



August 8, 2018

Memorandum

To: Members of the Board

From: Grace Wu, Assistant Director

*Wendy M. Payne /s/*

Through: Wendy M. Payne, Executive Director

Subject: Note Disclosure Working Group Research Results – **Tab B**

MEMBER ACTIONS REQUESTED:

- Please provide responses to the questions starting on page 4 before August 17.

**MEMO OBJECTIVE**

The objective of this memorandum is to present the note disclosure (NODI) working group research results and seek the Board's input and approval on the NODI project next steps.

**BRIEFING MATERIAL**

- Staff Memo
- Attachment 1: Note Disclosure Communication
- Attachment 2: Note Disclosure Questions for the Board
- Attachment 3: Pilot Note Summary of Significant Accounting Policies
- Attachment 4: Pilot Note Fund Balance With Treasury

**BACKGROUND**

During the October 2017 meeting, the Board approved the note disclosure project plan. The goal of project is to identify and develop principles to be used by the Board and preparers, to reduce repetition and improve relevance and consistency in NODI.

To accomplish this task, the NODI working group formed four sub-groups and met on a regular basis after December 2017 to perform related research. Following common methodology was used during the research: 1) analyzing FASAB, other regulatory bodies' NODI publication and activities, 2) understanding the objectives and requirements of NODI, 3) data comparisons of NODI on two pilot notes across 24 Chief Financial Officer and Certificate of Excellence in Accountability Reporting (CEAR) review awardee agencies' 2016 financial reports, and 4)

assessing the results and forming initial recommendations. Those initial research results are attached at Attachment 1: *Note Disclosure Communication*, Attachment 2: *Note Disclosure Questions for Board*, Attachment 3: *Pilot Note Summary of Significant Accounting Policies*, and Attachment 4: *Pilot Note Fund Balance with Treasury*. Those are initial research results/thoughts on some areas of the NODI project. The principal related results would be developed/researched further next if they were approved by the Board. The pilot notes development will be continued in the second NODI project phases where the notes will be reviewed and updated individually based on the NODI principles developed. Below are the summaries of the four areas that the working group researched:

## **1. Note Disclosure Communication**

FASAB surveys identified effective communication of note disclosures to financial statements as a challenge for preparers of agency financial statements. Survey participants requested additional guidance to improve effectiveness, completeness and consistency of disclosures. The objective of developing additional guidance on effective communication is to leverage the thoughts that leaders have discovered and incorporate it into guidance that is usable for the federal reporting community. In order to develop guidance for the federal community, the working group reviewed related guidance on International Financial Reporting Standard (IFRS), Government Accounting Standards (GASB), Financial Accounting Standards (FASB), and good practices within the federal reporting community such as CEAR review awardees.

The review of published guidance and good practices led to the identification of seven key principles (see Attachment 1 *Note Disclosure Communication*):

- Tailor to the entity
- Optimize comparability
- Leverage formatting
- Organize properly
- Link to relevant information
- Avoid duplication
- Describe simple and directly.

Federal organizations that incorporated these seven key principles in the development of their disclosures demonstrated good practices in the federal reporting community and improved their report relevance. The working group believes similar communication principals should be included in the NODI principle framework to align FASAB with FASB, GASB and IASB, and improve the effectiveness of the NODI.

## **2. Note Disclosure Questions for Board**

On March 4, 2014, FASB issued exposure draft (ED), Proposed Statement of Financial Accounting Concepts, *Conceptual Framework for Financial Reporting, Chapter 8: Notes to Financial Statements*. The ED proposed concepts FASB will use in developing financial accounting and reporting standards and a framework for identifying information that could be appropriate to include in note disclosures. The exposure draft included Decision Questions that FASB could use as a tool when applying NODI concepts to help the FASB Board determine whether or not a disclosure should be required and the nature of the disclosure. Those

questions were well received during the FASB ED comment period. Subsequently, in its May 2, 2018 meeting, the FASB Board indicated their support for the ED draft including the decision questions.

The working group reviewed those questions, considered specific federal financial reporting environment, and recommended a set of similar concept questions for the FASAB Board to consider (see Attachment 2 *Note Disclosure Questions for Board*). They believe those questions can be developed further in the NODI principle development process and to be used by the Board in the future to improve the relevance, consistency and comparability of the NODI by going through a similar set of questions for each new standard.

### **3. Pilot Note Summary of Significant Accounting Policies**

The working group researched the summary of significant accounting policies note's placement, definition, consistency and redundancy by going through 23 CFO federal agencies' notes and related guidance published by FASB, GASB, IASB, OMB and other regulatory bodies. The objective of the review was to determine how disclosure was tailored for different audiences, the degree to which judgment was applied and ways that agencies facilitate the improvement of user understanding.

The review of guidance from other boards supports the disclosure of selection among acceptable alternative accounting policies, principles unique to an industry, information essential to the understanding of financial statements and judgements relevant to a readers' understanding.

A review of significant accounting policies of the 23 federal agencies suggested inconsistency in determining the level of detail required and some redundancy and inconsistency in where detail is reported.

The working group's research revealed that there is no guidance on this note for the component reporting in the current FASAB handbook. The working group proposed some potential changes such as providing guidance on that note by clearly stating what should be included to improve the relevance and consistency of that note ( see Attachment 3: Pilot Note Summary of Significant Accounting Policies).

### **4. Pilot Note Fund Balance with Treasury**

The working group reviewed disclosure requirements on the Fund Balance with Treasury (FBWT), compared 24 CFO and 2016 CEAR awardee agencies' 2016 FBWT footnote disclosures, verified documentation of the history of development of the FBWT note, and surveyed working group agencies to assess their perspectives. The objective of this review is to assess whether current disclosure is relevant, consistent, efficient and effective.

The research revealed several findings (see Attachment 4: *Pilot Note Fund Balance with Treasury*). Historical records showed that no objective/reason was documented for the current disclosure requirement of FBWT budgetary status. The survey result showed that the working group members were inconsistent with the FBWT budgetary status disclosure. Some believed it was a necessary disclosure by providing user more relevant information, some thought it may not be cost beneficial to do so since it took too long to prepare for some agencies but may not serve the purpose. A clear objective for FBWT note would help improve the relevance of disclosure and gives agencies more guidance when exercising judgement for disclosure.

## **NEXT STEPS**

Members are requested to consider the recommendations from the working group and identify the next steps staff should consider taking.

## **MEMBER FEEDBACK**

If you require additional information or wish to suggest another alternative not considered in the staff proposal, please contact staff as soon as possible. In most cases, staff would be able to respond to your request for information and prepare to discuss your suggestions with the Board, as needed, in advance of the meeting. If you have any questions or comments prior to the meeting, please contact me by telephone at (202) 512-7377 or by e-mail at [wug@fasab.gov](mailto:wug@fasab.gov) with a cc to [paynew@fasab.gov](mailto:paynew@fasab.gov).

## **QUESTIONS FOR THE BOARD**

1. Does the Board agree that the activities conducted by working group are in line with the note disclosure project's objectives? If not, any suggestions for improvement?
2. Please review the questions for the Board in each presentation slide and provide feedback to them:

### **Note Disclosure Communication**

- 1) Does the Board agree that communication principles like this should be included in the disclosure concept?
- 2) Are there any communication principles that should be added, removed, or merged?
- 3) If the communication principles are adopted into a concept, examples will not be included. Does the Board agree?
- 4) Does the board see any value in the development of a glossary of Government-specific terms used in Government reporting (e.g., obligations, FBWT)? If so, do you have any suggested format?

### **Note Disclosure Questionnaire for Board**

- 5) Does the Board agree that a Decision Questions tool would be useful in decision making for the note disclosure? If not, do you have any suggestions?
- 6) Does the Board agree the selected Decision Questions are applicable to the federal reporting environment disclosure needs? If not, which one is not applicable?
- 7) The FASB ED uses "cash flows" in its' decision questions, but it was substituted with "results" by the working group as the working group believes cash flow is not the only key consideration for the federal reporting. Does the Board agree with the alternative

wording chosen to conform the applicable Decision Questions from commercial to federal financial use? If not, what alternative wording should be used?

#### **Pilot Note Summary of Significant Accounting Policies (SOSAP)**

- 8) Does the Board agree that activities conducted by SOSAP working group are in line with the note disclosure project's objectives as a pilot note? If not, any suggestions for improvement?
- 9) Developed note disclosure principles would help the Board assess the recommendations by the working group. Since the principle is still being developed, what additional information would the Board need in order to consider proposed SOSAP disclosure recommendations?
- 10) Should the content of SOSAP disclosures include only information that is objective and verifiable (for example, assumptions about future events or matters specific to entities and that are not common knowledge)? Is the placement of the disclosure of significant accounting policies important? Does the order of the descriptions of accounting policies pertinent to individual statements or line items and the detailed notes matter?

#### **Pilot Note Fund Balance with Treasury**

- 11) Does the Board agree that activities conducted by FBWT working group are in line with the note disclosure project's objectives as a pilot note? If not, any suggestions for improvement?
  - 12) Developed note disclosure principles would help the Board assess the recommendations by the working group. Since the principle is still being developed, what additional information would the Board need in order to consider proposed FBWT disclosure recommendations?
3. Does the Board have any other feedback?

# Note Disclosure Initiative

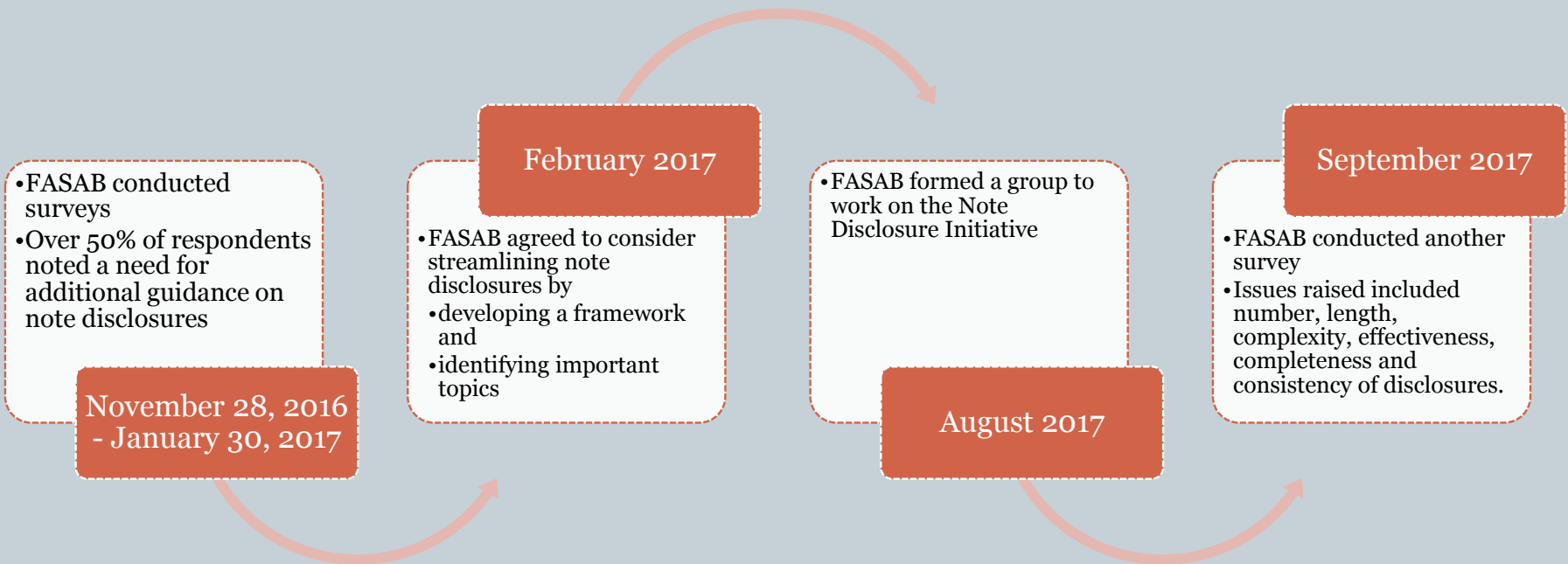
1

## PRINCIPLES OF EFFECTIVE COMMUNICATION

AUGUST 29, 2018

# Background

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# Background

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- FASAB identified two main problems about information disclosed in the financial statements:  
(1) not enough relevant information as well as too much irrelevant information, and  
(2) ineffective communication of information.
- This presentation focuses on the second problem:

## Communication



# Background

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- To establish appropriate guidance for communication principles, the working group evaluated best practices identified by other organizations responsible for setting accounting standards or financial reporting requirements such as:



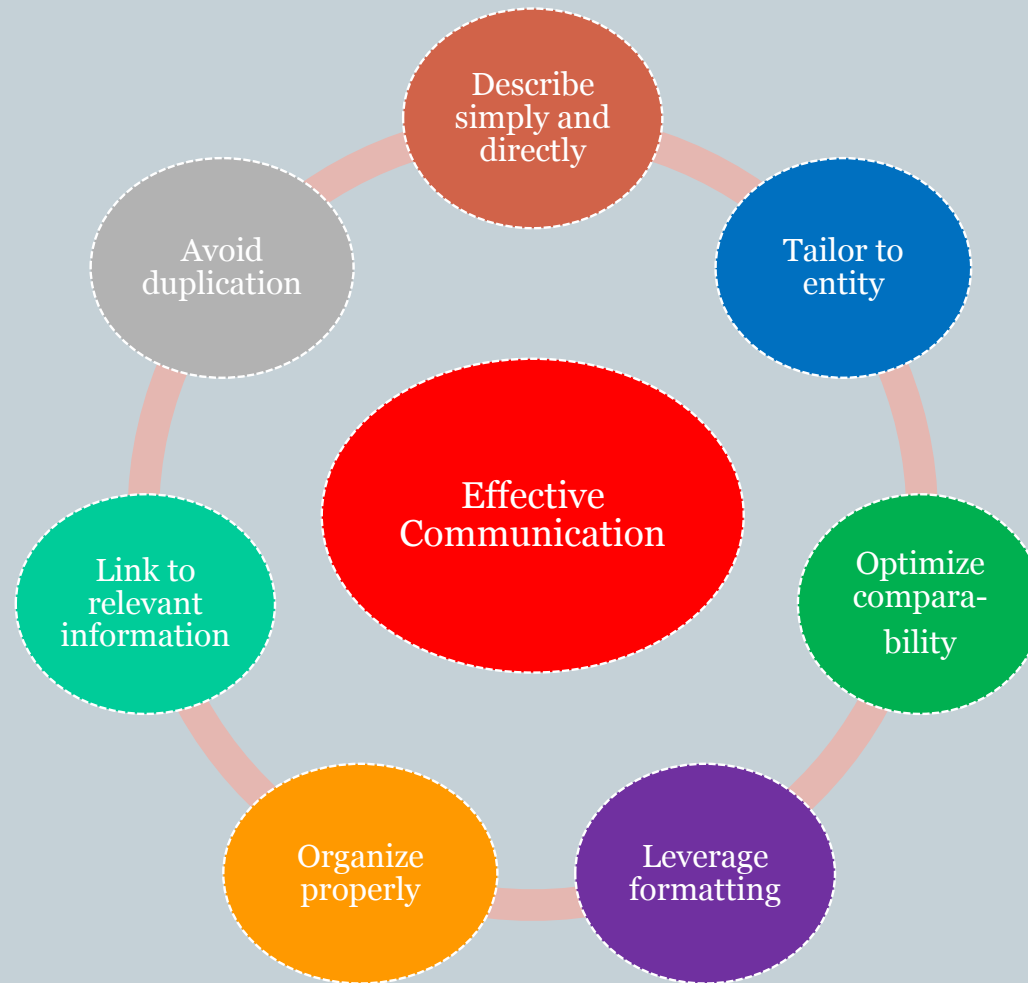
# Objectives

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- The purpose of this statement is to establish concepts to improve communication in financial reporting.
- The statement specifies principles of effective communication that Federal entities may consider in preparing financial statements to help them improve the effectiveness of disclosures for the primary users of financial statements.

# Principles of Effective Communication

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# Describe simply and directly

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- Disclosures should be clear and concise, while providing sufficient information to understand the more complex concepts.
- The volume of information needed to adequately understand different financial statements line items varies greatly depending on many factors.

# Describe simply and directly

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## Factors to consider:

- Complexity: complex transactions may require significantly more explanation and elaboration.
- Nature of operations: financial operations can vary greatly from one Federal entity to another. Management should use their judgment in deciding the extent of information to be disclosed for the more complex transactions without unnecessarily increasing the length of the financial statements.

# Describe simply and directly

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- Additional information that report users may consider useful includes, but is not limited to:
  - the nature, quality, location, and other factors affecting the utility of an asset;
  - any significant contractual, statutory, or regulatory restrictions on the asset's use or disposition;
  - potential effects of changes in general legal and economic conditions, accounting methods, market factors, and factors specific to the entity such as new regulations; and
  - how the line item relates to other line items in the financial statements.

# Describe simply and directly - example

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According to AGA, which reviews federal agencies' PARs or AFRs when selecting CEAR awardees, the **Peace Corp's** description of Fund Balance with Treasury within Note 1 is explained in simple and direct language.

## **g) Fund Balance with Treasury**

Fund Balance with Treasury consists of general, special, and trust funds that are available to pay current liabilities and finance authorized purchase commitments, and special funds that periodically are direct-financing reimbursements to the appropriated funds.

The agency does not maintain agency cash in commercial bank accounts. All cash receipts and disbursements are processed by the U.S. Treasury or the Department of State (DOS).

The funds that make up post cashiers' imprest funds belong to the U.S. Treasury through DOS's accountability.

These funds are routinely used to pay for low value purchases of goods and services and are also used to make an occasional emergency payment. Per agreement with DOS, the Peace Corps is responsible for any losses incurred by the cashiers. All international payments made by DOS on behalf of the Peace Corps are charged to the Peace Corps and reduce the applicable Peace Corps' fund balance in U.S. Treasury records. As of September 30, 2016, cashier imprest funds represented by cash on hand, checks on hand, interim advances, and cashier checking account balances totaled approximately \$1,145,997 in U. S. dollar equivalents.

Fund Balance with Treasury is carried forward until such time as goods or services are received and payment is made, or until the funds are returned to the U.S. Treasury.

# Tailor to entity

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- Entity-specific information is more useful than generic, “boilerplate” language or information that is readily available outside of the financial statements.
- Information tailored to an entity’s own circumstances, including defining government and agency specific terms, enhances understanding and is more useful.



# Tailor to entity

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Financial reports should not disclose information about matters that are not specific to the entity and are common knowledge or readily and cost effectively available from other sources as long as a knowledgeable resource provider should be aware of the need for the information and its availability.

# Tailor to entity - examples

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Agencies should disclose information critical to understanding its financial statements.

Small Business Administration

**NOTE 6** CREDIT PROGRAM RECEIVABLES AND LIABILITY FOR  
LOAN GUARANTIES

Department of the Treasury

**6. GOLD AND SILVER RESERVES, AND GOLD CERTIFICATES ISSUED TO  
THE FEDERAL RESERVE BANKS**

Federal Housing and Finance Agency

## GLOSSARY

**Advance** – A secured extension of credit or loan from an FHLBank to a member or housing associate.

**Basis Points** – Unit of measure used in finance to denote change in value. Basis points are commonly used to express change of less than 1 percent. For example, 50 basis points denotes a 0.5 percent shift.

**Capitalization** – The sum of a firm's or individual's long-term debt, stock and retained earnings.

**Governance** – Includes policies and controls related to financial and regulatory reporting, leadership effectiveness of the board of directors and enterprise management, compliance, overall risk management, strategy, internal audit, and reputation risk.

**Government Sponsored Enterprises (GSEs)** – Fannie Mae, Freddie Mac, the 11 Federal Home Loan Banks, and the Office of Finance.

# Optimize comparability

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- Federal financial reporting should ensure consistent application of accounting standards to enhance understanding and comparability of financial information. This helps ensure comparability of the Federal entity's information from period to period and to other Federal entities performing similar activities.
- Greater consistency within and comparability among the Federal government in the use of the various communication methods enhances the usefulness of reported information.

# Optimize comparability

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The credibility and comparability of financial reports are enhanced when a user knows that the reports are prepared in conformity with publicly promulgated standards established by independent standards setters regarding the selection of relevant events and the measurement and presentation of the effects of those events on the reporting unit.

## Government Accountability Office

Dollars in thousands

Federal employee benefits costs	2017	2016
Federal employee retirement benefit costs paid by OPM and imputed to GAO:		
Estimated future pension costs (CSRS/FERS)	\$4,300	\$6,376
Estimated future post-employment health/life insurance (FEHBP/FEGLI)	14,076	16,231
Total	<u>\$18,376</u>	<u>\$22,607</u>
Pension expenses (CSRS/FERS)	\$45,342	\$44,256
Health and life insurance expenses (FEHBP/FEGLI)	\$24,589	\$23,683
FICA and Medicare payments made by GAO	\$23,221	\$22,564
Thrift Savings Plan – matching contribution by GAO	\$15,266	\$14,733

# Leverage formatting

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- Federal financial reporting should display information clearly and in an organized manner to enhance reading experience for report users.
- Effective use of formatting improves how Federal entities communicate this information.

# Leverage formatting

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- Appropriate formatting to consider includes lists, tables, graphs, and diagrams.

## Federal Aviation Administration



# Leverage formatting - examples

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- Lists or columns can be used to break up or better organize long narrative text. Tables may be preferable for large volume of data or to compare information.

## National Aeronautics and Space Administration

### Note 2: Non-Entity Assets

Non-entity assets are assets held by NASA but not available for obligation. NASA's non-entity assets comprise of receipts from the Freedom of Information Act (FOIA) requests, Civil Monetary Penalties, Interest, and Penalty and Administration Fees. Total non-entity assets during FY 2017 and FY 2016 are less than one-half million dollars.

(In Millions of Dollars)	2017	2016
Total Non-Entity Assets	\$ —	\$ —
Total Entity Assets	17,859	16,838
<b>Total Assets</b>	<b>\$ 17,859</b>	<b>\$ 16,838</b>

### Note 3: Fund Balance with Treasury

NASA's cash receipts and disbursements reported by Treasury are reconciled against NASA's records. The FBWT is comprised of balances in general funds, trust funds, working capital fund, and other types of funds. General funds primarily consist of appropriated funds for NASA. Trust funds include balances in the Endeavor Trust Fund, Challenger Trust Fund, and gifts and donations. The Working Capital Fund (WCF) consists of balances related to NSGC, IT Infrastructure Integration Program (IIP) and Solutions for Enterprise-Wide Procurement (SEWP). Other fund types include deposit funds and budget clearing funds.

(In Millions of Dollars)	2017	2016
<b>Fund Balances:</b>		
General Funds	\$ 11,321	\$ 10,211
Trust Funds	1	1
Working Capital Fund	197	180
Other Fund Types	18	16
<b>Total</b>	<b>\$ 11,537</b>	<b>\$ 10,408</b>

The status of FBWT represents the total fund balance recorded in the general ledger for unobligated and obligated balances. Unobligated balances — available is the amount remaining in appropriation funds available for obligation. Unobligated balances — unavailable is the amount remaining in appropriated funds used only for adjustments to previously recorded obligations. Obligated balances not yet disbursed is the cumulative amount of obligations incurred for which outlays have not been made. Non-budgetary FBWT is comprised of amounts in other types of funds.

(In Millions of Dollars)	2017	2016
<b>Status of Fund Balances with Treasury:</b>		
Unobligated Balances		
Available	\$ 1,234	\$ 994
Unavailable	147	98
Obligated Balance Not Yet Disbursed	10,139	9,301
Non-Budgetary FBWT	17	15
<b>Total</b>	<b>\$ 11,537</b>	<b>\$ 10,408</b>

### Note 4: Investments

Investments consist of non-marketable par value intra-governmental securities issued by Treasury's Bureau of the Fiscal Service. Trust fund balances are invested in Treasury securities, which are purchased at either a premium or discount, and redeemed at par value exclusively through Treasury's Federal Investment Branch. The effective-interest method is used to amortize premiums on bonds, and the straight-line method is used to amortize discounts on bills.

Interest receivable on investments was less than one-half million dollars. In addition, NASA did not have any adjustments resulting from the sale of securities prior to maturity or any change in value that was more than temporary.

### Note 6: General Property, Plant and Equipment, Net

The composition of NASA G-PP&E as of September 30, 2017 and 2016 is presented in the table below. There are no known restrictions to the use or convertibility of NASA G-PP&E.

2017					
(In Millions of Dollars)	Method	Useful Life	Cost	Accumulated Depreciation	Book Value
<b>General PP&amp;E</b>					
International Space Station and Equipment	Straight-line	5–20 years	\$ 12,846	\$ (12,572)	\$ 274
Structures, Facilities and Leasehold Improvements	Straight-line	15–40 years	10,636	(7,661)	2,975
Equipment	Straight-line	5–20 years	3,140	(2,157)	983
Construction In Progress - Personal Property	N/A	N/A	900	—	900
Construction In Progress - Real Property	N/A	N/A	859	—	859
Internal Use Software	Straight-line	5 years	258	(248)	10
Land	N/A	N/A	124	—	124
Internal Use Software In Development	N/A	N/A	2	—	2
<b>Total</b>			<b>\$ 28,765</b>	<b>\$ (22,638)</b>	<b>\$ 6,127</b>

# Leverage formatting - examples

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- Text features such as **FONT TYPE** and **size**, as well as the **bold** feature, underlining and **color** can be used to enhance understanding or add emphasis to specific information.
- Technology should also be leveraged. For example, certain functions for electronic reports, such as text-search and bookmarks, might assist users in navigating through the document and finding information more quickly.



# Organize properly

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- Disclosures should be organized in a proper order consistent with the financial statement presentation to assist report users in easily locating important matters that could be key in decision making.
- When disclosing additional information that may not be directly linked to a financial statement line item, present in a logical order.

# Organize properly - example

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- For example, significant accounting policies are an integral part of the financial statements and should preferably be disclosed in a separate summary of significant accounting policies preceding the notes to the financial statements, or as the initial note, under the same or a similar title.

# Organize properly - example

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Not all agencies provide a table of contents for note disclosures, but this could make it easier for the user to navigate relevant information, especially if the agency has a lot of information to disclose.

## Department of the Interior

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# Link to relevant information

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- Federal financial reporting should assist report users in highlighting relationships to make financial statements coherent.
- Preparers should, to the extent possible, link information in the note disclosures to other relevant information in the financial statements to improve understanding while reducing repetition.

# Link to relevant information - example

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For example, the disclosure of accounting policies should refer to related details presented elsewhere as part of the financial statements. Specifically, changes in accounting policies during the period should be described with cross-reference to the applicable disclosure.

## Consumer Financial Protection Bureau

Based on the standard's criteria, CFPB has determined that the Bureau Fund is a fund from dedicated collections due to its meeting the three required criteria – source of funds are from a non-federal source, explicit authority to retain funds for future use, to finance designated activities, benefits, or purposes, and a requirement to account for and report on the funds receipt, use and retention separate from the federal government's general revenues. Further, the CFPB has determined based on the criteria of SFFAS 27 & 43 that the Civil Penalty Fund is also a fund from dedicated collections and has established a separate special fund to account for its activity. These funds, which also qualify as special funds, are discussed further in Note 1.H. below. See additional disclosure in Note 19 "Funds from Dedicated Collections."

# Avoid duplication

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- Financial statement disclosures shall not duplicate details presented elsewhere as part of the financial statements.
- This helps reduce the risk of having inconsistent information in different locations while reducing the size of the financial report, improving readability, and avoiding redundancy.

# Conclusion

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## Implementing Communication Principles into Concept Statement

- Good Practices in Government
- Aligns FASAB with FASB, GASB and IASB
- Elevates the importance of communication
- Improves effectiveness of disclosures

# Questions for FASAB

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- Does the Board agree that communication principles like this should be included in the disclosure concept?
- Are there any communication principles that should be added, removed, or merged?
- If the communication principles are adopted into a concept, examples will not be included. Does the Board agree?



# Questions for FASAB

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- Does the board see any value in the development of a glossary of Government-specific terms used in Government reporting (e.g., obligations, FBWT)? If so, do you have any suggested format?
- Does the Board have any other feedback?

# FASAB Sub-Working Group

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# FASAB Note Disclosures Project

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**DECISION QUESTIONS TO BE  
CONSIDERED IN ESTABLISHING  
DISCLOSURE REQUIREMENTS**

**BY NODI FASAB SUB-WORKING GROUP  
AUGUST 29, 2018**

# Background – FASB Exposure Draft

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- On March 4, 2014, FASB issued exposure draft (ED), *Proposed Statement of Financial Accounting Concepts, Conceptual Framework for Financial Reporting, Chapter 8: Notes to Financial Statements*.
- The ED establishes concepts FASB will use in developing financial accounting and reporting standards and a framework for identifying information that could be appropriate to include in note disclosures.

# Background – FASB Exposure Draft

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- The exposure draft included Decision Questions FASB could use as a tool when applying note disclosure concepts to help the Board determine whether or not a disclosure should be required and the nature of the disclosure.
- The responses to the Decision Questions are subject to the framework limitations—relevance, cost-benefit, future-oriented information.
- Decision Question groupings:
  - Information about line items (Questions L1-L16)
  - Information about other past events and current conditions and circumstances that can affect an entity's cash flows (Questions O1-O3)

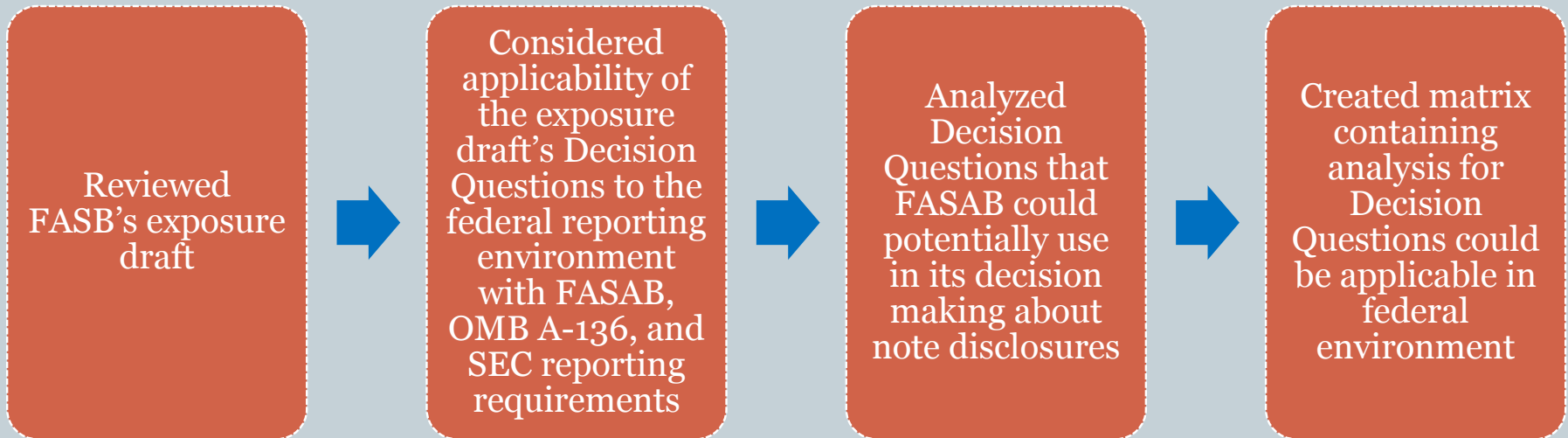
# Sub-Working Group Objectives

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- Improve the relevance, clarity, consistency, and comparability of note disclosures by identifying Decision Questions that could potentially be used by the FASAB Board in establishing note disclosure requirements.

# Methodology

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# Decision Questions Line Items – Applicable

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The FASB sub-group research indicated that 13 of the FASB's 16 Decision Questions for line items (L1 through L16), are applicable to federal financial reporting with conforming edits as shown on the right

- L1: Is the nature or quality of underlying phenomena not conveyed adequately by line item description?
- L2: Does the line item represent financial instruments, contracts or other binding arrangements?
- L3: Is the existence or ownership of rights and obligations underlying the line item uncertain?
- L5: Are results\* subject to change as a result of changes in general economic or market factors?
- L7: Are the causes of the changes in the line item not easily understood?
- L8: Could the quality or utility of a nonfinancial asset have changed?
- L9: Does the line item include individual items (or groups) that are measured differently?
- L10: Are there alternative GAAP accounting policies or methods that could be applied to the line item?
- L11: Did the accounting policy change because the previous policy was no longer proper?
- L12: Will the line item be affected by transition to newly issued (but not yet implemented) standard?
- L13: Is the method for determining line item uncommon, not apparent or otherwise hard to discern?
- L14: Is the carrying amount of the line item an estimate that requires assumptions, judgments, or other internal inputs that could reasonably have been different?
- L16: Does the line item have a direct relationship to another statement line item that is not apparent?

\*The FASB framework uses “cash flows” but is substituted here with “results.”



# Decision Questions Line Items - Applicable

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- In general, above 13 Decision Questions are already *implicit* in the issues, considerations, and judgments addressed in FASAB standards (and related Basis for Conclusions). We also noted similar implicit considerations in disclosure requirements for SEC 10-K registrants. In particular, we noted:
  - Decision Questions L1, L5, L7, L9, L13, and L14, apply to various federal examples e.g., environmental liabilities, loans receivable, PP&E and inventory, federal employee and veteran benefits payable, and insurance program liabilities.
  - Decision Question L2 applies to contracts and other binding arranges and also takes into consideration financial instruments issued, and held, by the entity such as Public debt.
  - Decision Question L3 applies to all federal entities including those that serve in a conservatorship role such as in FHFA and FDIC environment.
  - Decision Questions L10-L11 apply to most federal entities when evaluating new standards.
  - Decision Question L16 is implicit in the budget to proprietary reconciliations.

# Decision Question – Example

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- What could this look like?

Proposal to  
FASAB

- Proposed note disclosures from Risk Assumed Project's Measurement Uncertainty Framework

Decision  
Question for  
FASAB

- Is the carrying amount of the line item an estimate that requires assumptions, judgments, or other internal inputs that could reasonably have been different? (L14)

FASAB  
Discussion &  
Decision

- Determine answer to the Decision Question: in this case, estimation of current value, accumulations of costs involving uncertainties, and impairment allowances should be considered as relevant.
- If the answer is yes, a need to disclose of enough detail about the significant estimates, assumptions, judgements, or other internal inputs to provide a general understanding of (1) how the carrying amount was determined, (2) the level of uncertainty inherent in the amount, and (3) how significantly the number might have changed if the inputs had been different.

# Decision Questions Line Items – Not applicable

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- 3 FASB Decision Questions for line items are not applicable to Federal Financial Reporting environment.
  - **Decision Question L4** (Does the line item include components of different natures with differing affects on results\*?) **could apply to various line items e.g., loans receivable, PP&E and inventory, but any cost or budgetary impact of differing items in entities' loan program or fixed asset portfolios is already addressed via Decision Questions L1, L5, L7, and L9.**
  - **Decision Question L6** (Are results\* related to the line item affected by frequent or significant changes in entity-specific or sector-specific factors, and would a user not be expected to be aware of these factors or effects?) **as federal entities provide services not related to potential changes in public demand for its services.**
  - **Decision Question L15** (Is there an alternative measure that clearly would be useful in assessing results\*?) **is not generally preferred as entities' individual items must be rolled-up to produce the consolidated FR.**

\*The FASB framework uses “cash flows” but is substituted here with “results.”

# Decision Questions Past Events and Current Conditions – Applicable

10

- The FASB sub-group determined that all 3 of the Decision Questions for information about other past events and current conditions and circumstances that can affect an entity's cash flows (O1-O3) are applicable to federal financial reporting.
- **Decision Question O1:** Can any of the following events or conditions create a possibility that a user's assessment of an entity's future results\* would be significantly different (lower or higher):
  - a. Potential litigation against the entity or by the entity against another entity or entities (because of specific matters instead of general business risk)
  - b. Existing litigation against the entity or by the entity against another entity or entities, the outcome of which is still uncertain
  - c. Suspected or known violations by the entity of laws, regulations, or contractual terms or violations of the entity's rights under statutes, regulations, or contracts
  - d. Other uncertain circumstances?
- In federal reporting, this could apply to items, such as environmental liabilities.

\* The FASB framework uses "cash flows" but is substituted here with "results."

# Decision Questions – Applicable

11

- **Decision Question O2:** Are there other events or circumstances that are not represented by an asset or a liability and a gain or loss (or income or expense) in an entity's financial statements but for which there is uncertainty in the decision about whether it should be recognized (that would include items other than the contingencies discussed in Questions O1(a) and O1(b)?
  - In federal reporting, this could apply to intra-governmental differences awaiting dispute resolution.
- **Decision Question O3:** Are there contractual rights or obligations arising from past transactions and events or current conditions and circumstances that are expected to meet the criteria for recognition by the entity in the future?
  - In federal reporting, this could apply to items, such as loan guarantees.

# Questions for the Board

12

This research is in its first stage by analyzing FASB decision questions and how this can be used in the federal reporting environment. The next steps are to expand each question to disclosure requirements and to research if there are any additional considerations that haven't researched but could be potentially applicable to the federal reporting environment. Based on the first stage's research result:

- Does the Board agree that a Decision Questions tool would be useful in decision making for the note disclosure? If not, do you have any suggestions?
- Does the Board agree the selected Decision Questions are applicable to the federal reporting environment disclosure needs? If not, which one is not applicable?

# Questions for the Board

13

- The FASB ED uses “cash flows” in its’ decision questions, but it was substituted with “results” by the working group as the working group believes cash flow is not the only key consideration for the federal reporting. Does the Board agree with the alternative wording chosen to conform the applicable Decision Questions from commercial to federal financial use? If not, what alternative wording should be used?
- Does the Board have any other suggestions, comments, or questions?

# FASB Sub-group Members

14

## FASAB staff leadership:

- Grace Wu, FASAB Assistant Director

## Co-Chairs:

- Oscar Castro, Treasury
- Donell Ries, USAID OIG

## Members:

- John Rueger, Deloitte
- Greg Wilber, Deloitte



# Note Disclosure Working Group



## Summary of Significant Accounting Policies

### Subgroup Update

# Background

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- Summary of Significant Accounting Policies (SOSAP) was selected by the note disclosure working group as a pilot note for note disclosure project
- A sub-working group on SOSAP was formed with members from two agencies and one private firm

# Objectives

## **Relevance**

How useful or necessary is the disclosure used to assess an entity's operations and for decision making purposes?

## **Consistency**

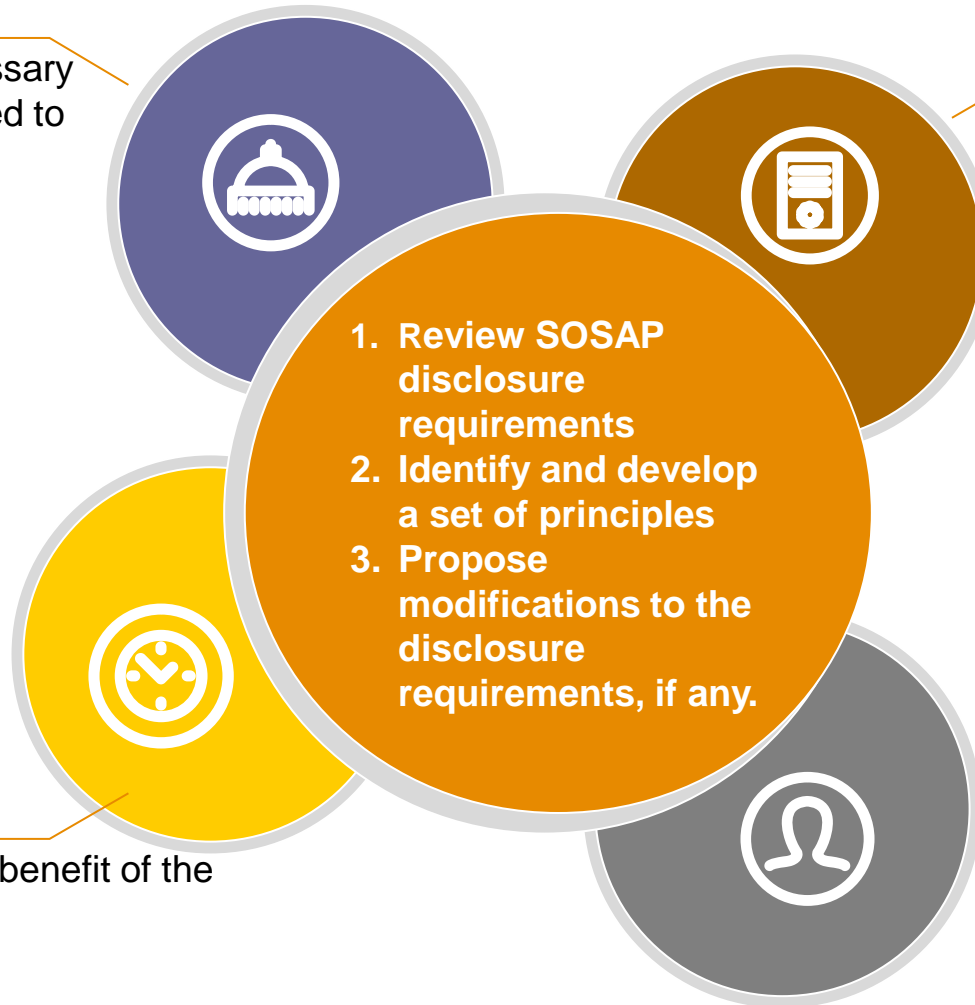
How comparable is the information from agency-to-agency?

## **Efficiency**

What is the cost vs. benefit of the disclosure?

## **Effectiveness**

How understandable is the disclosure?



# Research Methodology

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1. Analyzed FY 2016  
SOSAP note  
disclosures of 23 CFO  
Act agencies and AGA  
CEAR awardees

- Organized research into a log format to highlight findings, areas for improvement, and possible causes

3. Developed summary  
matrix to compare and  
contrast guidance  
issued by FASB,  
GASB, and IASB.

- The results of this exercise were used to create our recommendations for the board

2. Researched and  
assessed relevant  
guidance issued by  
FASAB, FASB, GASB,  
and IASB

- Summarized research around three key themes:  
1) Placement and Location; 2) Definition and Consistency; and 3) Redundancy

4. Assessed gaps in  
current FASAB  
guidance and  
developed  
recommendations and  
questions for the Board

# FASAB Note Disclosure Requirement on SOSAP

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- SFFAS 32, Paragraphs 29 and 30:
  - The reporting entity and its major components should be described from a financial reporting perspective.
  - Accounting principles, policies and methods specific to the reporting entity should also be outlined.
  - Any changes in the composition of the reporting entity or the manner in which the reporting entity aggregates information for financial reporting purposes should be disclosed.
- This SFFAS 32 applies specifically to the Consolidated Financial Report of the U.S. Government, no guidance in the current handbook about the component entity's SOSAP note disclosure.

# FASB, IASB, and GASB Research - Placement and Location

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## □ FASB ASC 235-50-6

- Disclosure preferred in a separate SOSAP section preceding the notes to the financial statements, or as the initial note under the same or a similar title

## □ IASB IAS 1, Paragraphs 49 and 113

- Par. 49 – Entity should clearly identify financial statements and distinguish them from other information in the same published document
- Par. 113 – Provides preferred order of note disclosures and other information
  - Statement of Compliance with IFRS
  - SOSAP
  - Supporting Information
  - Other Disclosures

## □ GASB Statement No. 38 Paragraphs 6 to 8 and 38 to 44

- Certain information may be presented on face of financial statements or in notes to the financial statements
- Disclosure in the notes is needed only when information required to be disclosed is not displayed on the face of the financial statements

# FASB, GASB, and IASB Research - Definition/Consistency

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## □ FASB ASC 235-50

- Accounting policy disclosure should encompass those accounting principles and methods that involve any of the following:
  - Selection from acceptable accounting alternatives
  - Principles and methods that are unusual to the industry in which the entity operates
  - Unusual or creative applications of GAAP

## □ GASB Statement No. 38

- SOSAP descriptions should include accounting policy information that is essential to understanding financial statement line items
- SOSAP descriptions should include only objective and verifiable information
- SOSAP descriptions should only include accounting policies specific to line items included in the financial statements

## □ IASB IAS 1

- Provides detail of requirement for SOSAP notes
- States that entities shall disclose in a SOSAP or other notes judgments that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in the financial statements

# FASB, GASB, and IASB Research – Redundancy

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- FASB ASC 235-50-5
  - Financial statement disclosure of accounting policies shall not duplicate details presented elsewhere as part of the financial statements
- Both GASB and IASB did not appear to include criteria for determining how to separate SOSAP disclosures from the detailed line item notes to the financial statements



# Agency SOSAP Note Review

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## □ **Objective of the review:**

Our review of the 23 agencies focused on the following objectives:

### **Audience**

Determine how agencies report and tailor Note 1 information to different audiences, such as decision-makers within the government and citizens.

### **Relevant Information**

Analyze how agencies provide Note 1 information that is material to the agency and the users. Moreover, identify ways that agencies focus in on information relevant to the users of the financial statements.

### **Judgment**

Given the subjective nature of applying judgment, identify instances where it is implied that the agency used judgment to provide relevant Note 1 information.

### **Improving Clarity, Consistency and Comparability**

Identify how agencies focus on clarity, consistency and comparability which facilitates users' understanding of the note disclosures and financial statements. Assess whether materiality and materiality judgment remains a key component to address the issue.

**Refer to Appendix Slide 18 for Examples**

# Agency Review Results

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- ❑ Certain agencies included proper references when additional information was provided in a subsequent note
- ❑ Notes were well organized and met the criteria currently required by OMB Circular A-136
- ❑ Certain notes contained concise descriptions of Accounting Policies
- ❑ A numbering or lettering scheme was used to identify the SOSAP sub-sections and that order appeared consistent with the order of presentation in the financial statements themselves

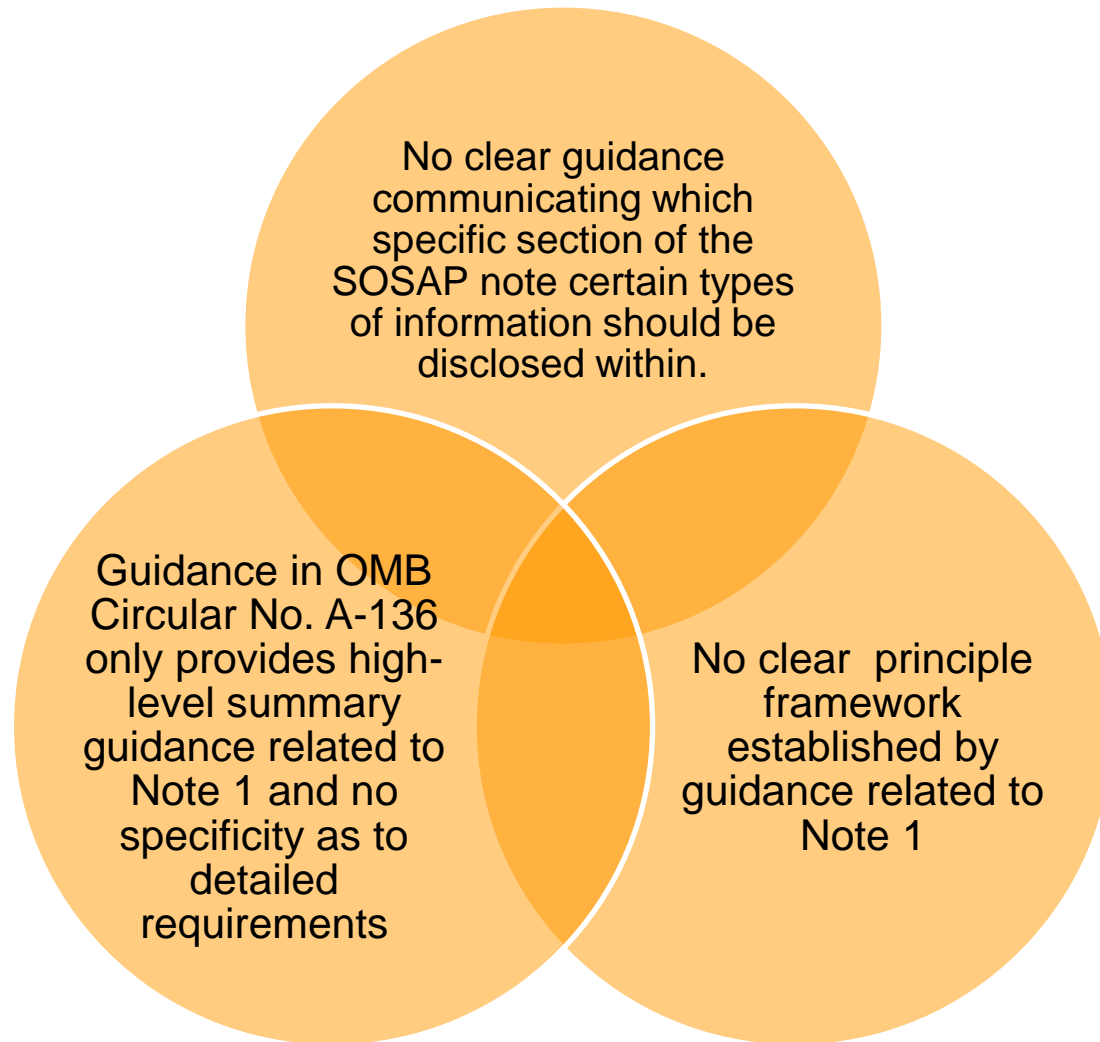
# Areas for Improvement

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- ❑ Notes were too lengthy and encompassed too much detail in certain areas
- ❑ Certain agencies had inconsistent references or no references to related notes that pertain to certain areas of the SOSAP section
- ❑ Certain SOSAP sections were combined, making it more difficult for the reader to find information
  - For example, one agency included Use of Estimates as part of the Basis of Accounting in SOSAP section. Our group feels as though this should be broken out separately.
- ❑ Information included in the SOSAP section that belonged in the MD&A section or vice versa

# Possible Causes

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# Working Group Recommendation #1

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- Develop a guidance in the handbook for SOSAP note:
  - Based on what is defined in SFFAS 32, Par. 29 and 30 for consolidated reporting with what other standard bodies have
  - Define significant accounting policy, significant judgment, and completeness as it relates to the SOSAP disclosure. For example, note is completed when (1) all significant accounting policies are set forth clearly and concisely; and (2) provides user with enough information to understand and make informed decisions or conclusions

# Working Group Recommendation #2

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- Develop a principle framework for SOSAP note:
  - Consider addressing the location, definition and redundancy issues to improve relevance, consistency and comparability
  - Provide agencies clear guidance when exercising judgement for disclosure to improve efficiency and effectiveness

# Working Group Recommendation #3

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- Clearly distinguish SOSAP with the content in MD&A:
  - Confusion and duplication may exist between the content in SOSAP and MD&A
  - The MD&A intends to provide a description of the entity and its operations. The SOSAP should focus more toward describing the entity's financial operations
  - Notes are subject to a higher level of audit assurance than the MD&A. It must also present auditable information that avoids conjecture or unprovable assertions

# Questions for the Board

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- ❑ Does the Board agree that activities conducted by SOSAP working group are in line with the note disclosure project's objectives as a pilot note? If not, any suggestions for improvement?
- ❑ Developed note disclosure principles would help the Board assess the recommendations by the working group. Since the principle is still being developed, what additional information would the Board need in order to consider proposed SOSAP disclosure recommendations?



# Questions for the Board - Continued

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- Should the content of SOSAP disclosures include only information that is objective and verifiable (for example, assumptions about future events or matters specific to entities and that are not common knowledge)? Is the placement of the disclosure of significant accounting policies important? Does the order of the descriptions of accounting policies pertinent to individual statements or line items and the detailed notes matter?

# Appendix

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- Examples of reviews

# Note 1 Example – USAID – Illustrates Readability and Proper Use of Judgments

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## H. ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts due mainly from foreign governments but also from other Federal agencies and private organizations. USAID regards amounts due from other Federal agencies as 100 percent collectible. The Agency establishes an allowance for uncollectible accounts receivable from the public for non-loan or revenue generating sources based on a historical analysis of collectability.

USAID uses relatively simple language and clear explanation.

## S. NON-ENTITY ASSETS

Non-entity fund balances are amounts in deposit fund accounts. These include such items as: funds received from outside sources where the government acts as fiscal agent, monies the government has withheld awaiting distribution based on legal determination, and unidentified remittances credited as suspense items outside the budget. For USAID, non-entity assets are minimal in amount, and are composed solely of accounts receivable, net of allowances.

Non-Entity Assets is presented as a part of Note 1 and not as a separate note. USAID mentions that non-entity assets are minimal in amount, which reflects the agency's judgment of not adding it as a separate note.

# Note 1 Example – HHS – Illustrates Good Use of Material Non-Financial Information

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The Affordable Care Act is described in Note 1. It is described in great detail and continues for more than a page unlike other components of Note 1. Moreover, it also guides the users to use the website by providing the hyperlink to more information. This demonstrates the agency's judgment to fully discuss/describe a topic that is material to the users, Congress, and the public.



## Y. Affordable Care Act

In FY 2010, President Barack Obama signed health insurance reform legislation giving Americans more control over their health care. The *Patient Protection and Affordable Care Act* and the *Health Care and Education Reconciliation Act* collectively referred to as the *Affordable Care Act* ensures that all Americans have access to quality, affordable health care, while helping to reduce health care costs. Further information is available at [www.healthcare.gov](http://www.healthcare.gov).

The *Affordable Care Act* contains the most significant changes to health care coverage since passage of the *Social Security Act*. The *Affordable Care Act* provided funding for the establishment by CMS of a Center for Medicare and Medicaid Innovation to test innovative payment and service delivery models to reduce program expenditures while preserving or enhancing the quality of care furnished to individuals. It also allowed for the establishment of a Center for Consumer Information and Insurance Oversight (CCIIO). The programs under CCIIO include: Health Insurance Marketplaces (the "Marketplace") and the CO-OP program. A brief description of these programs and their impact on the financial statement is presented below.

### *Health Insurance Marketplaces and the Basic Health Program*

Grants have been provided to the States to establish Health Insurance Marketplaces. The initial grants were made by the HHS to the States "not later than one (1) year after the date of enactment." Thus, HHS made the initial grants by March 23, 2011. Subsequent grants were issued by CMS through December 31, 2014, after which time no further grants could be made. All Marketplaces were launched on October 1, 2013.

# Note 1 Example – NCUA – Understandability

Some agencies dive into the components of Note 1. NCUA takes a different approach by mentioning the background and purpose of the agency. It may be a good idea to provide a brief summary relating to the agency before discussing about basis of accounting and so on. This can possibly help the user understand the notes better, tying them back to the objective of the agency.

## NATIONAL CREDIT UNION SHARE INSURANCE FUND

### NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2016 and 2015

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Reporting Entity

The National Credit Union Share Insurance Fund (NCUSIF) was created by Title II of the *Federal Credit Union Act*, Public Law 73-467, as amended (FCU Act), 12 U.S.C. § 1781 *et seq.* The NCUSIF was established as a revolving fund in the Treasury of the United States (U.S. Treasury), under management of the National Credit Union Administration (NCUA) Board (NCUA Board) for the purpose of insuring member share deposits in all Federal Credit Unions (FCUs) and in qualifying state-chartered credit unions requesting insurance.

The NCUA exercises direct supervisory authority over FCUs and coordinates required supervisory involvement with the state chartering authorities for state-chartered credit unions insured by the NCUSIF. Federally insured (insured) credit unions are required to report certain financial and statistical information to NCUA on a quarterly basis and are subject to periodic examination by the NCUA. Information derived through the supervision and examination process provides the NCUA with the ability to identify insured credit unions experiencing financial difficulties that may require assistance from the NCUSIF.

# Note 1 Example – NASA – Effective Communication

Note 1 is typically very long and covers pages of information. This is one of the very few agencies that makes sure to add Note 1 (continued) on every page that contains information on Note 1. Users have complained to be lost in Note 1 because of excessive information. Small tweaks to formatting can have significant impact on effective communication.



## Note 1: Summary of Significant Accounting Policies (continued)

and expenses are recognized when incurred, without regard to the timing of receipt or payment of cash. Budgetary accounting does not use the accrual method of accounting; it accounts for the resources and status of funds to facilitate compliance with legal controls over the use of Federal funds.

### Research and Development, Other Initiatives and Similar Costs

NASA makes substantial Research and Development (R&D) investments for the benefit of the U.S. The R&D programs include activities to extend our knowledge of Earth, its space environment, and the universe; and to invest in new aeronautics and advanced space transportation technologies supporting the development and application of technologies. Following guidance outlined in the FASAB Technical Release No. 7, *Classification of Standards Related to the*

# SOSAP Note Working Group Members

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- ❑ Debbi Strauss, Ernst & Young, LLP, Group Leader
- ❑ Pat Layfield, Election Assistance Commission, Group Co-Leader
- ❑ Karen Czapla, Department of Treasury
- ❑ Kawan Taylor, Department of Treasury
- ❑ John Baker, Ernst & Young, LLP
- ❑ Francisca Tsuro, Ernst & Young, LLP

# Fund Balance With Treasury Note Disclosure Analysis



Note Disclosure Working Group  
FASAB Meeting, August 2018



# Background

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- Fund Balance With Treasury (FBWT) note was selected by the note disclosure working group as a pilot note for note disclosure project
- A sub-working group on FBWT was formed with members primary from four agencies

# Objectives

## **Relevance**

How useful or necessary is the disclosure used to assess an entity's operations and for decision making purposes?

## **Consistency**

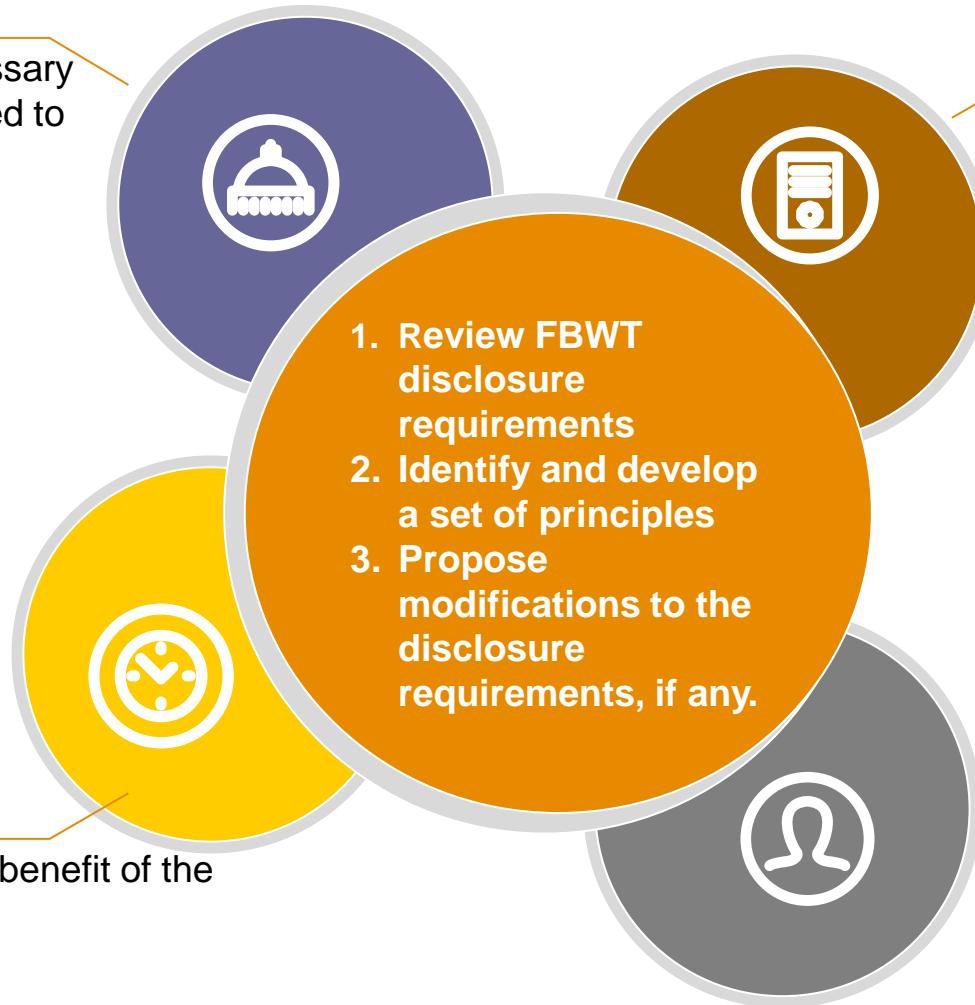
How comparable is the information from agency-to-agency?

## **Efficiency**

What is the cost vs. benefit of the disclosure?

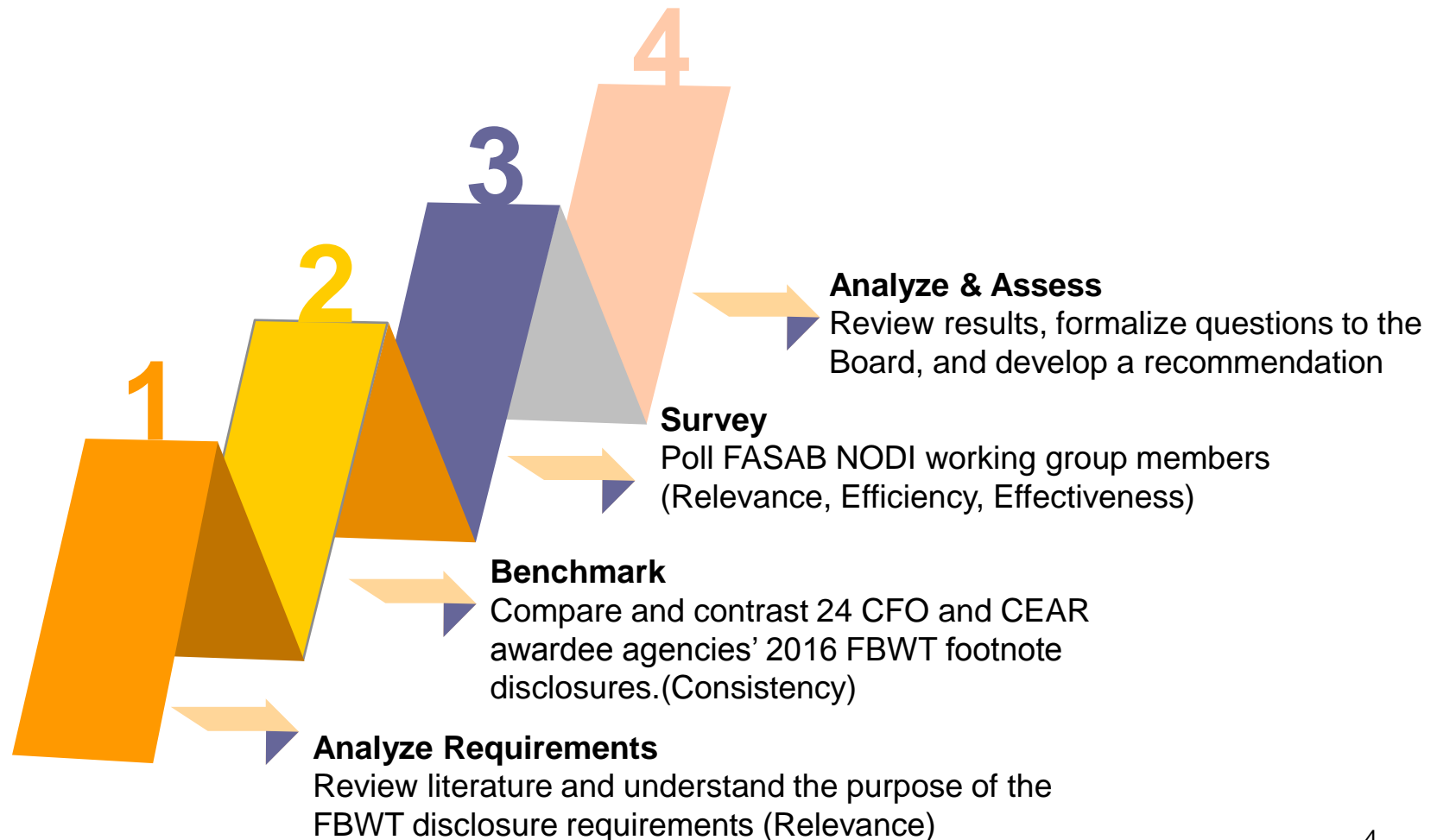
## **Effectiveness**

How understandable is the disclosure?



# Methodology

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# FASAB FBWT Related Standards I - SFFAC 1, *Objectives of Federal Financial Reporting*, Chapter 4, *Reporting Objective*

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***Budgetary Integrity***—Federal financial reporting should assist in fulfilling the government's duty to be publicly accountable for monies raised through taxes and other means and for their expenditure in accordance with the appropriations laws that establish the government's budget for a particular fiscal year and related laws and regulations. Federal financial reporting should provide information that helps the reader to determine:

- ❑ *How budgetary resources have been obtained and used and whether their acquisition and use were in accordance with the legal authorization.*
- ❑ **The status of budgetary resources**
- ❑ *How information on the use of budgetary resources relates to information on the costs of program operations and **whether information on the status of budgetary resources is consistent with other accounting information on assets and liabilities.***

## FASAB FBWT Related Standards II - SFFAS 1, *Accounting for Selected Assets and Liabilities*

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**37.** Disclosure should be made to distinguish three categories of funds within the FBWT reported on the balance sheet: the obligated balance not yet disbursed ,the unobligated balance, and non-budgetary FBWT. The obligated balance not yet disbursed is the amount of funds against which budgetary obligations have been incurred, but disbursements have not been made.

**38.** The unobligated balance is the amount of funds available to an entity against which no claims have been recorded. Unobligated balances are generally available to a federal entity for specific purposes stipulated by law. Unobligated balances may also include balances in expired/canceled accounts that are available only for approved adjustments to prior obligations. Certain unobligated balances may be restricted to future use and are not apportioned for current use. **Disclosure should be provided on such restrictions.** Nonbudgetary FBWT includes unavailable receipt accounts, clearing accounts and other accounts that do not represent budget authority, as well as non-entity FBWT that is recognized on the balance sheet.

## FASAB FBWT Related Standards II - SFFAS 1, *Accounting for Selected Assets and Liabilities - Continued*

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**38a.** *In addition to entity and non-entity FBWT that is recognized on the balance sheet, a federal entity may also administer fiduciary FBWT on behalf of non-federal entities or individuals. Fiduciary FBWT is not recognized on the balance sheet, but is subject to separate disclosure requirements for fiduciary FBWT, see SFFAS 31, Accounting for Fiduciary Activities.*

**39.** *Federal entities should explain any discrepancies between fund balance with Treasury in their general ledger accounts and the balance in the Treasury's accounts and explain the causes of the discrepancies in footnotes to financial statements. (Discrepancies due to time lag should be reconciled and discrepancies due to error should be corrected when financial reports are prepared.) Agencies also should provide information on unused funds in expired appropriations that are returned to Treasury at the end of a fiscal year.*

# Illustrative Example - Federal Aviation Administration (FAA)

## NOTE 2: Fund Balance with Treasury

Fund Balance with Treasury account balances as of September 30, 2015 and 2014 were:

	2015	2014
Trust funds	\$ 1,300,668	\$ 1,382,492
General funds	1,522,152	1,534,216
Revolving funds	365,570	373,671
Other fund types	6,665	19,094
Total	<u>\$ 3,195,055</u>	<u>\$ 3,309,473</u>

### Status of fund balance with Treasury

Unobligated balance		
Available	\$ 1,576,262	\$ 1,602,316
Not available	2,258,749	2,434,194
Obligated balance not yet disbursed	8,570,917	8,364,175
Investments and Contract Authority supporting obligated and unobligated balances	(9,215,691)	(9,107,936)
Non-budgetary FBWT	4,818	16,724
Total	<u>\$ 3,195,055</u>	<u>\$ 3,309,473</u>

# Illustrative Example

## FAA - Continues

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Unobligated fund balances are reported as not available when they are not legally available to the FAA for obligation. However, balances that are not available can be used for upward adjustments of obligations that were incurred during the period of availability or for paying claims attributable to that time period. Additionally, the aviation insurance premiums collected by FAA overtime are shown as not available until authorized to pay insurance claims.

The FAA is funded with appropriations from the AATF and the General Fund of the Treasury. While amounts appropriated from the General Fund of the Treasury are included in fund balance with Treasury, AATF investments are not. AATF investments are

redeemed as needed to meet FAA's cash disbursement needs, at which time the funds are transferred into fund balance with Treasury. The FAA also receives contract authority which allows obligations to be incurred in advance of an appropriation. The contract authority is subsequently funded as authorized from the AATF allowing for the liquidation of the related obligations. Thus, investments and contract authority are not part of fund balance with Treasury; however, their balances will be transferred from the AATF to fund balance with Treasury over time to liquidate obligated balances and unobligated balances as they become obligated, and thus are necessarily included in the Status of fund balance with Treasury section of this footnote.

**The note has three sections: by fund type, by budgetary status and narrative. The budgetary status disclosure helped identify \$9.2 billions of Investments and Contract Authority supporting obligated and unobligated balances which was further explained in the narratives in this page.**



# Data Collection Results

## Requirements

- OMB Circular A-136, *Financial Reporting Requirements*, required disclosure of FBWT disaggregated by fund type. It was no longer required effective with OMB's new issuance as of July 30, 2018
- SFFAS 1, *Accounting for Selected Assets and Liabilities*, and OMB Circular A-136 require disclosure disaggregated by budgetary status
- OMB Circular A-136 requires explanation of discrepancies between agency and Treasury accounts (initially documented in SFFAS 1, Exposure Draft)

## Benchmarking

- Agencies follow FASAB and OMB requirements
- Agencies present disaggregated information by fund type and budgetary status at varying levels of detail
- OMB Circular A-136 allows for other information relevant to FBWT to be reported, and each agency provides varying amounts of detail specific to their organization

## Survey ( see Appendix for detail)

- Fund Type: 5/8 vote to make disclosure optional
- Budgetary Status: 5/12 vote to make disclosure optional
- Discrepancies: Unanimous vote to retain disclosure
- Return of unused funds: 8/9 vote to retain disclosure
- Other Information: 9/10 vote to retain disclosure

# Analyze and Assess

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## Relevance

- No reporting objective stated in the current standard for the FBWT note disclosure which makes the relevance hard to judge
- Budgetary status disclosure addresses the budgetary integrity reporting objective
- The budgetary and proprietary reconciliation in SFFAS 53 may make the FBWT disaggregated by budgetary status redundant, although budgetary status is not covered in that reconciliation. SFFAS 53 relates to net cost, the FBWT disclosure relates to balance sheet item
- FBWT budgetary status disclosure is a subset of total budgetary status disclosed in the SBR, could be redundant



## Efficiency

- The budgetary status disclosure may be burdensome due to the reconciliation of FBWT to corresponding budgetary accounts
- Reducing disaggregated disclosures by fund type and budgetary status will save financial reporting preparers time during year-end reporting



## Consistency

- Making budgetary status disclosures optional will decrease consistency from agency to agency
- Agencies should use discretion if they chose to not disclose the information
- FBWT and budgetary status presentation not consistent between agencies because each agency has different types of budget authority



## Effectiveness

- FBWT and budgetary status may not always tie because agencies may have FBWT not covered by budgetary resources, or other unique scenarios

# Working Group Recommendation #1

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- Define a clear objective for FBWT note
  - Historical records showed that no objective/reason was documented for the disclosure of FBWT budgetary status.
  - Improves relevance of disclosure
  - Gives agencies more guidance when exercising judgement for disclosure

# Working Group Recommendation #2

---

- May consider making requirement to present disaggregated information by budgetary status optional (see appendix for survey result on this)
  - May impair budgetary integrity reporting objective
  - Improves preparation efficiency
  - Gives agencies flexibility to report if information is deemed necessary or useful to understand FBWT
  - SBR and budgetary to proprietary reconciliation disclosure may make this disclosure redundant

# Working Group Recommendation #3

---

- Keep requirement to disclose discrepancies between agency and Treasury accounts as well as other information necessary to understand FBWT
  - Information improves disclosure relevance, consistency, and effectiveness
  - Minimal impact to efficiency as many agencies already disclose this information

# Questions for the Board

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- ❑ Does the Board agree that activities conducted by FBWT working group are in line with the note disclosure project's objectives as a pilot note? If not, any suggestions for improvement?
- ❑ Developed note disclosure principles would help the Board assess the recommendations by the working group. Since the principle is still being developed, what additional information would the Board need in order to consider proposed FBWT disclosure recommendations?

# FBWT Working Group Members

---

## FASAB staff leadership:

- Grace Wu, FASAB Assistant Director

## Co-Chairs:

- Bruce Henshel (Commerce)
- Eileen Parlow (SEC)

## Members:

- Kimberly Brislin, (DOI)
- Lori King (DOE)
- Isabel Morrison (Commerce)
- Cynthia Nickels (DOI)
- Samantha Siegelman (DOE)
- Debbie Strauss (E&Y)

---

# Questions?



# Appendix – Survey Result

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Tally of votes by working group members  
regarding the FBWT note disclosure

# Working Group Survey: Options for SFFAS 1 – Budgetary Status of FBWT

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Tally of votes by Notes working group

- A. Retain current requirement
- B. Make current requirement optional
- C. Eliminate current requirement
- D. Develop a complete reconciliation between budgetary resources and monetary assets

Option	Votes
A	3
B	5
C	3
D	1

# Working Group Survey: Options for OMB-only requirement –FBWT by Fund Type

---

Tally of votes by Notes working group

- A. Make disclosure of FBWT by fund type optional
- B. Eliminate this disclosure

Option	Votes
A	5
B	3

# Working Group Survey: Disclosure of discrepancies with Treasury's balance

---

Tally of votes by Notes working group

- A. Retain disclosure of (material, unreconciled) discrepancies between agencies and Treasury's balance for FBWT (SFFAS 1 requirement)
- B. Eliminate this disclosure

Option	Votes
A	9
B	0

# Working Group Survey:

## Disclosure of return of unused funds

---

Tally of votes by Notes working group

- A. Retain disclosure of “unused funds in expired appropriations” that are returned to Treasury, and recommend that FASAB clarify the requirements in SFFAS 1 par. 39.\*
- B. Eliminate this disclosure

Option	Votes
A	8
B	1

\*Normally, unused expired funds are retained to cover upward adjustments of prior year obligations, and returned when they are cancelled. The FBWT working group recommends that FASAB provide clarification for this disclosure requirement.

# Working Group Survey: Disclosure of “any other information necessary”

---

Tally of votes by Notes working group

- A. Retain OMB-only required disclosure of “any other information necessary to understand the nature” of FBWT
- B. Eliminate this disclosure, because it duplicates Note 1

Option	Votes
A	9
B	1