



FASAB News
Federal Accounting Standards
Advisory Board

April/May 2013
TABLE OF CONTENTS

Sam McCall Appointed Chief Auditor at FSU 1

Julia Ranagan Joins the Staff of the CFTC 1

Current Board Projects..... 2

 Federal Reporting Entity 2

 The Financial Report: MD&A, Statements, Notes, RSI and OAI..... 3

 Leases 3

 Risk Assumed..... 4

 Public-Private Partnerships (P3)..... 5

FASAB Current Technical Agenda and Status of Projects 6

Accounting and Auditing Policy Committee 7

FASAB Meeting Schedule 7

AAPC Meeting Schedule..... 8

Security Notice 8

[Sam McCall Appointed Chief Auditor at FSU](#)

FASAB member Sam McCall recently retired from his position as city auditor in Tallahassee, Florida, and is now the chief audit officer at Florida State University. Dr. McCall served as city auditor for 13 years and was with the Florida Auditor General’s office for 30 years before that. The Board congratulates Dr. McCall on his new position!

[Julia Ranagan Joins the Staff of the CFTC](#)

Julia Ranagan, FASAB Assistant Director, bid farewell to FASAB staff in April. She joined the Commodity Futures Trading Commission as a Staff Accountant in the Financial Management Branch. Her contributions and accomplishments at FASAB were many. She developed guidance for natural resources and asbestos cleanup costs, and assisted on many projects. Her talent and enthusiasm will be greatly missed.

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.)

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.

Please direct AAPC technical questions to Monica Valentine, 202-512-7362, valentinem@fasab.gov.

Please direct FASAB and AAPC administrative questions to Charles Jackson, 202-512-7352, jacksoncw1@fasab.gov.

Federal Reporting Entity

The Federal Accounting Standards Advisory Board (FASAB) recently approved the *Reporting Entity* exposure draft. The Board is seeking input on the proposed Statement of Federal Financial Accounting Standards addressing the *Reporting Entity* from federal agencies.

The FASAB developed a principles-based approach to ensure information about organizations for which elected officials are accountable is included in general purpose federal financial reports (GPFFR). The proposed standards provide more detailed guidance than currently exists and offer illustrations. This guidance would assist the federal community in assessing complex federal government relationships to ensure users of GPFFRs are provided with comprehensive financial information about federal reporting entities and complex relationships with organizations.

The proposed standards would require the government-wide GPFFR to include organizations that are (1) budgeted for by elected officials of the federal government, (2) owned by the federal government, or (3) controlled by the federal government with risk of loss or expectation of benefits. In addition, an organization would be included in the government-wide GPFFR if it would be misleading to exclude it even

though it does not meet one of the three inclusion principles.

The proposed standards also provide criteria for determining the most appropriate means to include information about organizations included in the GPFFR. Whether information regarding organizations is presented in consolidated financial statements or through disclosures is based on an assessment of the degree to which the following characteristics are met: the organization is financed by taxes or other non-exchange revenue, is governed by the Congress and/or the President, imposes or may impose risks and rewards on the federal government, and/or provides goods and services on a non-market basis.

Organizations to be included in the consolidated financial statements within the GPFFR are referred to as “consolidation entities” and are subject to the hierarchy of generally accepted accounting principles established for “federal entities” in Statement of Federal Financial Accounting Standards 34. Organizations to be disclosed in the GPFFR are referred to as “disclosure organizations.” While disclosure organizations are not subject to the hierarchy of generally accepted accounting principles established for federal entities, information about such organizations is needed for accountability purposes.

The proposed standards also address organizations to be included in component reporting entity GPFFRs, minimum disclosures regarding central banking activities, and disclosures regarding related parties.

One Board member submitted an alternative view. The Board member does not believe receiverships, conservatorships, and intervention organizations should be equated with other disclosure organizations.

The proposed Statement would be effective for periods beginning after September 30, 2016. Earlier implementation is encouraged. The exposure draft requests written comments by July 3, 2013, and encourages respondents to provide the reasons for their positions. A public hearing has been scheduled in conjunction with the August 28, 2013 Board meeting and interested respondents are encouraged to participate.

Point of Contact: Melissa Loughan, 202-512-5976, loughanm@fasab.gov

[The Financial Report: MD&A, Statements, Notes, RSI and OAI](#)

During the April 2013 meeting the Board discussed the plans for a web-based educational outreach project. The web-based educational outreach effort would involve developing a website that integrates videos, graphics, and textual explanations to guide users in how to find answers to questions they may have about federal department and agency finances. Board members raised concerns about the timing of the project, given the Board’s current technical agenda and limited resources and other matters that should be considered, such as the expected outcomes and how the project would relate to existing educational tools. Consequently, staff will continue to focus on the primary project, developing the conceptual reporting model, and will develop additional details for the educational outreach plan.

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

[Leases](#)

The Lease Project was not discussed at the December Board meeting. Staff is continuing preliminary research on the project by following the developments of the FASB/IASB lease project and gathering information from federal entities on their leasing activities.

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

Risk Assumed

At the February meeting the Board agreed to address the risk assumed project using a phased approach given the challenges inherent in addressing such a broad topic (i.e., exposures that could result in future outflows of the federal government). Staff has begun research on the first phase of the project to be addressed – insurance and non-loan guarantees. At the April meeting, staff arranged for a presentation to the Board by the Financial Accounting Standards Board (FASB) project manager developing the new insurance contracts proposal. Ms. Jennifer Weiner, FASB Senior Practice Fellow, discussed the project's background, definitions, project scope, recognition, and measurement models associated with the ensuing proposal.

The object of the FASB presentation was two-fold. The first objective was, in light of staff's review of the measurement approaches currently being used by federal entities, to explore the proposed measurement approaches being considered by FASB in its insurance contracts project. Secondly, since FASB's current standards on insurance and guarantees were primarily based on the existing FASB standards, the Board will need to address the FASB insurance and guarantee standards.

Ms. Weiner emphasized that a comprehensive approach is the objective for the FASB proposed guidance, as well as the convergence efforts with the International Accounting Standards Board (IASB). She also noted that FASB and IASB are not completely converged on their insurance contracts proposals. The project's object is to increase the decision usefulness of the information about an entity's insurance liabilities, including the nature, amount, timing, and disclosures necessary for the financial statement users (i.e., the public, investors, regulators, etc.). Comparability of entities is also an important factor in developing the insurance standards – products with similar risk, similar cash flows, similar attributes, etc. She noted that one significant change from the existing guidance is the accounting is now for risk products as opposed to simply insurance entities.

The presentation highlighted the measurement model key features:

- Updated estimates and assumptions
- Current measurement of risk
- Reflect time value of money
- Market consistent estimate

The FASB proposal includes a definition of an insurance contract – “A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.” The proposal is not entity specific, but focuses on risks and guarantees.

The FASB proposed measurement models are the premium allocation approach (PAA) and the building block approach (BBA). The PAA would be applied to insurance contracts with a coverage period of one year or less (e.g., property, casualty, and short-term health insurance contracts) or if it is unlikely that during the period before a claim is incurred, there will be significant variability in the expected cash flows. The BBA

approach would be used for insurance contracts not meeting the PAA criteria, which are usually the long-duration contracts (e.g., life, long-term health insurance, and annuity insurance contracts) when the likelihood of a claim normally increases over time.

Staff will continue its research on existing federal insurance and guarantee programs.

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

[Public-Private Partnerships \(P3\)](#)

The P3 Project was not discussed at the April Board meeting. In consultation with the P3 Task Force, Staff is continuing research and conducting agency and industry fact-finding meetings. If you are interested in serving on the P3 Task Force or would like to discuss any aspects of the project, please contact Mr. Savini.

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

FASAB Current Technical Agenda and Status of Projects

Project	Key Milestones	Quarter 1 CY2013	Quarter 2 CY2013	Quarter 3 CY2013	Quarter 4 CY2013	Staff Contact
The Reporting Entity		Research	ED	DP and PH	UR	Melissa Loughan (202-512-5976)
Risk Assumed		Research	Research	Research	Research	Monica Valentine (202-512-7362)
Investments and Other Equity Interests in Non-Federal Entities		Deferred				Wendy Payne (202-512-7357)
Leases		Research	Research	Research	Research	Monica Valentine (202-512-7362)
Financial Reporting Model		Research	Research	Research	Research	Ross Simms (202-512-2512)
Public Private Partnerships		Research	Research	Research	Research	Dominic Savini (202 512 6841)

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

On March 1, 2013 the AAPC released exposure draft, *Implementation Guidance on General Property, Plant, and Equipment Cost Accumulation, Assignment, and Allocation*.

One of the objectives of the proposal is to enable federal reporting entities to use a consistent framework to interpret existing guidance. The proposal also supports the objectives of ensuring that (1) transactions involving G-PP&E are recorded in accordance with federal accounting standards, and (2) the cost of producing federal financial information, as it relates to establishing the cost of G-PP&E, does not outweigh the benefits derived by the users of the financial information. Lastly, it provides a decision framework flowchart to assist entity management in applying the principles described throughout the technical release.

The exposure draft comments were requested by **May 1, 2013**. The AAPC will be discussing the comments received at its next meeting. The exposure draft in PDF format is available at the FASAB website: <http://www.fasab.gov/board-activities/documents-for-comment/exposure-drafts-and-documents-for-comment/>

The May 16, 2013 AAPC meeting has been canceled. A rescheduled date will be announced.

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

FASAB Meeting Schedule

Schedule for 2013 Meetings:

Wednesday and Thursday, June 19th and 20th
Wednesday and Thursday, August 28th and 29th
Wednesday and Thursday, October 23rd and 24th
Wednesday and Thursday, December 18th and 19th

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

AAPC Meeting Schedule

Schedule for 2013 Meetings:

Thursday, July 18
Thursday, September 19
Thursday, November 21

Unless otherwise noted, AAPC 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://www.fasab.gov/about/aapc/meetings/> approximately one week before the meetings.

Security Notice

If you wish to attend a FASAB or an AAPC meeting, please [pre-register](#) on our Web site at <http://www.fasab.gov/board-activities/meeting/information-for-observers/pre-registration/> **no later than 8 a.m. the Tuesday before the meeting to be observed.** The Government Accountability Office (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. Thank you.