



FASAB Newsletter
Federal Accounting Standards
Advisory Board

February/March 2016
TABLE OF CONTENTS

Updated Website.....	1
Staff News.....	1
FASAB Bids Farewell to Charles W. Jackson, Jr.....	1
FASAB Welcomes Leigha Kiger.....	2
Current Board Projects.....	2
DoD Implementation Guidance Request.....	2
Financial Reporting.....	3
Leases.....	4
Risk Assumed—Insurance Programs.....	5
Accounting and Reporting of Government Land.....	5
Tax Expenditures.....	6
Reconciling Budget and Accrual.....	7
Accounting and Auditing Policy Committee.....	7
FASAB Meeting Schedule.....	8
AAPC Meeting Schedule.....	8
Security Notice.....	8

[Updated Website](#)

Stop by the [FASAB website](#)! We have updated our website to make it easier to find all the federal financial information that you need. Changes we've made include easier navigation from the left side for each main subject—which means no more drop down boxes. We've also streamlined our content and pages. FASAB staff gives a big thanks to the Government Accountability Office (GAO) development team for their time and effort in this major accomplishment.

Point of Contact: Robin Gilliam, 202-512-7356, gilliamr@fasab.gov

[Staff News](#)

[FASAB Bids Farewell to Charles W. Jackson, Jr.](#)

For many of you, Charles Jackson—FASAB's Administrative Officer—was your go-to source for all things FASAB for the past 15 years. Late last year, he retired from his

stellar 23-year federal career. During his time in government, he was a key contributor to the success of the Internal Revenue Service, the Department of Justice, and FASAB. At FASAB, he supported daily operations and ensured compliance with the Federal Advisory Committee Act. His passion for service and commitment to excellence helped make FASAB a success. His steadfast support also ensured the FASAB staff and members “had a good day, every day.”

[FASAB Welcomes Leigha Kiger](#)

Disclaimer

The staff of the Federal Accounting Standards Advisory Board publishes the FASAB Newsletter 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 Leigha Kiger at 202-512-7358 or kigerl@fasab.gov.

Please direct AAPC technical questions to Grace Wu at 202-512-7377 or wug@fasab.gov.

Please direct FASAB and AAPC administrative questions to Terri Pinkney at 202-512-7350 or pinkneyt@fasab.gov.

Communication is at the heart of standards setting, and FASAB welcomes its first communications specialist. Ms. Leigha Kiger’s main duties at FASAB include assisting in the development of Board publications, editing written information of a technical nature for clarity and consistency, and producing both internal and external communications. Before joining the FASAB team in November of 2015, Ms. Kiger participated in AmeriCorps VISTA, a national service program overseen by the Corporation for National and Community Service. During her year of service, she piloted and coordinated the first financial literacy program of its kind at a local nonprofit in Jupiter, Florida. Previous to this endeavor, she taught English in Bucaramanga, Colombia at the country’s top-rated bilingual school. She focused her work at the preschool level with children from 18 months old to seven years old, to aid students in laying the groundwork for strong English literacy and grammatical accuracy in speech. Ms. Kiger graduated from Duke University in 2013 with a bachelor of arts degree in English.

[Current Board Projects](#)

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

[DoD Implementation Guidance Request](#)

At the February Board meeting, the Board made decisions on issues regarding the draft Statement, *Establishing Opening Balances for General Property, Plant, and*

Equipment: Amending Statement of Federal Financial Accounting Standards (SFFAS) 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS 35. The Board considered the comment letters received in response to the exposure draft (ED), a summary of the issues, and recommendations proposed by FASAB staff.

The majority of respondents agreed with the proposals to

- permit opening balances of general property, plant, and equipment (PP&E) to be valued based on deemed cost and to require the related disclosures;

- allow a reporting entity to choose among alternatives in establishing an opening balance for internal use software (IUS) and to require the related disclosures; and
- rescind SFFAS 35 and to permit reasonable estimates in the preparation of financial statements, with or without the existence of SFFAS 35.

One area in which respondents disagreed with the proposal was land value. Based on the comments, the majority of respondents disagreed with the proposal to allow exclusion of land from the opening balances of general PP&E. Reporting entities electing to exclude land from general PP&E opening balances also would exclude future land acquisition amounts.

The Board agreed to several changes to the draft Statement, *Establishing Opening Balances for General Property, Plant, and Equipment: Amending Statement of Federal Financial Accounting Standards (SFFAS) 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS*. The Board approved staff recommendations, with the exception of land. On this topic, the Board agreed to an approach consistent with the provisions provided for in the ED, as exposed.

In addition, the Board also requested that staff make the following changes to the ED:

- Government-wide disclosures regarding land should be added to provide for a narrative discussion listing consolidated entities that opted to exclude land.
- The basis for conclusions should be updated to include the Board's reasoning for maintaining the ED's position regarding land.
- Technical Releases (TRs) that reference SFFAS 35 should be amended to reflect the rescission of SFFAS 35. (This will be accomplished as part of an administrative update through an amended TR.)
- The Statement should be reviewed to ensure the language regarding *line item* is consistent so that it may be on the face of the financial statement or in a note disclosure.

The Board agreed to proceed to a preballot draft of the Statement at the April 2016 meeting and further due process to issue the Statement. The Board expects to vote on the Statement at the April meeting or shortly thereafter.

Point of Contact: Melissa Batchelor, 202-512-5976, batchelorm@fasab.gov

[Financial Reporting](#)

The Board reviewed key terms in the draft ED Concepts Statement. The ED proposes concepts regarding the government-wide and component reporting entity reporting models, and the Board sought to clarify these intended concepts. The Board discussed the definition of generally accepted accounting principles (GAAP) and its role within performance and budgetary information. The Board agreed that federal GAAP includes both basic financial statements and required supplementary information, and GAAP directly affects performance information and budgetary results. Although the Board does not determine the performance measures, performance

information should be included in financial reports to help users assess the results of using budgetary resources. In addition, given the various aspects of budgeting and the variety of terms used to describe it, staff will review the budgetary terms written in the ED and make clearer the budgetary information that users need.

In addition, the Board discussed the definition of general purpose federal financial reports (GPFFRs). The ED proposes that the government-wide and component reporting entity financial reports are types of GPFFRs. While the reports are intended to be comprehensive, they may not be a *single* source of information. Also, constituents and other standards-setters may use the term GPFFR differently from the approach taken in the ED. Consequently, staff will research the use of the term and revisit its use in the ED.

The ED proposes that component reporting entities provide program-level information to show users the amounts expended on programs of interest. The Board determined that this approach needed explanation, given the different perspectives on the term *program*. Thus, staff will develop language to explain the intent of the proposal.

The Board discussed other changes to enhance the intent of the proposed guidance, and staff will present revisions at the April 2016 meeting.

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

Leases

At the February 2016 meeting, staff presented to the Board a draft ED of the proposed standards on non-intragovernmental lease accounting. The Board had previously directed staff to use the Governmental Accounting Standards Board (GASB)'s proposal on leases as a platform for developing the federal standards on non-intragovernmental leases. The GASB ED was released for comment in January 2016. Staff made several revisions to the GASB proposal to reflect differences at the federal level, any conflicts with existing FASAB standards, and any changes the Board had previously agreed to. In addition, staff also posed 23 questions to the Board related to the draft. The questions highlighted areas where the FASAB proposal deviates from the GASB proposal, areas where the task force has raised questions, as well as the areas in which staff would like further direction from the Board.

The Board discussed the following topics at the meeting:

- Capitalization thresholds
- Service concession agreements
- Probability threshold
- Lease asset classification
- Lessee incremental borrowing rate
- Lease liability remeasurement
- The definition of an 'investment'
- Insignificant lease components
- Rent holidays

Staff will continue to work with the task force to further develop the lease standards.

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

Risk Assumed—Insurance Programs

The Risk Assumed-Insurance Programs project was not discussed at the February 2016 Board meeting because the *Insurance Programs* ED is open for comment until March 29, 2016.

FASAB is seeking input by March 29th on the proposed SFFAS entitled *Insurance Programs*. The ED proposes to establish three categories of insurance and related guidance: exchange transaction insurance programs other than life insurance, nonexchange transaction insurance programs, and life insurance programs. The proposal would rescind existing standards for insurance and guarantee programs in SFFAS 5, *Accounting for Liabilities of The Federal Government*, paragraphs 97-121.

Respondents are encouraged to provide the reasons for their positions. Both [the proposal in PDF format](#) and the specific questions raised in [Microsoft Word format](#) are available at <http://www.fasab.gov/documents-for-comment/>.

Please note that receipt of your response will be acknowledged by an email. If you do not receive a response, please contact us at 202-512-7350 to confirm receipt.

Point of Contact: Robin Gilliam, 202-512-7356, gilliamr@fasab.gov

Accounting and Reporting of Government Land

At the February 2016 Board meeting, members approved the proposed project plan entitled *Accounting and Reporting of Government Land*. The project will address implementation issues that have arisen pursuant to SFFAS 6, *Accounting for Property, Plant, and Equipment* and SFFAS 29, *Heritage Assets and Stewardship Land*. The above requirements have resulted in significant differences in accounting treatment for land holdings. Because land acquired during our nation's formation is sometimes used in connection with other general PP&E (G-PP&E), it is not generally valued as would be G-PP&E land acquired for similar purposes. That is, G-PP&E will only include land and land rights with an identifiable cost that was specifically acquired for or in connection with construction of G-PP&E. It is important to note that stewardship land is expensed when acquired, and quantity information is provided in a note.

The overall project goal is to determine how best to account for and to report land. In doing so, the Board expects to address the following matters:

- The reporting objectives, qualitative characteristics, and cost-benefit constraints as they all pertain to the overall project goal

- The extent to which, if any, predominant use or managerial intent influences the accounting or reporting of land
- Factors contributing to land value such as the *highest and best use*, as well as what is legally permissible, physically possible, and economically feasible
- The practical limitations of the selected measurement attributes or nonfinancial attributes
- As applicable, recommend recognition, measurement, and disclosure requirements

After reviewing the proposed plan, members asked staff to carefully consider the following issues: the type of information entities need to manage program requirements; fair value measurements and potential valuation inconsistencies that intended-use classifications and related changes could have on said measurements; whether land held for sale should be fair valued and if so, subject to impairment; reliability of buyer-oriented appraisals; and whether a new standard on land should replace SFFAS 6 and/or SFFAS 29.

We are seeking volunteers who would like to join the land task force. Although experience working with land in either a program or accounting and finance office is preferred, it is not required. If you or anyone you know would like to join the task force, please contact Mr. Savini at your earliest convenience. Thank you.

Point of Contact: Domenic Savini, 202-512-6841, savinid@fasab.gov

[Tax Expenditures](#)

The Board reviewed a draft ED regarding tax expenditures and tentatively approved most provisions with minor edits. With the Board's revisions, the proposed standards would require the consolidated financial report of the U. S. Government (CFR) to (1) include narrative disclosures and information regarding tax expenditures and (2) alert readers regarding the availability of more detailed reports on tax expenditure estimates, such as those published annually by the Department of the Treasury's Office of Tax Policy.

The specific information provided in the CFR would include

- the definition of tax expenditures,
- their general purpose,
- their impact on and treatment within the federal budget process, and
- their impact on the government's financial position and condition.

Next steps include providing a completed draft proposal for review at the April meeting.

Point of Contact: Wendy Payne, 202-512-7357, paynew@fasab.gov

Reconciling Budget and Accrual

At the February 2016 meeting, staff presented to the Board the *Reconciling Budget and Accrual Project Plan*. The Board approved the proposed project plan and agreed that the project would address implementation issues that have arisen as a result of SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*. FASAB has identified the following areas as topics which need to be addressed:

- The current Statement of Financing Note—while supporting reporting objectives— has been criticized as too complex and not useful.
- The project will enhance the understandability of the note by considering ways to more directly relate budgetary data and accrual data, so that a less complex presentation is available.
- The project will improve the usefulness of the note by ensuring that it supports the Government-Wide Accounting (GWA) Reconciliation Statement. The project is limited to component reporting entity requirements and will not consider changes to the GWA Reconciliation Statement.

The Board also agreed on the primary objectives of this project:

- Staff will research the component reporting entity accrual and budgetary reconciliation to identify ways to improve the understanding of the relationship between the use of budgetary resources and the costs of program operations.
- Staff will research and recommend alternative component-level reconciliation presentations that may include alternatives for supporting the GWA reconciliation and disaggregated information.
- Staff will evaluate current FASAB guidance, especially SFFAS 7, for potential amendments related to component reporting entity requirements.

Point of Contact: Grace Wu, 202-512-7377, wug@fasab.gov

Accounting and Auditing Policy Committee

The AAPC February 18, 2016, meeting was canceled due to little AAPC activity during the period. Instead, the AAPC members reviewed a survey summary report on the IUS comment letter follow-up items and agreed that no further action is needed for those follow-up items.

Point of Contact: Grace Wu, 202-512-7377, wug@fasab.gov

FASAB Meeting Schedule

Schedule for 2016 Meetings:

April 27th and 28th
June 29th and 30th
August 24th and 25th
October 19th and 20th
December 19th and 20th

Unless otherwise noted, FASAB meetings begin at 9 a.m. and conclude before 5 p.m. Meetings are held at GAO at 441 G Street, NW in room 7C13. Agendas and briefing materials are available at <http://www.fasab.gov/briefing-materials/> approximately one week before the meetings.

AAPC Meeting Schedule

Schedule for 2016 Meetings:

May 12th
August 18th
November 17th

Unless otherwise noted, AAPC meetings begin at 1 p.m. and conclude at 3 p.m. Meetings are held at GAO at 441 G Street, NW in room 7C13. Agendas are available at <http://www.fasab.gov/aapc-activities/> approximately one week before the meetings.

Security Notice

If you wish to attend a FASAB or an AAPC meeting, please pre-register on our website at <http://www.fasab.gov/pre-registration/> **no later than 8 a.m. the Tuesday before the meeting to be observed.** GAO, which provides space for our meetings, has increased its security procedures, and your name must be provided in advance to the GAO security force before you can enter the building. **When you arrive, please advise the security officer that you are attending either a FASAB or an AAPC meeting. Doing so will assist the officer in locating the correct security list.** Thank you.