



FASAB Update

***Virginia Peninsula Chapter of the Association of
Government Accountants (AGA) and Hampton
Roads Chapter of the American Society of Military
Comptrollers (ASMC)***

Professional Development Conference (PDC)

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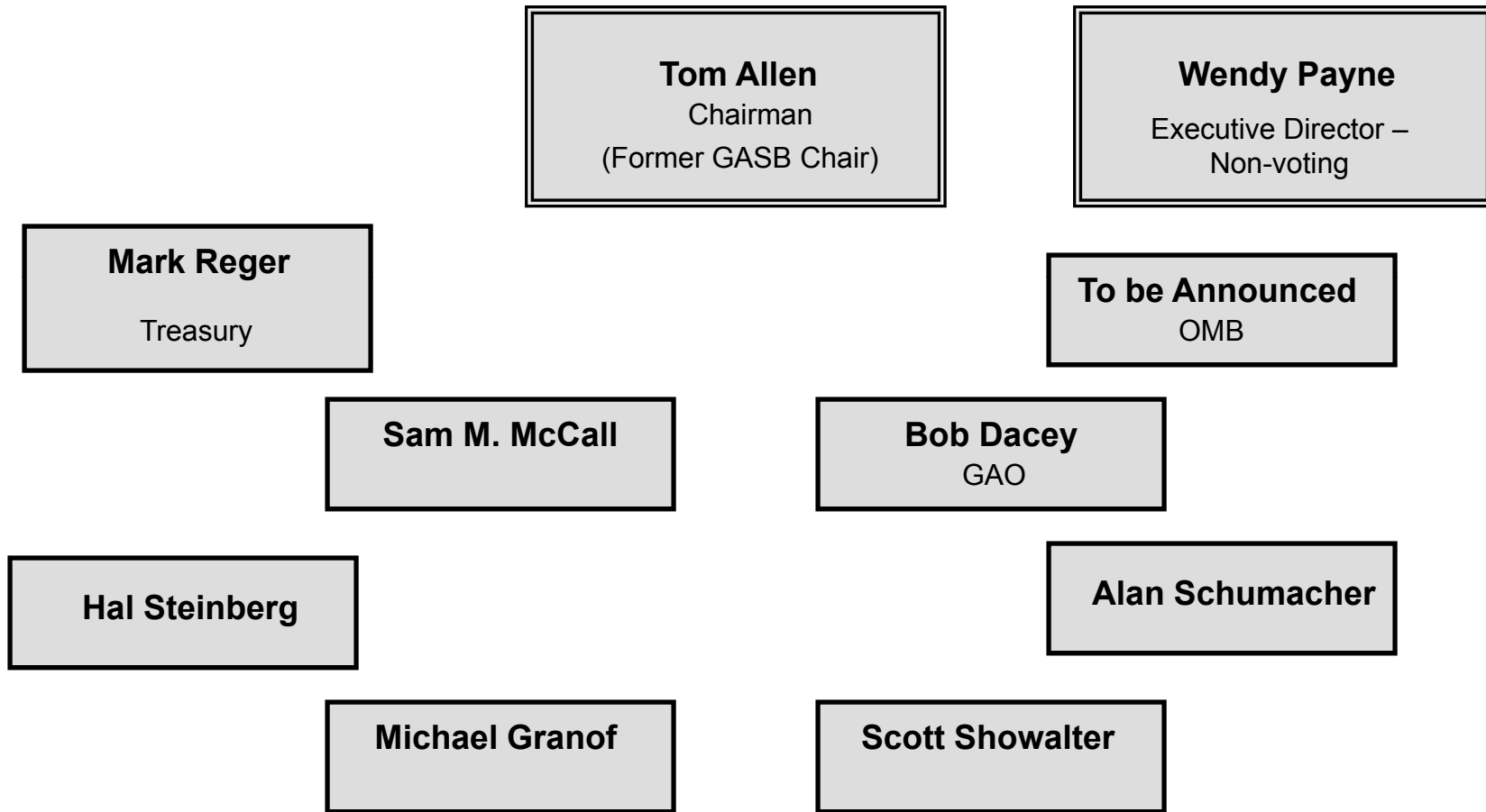
March 15, 2012

Disclaimer



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

Who is FASAB? There are 9 board members supported by an Executive Director and 6 staff.



Current as of Feb 2012

Bios available at www.fasab.gov



Financial Statements

- “Traditional” with some twists
 - Statement of Net Cost
 - Statement of Operations and Changes in Net Position
 - Balance Sheet
- Budgetary
 - Reconciliations of Net Operating Cost and Deficit
 - Statement of Changes in Cash Balances from Deficit and Other Activities
- Prospective
 - Statement of Long-Term Fiscal Projections (SFFAS 36)
 - Statement of Social Insurance (SFFAS 17, 25, 26, 28)
 - Statement of Changes in Social Insurance (SFFAS 37)

Overview

Recently Completed Projects

- SFFAS 38, *Accounting for Federal Oil and Gas Resources* (April 2010)
- SFFAS 39, *Subsequent Events: Codification of Accounting and Financial Reporting Standards Contained in the AICPA Statement on Auditing Standards* (Aug 2010)
- SFFAS 40, *Deferred Maintenance and Repairs: Definitional Changes* (May 11)
- SFFAS 41, *Deferral of the Effective Date of SFFAS 38, Accounting for Federal Oil and Gas Resources* (July 2011)
- SFFAC 7, *Measurement of the Elements of Accrual-Basis Financial Statements in Periods After Initial Recording* (Aug 2011)
- SFFAS 42, *Deferred Maintenance and Repairs; Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and 32* (*pending Principal and Congressional approval; circa May 2012*)



Overview

Recently Completed Projects

- Technical Release 12 - *Accrual Estimates for Grant Programs* (Aug 2010)
- Technical Release 13 - *Implementation Guide for Estimating the Historical Cost of General Property, Plant & Equipment* (Jun 2011)
- Technical Release 14 - *Implementation Guidance on the Accounting for the Disposal of General Property, Plant & Equipment* (Oct 2011)
- TB 2011-1, *Accounting for Federal Natural Resources Other Than Oil and Gas* (Jul 2011)
- TB 2011-2, *Extended Deferral of the Effective Date of Technical Bulletin 2006-1, Recognition and Measurement of Asbestos-Related Cleanup Costs* (Sept 2011)



SFFAS 36 - Comprehensive Long-term Fiscal Projections

- Basic Information (audited)
 - Reporting is RSI for FY 2010-2012 and will become basic in 2013
 - the present value of projected receipts and non-interest spending under current policy without change including its relationship to projected GDP
 - changes in the present value of projected receipts and non-interest spending from the prior year
 - the assumptions underlying the projections
 - factors influencing trends
 - significant changes in the projections from period to period



SFFAS 36 - Comprehensive Long-term Fiscal Projections, cont.

- Required Supplemental Information
 - the projected trends in:
 - the relationship between receipts and spending
 - deficits or surpluses
 - Treasury debt held by the public as a share of GDP
 - possible results using alternative scenarios
 - the likely impact of delaying corrective action when a fiscal gap exists (“cost of delay”)



The Sustainability of Fiscal Policy

An important purpose of the Financial Report is to help citizens and policymakers assess whether current fiscal policy is sustainable and, if it is not, the urgency and magnitude of policy reforms necessary to make it sustainable. A sustainable policy is one where the ratio of debt held by the public to GDP (debt to GDP) is stable over time. The discussion below focuses on balancing revenues and expenditures over time, and does not consider fairness or efficiency implications of the reforms necessary to achieve sustainability. It is shown below that, under current policy, the ratio of debt to GDP is projected to rise only 1.2 percent from 2013 to 2022, before resuming faster growth over the remainder of the 75-year window, eventually exceeding 280 percent by 2086. The continuing rise in this ratio by the end of the 75-year horizon means that current policy is unsustainable. If these projections were extended beyond 2086, deficits excluding interest would persist as the population continues to age and if the other assumptions made for the 75-year horizon continue to hold. Persistence of the primary deficit beyond the 75-year horizon implies that the ratio of debt to GDP would continue to grow beyond the 75-year horizon.

FY2011 Financial Report of the US Government

Chart 3: Historical and Current Policy Projections for Debt Held By the Public, 1940-2085

Percent of GDP

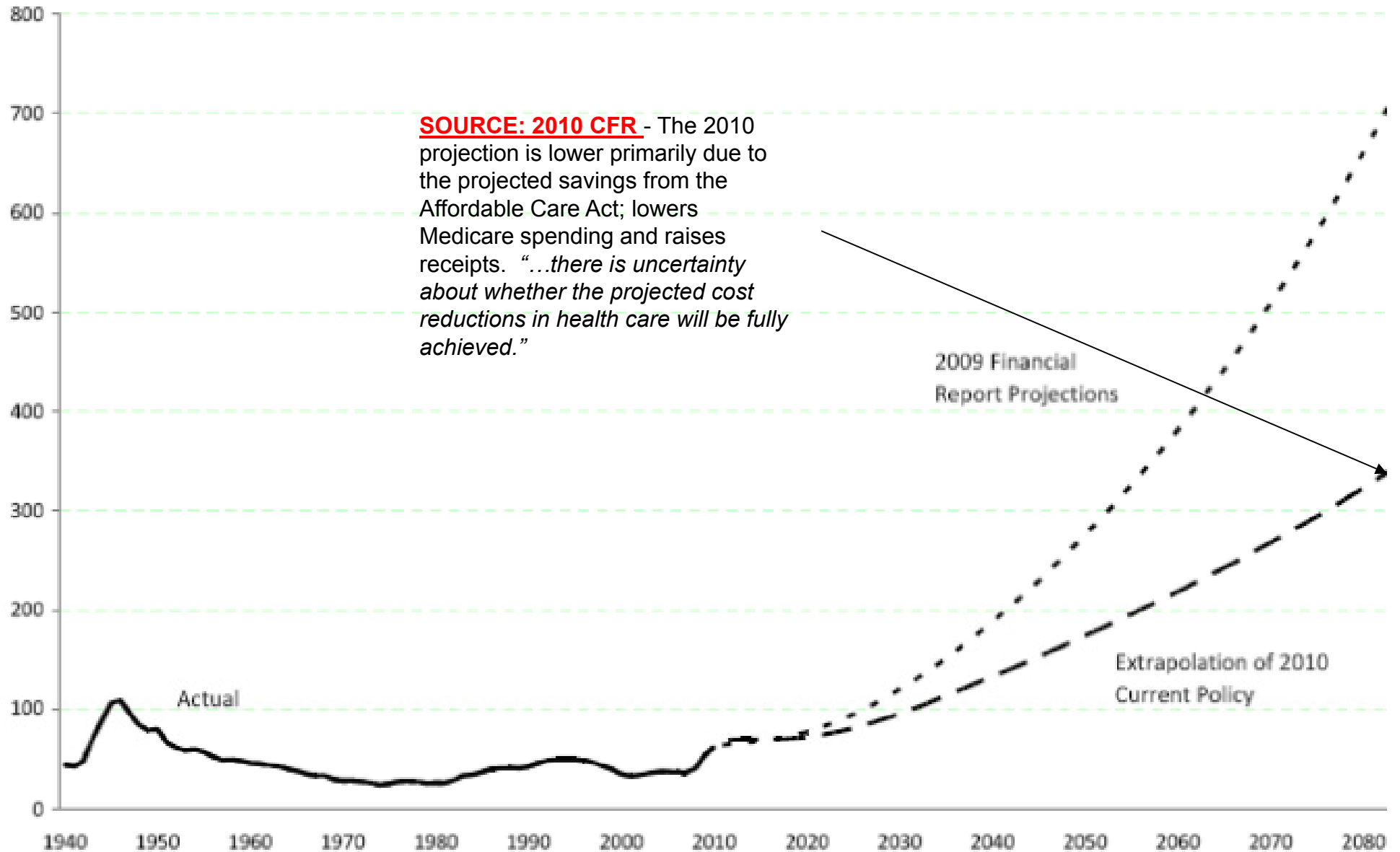


Chart 3: History and Current Policy Projections for Debt Held By the Public, 1940-2086

Percent of GDP

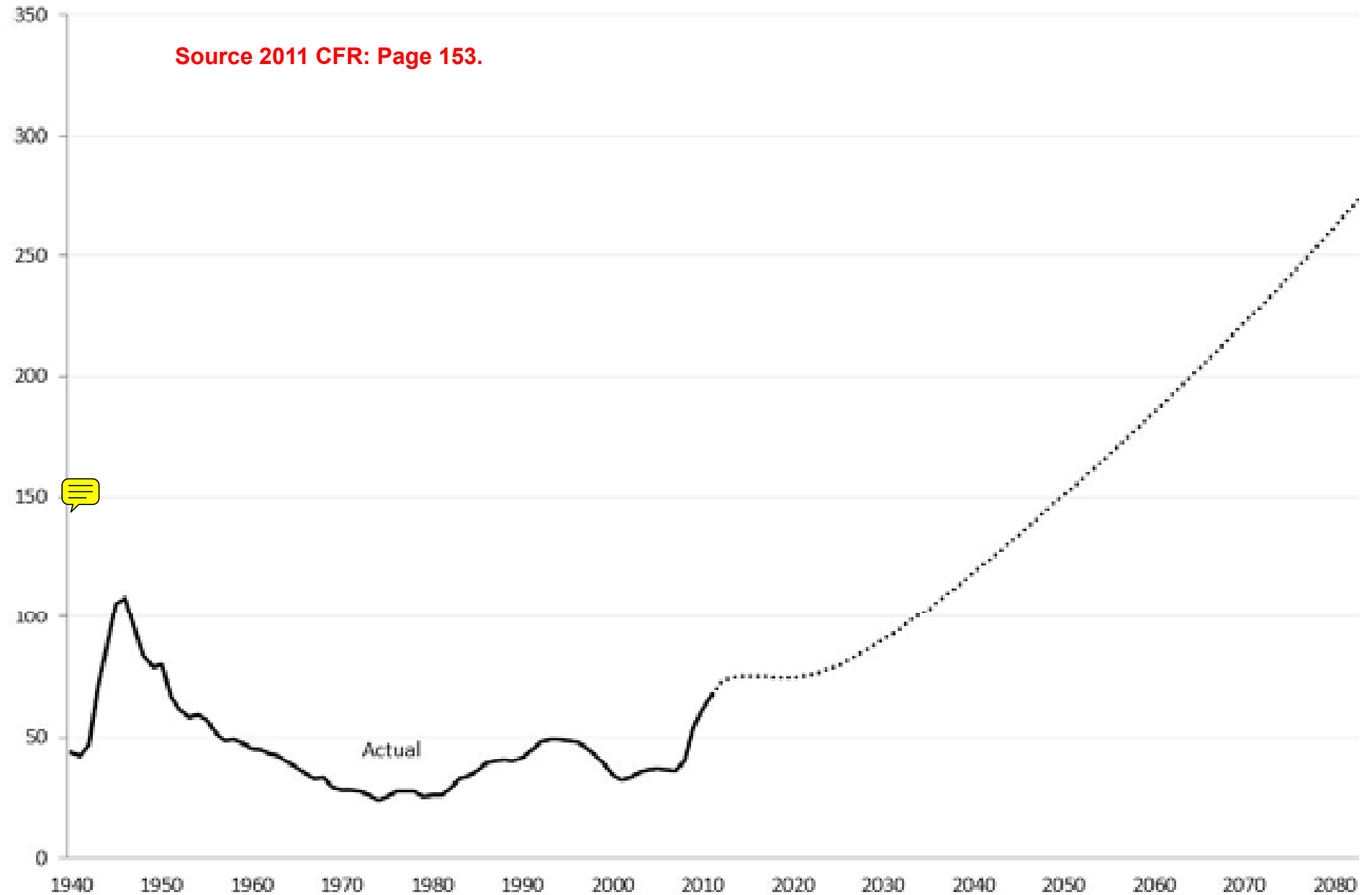
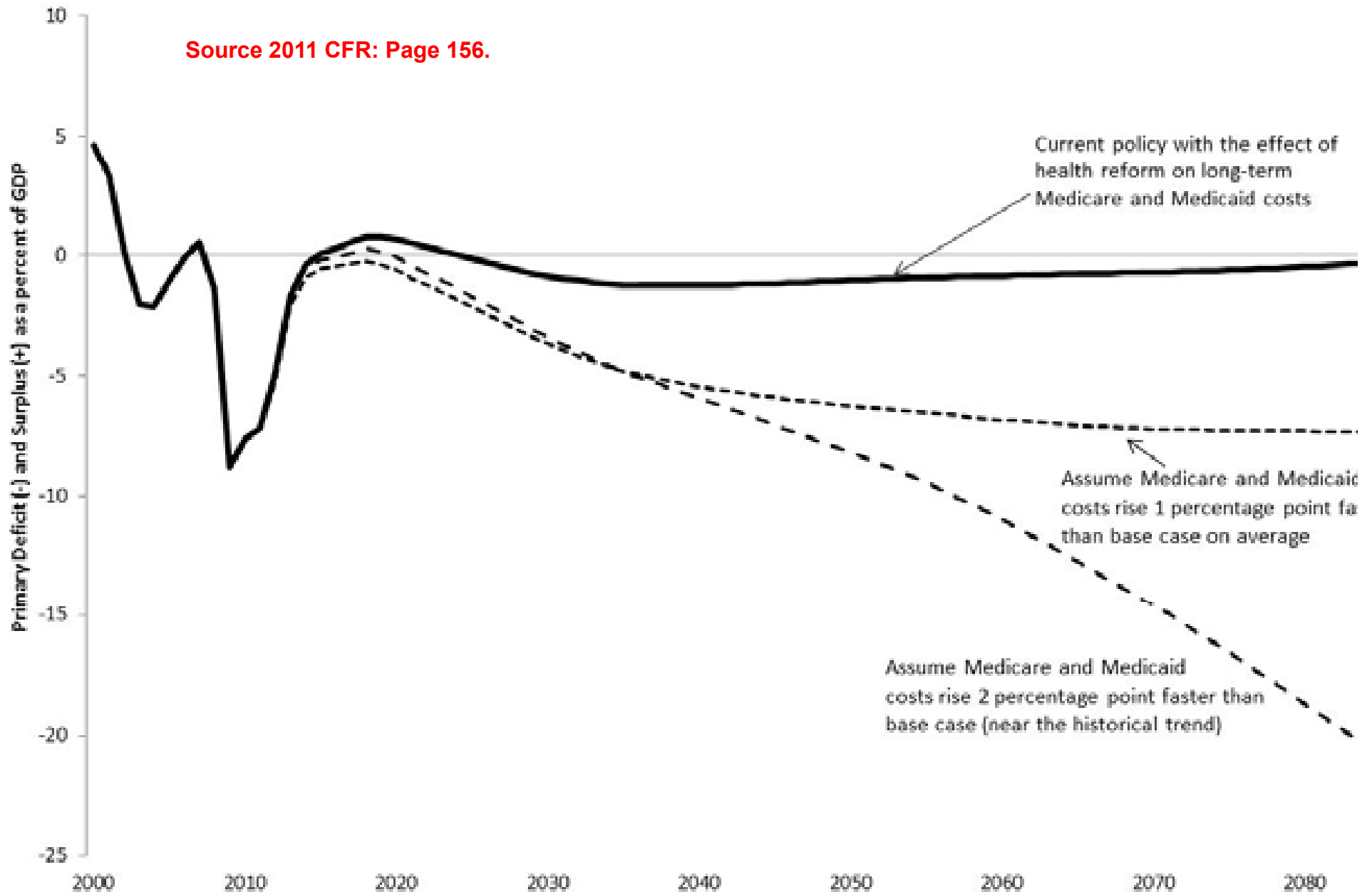


Chart 5: The projected primary deficit becomes far deeper if health care costs grow more rapidly than projected under current policy.

Source 2011 CFR: Page 156.



SFFAS 37 - Social Insurance – Additional Requirements

- For federal financial reporting, social insurance comprises five programs – Social Security, Medicare, Railroad Retirement, Black Lung, and Unemployment Insurance
- Together in one section in management's discussion and analysis -- critical information about costs, assets and liabilities, social insurance commitments, budget flows, and the long-term fiscal projections
- A new summary section within the statement of social insurance displaying open and closed group measures
- A **new basic financial statement to present the reasons for changes** during the reporting period in the open group measure reported on the statement of social insurance



**United States Government
Statements of Social Insurance (Note 26), continued
Present Value of Long-Range (75 Years, except Black Lung) Actuarial Projections**

(In billions of dollars)	2011	2010	2009	2008	2007
Social Insurance Summary: ¹⁴					
<i>Participants who have attained eligibility age:</i>					
Revenue (e.g., Contributions and earmarked taxes)	1,737	1,628	1,427	1,333	1,260
Expenditures for scheduled future benefits	(14,688)	(13,661)	(13,262)	(12,369)	(11,608)
Present value of future expenditures in excess of future revenue	(12,951)	(12,033)	(11,835)	(11,036)	(10,348)
<i>Participants who have not attained eligibility age:</i>					
Revenue (e.g., Contributions and earmarked taxes)	33,620	32,263	30,621	29,851	28,342
Expenditures for scheduled future benefits	(66,942)	(63,287)	(70,931)	(67,950)	(63,056)
Present value of future expenditures in excess of future revenue	(33,322)	(31,024)	(40,310)	(38,099)	(34,714)
Closed-group – Total present value of future expenditures in excess of future revenue.....	(46,272)	(43,057)	(52,145)	(49,135)	(45,062)
<i>Future participants:</i>					
Revenue (e.g., Contributions and earmarked taxes)	29,037	28,075	25,491	24,743	22,828
Expenditures for scheduled future benefits	(16,594)	(15,875)	(19,224)	(18,578)	(18,714)
Present value of future revenue in excess of future expenditures	12,443	12,200	6,267	6,165	4,114
Open-group – Total present value of future expenditures in excess of future revenue.....	(33,830)	(30,857)	(45,878)	(42,970)	(40,948)

¹ The projection period is 1/1/2011 -12/31/2085 and the valuation date is 1/1/2011.

² The projection period is 1/1/2010 -12/31/2084 and the valuation date is 1/1/2010.

³ The projection period is 1/1/2009 -12/31/2083 and the valuation date is 1/1/2009.

⁴ The projection period is 1/1/2008 -12/31/2082 and the valuation date is 1/1/2008.

⁵ The projection period is 1/1/2007 -12/31/2081 and the valuation date is 1/1/2007.

⁶ These amounts represent the present value of the future transfers from the General Fund of the Treasury to the Supplementary Medical Insurance Trust Fund. These future intragovernmental transfers are included as income in both HHS' and the Centers for Medicare & Medicaid Services' Financial Reports but are not income from the Governmentwide perspective of this report.

⁷ These amounts approximate the present value of the future financial interchange and the future transfers from the General Fund of the Treasury to the Social Security Equivalent Benefit Account (see discussion of Railroad Retirement Program in the unaudited supplemental information section of this report). They are included as income in the Railroad Retirement Financial Report but are not income from the Governmentwide perspective of this report.

⁸ Does not include interest expense accruing on the outstanding debt.

⁹ The projection period is 9/30/2011 -9/30/2040 and the valuation date is 9/30/2011.

¹⁰ The projection period is 9/30/2010 -9/30/2040 and the valuation date is 9/30/2010.

¹¹ The projection period is 9/30/2009 -9/30/2040 and the valuation date is 9/30/2009.

¹² The projection period is 9/30/2008 -9/30/2040 and the valuation date is 9/30/2008.

¹³ The projection period is 9/30/2007 -9/30/2040 and the valuation date is 9/30/2007.

¹⁴ Participants for the Social Security and Medicare programs are assumed to be the "closed-group" of individuals who are at least 15 years of age at the start of the projection period, and are participating as either taxpayers, beneficiaries, or both, except for the 2007 Medicare programs for which current participants are assumed to be at least 18 instead of 15 years of age.

Totals may not equal the sum of components due to rounding.

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



United States Government
Statement of Changes in Social Insurance Amounts
for the Year Ended September 30, 2011 (Note 26)

(In billions of dollars)	Social Security	Medicare HI	Medicare SMI	Other (e.g. Railroad Retirement)	Total
Net present value (NPV) of future revenue less future expenditures for current and future participants (the "open group") over the next 75 years, beginning of the year	(7,947)	(2,683)	(20,130)	(97)	(30,857)
Reasons for changes in the NPV during the year:					
Changes in valuation period	(436)	(112)	(968)	(2)	(1,518)
Changes in demographic data and assumptions	(688)	(112)	(59)	(0)	(859)
Changes in economic data and assumptions	(143)	0	-	(2)	(145)
Changes in law or policy	-	-	(14)	-	(14)
Changes in methodology and programmatic data	56	-	-	-	56
Changes in economic and other healthcare assumptions	-	185	(648)	-	(463)
Change in projection base	-	(531)	500	-	(31)
Net change in open group measure	(1,211)	(570)	(1,189)	(4)	(2,974)
Open group measure, end of year.....	(9,157)	(3,252)	(21,320)	(101)	(33,830)

Totals may not equal the sum of components due to rounding.

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

Overview

Current Projects

- **Federal Financial Reporting Model**
 - Ross Simms @ 202-512-2512
- **Federal Entity**
 - Melissa Loughan @ 202-512-5976
- **Deferred Maintenance**
 - Dom Savini @ 202-512-6841
- **Asset Impairment**
 - Dom Savini @ 202-512-6841
- **Earmarked funds**
 - Eileen Parlow @ 202-512-7356



Federal Reporting Model - FASAB April 2010 User Needs Study

- Concerns exist regarding the benefits of accrual basis F/S' relative to the cost of preparing them.
- User Needs Study results:
 - Citizens and some executives and managers noted difficulty in understanding information in financial reports.
 - Congress seeks timely, easy to understand information to address particular issues.
 - Citizens not aware that audited financial statements exist and some executives and managers had not seen their agency's financial statements.
 - Some executives and managers noted that they need training in financial Management.



Federal Reporting Model - FASAB April 2010 User Needs Study

- User Needs Study results(continued):
 - Congress seeks financial information about specific issues of the day and uses many sources to obtain the information.
 - Congress seeks information about the budgetary effect of legislative proposals on the budget and the cumulative effects of legislation.
 - Executives and managers use multiple systems, cuff systems, or other systems.
 - Both cash and accrual basis accounting appears to be needed to provide the information users need.
 - Executives and managers need information at least monthly, but timelier, if possible. However, some did not believe that timelier information was possible.



Federal Reporting Model - FASAB Task Force Report December 2010

- Task Force Recommendations:

- Web delivery model
- Government-wide performance information
- Net cost and spending by function
- Statement of spending requirements
- Intergovernmental financial dependency
- Improved reconciliation of deficit and operating cost
- Reclassify the reconciliation of cash and debt changes
- Re-orient the balance sheet and improve stakeholder link
- Explain the difference between net liabilities and fiscal gap
- Establish a web-site for reports and raise awareness in the near-term



Federal Reporting Model –
The Chief Financial Officers Act of 1990 – 20 Years Later:
Report to the Congress
and the Comptroller General.

- The July 2011 CFO Act Report offered the following recommendations to Congress:
 - Enhance role of the CFO by standardizing the portfolio to include leadership responsibility for budget formulation and execution, planning and performance, risk management and internal controls, financial systems, and accounting.
 - Provide Deputy CFOs with the same breadth of responsibilities as their respective CFOs to provide continuity between appointments.
 - Direct OMB, GAO, and FASAB, in consultation with CIGIE, to evolve the financial reporting model by examining the entire process with an eye toward how to further improve and streamline current reporting requirements and to better meet the needs of all stakeholders.



Federal Reporting Model - Next Steps

- Consider implications of user needs study and task force recommendations for existing concepts
- Consider input from the CFO Council/CIGIE joint study of the CFO Act at 20 years
- Study of component entity reporting model



Federal Entity

- FASAB established concepts in mid-90's
- Standards now being developed
- Questions:
 - What to include in CFR (all entities “established by” the federal government or a subset)?
 - How to present information (all consolidated, some separately displayed or disclosed)?
 - Boundary between “related” parties, core and non-core entities?



Asset Impairment

- Asset impairment standards built from GASB and IPSASB standards
 - Assets held in-use
 - Indicators of potential impairment
 - Techniques for measuring potential impairment
 - Recognition guidance vs. adjusting estimates or NBV
- Significant & permanent declines in service utility
- Should be limited & rare cases
 - Prominent events
 - Entities not required to “search or hunt”



Earmarked Funds

- Changing the name from “Earmarked Funds” to “Funds from Dedicated Collections”
- Excluding funds:
 - supporting federal employee benefits
 - predominantly financed from general funds rather than a dedicated collection
- Amending SFFAS 27 to allow combined or consolidated amounts to be presented



Earmarked Funds

- Providing component entities two presentation options:
 - continue current presentation
 - present amounts for key line items parenthetically
- Provides guidance for funds with mixed sources of funding (only partially funded by dedicated collections)

Emerging Issues

- Risk Assumed
- Leases
- Investments in non-federal securities
- Public Private Partnerships

- AAPC – Determining the full cost of PP&E
 - Capacity challenges in a more constrained environment...



Contact and Website Information

- General inquiries can be directed to fasab@fasab.gov
- Phone: 202 512-7350
- www.FASAB.gov
 - Listserv
 - Exposure Drafts
 - Active Projects
- I can be reached at savinid@fasab.gov or 202 512-6841



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