4,522,862)	(98,154)
Change in Uncollected Customer Payments	16,101	-	139,541	27
BUDGET AUTHORITY, NET	\$ 10,165,063	\$ 36,018	\$ 8,008,489	\$ (11,540)
OUTLAYS, NET:				
Outlays, Gross	\$ 12,835,886	\$ 78,655	\$ 13,707,047	\$ 70,970
Actual Offsetting Collections	(4,886,210)	(92,352)	(4,522,862)	(98,154)
Outlays, Net	7,949,676	(13,697)	9,184,185	(27,184)
Distributed Offsetting (Receipts)/Outlays, Net	(56,006)	-	(46,853)	-
AGENCY OUTLAYS, NET	\$ 7,893,670	\$ (13,697)	\$ 9,137,332	\$ (27,184)

The accompanying notes are an integral part of these financial statements.

Attachment III: Working Draft Concepts Statement – Clean Version

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Federal Accounting Standards Advisory Board

WORKING DRAFT
SUBTITLE

Clean Version

Statement of Federal Financial Accounting Concepts

Exposure Draft

Written comments are requested by [date 90 days after issuance]

Month day, year

Working Draft – Comments Are Not Requested on This Draft

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General, established the Federal Accounting Standards Advisory Board (FASAB or “the Board”) in October 1990. FASAB is responsible for promulgating accounting standards for the United States Government. These standards are recognized as generally accepted accounting principles (GAAP) for the federal government.

An accounting standard is typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, federal executives, federal program managers, and other users of federal financial information. The proposed standards are published in an Exposure Draft for public comment. In some cases, a discussion memorandum, invitation for comment, or preliminary views document may be published before an exposure draft is published on a specific topic. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standard with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for federal accounting and reporting.

Additional background information is available from the FASAB or its website:

- [“Memorandum of Understanding among the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board.”](#)
- [“Mission Statement: Federal Accounting Standards Advisory Board”](#), [exposure drafts](#), [Statements of Federal Financial Accounting Standards and Concepts](#), [FASAB newsletters](#), and other items of interest are posted on FASAB’s website at: www.fasab.gov.

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Federal Accounting Standards Advisory Board

ISSUE DATE

TO: ALL WHO USE, PREPARE, AND AUDIT FEDERAL FINANCIAL INFORMATION

Your comments on the exposure draft of a proposed Statement of Federal Financial Accounting Concepts, entitled **TITLE**, are requested. Specific questions for your consideration appear on page 7 but you are welcome to comment on any aspect of this proposal. If you do not agree with the proposed approach, your response would be more helpful to the Board if you explain the reasons for your position and any alternative you propose. Responses are requested by DUE DATE.

All comments received by the FASAB are considered public information. Those comments may be posted to the FASAB's website and will be included in the project's public record.

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Federal Accounting Standards Advisory Board
Mailstop H19
441 G Street, NW, Suite 6814
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Sincerely,

Tom L. Allen
Chairman

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STATEMENTS OF FEDERAL FINANCIAL ACCOUNTING CONCEPTS

1. Statements of Federal Financial Accounting Concepts (SFFAC) set forth objectives and fundamentals on which financial accounting and reporting standards are based. The objectives identify the goals and purposes of financial reporting and the fundamentals are the underlying concepts of financial accounting—concepts that guide the selection of transactions, events, and circumstances to be accounted for; their recognition and measurement; and the means of summarizing and communicating them to interested parties.
2. Concepts statements guide the Board's development of accounting and reporting standards by providing the Board with a common foundation and basic reasoning on which to consider the merits of alternatives. Also, knowledge of the objectives and concepts the Board considers should help users and others who are affected by or interested in federal financial accounting and reporting standards to understand better the purposes, content, and qualitative characteristics of information provided by federal financial accounting and reporting.
3. The conceptual framework addresses many of the fundamentals needed to support standards setting. FASAB developed the core of its conceptual framework in the early 1990s. At that time, financial management legislation and administrative directives focused on component level reporting. Hence, the FASAB's second concept statement, *Entity and Display*, focused on the basis for defining a reporting entity and the display of component financial statements. Other concepts statements address financial reporting objectives; qualitative characteristics of information; the intended audience for the consolidated financial report of the U.S. Government (CFR); elements of accrual basis statements and their measurement attributes; communication methods; and managerial cost accounting.
4. Through its ongoing conceptual framework project, the FASAB has reviewed its early concepts statements and is establishing new statements as needed. The FASAB Handbook of Accounting Standards and Other Pronouncements, As Amended (FASAB Handbook) provides a full discussion of FASAB's SFFACs and can be accessed at <http://www.fasab.gov/accounting-standards/authoritative-source-of-gaap/accounting-standards/fasab-handbook/>.

INTRODUCTION

PURPOSE

5. This Statement provides concepts for financial statements and will address fundamental questions about both the government-wide and component financial reporting model, including how these two models relate to each other. It provides flexibility to address constantly changing reporting demands and enhanced technology methods, such as legislation requiring:
 - i. an annual government-wide audited financial report (Government Management Reform Act of 1994)
 - ii. the reporting of performance results and, subsequently, the reporting of cross-agency priority goals and the publication of searchable, machine-readable performance information on the Internet (Government Performance and Results Act of 1993 and Government Performance and Results Modernization Act of 2010)
 - iii. electronic access to transaction level financial information (Federal Funding Accountability and Transparency Act of 2006 and the Digital Accountability and Transparency Act of 2013)
6. Many of these developments seek detailed and timely access to information that could not reasonably be accommodated in a generally accepted accounting principles-based (GAAP-based) financial report as envisioned by initially developed concepts. Early on, the FASAB acknowledged that there are many sources of information about the federal government and its finances. A distinguishing feature of the federal financial reporting model is that it envisions an integrated effort to meet the federal financial reporting objectives. Absent this integrated model, an array of unarticulated and changing presentations could obscure the information needed to allow the user to answer fundamental questions about government finances.
7. This Statement will help the Board determine classification and aggregation standards for government-wide and component level financial statements that answer fundamental questions. Users may use the financial statements as a foundation for more in-depth research involving other information sources and the concepts would ultimately help the government demonstrate accountability to its citizens.

PROPOSED CONCEPTS

THE ROLE OF FINANCIAL STATEMENTS

8. Financial statements are the basic means of communicating financial information and assist the federal government in demonstrating accountability for its actions. When preparing financial statements, the federal government applies standards that facilitate the uniformity needed to capture and aggregate data from various sources. Also, financial statements are prepared and issued using disciplined processes to ensure that the information is reliable. These standards and underlying processes ensure clear communication of complete financial information so that the federal government can demonstrate accountability.
9. Standard data classifications, measurement, and terminology ensure comparability and consistency in recording events and transactions. Accordingly, the federal government and its components prepare financial statements in accordance with GAAP. GAAP governs when and how financial transactions and events should be represented in financial statements and the terms that should be used. It helps ensure that financial statements present information to users in an understandable and consistent manner.
10. Also, to ensure that financial statements communicate reliable information, the federal government and its components establish and maintain internal controls. Internal controls help ensure that events and transactions are properly recorded and classified. In addition, financial statements subjected to audit establish discipline in financial system processes.
11. Financial statements and their preparation in accordance with GAAP require financial systems populated with a core set of data elements. These core data elements provide the foundation for preparing a variety of reports that can inform users. Consequently, the underlying financial systems provide a sound basis for the development and presentation of other information requests and users can have a level of assurance that the information is reliable.
12. Financial statements and their preparation can also provide insight on issues that may require additional analysis. For example, preparing financial statements and applying GAAP may help management focus on their operating environment and identify risks such as the risk that additional resources may be necessary to sustain a service. Figure 1: Scope of GAAP illustrates that GAAP is a comprehensive source of financial information useful for demonstrating accountability and the boundary of existing GAAP reporting in relation to other sources.

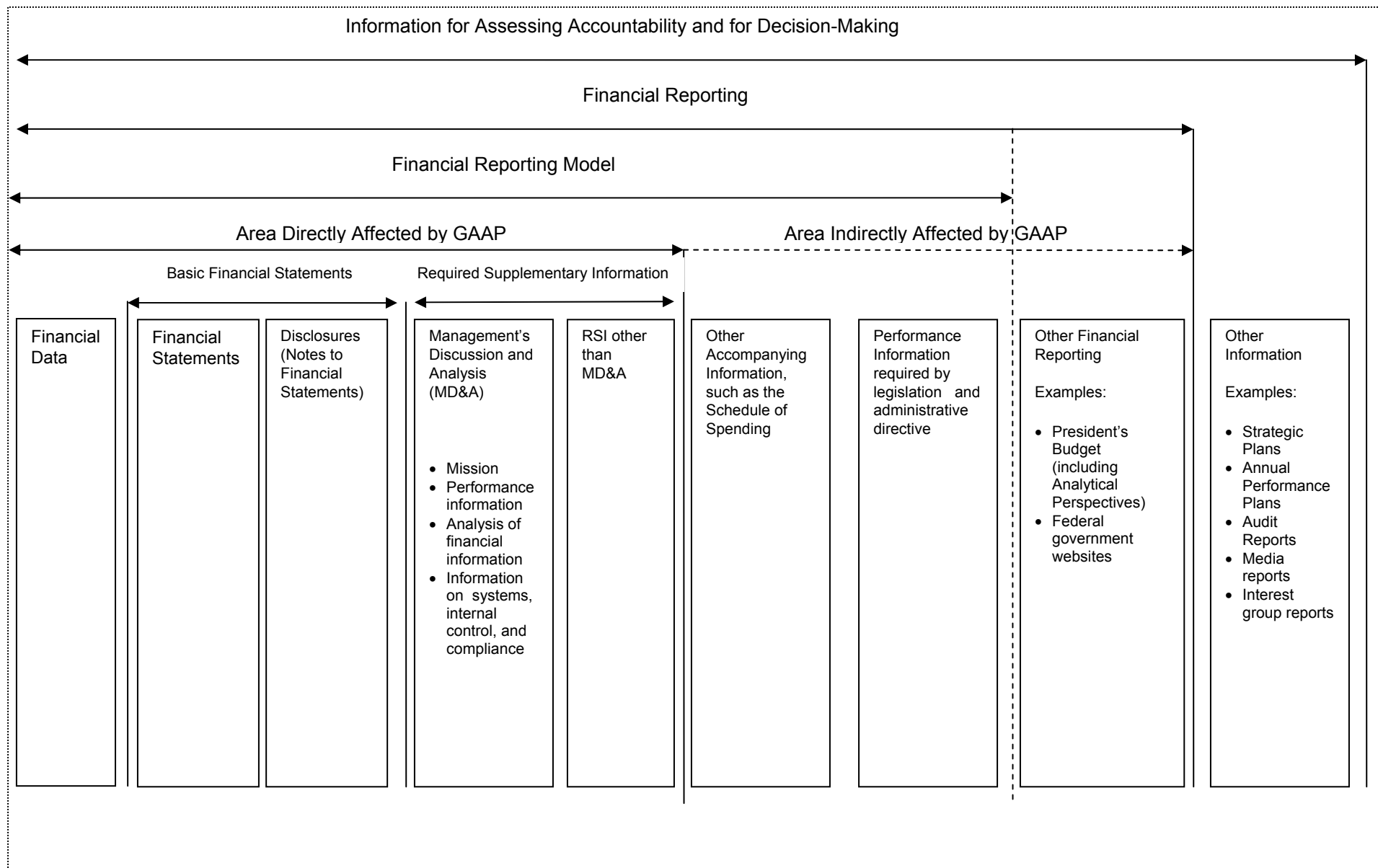


FIGURE 1: SCOPE OF GAAP

INTERRELATIONSHIP OF INFORMATION IS CENTRAL TO UNDERSTANDING

13. Financial statement users expect timely answers to questions. Addressing users' questions may require multiple financial statements and, when faced with multiple financial presentations, users expect to readily understand the purpose of the presentations; learn how one presentation relates to another; and determine where they can locate answers.
14. Accordingly, when multiple financial statements are needed to address fundamental questions, their interrelationships should be clearly communicated to facilitate user understanding. The interrelationship may be evident from the statements or explanations could be provided.

FINANCIAL STATEMENTS PROVIDED BY GOVERNMENT-WIDE AND COMPONENT REPORTING ENTITIES

15. Legislation enacted to improve financial management initially required federal leaders to prepare financial statements for the departments and agencies or components of the federal government. Subsequently, after a period of progress in developing component reporting entity financial statements, new legislation required a consolidated financial report for the federal government - the government-wide reporting entity. Thus, federal financial reporting involves two basic levels of reporting entities— the government-wide reporting entity and component reporting entities.
16. Characteristics of the government-wide reporting entity are different from the characteristics of its components. Financial reporting should reflect the differences and help users understand the relationships.

THE GOVERNMENT-WIDE REPORTING ENTITY

17. Although legislation first required financial statements for component reporting entities, the federal government as a whole is an independent economic entity while its components are not. The federal government has the power to tax, charge fees, borrow, and use economic resources to provide services. Accordingly, taxes, fees, and the issuance of debt are the primary sources of financing for the federal government and it obtains economic resources and incurs obligations or liabilities against those resources.
18. Information as of a point in time can inform users about the government's financial health. Such information can help users assess whether the financial condition of the federal government improved or deteriorated and whether resources will be available to sustain services and meet obligations in the future. Accordingly, a financial statement that depicts stocks is needed.
19. In addition to depicting stocks, persons most interested in the federal government's financial affairs are citizens and legislators and they want to know the sources, extent, and results of taxes and borrowings. Information about flows of economic resources can help users

understand the types of services the government provides; the level of emphasis on specific services; and the cause of changes over periods of time. When related to other performance information, flow information can help users understand the efficiency and effectiveness of government operations.

20. Projected flows information should also help users understand the long-term sustainability of services being provided and inform decisions about future resource needs. The information should help answer questions such as what would be the impact on borrowing if the government continued existing policies for a long period without change. Consequently, financial statements that depict prospective flows are needed.
21. As the fundamental starting point for user analyses, the CFR should use a classification structure that helps citizens understand the major sources of its revenues; the major services the federal government provides; and other activities that the government conducts. External users expect this information and are less interested in the organizational unit that administers them. Also, the public may be interested in matters that do not relate to a particular service, such as the interest on debt.
22. Additional factors could be considered in determining a classification structure for government-wide reporting entity flows. Those factors can be considered individually or collectively:
 - a. Broad-Based – Is the approach comprehensive? The approach should cover the wide range of goods and services that the government provides.
 - b. Purpose Driven – How well does the approach inform users about the various functions that the government performs? The approach should help users understand the major goods and services and other activities that the government provides and the resources used.
 - c. Budget Associated – How well does the scheme complement the classification approach used to prepare the federal budget? An approach that complements the budget structure would help inform budget analyses and decisions.
 - d. Consistency – Is the approach likely to avoid frequent changes? Consistency is needed to compare multiple periods and determine trends.
23. Also, the structure should inform users on where they can obtain detailed information regarding component reporting entities.

THE COMPONENT REPORTING ENTITY

24. The federal government is composed of over 100 component reporting entities who are the ones that provide the various services to the public. The components are not independent economic entities. To provide the services, the components receive budget authority from Congress. Budget authority includes appropriations, authority to borrow from another component, contract authority, and offsetting collection.
25. When components engage in transactions that will require either immediate or future outlays of cash, they use budget authority. While the use of budget authority does not affect government-wide financial resources, the outlay of cash does. Consequently, flows measuring the use of budget authority are significant events to recognize in the reporting of component entity flows.
26. Congressional committees and federal executives and managers focus on monitoring changes in and the status of budget authority. Also, users most interested in the components' financial affairs want to know what cash has been outlaid, what services will eventually cost, and how well services performed against their stated objectives. Therefore, relating flows to the performance of services is significant for financial reporting.
27. Legislation determines the nature and amount of budget authority and how and when the authority should be used. Administrative directives guide how the authority and its use should be classified and reported.
28. For depicting component reporting entity flows other than budgetary flows, factors should be considered in determining a classification structure. The factors can be considered individually or collectively:
 - a. Management Centered – Does the approach assist managers in assessing performance of principal activities? Other user groups would be interested in the same information that managers use to drive performance and achieve results. The approach would facilitate accountability for the resources used to provide services.
 - b. Purpose Driven – How well does the approach inform users about the various functions that the component performs? The approach should help users understand the major goods and services and other activities that the component provides and the resources used.
 - c. Consistency– Is the approach likely to avoid frequent changes? Consistency is needed to compare multiple periods and determine trends.
29. Because component entity budget authority and use is unique to the federal government, external users may have limited awareness and understanding of the concepts and terms used. Consequently, financial reporting should include explanations, references, or other support to assist external users in understanding the financial statements and answering fundamental questions.

BOTH GOVERNMENT-WIDE AND COMPONENT ENTITY

30. Government-wide and component entity financial reports should each include background information with references to provide context for users. Users expect information timely and likely access government-wide and component entity financial reports individually rather than as a set of financial reports. Background information with references would assist users in understanding and connecting reporting entity relationships and understanding other matters such as financing structures, why components might engage in transactions with other components, and the level of contribution to government-wide initiatives.
31. Explaining the approach to aggregating and classifying flows would help users understand the scope of individual categories and how they can be used in their analyses.
32. Because addressing users' expectations requires distinct ways of depicting flows, presenting easily understood reconciliations of the differences may be difficult. Users expect to understand the differences in distinct presentations of flows and how the presentations should relate. Reconciliations of the differences can require users to add and subtract amounts and it may not be clear why some amounts are added while others subtracted without additional research. Rather, a summary of the differences could be more effective in improving user understanding and reducing the level of user effort required.
33. Users expect to proceed from highly summarized presentations of flows at the government-wide level to increasingly detailed presentations at the component levels. Consequently, financial reporting can utilize the latest technologies to minimize the difficulty of transitioning through a hierarchy of information.
34. In addition, analyzing the financial condition of the federal government and trends in budget authority requires multiple periods of information. The accomplishments of federal activities may not be known for several years and the federal government can provide services that obligate economic resources for several years.

APPENDIX A: BASIS FOR CONCLUSIONS

This appendix discusses some 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.

PROJECT HISTORY

A1. FASAB's reporting model project is a part of the Board's conceptual framework initiative. After several years of progress in federal financial reporting, FASAB decided to revisit its conceptual framework with a focus on ensuring that accounting standards are based on a sound framework of objectives and concepts. At that time, Board members were concerned that the reporting objectives were broad and some members sought to better determine the role of GAAP-based financial statements in achieving them. Accordingly, the Board began the conceptual framework initiative by revisiting the reporting objectives and engaging the federal reporting community in the discussions.

User Needs and Reporting Community Outreach

A2. FASAB staff conducted a series of roundtable discussions to determine whether the objectives remained valid and appropriate and to help define the role of the Board in achieving them. Roundtable participants provided views on whether the objectives continued to reflect the information needs of users and whether they are being achieved. The participants believed the reporting objectives remained valid and they noted that the objectives could be accomplished by reports and similar materials other than financial statements. Consequently, in 2006, the Board agreed to retain the broad objectives and issue its Strategic Directions report that discusses the Board's primary and secondary focuses relative to the reporting objectives.

A3. Next, the Board began discussing the need for conceptual guidance that describes the reporting model and how it relates to the reporting objectives. The concepts would guide the Board in determining the financial statements necessary for achieving the reporting objectives and help focus on "what should be" versus "what is." The former would ensure that the objectives are adequately addressed and the statements are useful to readers. Also, members were concerned about whether a relationship should exist among financial statements, such as the balance sheet and a statement of net cost, and how the model compares with other reporting models. As a result, staff began researching the diverse needs of users and how they access information; surveying other countries and their reporting models; and conducting discussions with preparers, citizen intermediaries, congressional staff, program managers, executives, auditors, state and local government planners and analysts, and experts in federal financial reporting.

A4. Meanwhile, the Board continued its deliberations on social insurance and long term sustainability reporting, projects that would significantly impact the existing reporting model and raise conceptual questions that should be addressed in the conceptual framework initiative. Board members discussed conceptual issues such as the purpose of the balance sheet and its elements and eventually the Board determined that the conceptual framework needed to better explain unique accounting issues such as why:

- a. the power to tax is not an asset but nonetheless is relevant to assessing the sustainability or the financial condition of the federal government;
- b. current deficits are indeed bad and have short and long-term implications;
- c. the timing of a cash flow problem is important; and
- d. the point estimates on the balance sheet have limitations for assessing financial condition.

Accordingly, the Board decided to consider these and other reporting concepts in the reporting model project.

A5. FASAB staff completed the users' needs and reporting model research and provided the Board with a series of reports and discussion papers. In summary, staff noted that users expressed interest in the following types of information:

- a. The cost of programs.
- b. The performance of programs
- c. The sustainability of programs
- d. Budget versus actual comparison
- e. Where are funds going (geographically and to whom)

Also, users expect plain-language, understandable information, such as charts and graphs, the ability to access standardized information, and the ability to customize (perform drill-downs, slice and dice, etc.).

Task Forces and Additional Research

A6. The Board organized the Reporting Model Task Force to consider the user needs and reporting community results and provide suggestions for the reporting model. In 2010, the task force completed its work and presented recommendations to enhance the reporting model. In general, the task force focused on what could be accomplished in the near term and on the Financial Report of the U.S. Government (CFR) because the public would likely start with the CFR to learn about the fiscal health of the federal government. Consequently, they recommended the adoption of a centralized, web-based method of reporting financial and performance information, recommended changes to particular financial statements, and recommended additional disclosures. They believed that the success of these recommendations require raising public awareness of federal financial reporting.

A7. In 2011, the Board discussed the task force recommendations and members discussed systems constraints and challenges and noted that many of the recommendations could be adopted voluntarily by preparers. However, members did note that the conceptual framework that should guide accounting standards remained incomplete and not current. Also, at that time, the Board discussed its priorities and plans and revisited its Strategic

Directions report. The Board reaffirmed its conclusions in the Strategic Directions report and noted factors that would likely influence federal financial reporting. Those factors included the notion that citizens and citizen intermediaries are the primary audience for the CFR, which implies that FASAB standards should focus on the CFR and should primarily consider citizens' information needs. Additionally, the factor implies that component entity reports should support the needs identified for the CFR.

A8. Later in 2011, the Board discussed the report, The Chief Financial Officers Act of 1990 – 20 Years Later: Report to the Congress and the Comptroller General (CFO Act Report). The report recommended that Congress consider directing FASAB, the Office of Management and Budget (OMB), and the Government Accountability Office (GAO) to evolve the financial reporting model. Consequently, the Board decided to review the reporting model of component entities and conduct discussions with CFOs and various groups to help the Board determine the information of value to users.

- A9. The CFOs and various groups provided a range of ideas such as:
- a. Restructure the financial statements and develop a statement of spending
 - b. Require that less time be spent on asset valuation
 - c. Develop a presentation that shows costs and value delivered
 - d. Develop a presentation with drilldown capability and improve user interactivity
 - e. Provide more useful information in the statement of net cost and provide additional cost accounting guidance
 - f. Improve performance reporting

In addition, potential users sought cost, budget, and performance data and preferred flexible end-reporting. Also, other countries were reporting on service performance as well as financial performance. Given the range of issues, the Board decided that the project needed to be segmented into three separate projects – improving cost, performance, and budgetary reporting – and task forces would be organized for each project. This approach would allow members to better focus on issues that needed to be addressed.

A10. In 2012, the three task forces proceeded to discuss issues and subsequently recommended that the Board revisit SFFAS 4, Managerial Cost Accounting Standards and Concepts. The task forces believed that adequate cost guidance is needed to support users of budget and performance information and provide cost information that meets the expectations of financial information users. Upon reviewing the task force results, the Board determined that the recommended project would involve matters outside of the Board's domain and would require coordination with the OMB and the Department of the Treasury. Also, members again raised concerns about systems constraints and challenges in presenting integrated cost, budget, and performance information.

Developing the Ideal Reporting Model without Constraints

A11. At this point, members noted that a model of the ideal presentation is needed to serve as the end-goal for the project and help guide their direction. Also, given that raising concerns about existing systems and challenges directed the discussions away from "what should be," the Board determined that development of the ideal model would not be constrained by considering existing systems and what the Board could accomplish immediately. In

addition, the model will take a holistic view and consider the other conceptual issues discussed previously and include explanations on why the resulting construct should be considered ideal. Consequently, the Board decided to develop a conceptual, ideal model that integrates budget, cost, and service performance information.

Flow Information: The Starting Point for Developing the Ideal Model

- A12. During the April 2014 meeting, FASAB members developed and presented their view of an ideal reporting model. The presentations addressed the Budgetary Integrity objective, in general, and each of the sub-objectives of the Operating Performance objective. Also, with respect to the Stewardship objective, the Board decided to focus on the federal government as the entity rather than the nation's economy. In addition, in June, the Board decided not to revisit the reporting objectives or clarify the role of FASAB with respect to the objectives. Instead, the Board decided to begin developing the ideal reporting model by focusing on the flows and the flow statements that would help achieve the reporting objectives.
- A13. Users have consistently sought to better understand flow information, such as costs and budgetary information, and how they relate. The Board would consider how cost and budgetary information should be disaggregated and address how to reconcile cost and budget at a level that would be understandable to users.

APPENDIX B: ILLUSTRATIONS

This appendix illustrates the application of the provisions of this Statement to assist in clarifying their meaning. The facts assumed in these examples are illustrative only and are not intended to modify or limit the requirements of this Statement or to indicate the Board's endorsement of the situations or methods illustrated. Additionally, these illustrations are not intended to provide guidance on determining the application of materiality. Application of the provisions of this Statement may require assessing facts and circumstances other than those illustrated here and require reference to other applicable Standards.

APPENDIX C: ABBREVIATIONS

CFR	Consolidated financial report of the U.S. government
ED	Exposure draft
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GASB	Governmental Accounting Standards Board
IPSASB	International Public Sector Accounting Standards Board
OMB	Office of Management and Budget
SFAS	Statement of Financial Accounting Standards (FASB)
SFFAC	Statement of Federal Financial Accounting Concepts
SFFAS	Statement of Federal Financial Accounting Standards

APPENDIX D: GLOSSARY

Attachment IV: Working Draft Concepts Statement – Tracked Changes Version

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Federal Accounting Standards Advisory Board

WORKING DRAFT

SUBTITLE

Tracked Changes Version

Statement of Federal Financial Accounting Concepts

Exposure Draft

Written comments are requested by [date 90 days after issuance]

Month day, year

Working Draft – Comments Are Not Requested on This Draft

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General, established the Federal Accounting Standards Advisory Board (FASAB or "the Board") in October 1990. FASAB is responsible for promulgating accounting standards for the United States Government. These standards are recognized as generally accepted accounting principles (GAAP) for the federal government.

An accounting standard is typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, federal executives, federal program managers, and other users of federal financial information. The proposed standards are published in an Exposure Draft for public comment. In some cases, a discussion memorandum, invitation for comment, or preliminary views document may be published before an exposure draft is published on a specific topic. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standard with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for federal accounting and reporting.

Additional background information is available from the FASAB or its website:

- ["Memorandum of Understanding among the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board."](#)
- ["Mission Statement: Federal Accounting Standards Advisory Board"](#), [exposure drafts](#), [Statements of Federal Financial Accounting Standards and Concepts](#), [FASAB newsletters](#), and other items of interest are posted on FASAB's website at: www.fasab.gov.

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Federal Accounting Standards Advisory Board

ISSUE DATE

TO: ALL WHO USE, PREPARE, AND AUDIT FEDERAL FINANCIAL INFORMATION

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2. Concepts statements guide the Board's development of accounting and reporting standards by providing the Board with a common foundation and basic reasoning on which to consider the merits of alternatives. Also, knowledge of the objectives and concepts the Board considers should help users and others who are affected by or interested in federal financial accounting and reporting standards to understand better the purposes, content, and qualitative characteristics of information provided by federal financial accounting and reporting.
3. The conceptual framework addresses many of the fundamentals needed to support standards setting. FASAB developed the core of its conceptual framework in the early 1990s. At that time, financial management legislation and administrative directives focused on component level reporting. Hence, the FASAB's second concept statement, *Entity and Display*, focused on the basis for defining a reporting entity and the display of component financial statements. Other concepts statements address financial reporting objectives; qualitative characteristics of information; the intended audience for the consolidated financial report of the U.S. Government (CFR); elements of accrual basis statements and their measurement attributes; communication methods; and managerial cost accounting.
4. Through its ongoing conceptual framework project, the FASAB has reviewed its early concepts statements and is establishing new statements as needed. The FASAB Handbook of Accounting Standards and Other Pronouncements, As Amended (FASAB Handbook) provides a full discussion of FASAB's SFFACs and can be accessed at <http://www.fasab.gov/accounting-standards/authoritative-source-of-gaap/accounting-standards/fasab-handbook/>.

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INTRODUCTION

PURPOSE

- ~~1. Statements of Federal Financial Accounting Concepts set forth objectives and fundamentals on which financial accounting and reporting standards will be based. The objectives identify the goals and purposes of financial reporting and the fundamentals are the underlying concepts of financial accounting—concepts that guide the selection of transactions, events, and circumstances to be accounted for; their recognition and measurement; and the means of summarizing and communicating them to interested parties.~~
- ~~2. Concepts statements guide the Board's development of accounting and reporting standards by providing the Board with a common foundation and basic reasoning on which to consider the merits of alternatives. Also, knowledge of the objectives and concepts the Board considers should help users and others who are affected by or interested in federal financial accounting and reporting standards to understand better the purposes, content, and qualitative characteristics of information provided by federal financial accounting and reporting.~~
- ~~3. The conceptual framework addresses many of the fundamentals needed to support standards setting. FASAB developed the core of its conceptual framework in the early 1990s. At that time, financial management legislation and administrative directives focused on component level reporting. Hence, the FASAB's second concept statement, *Entity and Display*, focused on the display of component financial statements. Other concepts statements address financial reporting objectives; qualitative characteristics of information; the reporting entity; the intended audience for the consolidated financial report of the U.S. Government (CFR); elements of accrual-basis statements and their measurement attributes; communication methods; and managerial cost accounting. Through its ongoing conceptual framework project, the FASAB has reviewed its early concepts statements and is establishing new statements as needed.~~
- 4.5. This Statement provides concepts for financial statements and will address fundamental questions about both the government-wide and component financial reporting model, including how these two models relate to each other. It provides flexibility to address constantly changing reporting demands and enhanced technology methods, such as will also respond to changes in the reporting environment that indicate a demand for more dimensions and ultimately more detailed information. These changes include legislation requiring:
 - i. an annual government-wide audited financial report (Government Management Reform Act of 1994)
 - ii. the reporting of performance results and, subsequently, the reporting of cross-agency priority goals and the publication of searchable, machine-readable performance information on the Internet (Government Performance and Results Act of 1993 and Government Performance and Results Modernization Act of 2010)

- iii. electronic access to transaction level financial information (Federal Funding Accountability and Transparency Act of 2006 and the Digital Accountability and Transparency Act of 2013)

5-6. Many of these developments seek detailed and timely access to information that could not reasonably be accommodated in a generally accepted accounting principles-based (GAAP-based) financial report as envisioned by initially developed concepts. Early on, the FASAB acknowledged that there are many sources of information about the federal government and its finances. A distinguishing feature of the federal financial reporting model is that it envisions an integrated effort to meet the federal financial reporting objectives. Absent this integrated model, an array of unarticulated and changing presentations could obscure the information needed to allow the user to answer fundamental questions about government finances.

6-7. This Statement will help the Board determine classification and aggregation standards for government-wide and component level financial statements that answer fundamental questions. Users may use the financial statements as a foundation for more in-depth research involving other information sources and the concepts would ultimately help the government demonstrate accountability to its citizens.

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PROPOSED CONCEPTS

THE ROLE OF FINANCIAL STATEMENTS —~~BENEFITS AND LIMITATIONS~~

8. Financial statements are the basic means of communicating financial information and ~~they help assist~~ the federal government ~~in demonstrating~~ accountability for its actions. When preparing financial statements, the federal government applies standards that facilitate the uniformity needed to capture and aggregate data from various sources. Also, financial statements are prepared and issued using disciplined processes to ensure that the information is reliable. These standards and underlying processes ensure clear communication of complete financial information so that the federal government can demonstrate accountability.
9. Standard data classifications, measurement, and terminology ensure comparability and consistency in recording events and transactions. Accordingly, the federal government and its components prepare financial statements in accordance with GAAP. GAAP governs when and how financial transactions and events should be represented in financial statements and the terms that should be used. It helps ensure that financial statements present information to users in an understandable and consistent manner.
10. Also, to ensure that financial statements communicate reliable information, the federal government and its components establish and maintain internal controls. Internal controls help ensure that events and transactions are properly recorded and classified. In addition, financial statements subjected to audit establish discipline in financial system processes.
- ~~11. Financial statements and their preparation in accordance with GAAP require financial systems populated with a core set of data elements. These core data elements provide the foundation for preparing a variety of reports that can inform users topics such as cash, grant, property, and guarantee and direct loan management. Consequently, the underlying financial systems provide a sound basis for the development and presentation of other information requests and users can have a level of assurance that the information is reliable. Financial systems can facilitate the reporting of information customized to meet the needs of a variety of users even though annual GAAP financial statements themselves are generally too highly aggregated to meet all users' needs. Also, individuals who may not directly use financial statements can have increased access to and quality of information.~~
- ~~12. Financial statements and their preparation can also inform decisions and provide insight on issues that may require additional analysis. For example, preparing financial statements and applying GAAP may help management focus on their operating environment and identify risks such as the risk that additional resources. The risks may be necessary require additional resources to sustain a service. Figure 1: Scope of GAAP illustrates that GAAP is a comprehensive source of financial information useful for demonstrating accountability and the boundary of existing GAAP reporting in relation to other sources.~~

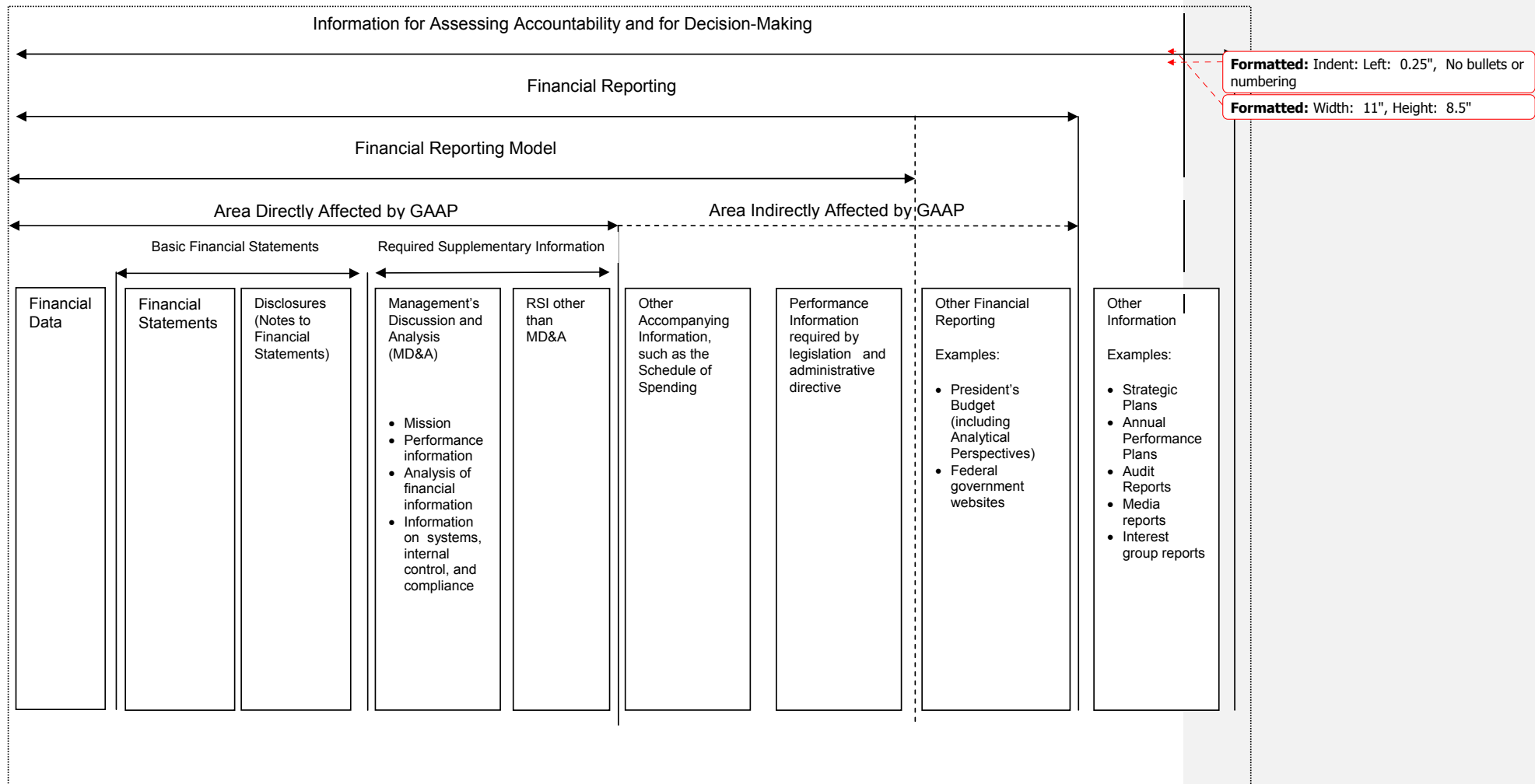


FIGURE 1: SCOPE OF GAAP

INTERRELATIONSHIP OF INFORMATION IS CENTRAL TO UNDERSTANDING

13. Financial statement users expect ~~timely to identify~~ answers to questions ~~timely~~. Addressing users' questions may require multiple financial statements and, when faced with multiple financial presentations, users expect to readily understand the purpose of the presentations; learn how one presentation relates to another; and determine where they can locate ~~the~~ answers ~~they need~~. ~~A presentation of information that lacks congruence would burden the user.~~
14. Accordingly, when multiple financial statements are needed to address fundamental questions, their interrelationships should be clearly communicated to facilitate user understanding. The interrelationship may be evident from the statements or explanations could be provided.

FINANCIAL STATEMENTS PROVIDED BY GOVERNMENT-WIDE AND COMPONENT REPORTING ENTITIES

15. Legislation enacted to improve financial management initially ~~require~~^s federal leaders to prepare financial statements for the departments and agencies or components of the federal government. ~~Subsequently, after a period of progress in developing component reporting entity financial statements, new legislation required a consolidated financial report for the federal government - the government as a whole - the government-wide reporting entity - and its numerous departments and agencies - component reporting entities that should be consolidated into the government-wide reporting entity.~~ Thus, federal financial reporting involves two basic levels of reporting entities— the government-wide reporting entity and component reporting entities.
16. ~~As expected, e~~Characteristics of the government-wide reporting entity are different from the characteristics of its components. Financial reporting should reflect the differences and help users understand the relationships.

THE GOVERNMENT-WIDE REPORTING ENTITY

- ~~47. Although legislation first required financial statements for component reporting entities, t~~^{he} federal government as a whole is an independent economic entity while its components are not. ~~t~~^{he} federal government has the power to tax, charge fees, borrow, and use economic resources to provide services. Accordingly, taxes, fees, and the issuance of debt

are the primary sources of financing for the ~~government-wide entity~~federal government and it obtains economic resources and incurs obligations or liabilities ~~,~~ against those resources.

17.

18. Information as of a point in time can inform users about the government's financial health. Such information can help users assess whether the financial condition of the federal government improved or deteriorated and whether resources will be available to sustain services and meet obligations in the future. Accordingly, a financial statement that depicts stocks is needed.

19. In addition to depicting stocks, persons most interested in the federal government's financial affairs are citizens and legislators and they want to know the sources, extent, and results of taxes and borrowings. Information about flows of economic resources can help users understand the types of services the government provides; the level of emphasis on each specific services; and the cause of changes over periods of time ~~and in the future~~. When related to ~~non-financial~~other performance information, flow information can help users understand the efficiency and effectiveness of government operations.

20. Projected flows information should also help users understand the long-term sustainability of ~~a services~~ being provided and inform decisions about future resource needs. They information should help answer ~~what if~~ questions such as what would be the impact on borrowing if the government continued existing policies for a long period without change. Consequently, financial statements that depict prospective flows are needed. ~~Also, they involve future cash flows but are not considered accrual or modified cash basis accounting.~~

~~21. Projected flows should complement point-in-time information such as net economic resources. They assist users in understanding the current financial health of the economic entity and its likely direction absent a policy change. Therefore, projected flows are useful for the government-wide.~~

~~22. Also, the President and Congress establish near term tax and spending priorities for the federal government through laws setting tax policy and providing budget authority. Administrative directives define the concepts for measuring and reporting budgetary flows and users expect information to help them assess compliance with the execution of budget laws.~~

~~23.~~21. As the fundamental starting point for user analyses, the CFR should use a classification structure that helps citizens understand the major sources of its revenues; the major services ~~that~~ the federal government provides; and other activities that the government conducts. External users expect this information and are less interested in the organizational unit that administers them. ~~They focus on the services that affect them such as the veterans' transition assistance program coordinated among the Departments of Labor, Defense, and Veterans Affairs.~~ Also, the public may be interested in matters that do not relate to a particular missionservice, such as the interest on debt.

~~24.~~22. Additional factors could be considered in determining a classification structure for government-wide reporting entity flows. Those factors can be considered individually or collectively ~~and are not presented in any order.~~

Comment [RES1]: Deleted paragraph because it seems redundant with the preceding paragraph.

Comment [RES2]: Removed the paragraph because budget authority is discussed in the component entity section.

Comment [RES3]: Reordered the factors to emphasize the factors that would most likely be important

- a. Broad-Based – Is the approach comprehensive? The approach should cover the wide range of goods and services that the government provides.
- b. Purpose Driven – How well does the approach inform users about the various functions that the government performs? The approach should help users understand the major goods and services and other activities that the government provides and the resources used.
- c. Budget Associated – How well does the scheme complement the classification approach used to prepare the federal budget? An approach that complements the budget structure would help inform budget analyses and decisions.
- a. ~~Stable Consistency~~ – Is the approach likely to avoid frequent changes? Consistency is needed to compare multiple periods and determine trends.
- b. ~~Budget Associated~~ – How well does the scheme complement the classification approach used to prepare the federal budget? An approach that complements the budget structure would help inform budget analyses and decisions.
- c. ~~Purpose Driven~~ – How well does the approach inform users about the various purposes that the government performs? The approach should help users understand the major goods and services and other activities that the government provides and the resources used.
- d. ~~Broad-Based~~ – Is the approach comprehensive? The approach should cover the wide range of goods and services that the government provides.

23. Also, the structure should inform users on where they can obtain detailed information regarding component reporting entities.

~~25-~~

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THE COMPONENT REPORTING ENTITY

~~26-24.~~ The federal government is composed of ~~dozens of over 100~~ component reporting entities ~~who are the ones that and each entity can provide the~~ various goods and services to the public. ~~The c~~Components are not independent economic entities. ~~To provide the services, the components receive They engage in transactions on behalf of the federal government as they fulfill their responsibilities and Congress and the President provide the components with budget authority from Congress. Budget authority includes appropriations, authority to~~

~~borrow from another component, contract authority, and offsetting collection for use in acquiring and providing goods and services.~~

~~27. Congressional committees and federal executives and managers focus on monitoring changes in and the status of budget authority. Budget authority includes appropriations, authority to borrow from another component, contract authority, and offsetting collections. Legislation determines the nature and amounts of the authorities and how and when they should be used and administrative directives guide how the authorities should be classified and reported. The administrative directives use terms and measurements generally intended for monitoring budget authority.~~

~~25. When components engage in transactions that will require either immediate or future outlays of cash, they use budget authority. While the use of budget authority does not affect government-wide financial resources, the outlay of cash does. Consequently, flows measuring the use of budget authority are significant events to recognize in the reporting of component entity flows.~~

~~28-26. Congressional committees and federal executives and managers focus on monitoring changes in and the status of budget authority. Also, users most interested in the components' financial affairs want to know what cash has been outlaid, what services will eventually cost, and how well services performed against their stated objectives. ed using an obligation basis would help inform users interested in budgetary compliance. Budget authority is used when obligated; however, government wide level economic or financial resources have not been impacted at this time. Rather, the flows help users determine future budget authority needs. Therefore, the obligation basis is useful for component level reporting. Therefore, relating flows to the performance of services is significant for financial reporting.~~

Comment [RES4]: Removed because the "obligation basis " is not defined in FASAB literature.

~~27. Legislation determines the nature and amount of budget authority and how and when the authority should be used. Administrative directives guide how the authority and its use should be classified and reported.~~

~~29. For depicting component reporting entity flows other than budgetary flows, fThe component level budget structure relates to but does not encompass monitoring how events and transactions impact the economic resources and liabilities of the government as a whole. In order that the use of the federal government's economic resources and liabilities can be monitored, components report detailed financial information on events and transactions. This information can also be used to monitor the full cost of the component reporting entity's programs.~~

Comment [RES5]: Paragraph appears redundant to the preceding paragraph.

~~30-28. Factors should be considered in determining a classification structure for component reporting entity flows other than budgetary flows. The factors can be considered individually or collectively and are not presented in any order:~~

- ~~a. Management Centered – Does the approach assist managers in assessing performance of principal activities? Other user groups would be interested in the same information that managers use to drive performance and achieve results. The approach would facilitate accountability for the resources used to provide services.~~

~~b.a. Stable—Is the approach likely to avoid frequent changes? Consistency is needed to compare multiple periods and determine trends.~~

b. Purpose Driven – How well does the approach inform users about the various ~~purposes-functions~~ that the component performs? The approach should help users understand the major goods and services and other activities that the component provides and the resources used.

c. Consistency– Is the approach likely to avoid frequent changes? Consistency is needed to compare multiple periods and determine trends.

29. Because ~~the~~ component entity budget ~~structure-authority and use~~ is unique to the federal government, external users may have limited awareness and understanding of the concepts and terms used. Consequently, financial reporting should include explanations, references, or other support to assist external users in understanding ~~the the component entity budget structure~~financial statements and answering fundamental questions.

~~31.~~

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BOTH GOVERNMENT-WIDE AND COMPONENT ENTITY

~~32-30.~~ ~~Also,~~ government-wide and component entity financial reports should each include ~~contextual or~~ background information with references to provide context for users. Users expect information timely and ~~likely may~~ access government-wide and component entity financial reports individually rather than as ~~an integrated~~ set of financial reports. Background information with references would assist users in understanding and connecting reporting entity relationships and understanding other matters such as financing structures, why components might engage in transactions with other components, and the level of contribution to government-wide initiatives.

~~33-31.~~ Explaining the approach to aggregating and classifying flows would help users understand the scope of individual categories and how they can be used in their analyses.

32. Because addressing users' expectations requires distinct ways of depicting flows, presenting easily understood reconciliations of the differences may be difficult. Users expect~~When different bases and projected flows are presented, users need to understand the differences in distinct the presentations of flows and how the presentations y should relate. R- Reconciliations of the differences can help users understand the different bases; however, it requires users to adding and subtracting amounts and it may not be clear why some amounts are added while others subtracted without additional research. Instead~~Rather, a summary of the differences could be more effective in improving user understanding and reducing the level of user effort required.

Comment [RES6]: Paragraph revised because different bases no longer discussed.

~~34-33.~~ Users expect to proceed from highly summarized presentations of flows at the government-wide level to increasingly detailed presentations at the component levels. Consequently, financial reporting can utilize the latest technologies to minimize the difficulty of transitioning through a hierarchy of information.

35-34. In addition, analyzing the financial condition of the federal government and trends in budget authority requires multiple periods of information. The accomplishments of federal activities may not be known for several years and the federal government can provide services that obligate economic resources for several years. ~~Consequently, flows should be reported for at least a five-year period.~~

Comment [RES7]: Removed this sentence because it seems more appropriate for a standard rather than concepts.

APPENDIX A: BASIS FOR CONCLUSIONS

This appendix discusses some 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.

PROJECT HISTORY

A1. FASAB's reporting model project is a part of the Board's conceptual framework initiative. After several years of progress in federal financial reporting, FASAB decided to revisit its conceptual framework with a focus on ensuring that accounting standards are based on a sound framework of objectives and concepts. At that time, Board members were concerned that the reporting objectives were broad and some members sought to better determine the role of GAAP-based financial statements in achieving them. Accordingly, the Board began the conceptual framework initiative by revisiting the reporting objectives and engaging the federal reporting community in the discussions.

User Needs and Reporting Community Outreach

A2. FASAB staff conducted a series of roundtable discussions to determine whether the objectives remained valid and appropriate and to help define the role of the Board in achieving them. Roundtable participants provided views on whether the objectives continued to reflect the information needs of users and whether they are being achieved. The participants believed the reporting objectives remained valid and they noted that the objectives could be accomplished by reports and similar materials other than financial statements. Consequently, in 2006, the Board agreed to retain the broad objectives and issue its Strategic Directions report that discusses the Board's primary and secondary focuses relative to the reporting objectives.

A3. Next, the Board began discussing the need for conceptual guidance that describes the reporting model and how it relates to the reporting objectives. The concepts would guide the Board in determining the financial statements necessary for achieving the reporting objectives and help focus on "what should be" versus "what is." The former would ensure that the objectives are adequately addressed and the statements are useful to readers. Also, members were concerned about whether a relationship should exist among financial statements, such as the balance sheet and a statement of net cost, and how the model compares with other reporting models. As a result, staff began researching the diverse needs of users and how they access information; surveying other countries and their reporting models; and conducting discussions with preparers, citizen intermediaries, congressional staff, program managers, executives, auditors, state and local government planners and analysts, and experts in federal financial reporting.

A4. Meanwhile, the Board continued its deliberations on social insurance and long term sustainability reporting, projects that would significantly impact the existing reporting model and raise conceptual questions that should be addressed in the conceptual framework initiative. Board members discussed conceptual issues such as the purpose of the balance sheet and its elements and eventually the Board determined that the conceptual framework needed to better explain unique accounting issues such as why:

- a. the power to tax is not an asset but nonetheless is relevant to assessing the sustainability or the financial condition of the federal government;
- b. current deficits are indeed bad and have short and long-term implications;
- c. the timing of a cash flow problem is important; and
- d. the point estimates on the balance sheet have limitations for assessing financial condition.

Accordingly, the Board decided to consider these and other reporting concepts in the reporting model project.

A5. FASAB staff completed the users' needs and reporting model research and provided the Board with a series of reports and discussion papers. In summary, staff noted that users expressed interest in the following types of information:

- a. The cost of programs.
- b. The performance of programs
- c. The sustainability of programs
- d. Budget versus actual comparison
- e. Where are funds going (geographically and to whom)

Also, users expect plain-language, understandable information, such as charts and graphs, the ability to access standardized information, and the ability to customize (perform drill-downs, slice and dice, etc.).

Task Forces and Additional Research

A6. The Board organized the Reporting Model Task Force to consider the user needs and reporting community results and provide suggestions for the reporting model. In 2010, the task force completed its work and presented recommendations to enhance the reporting model. In general, the task force focused on what could be accomplished in the near term and on the Financial Report of the U.S. Government (CFR) because the public would likely start with the CFR to learn about the fiscal health of the federal government. Consequently, they recommended the adoption of a centralized, web-based method of reporting financial and performance information, recommended changes to particular financial statements, and recommended additional disclosures. They believed that the success of these recommendations require raising public awareness of federal financial reporting.

A7. In 2011, the Board discussed the task force recommendations and members discussed systems constraints and challenges and noted that many of the recommendations could be adopted voluntarily by preparers. However, members did note that the conceptual framework that should guide accounting standards remained incomplete and not current. Also, at that time, the Board discussed its priorities and plans and revisited its Strategic

Directions report. The Board reaffirmed its conclusions in the Strategic Directions report and noted factors that would likely influence federal financial reporting. Those factors included the notion that citizens and citizen intermediaries are the primary audience for the CFR, which implies that FASAB standards should focus on the CFR and should primarily consider citizens' information needs. Additionally, the factor implies that component entity reports should support the needs identified for the CFR.

A8. Later in 2011, the Board discussed the report, The Chief Financial Officers Act of 1990 – 20 Years Later: Report to the Congress and the Comptroller General (CFO Act Report). The report recommended that Congress consider directing FASAB, the Office of Management and Budget (OMB), and the Government Accountability Office (GAO) to evolve the financial reporting model. Consequently, the Board decided to review the reporting model of component entities and conduct discussions with CFOs and various groups to help the Board determine the information of value to users.

A9. The CFOs and various groups provided a range of ideas such as:

- a. Restructure the financial statements and develop a statement of spending
- b. Require that less time be spent on asset valuation
- c. Develop a presentation that shows costs and value delivered
- d. Develop a presentation with drilldown capability and improve user interactivity
- e. Provide more useful information in the statement of net cost and provide additional cost accounting guidance
- f. Improve performance reporting

In addition, potential users sought cost, budget, and performance data and preferred flexible end-reporting. Also, other countries were reporting on service performance as well as financial performance. Given the range of issues, the Board decided that the project needed to be segmented into three separate projects – improving cost, performance, and budgetary reporting – and task forces would be organized for each project. This approach would allow members to better focus on issues that needed to be addressed.

A10. In 2012, the three task forces proceeded to discuss issues and subsequently recommended that the Board revisit SFFAS 4, Managerial Cost Accounting Standards and Concepts. The task forces believed that adequate cost guidance is needed to support users of budget and performance information and provide cost information that meets the expectations of financial information users. Upon reviewing the task force results, the Board determined that the recommended project would involve matters outside of the Board's domain and would require coordination with the OMB and the Department of the Treasury. Also, members again raised concerns about systems constraints and challenges in presenting integrated cost, budget, and performance information.

Developing the Ideal Reporting Model without Constraints

A11. At this point, members noted that a model of the ideal presentation is needed to serve as the end-goal for the project and help guide their direction. Also, given that raising concerns about existing systems and challenges directed the discussions away from “what should be,” the Board determined that development of the ideal model would not be constrained by considering existing systems and what the Board could accomplish immediately. In

addition, the model will take a holistic view and consider the other conceptual issues discussed previously and include explanations on why the resulting construct should be considered ideal. Consequently, the Board decided to develop a conceptual, ideal model that integrates budget, cost, and service performance information.

Flow Information: The Starting Point for Developing the Ideal Model

- A12. During the April 2014 meeting, FASAB members developed and presented their view of an ideal reporting model. The presentations addressed the Budgetary Integrity objective, in general, and each of the sub-objectives of the Operating Performance objective. Also, with respect to the Stewardship objective, the Board decided to focus on the federal government as the entity rather than the nation's economy. In addition, in June, the Board decided not to revisit the reporting objectives or clarify the role of FASAB with respect to the objectives. Instead, the Board decided to begin developing the ideal reporting model by focusing on the flows and the flow statements that would help achieve the reporting objectives.
- A13. Users have consistently sought to better understand flow information, such as costs and budgetary information, and how they relate. The Board would consider how cost and budgetary information should be disaggregated and address how to reconcile cost and budget at a level that would be understandable to users.

APPENDIX B: ILLUSTRATIONS

This appendix illustrates the application of the provisions of this Statement to assist in clarifying their meaning. The facts assumed in these examples are illustrative only and are not intended to modify or limit the requirements of this Statement or to indicate the Board's endorsement of the situations or methods illustrated. Additionally, these illustrations are not intended to provide guidance on determining the application of materiality. Application of the provisions of this Statement may require assessing facts and circumstances other than those illustrated here and require reference to other applicable Standards.

APPENDIX C: ABBREVIATIONS

CFR	Consolidated financial report of the U.S. government
ED	Exposure draft
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GASB	Governmental Accounting Standards Board
IPSASB	International Public Sector Accounting Standards Board
OMB	Office of Management and Budget
SFAS	Statement of Financial Accounting Standards (FASB)
SFFAC	Statement of Federal Financial Accounting Concepts
SFFAS	Statement of Federal Financial Accounting Standards

APPENDIX D: GLOSSARY
