



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

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**August/September 2012**

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**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 Reporting Entity**

*Federal Reserve Educational Session*

The Federal Reporting Entity agenda item began with an educational session on the Federal Reserve System. The session objectives were to respond to questions posed by a member regarding the Federal Reserve System and to provide an opportunity for representatives from the Federal Reserve to present information and respond to Board member questions.

### 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).

The presentation addressed the transparency, governance structure, and accounting policies of the Federal Reserve System. It also provided a brief overview of the purpose, functions, and unique aspects of a central bank relating to economic policy and how this differs from fiscal policy. This provided an excellent opportunity for the members to learn more about the Federal Reserve and ask questions. The session was educational in nature and did not result in any formal decisions by the Board.

### *Exposure Draft*

The Board discussed the draft Exposure Draft (ED) for the Federal Reporting Entity project. The session objectives were to approve changes since the last meeting to the Draft ED and to consider alternatives developed by selected Board members in an alternative draft. The Board considered key differences between the alternate draft and proposed ED.

The Board tentatively decided to:

- Remove the enumerated disclosures tailored to and required for entities exercising powers reserved to the sovereign (par. 71 in the proposed ED).
- Add “organization” to the title of the “relationship” disclosure objective to clarify that the established objective addresses both organization and

relationship.

- Not include disclosure requirements for intervention entities not owned or controlled in this proposed ED.
- Replace the term ‘core’ with ‘consolidated’ and the term ‘non-core’ with ‘disclosed’ and directed staff after the vote that there was latitude regarding the term “disclosed” as it may be problematic to incorporate.
- Use both the term “included” and the term “reported” (as it was used in the alternate draft). The Board unanimously agreed staff should use the words as necessary for the flow of the document.

### *Related Party*

The last topic on the Federal Reporting Entity session was the discussion of the related party draft language and disclosure requirements. Staff provided a draft that relied heavily on listing parties to be included and excluded. In addition, the staff proposal provided room for judgment by incorporating a misleading to exclude provision. While the Board did not have a formal vote on the language, it did appear they were in agreement with the direction. The Board requested some minor revisions—such as to move the notion of misleading to exclude (see par. 6 c in Tab C page 5) so it is more

prominent, perhaps listed first, they also suggested that par. 7h provide examples of special interest groups. Staff will incorporate these and other suggestions by members. One member also suggested that a question to respondents be considered so the Board can gather additional information if there are other organizations that should be excluded from related party reporting to better ensure there are no unintended consequences.

The exposure draft will be discussed again at the October meeting with issuance of the proposal expected before the end of the calendar year.

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](#)

At the August 2012 meeting, the Board received an update on the efforts of the Auditing Standards Board's Prospective Information Task Force. The task force considered the auditor's responsibility with respect to the statement of long-term fiscal projections and discussed the following:

- FASAB retaining the statement as required supplementary information (RSI). If retained as RSI, this approach would be consistent with Governmental Accounting Standards Board's (GASB) approach for prospective information and would present fewer issues from an audit prospective.
- Auditors providing a bifurcated opinion. This approach would involve providing a traditional opinion on the historical financial information and for the prospective financial information the auditor would provide an attest service and review the assumptions.
- FASAB considering whether the statement has met its intended purpose. Auditors believe that there are some substantial issues in their ability to audit the statement.

Of the above, the task force believed that FASAB retaining the statement as RSI would be the most tenable. However, FASAB members had concerns about the level of audit assurance provided by RSI. Because the audit concerns affect other accounting standards-setters considering prospective financial information, FASAB plans to frame the likely issues and organize a joint-meeting with the GASB.

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

### [Deferred Maintenance and Repairs & Asset Impairment](#)

Significant technical matters were resolved at prior meetings and a vote on the final Statement of Federal Financial Accounting Standards was planned following the meeting. Therefore, the meeting focused on member comments and suggestions for

editorial concerns. In addition to minor editorial matters, the members decided to eliminate the requirement for agencies to disclose measurement methods.

The next step will be to vote on a ballot draft document in September.

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

### Leases

The Lease Project was not discussed at the August 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](mailto:valentinem@fasab.gov)

### Risk Assumed

At the August 29, 2012, board meeting, members agreed that staff should continue to approach the risk assumed project from a broad perspective but focus current efforts most heavily on reporting by insurance and guarantee programs. Staff will begin to develop options for addressing the inconsistent and duplicative reporting on the risks assumed by insurance and guarantee programs to present to the board at a future meeting at which time members will decide whether to (1) issue a separate exposure draft on insurance and guarantees, or (2) hold out for a more comprehensive standard on all significant future outflows of the federal government.

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

### Public-Private Partnerships (P3)

Two major issues were addressed by the Board at this meeting; (1) whether to defer the P3 project and (2) consider issuance of a Technical Bulletin in lieu of a Standard.

**Deferring the P3 Project** - Staff detailed initial concerns earlier in the year which led to asking the Board whether the project should be deferred until additional progress was made on the following two related projects:

1. Federal Entity – Staff noted that in light of progress the P3 project is in a much better position to proceed.
2. Leases - due to the transactional complexity of many P3 arrangements that currently exist, if operating leases are retained and in some manner changed, P3 reporting could be affected.

Staff noted continued concern with the uncertainty of the Leases project.

Members did not see a compelling reason to delay the project and were in general agreement that staff should continue its efforts coordinating with both the Federal Entity and Leases initiative.

**Technical Bulletin** - The Board reviewed staff's recommendation to issue a Technical Bulletin instead of a Statement. Staff noted that it would like to avoid duplication with existing FASAB GAAP which is fairly robust in providing guidance to help preparers account and report for P3's. Staff indicated that a Technical Bulletin or "How to" guide would be beneficial to preparers.

Members generally noted that P3's are complex and would require significant study before such a conclusion could be reached noting that staff might in fact find gaps in existing guidance. As a result, the Board reserved judgment in this regard.

The next step will be revising a detailed project plan. Staff invites volunteers who would like to either sit on a Task Force or serve as "go-to" subject matter experts. Should you or someone you know be interested, please contact Mr. Savini as soon as possible.

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

# FASAB Current Technical Agenda and Status of Projects

Project	Key Milestones	Quarter 2 CY2012	Quarter 3 CY2012	Quarter 4 CY2012	Quarter 1 CY2013	Staff Contact
The Federal Entity				ED	DP	Melissa Loughan (202-512-5976)
Deferred Maintenance & Asset Impairment	SFFASs: Definition Measurement ED: Impairment	DP: Impairment	UR: Impairment	Final: Impairment		Domenic N. Savini (202-512-6841)
Earmarked Funds	ED	Final				Wendy Payne (202-512-7357)
Risk Assumed		Research	Research	Research	Research	Julia Ranagan (202-512-7377), Ross Simms (202-512-2512), Monica Valentine (202-512-7362)
Investments and Other Equity Interests in Non-Federal Entities			Deferred	Research	Research	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)

**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 September 13<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 November 15<sup>th</sup>, 2012 at 1:00 pm.

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

## FASAB Meeting Schedule

### Schedule for 2012 Meetings:

Wednesday and Thursday, October 24th and 25th  
Wednesday and Thursday, December 19th and 20th

### Schedule for 2013 Meetings:

Wednesday and Thursday, February 27<sup>th</sup> and 28<sup>th</sup>  
Wednesday and Thursday, April 24<sup>th</sup> and 25<sup>th</sup>  
Wednesday and Thursday, June 19<sup>th</sup> and 20<sup>th</sup>  
Wednesday and Thursday, August 28<sup>th</sup> and 29<sup>th</sup>  
Wednesday and Thursday, October 23<sup>rd</sup> and 24<sup>th</sup>  
Wednesday and Thursday, December 18<sup>th</sup> and 19<sup>th</sup>

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 2012 Meetings:

Thursday, November 15th

### Schedule for 2013 Meetings:

Thursday, January 17  
Thursday, March 21  
Thursday, May 16  
Thursday, July 18  
Thursday, September 19  
Thursday, November 14

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.