Federal Accounting Standards Advisory Board

DEFERRAL OF THE STATEMENT OF LONG-TERM PROJECTIONS

Amending SFFAS 36

Statement of Federal Financial Accounting Standards

Exposure Draft

Written comments are requested by [date 60 days after issuance]

Month day, year

Working Draft – Comments Are Not Requested on This Draft

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General, established the Federal Accounting Standards Advisory Board (FASAB or "the Board) in October 1990. FASAB is responsible for promulgating accounting standards for the United States Government. These standards are recognized as generally accepted accounting principles (GAAP) for the federal government.

An accounting standard is typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, federal executives, Federal program managers, and other users of federal financial information. The proposed standards are published in an Exposure Draft for public comment. In some cases, a discussion memorandum, invitation to comment, or preliminary views document may be issued before an exposure draft is released on a specific topic. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standard with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for federal accounting and reporting.

Additional background information is available from the FASAB or its website:

- "Memorandum of Understanding among the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board."
- "Mission Statement: Federal Accounting Standards Advisory Board", exposure drafts, Statements of Federal Financial Accounting Standards and Concepts, FASAB newsletters, and other items of interest are posted on FASAB's website at: www.fasab.gov.

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Federal Accounting Standards Advisory Board

ISSUE DATE

TO: ALL WHO USE, PREPARE, AND AUDIT FEDERAL FINANCIAL INFORMATION

Your comments on the exposure draft of a proposed Statement of Federal Financial Accounting Standards entitled, *Deferral of the Statement of Long-Term Projections*, are requested. Specific questions for your consideration appear on page 3 but you are welcome to comment on any aspect of this proposal. If you do not agree with the proposed approach, your response would be more helpful to the Board if you explain the reasons for your position and any alternative you propose. Responses are requested by DUE DATE.

All comments received by the FASAB are considered public information. Those comments may be posted to the FASAB's website and will be included in the project's public record.

Mail delivery is delayed by screening procedures. Therefore, please provide your comments in electronic form by e-mail to fasab@fasab.gov. If you are unable to e-mail your responses, we encourage you to fax the comments to 202.512.7366. Alternatively, you may mail your comments to:

Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
Mailstop 6H19
441 G Street, NW, Suite 6814
Washington, DC 20548

We will confirm receipt of your comments. If you do not receive confirmation, please contact our office at 202.512.7350 to determine if your comments were received.

The Board's rules of procedure provide that it may hold one or more public hearings on any exposure draft. No hearing has yet been scheduled for this exposure draft. Notice of the date and location of any public hearing on this document will be published in the Federal Register and in the FASAB's newsletter.

Sincerely,

Tom L. Allen

Chairman

EXECUTIVE SUMMARY

WHAT IS THE BOARD PROPOSING?

The Board is proposing a one-year deferral of the transition of the statement presenting long-term fiscal projections for the U.S. government and related disclosures from required supplementary information (RSI) to basic information. Basic information is essential for the financial statements and notes to be presented in conformity with generally accepted accounting principles (GAAP). RSI is information that a body that establishes GAAP requires to accompany basic information.

While both categories of information are required, each category is subject to different audit procedures and reporting requirements under generally accepted government auditing standards (GAGAS). When an auditor is engaged to audit an entity's financial statements, basic information as a whole is subject to testing for conformity with GAAP. RSI is unaudited, but subject to certain procedures specified by GAGAS for RSI. Deficiencies in basic information affect the auditor’s opinion on the financial statements taken as a whole while deficiencies in RSI do not, but are noted in the auditor’s opinion.

HOW WOULD THIS PROPOSAL IMPROVE FEDERAL FINANCIAL REPORTING AND CONTRIBUTE TO MEETING THE FEDERAL FINANCIAL REPORTING OBJECTIVES?

This proposal would permit:

- the audit community to complete its consideration of the need for revised guidance, and
- the preparer time to plan for the audit under any revised guidance.

During the deferral period, the consolidated financial report of the U. S. government would continue to report the information, which is necessary for the reader to assess whether future budgetary resources will likely be sufficient to sustain public services and to meet obligations as they come due, as RSI. Deferral of the transition to basic information will provide time to develop effective communication strategies for the auditor regarding the uncertainties inherent in long-term fiscal projections.

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QUESTION FOR RESPONDENTS

Respondents may offer a response to the specific question posed below, raise new issues, or respond generally. It is most helpful if your response includes an explanation for your position and any alternatives you propose. All responses received will be publicly available on the FASAB website and at the FASAB offices.

Your responses should be sent by e-mail to fasab@fasab.gov. If you are unable to respond by e-mail, please fax your responses to 202.512.7366. Alternatively, you may mail your responses to:

Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
Mailstop 6H19
441 G Street, NW, Suite 6814
Washington, DC 20548

All responses are requested by [insert date].

Q1. Do you agree or disagree with the proposed one-year deferral of the effective date for the transition of the statement presenting long-term fiscal projections for the U.S. government and related disclosures from required supplementary information (RSI) to basic information required in SFFAS 36, *Comprehensive Long-Term Projections for the U.S. Government*? The new effective date would provide for full implementation of SFFAS 36 for reporting periods beginning after September 30, 2013. Please explain the reasons for your position in as much detail as possible (see discussion in pars. A1 through A4).

INTRODUCTION

PURPOSE

1. This Statement amends the effective date of the phase-in of requirements established in Statement of Federal Financial Accounting Standards (SFFAS) 36, *Comprehensive Long-Term Projections for the U.S. Government*. When fully implemented, SFFAS 36 requires a basic financial statement in the consolidated financial report of the U.S. Government (CFR), disclosures and related required supplementary information (RSI). To allow a phased implementation, a three-year transition period was provided during which all information was RSI. The transition period has ended and beginning in fiscal year (FY) 2013, SFFAS 36 requires information to be presented as follows:
    a. The basic financial statement would present for all activities:
        i. the present value of projected receipts and non-interest spending under current policy without change,
        ii. the relationship of these amounts to projected Gross Domestic Product (GDP), and
        iii. changes in the present value of projected receipts and non-interest spending from the prior year.
    b. Disclosures would explain and illustrate:
        i. the assumptions underlying the projections,
        ii. factors influencing trends, and
        iii. significant changes in the projections from period to period.
    c. RSI would explain and illustrate the projected trends in:
        i. the relationship between receipts and spending,
        ii. deficits or surpluses,
        iii. Treasury debt held by the public as a share of GDP,
        iv. possible results using alternative scenarios, and
        v. the likely impact of delaying corrective action when a fiscal gap exists.
2. This Statement amends the transition period provided in SFFAS 36 to allow one additional year – FY 2013 – during which all of the above information would be classified as RSI.

MATERIALITY

3. The provisions of this Statement need not be applied to immaterial items. The determination of whether an item is material depends on the degree to which omitting or misstating information about the item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement.

PROPOSED STANDARDS

SCOPE

4. This Statement applies to the consolidated financial report of the U.S. Government (CFR).
5. This Statement amends SFFAS 36, *Comprehensive Long-Term Projections for the U.S. Government,* to defer full implementation of its requirements by one year.

AMENDMENTS

6. Par. 45 of SFFAS 36 is replaced by the following:

   45. The following phase-in of reporting requirements as basic information provides for full implementation for reporting periods beginning after September 30, 2013.

   a. These standards are effective for periods beginning after September 30, 2009.

   b. Information should be reported as RSI for the first four years of implementation (fiscal years 2010, 2011, 2012, and 2013).

   c. Beginning in fiscal year 2014, the required information should be presented as specified in paragraphs 12 - 42.

   d. Earlier implementation is encouraged.

EFFECTIVE DATE

7. The requirements of this Statement are effective upon issuance.

The provisions of this Statement need not be applied to immaterial items.

APPENDIX A: BASIS FOR CONCLUSIONS

This appendix discusses some factors considered significant by Board members in reaching the conclusions in this Statement. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The standards enunciated in this Statement–not the material in this appendix–should govern the accounting for specific transactions, events, or conditions.

PROJECT HISTORY

A1. Inclusion of audited long-term fiscal projections in U. S. federal government financial reports began in fiscal year 2006 with the statement of social insurance. A number of individual programs provide a statement of social insurance including Social Security and Medicare. In 2009, the Board issued SFFAS 36 and broadened requirements for long-term fiscal projections beyond these discrete social insurance programs. SFFAS 36 requires comprehensive projections for all government receipts and expenditures.

A2. The Board recognized the uncertainty inherent in making the policy, economic, and demographic assumptions necessary for comprehensive projections. The standards, therefore, provide for the exercise of judgment in selecting assumptions and require information to aid the reader in understanding and considering uncertainty and alternative outcomes. The audit community is considering the need to revise the audit guidance, including guidance developed for the statement of social insurance, to address comprehensive projections.

A3. The American Institute of CPAs (AICPA) Auditing Standards Board (ASB) organized the Prospective Information Task Force to consider the auditor's responsibility for prospective financial information. The task force charge is to consider audit guidance for both the prospective information proposed by the Governmental Accounting Standards Board in its November 2011 preliminary views document, *Economic Condition Reporting: Financial Projections*, and the statement of long-term fiscal projections. The task force is presently considering guidance for auditors and appropriate audit report language.

A4. The Board's experience with the statement of social insurance, where the AICPA acted to address audit concerns, suggests that the ASB task force deliberations will make it difficult to begin preparations to present and audit sustainability information as basic financial statement and related disclosures for FY 2013. The Board believes a one-year deferral of the transition to basic information is therefore warranted.

APPENDIX B: ABBREVIATIONS

AICPA	American Institute of Certified Public Accountants
ASB	Auditing Standards Board
CFR	Consolidated financial report of the U.S. government
ED	Exposure draft
FASAB	Federal Accounting Standards Advisory Board
FY	Fiscal year
GAAP	Generally Accepted Accounting Principles
GAGAS	Generally Accepted Government Auditing Standards
GAO	Government Accountability Office
OMB	Office of Management and Budget
RSI	Required supplementary information
SFFAC	Statement of Federal Financial Accounting Concepts
SFFAS	Statement of Federal Financial Accounting Standards
U.S.	United States

APPENDIX C: GLOSSARY

Basic Financial Statements	As used in SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting,* the basic financial statements are those on which an auditor would normally be engaged to express an opinion. The term “basic” does not necessarily mean that other financial information not covered by the auditor’s opinion is less important to users than that contained in the basic statements; it merely connotes the expected nature of the auditor’s review of, and association with, the information. The basic financial statements in financial reports prepared pursuant to the Chief Financial Officers Act, as amended, are called the “principal financial statements.” The Form and Content of these statements are determined by OMB. (see also Principal Financial Statements)
Basic Information	Information that is essential for financial statements and notes to be presented in conformity with generally accepted accounting principles (GAAP).
Required Supplementary Information	Information that a body that establishes GAAP requires to accompany basic information. When an auditor is engaged to audit an entity's financial statements, basic information is subject to testing for fair presentation in conformity with GAAP. However, RSI for federal entities is unaudited but subject to certain procedures specified by Generally Accepted Government Auditing Standards for RSI.