



FASAB News
Federal Accounting Standards
Advisory Board

August/September 2014
TABLE OF CONTENTS

Sam M. McCall Receives AGA Educator Award	1
Current Board Projects.....	2
Federal Reporting Entity	2
The Financial Report: MD&A, Statements, Notes, RSI and OAI.....	2
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.....	8
AAPC Meeting Schedule.....	8
Security Notice	8

[Sam M. McCall Receives AGA Educator Award](#)

In July, 2014, FASAB member Sam M. McCall, Ph.D., CGFM, CPA, CIA, CGAP, CGMA, was recognized by the Association of Government Accountants (AGA) at its annual training event. AGA presented the Educator Award to Dr. McCall. The award is presented to an individual who has made significant contributions to the education and training of government financial managers. The citation reads:

In recognition of Sam McCall's contributions to government financial management, which have made significant impact at the federal, state, and local levels. As a member of accounting and auditing standards boards, he has unselfishly shared his knowledge with fellow government financial managers and other professionals at all levels of government.

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 Board finalized deliberation on the Federal Reporting Entity project by reviewing the *Reporting Entity* ballot draft at the August 2014 meeting. The Board approved several minor wording changes after discussing member comments.

The Board did not approve the ballot at the meeting because one member, Mr. Steinberg, plans to submit a revised dissent. Based on timing of the revised dissent, the Reporting Entity members will be asked to ballot following the meeting. However, the Statement is anticipated to be approved in September.

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

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

As part of its ideal reporting model project, the FASAB discussed how to ideally classify costs so that users have a better understanding of the operating performance of the federal government. FASAB members discussed different schemes for classifying cost on the face of the statement of net cost and the merits and challenges associated with the approaches. The discussion primarily focused on the government-wide level and whether to classify cost by function, program, or agency.

Some members supported a function-based scheme, such as presenting the cost of national defense, transportation, and agriculture. This classification approach is well-established in the federal government and is currently being used for budget and other types of reporting to inform the public. However, other members noted that the approach had been used in earlier versions of the government-wide financial statements and it was determined that some descriptions confused users. They maintained that the meaning of some functions is not clear which makes it difficult to perform analyses. Instead, by presenting cost by agency, users can go directly from the government-wide report to the agency reports and review the details of their audited financial statements.

Also, some members supported the notion of presenting costs by program, such as a presentation of the top 25 programs. FASAB's conceptual guidance and recent user needs research has shown that users seek information about programs. However, members noted challenges in defining the term "program" and questioned the practicality of preparing the presentation.

In addition, members discussed the need to have definitions of each class (function, program, agency, etc.) so that preparers, auditors, users, and other interested parties understand the scope of each class and the information being presented. Also, some members expressed the need to present cross-agency programs or services and how to align reporting on costs with the efforts to report on performance. The Board acknowledged that agencies are engaged in substantial efforts to report on their performance and flows information should be aligned with that process. Consequently, the Board plans to obtain input from the CFO community and continue the classification discussion.

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

Leases

At the August meeting staff provided an update on the status of the Governmental Accounting Standards Board's leases project. The GASB is plans to issue a Preliminary Views document in the coming months.

The current focus for the FASAB leases project is on developing proposed guidance on intragovernmental leases arrangements. The Board discussed and agreed to a definition for the term "intragovernmental" to refer to occurring within a consolidation entity or within or between two or more consolidation entities. The Board discussed and agreed to proposed definitions of leases and of intragovernmental lease arrangements.

The Board discussed staff's proposal for recognizing operating leases--straight-line for lease costs and in the current period for executory costs. The Board members agreed with the straight-line concept for lease payments, but would like additional information before deciding whether executory costs should be required to be separated from the rental payment.

The next decision related to the proposed disclosure of future lease payments. Some questioned whether this disclosure was necessary for intragovernmental lease arrangements. The Board agreed to exclude the disclosure, but to ask a question in the exposure document about whether the disclosure is necessary.

The Board agreed that the lessor revenue recognition would match the lessee's expense recognition—on the straight-line basis. The Board agreed that upfront lease costs for lessors would be expensed. Regarding potential disclosures of future lease payments of lessors, there were no objections to the proposed disclosures.

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

Risk Assumed

During the August 2014 the Board approved the proposed definition, criteria, and exclusions with the following adjustments:

- Removed “other than a defaulted debt obligation” reference from the definition and adverse event criteria, and kept it only in the exclusions.
- Removed the term, “non-loan guarantees,” and added a footnote that states— Insurance programs will also include guarantee programs not designed for loan/debt guarantees
- Changed the first exclusion to read “Loan guarantee programs as defined in SFFAS 2...,” to include all programs captured in SFFAS 2.
- Removed reference to the Stafford Act in the exclusion section, for consistency with other standards, and added discretionary funding as one type of assistance provided by disaster relief programs.
- Added federal self-insurance programs as an exclusion.

Staff presented the current requirements for recognizing a liability for insurance programs from SFFAS 5 and examples of agency disclosures. The Board had no major changes at this time to the insurance liability. However, the Board did agree that the use of the term “reserve for premium deficiency” was not clear and needed to be defined for consistent reporting.

Staff presented a number of items for the Board to decide what should be disclosed. The following decisions were made:

- Exchange Revenue will be disclosed by major category. Staff will identify general categories as examples. The Board also suggested disclosures about events that caused significant changes from the prior to current year amounts.
- Borrowing: Some insurance programs have authority to borrow funds. The disclosure for borrowing generated a lot of discussion among Board members because borrowing creates a liability. Board members were interested in disclosures about events creating the shortfall that led to the liability, and the insurance program’s ability to pay it back. The Board also wanted to consider disclosures about why insurance programs could not pay the borrowing back. Some members were more interested in disclosure of this descriptive information than how much was borrowed from year to year.

The Board requested staff to better define what borrowing is as it applies to insurance programs and to provide examples of borrowing disclosures from insurance and non-insurance programs to help craft a consistent disclosure requirement.

Other recommended disclosures included: acquired assets and net recoveries; recoveries; investments, reserve balances, and interest income; funds transferred to Treasury; acquisition costs; and new laws/changes in actuarial assumptions, and maximum exposure. The Board agreed that staff should include these in the main categories that were discussed under exchange revenue.

- Risk Assumed: The current risk assumed information is reported as required supplementary information (RSI). The staff believes current standards envision projections of expected cash flows. Staff explained to the Board that due to confusion around what was expected in SFFAS 5, no insurance programs were providing projections in their financial reports. However, some do provide 10 year projections in their budget reports. There are some insurance programs that provide trend information, usually going back 10 years, in their financial reports

The Board tentatively agreed not to require projections for insurance programs. They did agree that maximum exposure—the full insurance-in-force that is what the program would pay out if all contracts experienced maximum loss— would meet the objective for providing the risk assumed by the insurance programs. However, the Board did agree that the issue for projections would remain open, because they might want to address it for other types of programs in future phases of the risk assumed project.

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

Public-Private Partnerships (P3)

The Board briefly discussed and approved the final edits to its Exposure Draft (ED) entitled, Public-Private Partnerships: Disclosure Requirements. Mr. Dacey noted that he would be offering an alternative view expressing concerns about (1) the disclosure of remote risks, (2) the scope of the definition being overly broad, and (3) risks not being limited to contractual risks.

Staff began collecting ballots and advised members that they will see another version of the ED. It will include the alternative view and staff will share their view on whether any additional discussion in the Basis for Conclusions is necessary. Members will have an opportunity to retract their ballots pending the alternative view process.

During the Board's review of its Annual Report and 3-Year Plan, members reviewed and discussed options for the P3 project's next phase scheduled to address recognition and measurement issues. The central question was whether to defer the project's second phase after issuance of the standard on disclosures. Some members noted that deferring the next phase allows the Board to follow and study implementation issues and resulting disclosures, thus providing additional insight into how best to proceed with the second phase; recognition and measurement. However, other members expressed a need to proceed directly to the recognition and measurement phase. These members noted that the prevalence of P3s and their apparent increase in use makes the next phase highly important. In addition, potential interaction with other projects such as leases and reporting entity, illustrates a need to proceed directly to the next phase.

To accommodate both views, some members suggested lengthening the P3 project's time frame so that additional research and feedback initiatives can continue uninterrupted in the short-run, while any residual staff resources can be directed to other priorities. Staff was asked to consider such options and report back to the Board in October.

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

FASAB Current Technical Agenda and Status of Projects

Project	Key Milestones	Quarter 2 CY2014	Quarter 3 CY2014	Staff Contact
The Reporting Entity		DP	UR	Melissa Loughan (202-512-5976)
Risk Assumed		Research	Research	Robin Gilliam (202-512-7356)
Leases		Research	Research	Monica Valentine (202-512-7362)
Financial Reporting Model		Research	Research	Ross Simms (202-512-2512)
Public Private Partnerships		Research	ED	Domenic 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

The AAPC has not met since its May meeting. The Committee is scheduled to meet next on November 20, 2014.

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

FASAB Meeting Schedule

Schedule for 2014 Meetings:

October 22nd and 23rd
December 17th and 18th

Schedule for 2015 Meetings:

February 25th and 26th
April 29th and 30th
June 24th and 25th
August 26th and 27th
October 21st and 22nd
December 16th and 17th

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 2014 Meetings:

Thursday, November 20

Schedule for 2015 Meetings:

February 19th
May 14th
August 20th
November 19th

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](http://www.fasab.gov/board-activities/meeting/information-for-observers/pre-registration/) 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.