



# *FASAB News* *Federal Accounting Standards* *Advisory Board*

---

**APRIL/MAY 2009**

## **TABLE OF CONTENTS**

Current Board Projects.....	1
Federal Entity .....	1
The Financial Report: MD&A, Statements, Notes, RSI and OAI.....	2
Fiscal Sustainability Reporting.....	2
Natural Resources .....	3
Social Insurance .....	3
Appropriate Source of GAAP.....	4
General PP&E Valuation .....	5
Fiduciary Activities .....	5
GAAP Hierarchy .....	6
FASAB Current Technical Agenda and Status of Projects.....	7
Accounting and Auditing Policy Committee.....	8
FASAB Meeting Schedule.....	9
AAPC Meeting Schedule.....	9
Security Notice .....	10

## [Current Board Projects](#)

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

### [Federal Entity](#)

At the April meeting, the Board discussed a Staff Draft of an Exposure Draft entitled *Federal Reporting Entity*. The Draft ED captured most of the concepts agreed to by the federal entity task force and was the first time the Board has seen the draft ED. There were several open items, but staff hoped providing the draft in an ED format would provide context and focus discussion. The objective of the meeting was to obtain Board members high level comments and input on things such as scope, structure, principles and other areas that need to be addressed, researched further or required a detailed analysis for the Board's consideration.

Certain Board members expressed concern that there were complex issues related to ownership and control that needed further consideration. The members believed the Board should consider an outreach strategy that would include work groups and expert panels. After discussion, the Board agreed to proceed cautiously on the federal entity project by

conducting additional pre-exposure outreach regarding some of the more complex issues. The key issues will allow the Board to determine an appropriate outreach strategy. Staff will also explore alternative presentations and disclosures for some of the unique relationships.

#### **Disclaimer**

The staff of the Federal Accounting Standards Advisory Board publishes FASAB News following Board meetings to provide highlights of recent Board actions and issues. When an article refers to a Board decision, it should be understood that Board decisions are tentative until FASAB issues a Statement of Federal Financial Accounting Concepts (SFFAC) or Statement of Federal Financial Accounting Standards (SFFAS).

Please direct newsletter editorial questions to Melissa Loughan, 202-512-5976, [loughanm@fasab.gov](mailto:loughanm@fasab.gov).

Please direct AAPC technical questions to Monica Valentine, 202-512-7362, [valentinem@fasab.gov](mailto:valentinem@fasab.gov).

Please direct FASAB and AAPC administrative questions to Charles Jackson, 202-512-7352, [jacksoncw1@fasab.gov](mailto:jacksoncw1@fasab.gov).

**Point of Contact:** Melissa Loughan, 202-512-5976, [loughanm@fasab.gov](mailto:loughanm@fasab.gov)

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

Staff is continuing a study of user “needs.” During the April 2009 Board meeting, the FASAB discussed the possibility of convening a roundtable discussion on the federal reporting model. The roundtable discussion would permit Board members to engage in a dialogue with potential users and experts with views on the information that should be provided in federal financial reports. However, the Board believed that in-depth discussions would be needed to answer questions such as what data elements of financial statements are used and what information users are seeking and why. Consequently, the Board decided that continuing staff focus groups and structured interviews would provide a more suitable format than a roundtable meeting.

**Point of Contact:** Ross Simms, 202-512-2512, [simmsr@fasab.gov](mailto:simmsr@fasab.gov),

#### **Fiscal Sustainability Reporting**

At the April 2009 Board meeting, members reviewed a preballot draft Statement of Federal Financial Accounting Standards (SFFAS), *Reporting Comprehensive Long-Term Fiscal Projections for the U.S. Government*. Prior to the June 2009 Board meeting, staff will send members drafts of potential edits that include:

- a disclosure requirement requested by GAO regarding major programs that are funded by earmarked receipts,
- revised language on policy assumptions to emphasize guiding principles, and
- discussion in the Basis for Conclusions addressing public comments on the disadvantages of summary amounts and alternative views on federal deficits and debt.

The Board hopes to vote on a final SFFAS prior to the departure of Messrs. Patton and Farrell at the end of their terms on June 30, 2009.

**Point of Contact:** Eileen Parlow, 202-512-7356, [parlowe@fasab.gov](mailto:parlowe@fasab.gov)

## Natural Resources

At the April 23, 2009, meeting, members voted to limit the valuation flexibility to either the proposed present value approach (using a risk-free discount rate) or a method for measuring fair value that is consistent with the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*. Members reaffirmed their previous decision to transition to basic after a period of three years as required supplementary information. Staff will incorporate board member comments into a pre-ballot draft for the June board meeting.

**Point of Contact:** Julia Ranagan, 202-512-7377, [ranaganj@fasab.gov](mailto:ranaganj@fasab.gov)

## Social Insurance

At the February 26 FASAB meeting, the Board directed staff to explore options for reporting social insurance and possibly other critical information in association with the balance sheet. The Board was particularly interested in the “Overall Perspectives” table in the FY 2004 Financial Report. In addition, the Board directed staff to consider deferred revenue accounting.

The staff memorandum for the April 23 FASAB meeting discussed the pro forma reporting options, the other issues, and accounting for deferred revenue, and provided recommendations.

Regarding Issue 1, Section I, which asked “Should the Staff Develop a New Basic Statement”, the staff recommended that a new statement be developed. The Board voted in favor of the staff recommendation, 7-3. Regarding the format for the new statement, the members expressed tentative preferences and directed the staff to further develop two options. One would be where sustainability amounts are reported separately immediate below the balance sheet. The other approach would have two columns, one for the balance sheet and one for social insurance amounts. Future deliberations will include the questions of format. There was strong support among the members for keeping the balance sheet format as it is and combining it with social insurance amounts.

Regarding the question “Should the statement include more than social insurance amounts, especially ... the ‘rest of government’ ...”. The Board did not support including non-social insurance amounts in the new basic statement.

Regarding Issue #2, “Should the Standard “Feature” the Closed Group Measure ...”, the Board voted in favor of the staff recommendation that the open group measure be “featured” instead of the closed group measure. The effect of this is to require:

- Emphasis on the open group measure in the MD&A. However, the closed group measure will be required to be included in MD&A discussion of social insurance.

- The use of the open group measure for the statement of changes in social insurance amounts.
- In addition, the closed group measure will continue to be a subtotal in the summary section of the SOSI, as proposed in the ED.

Regarding the other issues, the Board partially addressed Issue 3, “Should the Standard Require Key Measures to be Presented in the MD&A ...”. For Issue #3, the staff recommended that the proposed MD&A standard [ED paragraphs 26-30] be approved as written except for paragraph 27c, which deals with the MD&A discussion of the closed group measure, and 27e, which deals with the MD&A discussion of the fiscal gap. Staff recommended changing these sub-paragraphs. The Board approved the part of Issue #3 dealing paragraph 27c of the ED. Sub-paragraph 27e regarding the MD&A discussion of “fiscal gap” will need to reflect what the Board decides to require in the MD&A regarding the “fiscal gap” in light of the final fiscal sustainability presentation and possibility other information that the Board may want to include there.

Regarding Issue 4, “Should the Standard Require the SOSI to Have a Summary Section as Described in the Exposure Draft ...”, the Board supported the staff recommendation. The staff recommended that the SOSI have a summary section as described in the ED.

Regarding Issue 5, Section II, “Should the Standard Require a New Basic Statement that Explains Changes to the Closed or Open Group Measure ...”, the staff recommended that the new statement be approved and that the open group measure replace the closed group measure. The Board supported this recommendation.

Other issues will be addressed in June and subsequent FASAB meetings.

**Point of Contact:** Richard Fontenrose, 202-512-7358, [fontenroser@fasab.gov](mailto:fontenroser@fasab.gov)

### [Appropriate Source of GAAP](#)

Staff plans to organize a roundtable with representatives from agencies that primarily apply generally accepted accounting principles (GAAP) issued by FASB to solicit their input that will be used to help the board in determining whether certain federal entities should be permitted to continue applying FASB GAAP and, if so, whether additional reporting should be required. This project will also consider whether federal entities should be permitted to convert from FASB standards to International Financial Reporting Standards published by the International Accounting Standards Board.

**Point of Contact:** Julia Ranagan, 202-512-7377, [ranaganj@fasab.gov](mailto:ranaganj@fasab.gov)

## General PP&E Valuation

At the April 22, 2009 FASAB meeting the Board briefly discussed the ballot draft of *Statement of Federal Financial Accounting Standards 35: Estimating the Historical Cost of General Property, Plant, and Equipment - Amending Statements of Federal Financial Accounting Standards 6 and 23 (SFFAS 35)*. Member ballots were requested by April 17 and those members not responding by April 23 would be considered to have abstained.

The Board discussed a proposed change to SFFAS 35 from one member. The suggested change related to language in the amendments to SFFAS 23 [Adjustment to Cumulative Results of Operations] section of SFFAS 35.

***Current SFFAS Language:***

[16.] Application of this standard by an entity previously reporting G-PP&E should be treated as a correction of an error in accordance with SFFAS 21.

***Proposed SFFAS Language:***

[16.] Changes to previously reported G-PP&E amounts resulting from the application of this standard should be treated as corrections of an error in accordance with SFFAS 21.

The member noted that the rationale for the change is to clarify the language to reflect that not just the mere application of SFFAS 35 would trigger a correction of an error, but changes as a result of the application of the standard to previously reported G-PP&E would be treated as corrections of an error.

As of April 23, staff had received ten member ballot votes approving the release of SFFAS 35. There were no objections to the changes noted by the members. The revisions will be reflected in the final statement.

Final issuance of SFFAS 35 is subject to the 90-day Board sponsors' review as well as a 45-day Congressional review.

**Point of Contact:** Monica Valentine, 202-512-7362, [ValentineM@fasab.gov](mailto:ValentineM@fasab.gov)

## Fiduciary Activities

The public comment period for draft Staff Implementation Guidance (SIG) for the implementation of SFFAS 31, *Accounting for Fiduciary Activities*, ended on December 3, 2008. On March 3, 2009 a revised final draft was forwarded to the Board for a 15-day review period, after which, absent objections from a majority of the Board, the SIG was issued. *Staff Implementation Guidance 31.1, Guidance for Implementation of Statement of Federal Financial Accounting Standards 31, Accounting for Fiduciary Activities*, is available on the FASAB website at [http://www.fasab.gov/pdffiles/fig\\_sig\\_31.pdf](http://www.fasab.gov/pdffiles/fig_sig_31.pdf).

Point of Contact: Eileen Parlow, 202-512-7356, [parlowe@fasab.gov](mailto:parlowe@fasab.gov)

### GAAP Hierarchy

The Board unanimously adopted Statement of Federal Financial Accounting Standards (SFFAS) 34, The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board. In this Statement, the Federal Accounting Standards Advisory Board (FASAB) identifies the hierarchy of generally accepted accounting principles (GAAP) for federal entities preparing general purpose financial reports that are presented in conformity with GAAP. Also, this Statement permits those federal entities currently applying financial accounting and reporting standards issued by the Financial Accounting Standards Board (FASB) to continue to do so. In addition, given that the FASAB is the source of GAAP for federal entities, the Statement clarifies that a federal entity that is preparing GAAP-based general purpose financial reports for the first time is required to implement FASAB standards unless, in consultation with its auditors and bodies with oversight authority, the entity clearly demonstrates that the needs of its primary users would be best met through the application of FASB standards. The Statement was forwarded to the Principals for their 90-day review period on April 28, 2009. Absent an objection from OMB or GAO, the Statement will be issued on July 28, 2009.

Point of Contact: Ross Simms, 202-512-2512, [simmsr@fasab.gov](mailto:simmsr@fasab.gov)

### Deferred Maintenance & Asset Impairment

The task force met again in late April to refine its strategy by reviewing recent developments at the Federal Real Property Council (FRPC) concerning deferred maintenance as well as welcoming new members and hearing from those participants representing equipment/personal property issues. The task force confirmed its desire to break into two distinct working subgroups so that discussions concerning this topic would be focused and targeted relative to major asset classes. Subgroups will begin meeting in early to mid –July. The task force will reconvene as needed to ensure consistent and comprehensive coverage of the issues at hand ensuring coordination with major stakeholders.

Highlights from the April meeting include an FRPC update, a review of the Federal Facilities Council's recommendations concerning deferred maintenance, historical overview of longstanding deferred maintenance issues, discussion of a definitional framework, and the purposes and reporting of deferred maintenance.

The task force welcomes additional agency participants so that wide and cross-cutting views can be explored and discussed at its meetings. Please feel free to contact the staff member listed below if you would like to become a task force member.

Point of Contact: Dominic Savini, 202-512-6841, [SaviniD@fasab.gov](mailto:SaviniD@fasab.gov)

# FASAB Current Technical Agenda and Status of Projects

Project	Key Milestones	Quarter 2 2009	Quarter 3 2009	Quarter 4 2009	Quarter 1 2010	Staff Contact
Natural Resources	ED – May 2007	Oil & Gas DP	Oil & Gas ED	Oil & Gas DP	Oil & Gas DP	Julia Ranagan, 202-512-7377
Fiduciary Activity	SFFAS 31 Issued – October 2006	Q&As Finalized				Eileen Parlow, 202-512-7356
Fiscal Sustainability	ED – Sept 2008	DP	UR	Final		Eileen Parlow, 202-512-7356
The Federal Entity		Research	Research	Research	ED	Melissa Loughan, 202-512-5976
Social Insurance	PV -- October 2006 ED – Nov. 2008	DP	DP	UR	Final	Richard Fontenrose, 202-512-7358
Appropriate Source of GAAP		Research	Research	Research	ED for Remaining Issues	Julia Ranagan, 202-512-7377
General PP&E Valuation	ED – Nov. 2008	UR	Final			Monica Valentine, 202-512.7362
Deferred Maintenance & Asset Impairment		Research	Research	Research	Research	Domenic N. Savini, 202-512-6841
Conceptual Framework Project:						
Measurement Attributes		Research	Research	Research	Research	Penny Wardlow, 202-512-7350
Financial Reporting Model		Research	Research	Research	Research	Ross Simms, 202-512-2512

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

Research—Staff Research Phase of Project & Board Deliberations  
 ED—Exposure Draft Issued  
 DP—Board Due Process, including review of comment letters, etc.  
 PH—Public Hearing  
 PV—Preliminary Views Issued  
 UR—Under Review, document approved by FASAB and sent to sponsors for 90-day review  
 Final—Final Standard, Concept, Interpretation, etc. issued final.

# Accounting and Auditing Policy Committee

The March 19<sup>th</sup> scheduled meeting of the AAPC was canceled. However, the AAPC G-PP&E task force is continuing its work. The next meeting of the AAPC is scheduled for Thursday, May 21, 2009 at 1:00 pm.

The task force was formed to assist in developing implementation guidance for federal G-PP&E as it relates to SFFAS 6, *Accounting for PP&E*, SFFAS 23, *Eliminating the Category National Defense Property Plant, & Equipment*, and other related G-PP&E guidance developed by the FASAB. The task force meets monthly and has separated into four sub-groups that are named for the group of issues to be addressed by each sub-group. The G-PP&E sub-groups are Acquisition, Use, Disposal, and Records Retention and meet monthly separate from the full task meetings. The task force also has setup a web page on the FASAB website under the AAPC task forces link. The web page includes specific information about the task force as a whole, as well as each of the sub-groups, such as the list of members, list of potential issues to be addressed, and scope information for each sub-group.

The task force has over sixty members and is represented by over 20 federal entities and continues to welcome additional members to participate. Broad participation is important to ensuring that the guidance developed is appropriate for all impacted. If interested please contact FASAB Project Director Monica Valentine by email at [valentinem@fasab.gov](mailto:valentinem@fasab.gov), with your information (email, phone number, etc.). Additional information on the work of the task, a list of issues being address, meetings, and other contact information can be found at the AAPC G-PP&E Task Force web portal at <http://fasab.gov/aapc/genproptaskforce.html> .

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

**Point of Contact:** Monica Valentine, 202-512-7362, [valentinem@fasab.gov](mailto:valentinem@fasab.gov)

# FASAB Meeting Schedule

## Schedule for 2009 Meetings:

Wednesday, June 17<sup>th</sup> and Thursday, June 18<sup>th</sup>  
Wednesday, August 26<sup>th</sup> and Thursday, August 27<sup>th</sup>  
Wednesday, October 21<sup>st</sup> and Thursday, October 22<sup>nd</sup>  
Wednesday, December 16<sup>th</sup> and Thursday, December 17<sup>th</sup>

## Schedule for 2010 Meetings:

Wednesday, February 24<sup>th</sup> and Thursday, February 25<sup>th</sup>  
Wednesday, April 28<sup>th</sup> and Thursday, April 29<sup>th</sup>  
Wednesday, June 23<sup>rd</sup> and Thursday, June 24<sup>th</sup>  
Wednesday, August 25<sup>th</sup> and Thursday, August 26<sup>th</sup>  
Wednesday, October 27<sup>th</sup> and Thursday, October 28<sup>th</sup>  
Thursday, December 16<sup>th</sup> and Friday, December 17<sup>th</sup>

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

# AAPC Meeting Schedule

## Schedule for 2009 Meetings:

Thursday, May 21<sup>st</sup>  
Thursday, July 16<sup>th</sup>  
Thursday, September 17<sup>th</sup>  
Thursday, November 19<sup>th</sup>

## Schedule for 2010 Meetings:

Thursday, January 21  
Thursday, March 18  
Thursday, May 20  
Thursday, July 15  
Thursday, September 16  
Thursday, November 18

Unless otherwise noted, meetings begin at 1 PM and conclude at 3 PM. Meetings are held at 441 G Street NW in room 7C13. Agendas are available at <http://fasab.gov/aapc/meeting.html> approximately one week before the meetings.

## Security Notice

If you wish to attend a FASAB or an AAPC meeting, please provide your name, organization, and phone number to staff at 202-512-7350 or [fasab@fasab.gov](mailto:fasab@fasab.gov) **at least two days before the meeting**. The Government Accountability Office, which provides space for our meetings, has increased its security procedures and your name must be provided to the security force before you can enter the building. Thank you.