

FASAB Update 2016



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DISCLAIMER



- Views expressed are those of the speaker.

Overview



- Reporting Model
- Leases
- Insurance Programs
- Opening Balances for General PP&E
- Land
- Budget and Accrual Reconciliation
- Tax Expenditures

Reporting Model



External users need to

- Understand the relationship among
 - ✦ budgetary information
 - ✦ cost information
 - ✦ performance information

- Determine whether the government's financial condition improved or deteriorated
 - ✦ what measure(s) should be considered

Reporting Model



External users need to

- Understand component reporting
 - ✦ budgetary terms and concepts unique to federal government
 - ✦ how the financial statements relate to the government-wide financial statements

- Understand the relationship between
 - ✦ information required by GAAP (*required information*) and
 - ✦ other information
 - presented voluntarily
 - presented to comply with legislation or administrative directives

Reporting Model



Board developing conceptual guidance

- Concepts intended to
 - guide the Board in developing reporting model standards
 - help others understand the purposes for required information

- Discuss the relationship between required and other information
 - required information
 - based on common understanding of terms
 - complete
 - other information
 - might not meet the qualitative characteristics of required information
 - might not be exposed to the same level of discipline as required information

Reporting Model



Board developing conceptual guidance

- Distinguish required information for
 - the government-wide reporting entity
 - ✦ power to tax
 - ✦ charge fees
 - ✦ borrow
 - component reporting entities
 - ✦ authority through appropriations
 - ✦ diverse missions and activities

Reporting Model



Board developing conceptual guidance

- Reporting concepts regarding
 - component budgetary information
 - the relationship among different financial statements
 - disaggregation of cost and budgetary information
 - performance information
 - summary reporting

Reporting Model



Potential impact on standards

- Guidance regarding
 - presentation of component budgetary information
 - disaggregating and classifying cost and budget information
 - the presentation of trends
 - financial information to include in summary reports
 - performance reporting

Leases



- FASAB collaborating with GASB to develop standards for governmental organizations.
- GASB's preliminary views document should improve clarity of ultimate exposure draft.
- Each board will issue an exposure draft.

Leases



- Tentative decision to establish a single model (with exceptions for short-term arrangements – 24 months for federal).
 - Leases create assets consisting of the “right to use” a resource.
 - Leases create liabilities consisting of the obligation to pay for the resource.
- Treatment should help identify the interest cost associated with leases.

Questions



- **Budget Scoring vs Balance Sheet Liability**
 - Do we need to minimize cases where the budget scores an obligation but there is no balance sheet liability?
 - Should the option exist to recognize a liability for short-term leases?

Leases-Intragovernmental Exceptions



- Leases between two consolidation entities (as defined in SFFAS 47) would be expensed by lessor when due and payable.
- Minimal disclosure requirements.

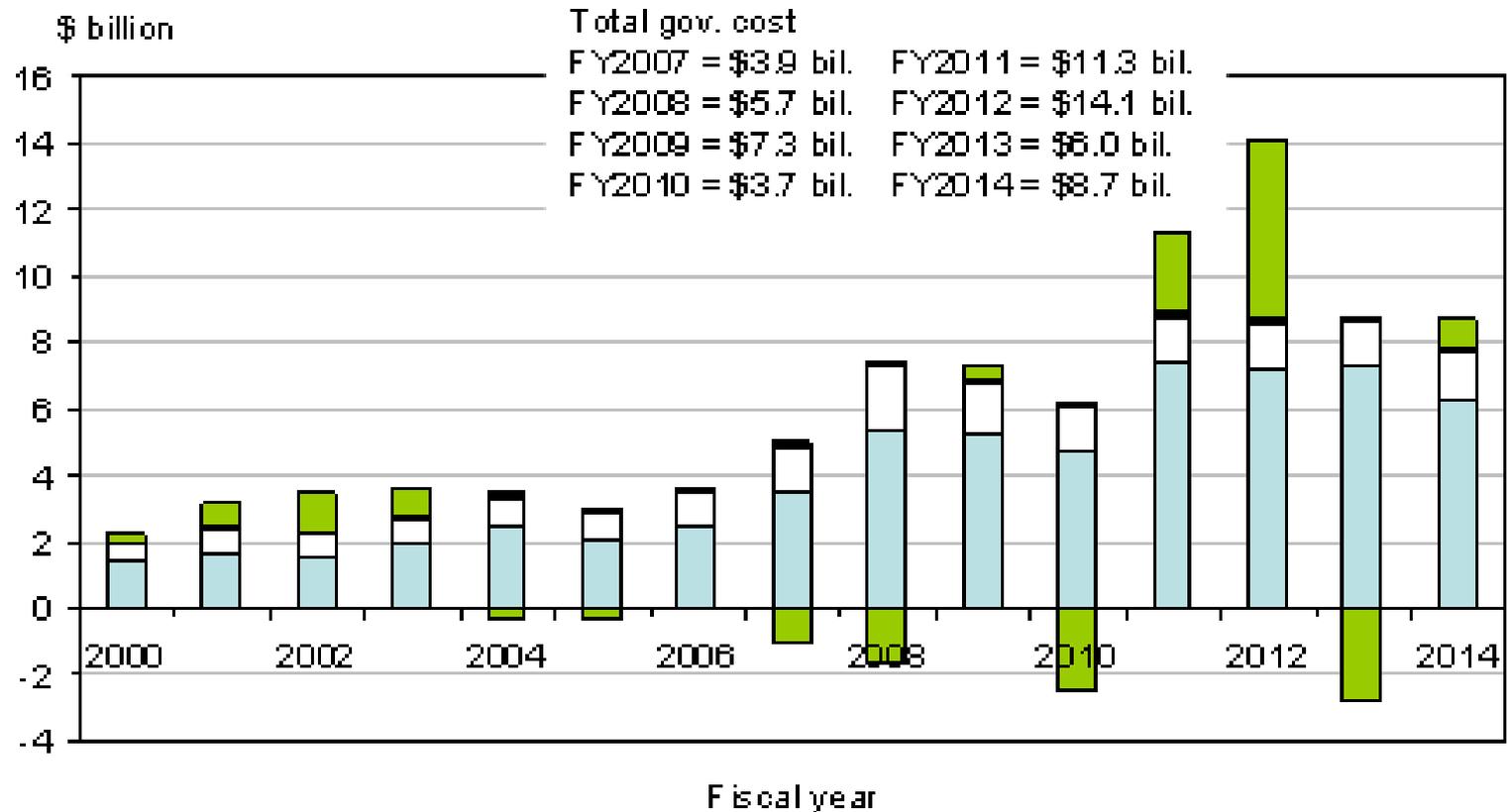
Leases



Tentative Timelines

- ED by summer 2016
- Final early 2017

Risk Assumed – Government Cost of Federal Crop Insurance (Source: CRS R40532)



Risk Assumed – Insurance Phase



- Define insurance programs
- Improve terminology
- Address measurement uncertainty regarding estimated losses on open contracts
 - Determine best measurement model
 - Improve disclosures
- Disclose risk assumed for insurance programs with:
 - Narrative including risk factors
 - Coverage in force (maximum loss)

Department of Defense – Implementation Issues



- **Establishing Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials**
 - Should estimates of historical cost be permitted?
 - Of course, but does that solve the problem?
- **Deemed Cost Proposal – Finalized**
 - Several valuation bases permitted
 - Flexible dates to allow components to establish opening balances at different dates
 - Respondents sought clarification but generally supported proposal.
- **Expect Issuance by March 2016.**

Department of Defense – PP&E Implementation Issues



- Establishing opening balances for general property, plant, and equipment
 - DoD sought guidance on detail needed for capital improvements to real property.
 - Other issues were identified.

Department of Defense – PP&E Implementation Answers



- **Tentative decisions:**
 - Allow deemed cost (estimated historical cost, fair value, replacement cost) for all general PP&E.
 - Provide prospective treatment for internal use software with options.
 - Expense land.
 - ✦ Acres of land would be disclosed.
- **Look for final standards by 9/30/16.**

Land



- Project goal: Improve accounting/reporting for land
 - SFFAS 6 requires capitalization of **land & land rights** acquired in connection with GPP&E at the cost incurred.
 - SFFAS 29 defines “**stewardship land**” as land **other than GPP&E** land. It requires disclosures regarding policies for managing land, categories of land, and physical quantity information.

Land



- Project objectives: Recommend recognition, measurement, and disclosure requirements as appropriate:
 - What is the most appropriate reporting objective?
 - Does predominant use or managerial intent influence the accounting and/or reporting?
 - Which measurement attribute(s) should be considered for recognition purposes?
 - Which non-financial attributes if any, should be presented?
 - What are agency best practices and practical limitations?
- **Join our Task Force** - *“This land is your land, this land is my land, from California to FASAB Standards”.....**This land was meant for YOU and me!!***

Budget and Accrual Reconciliation



- **Project Goal:**
 - Improve the component reporting entity's budgetary and net cost reconciliation
 - Support the Government-Wide Accounting (GWA) reconciliation
- **Project Objectives:**
 - Review usefulness of the current Statement of Financing note disclosure
 - Improve the component reporting entity budget and accrual reconciliation
 - Research and recommend alternative component level reconciliation that may support GWA reconciliation
- **Working Group & Proposed Timeline**

What Are Tax Expenditures?

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Revenue losses attributable to provisions of the U. S. Federal tax laws which allow:

- special exclusion, exemption, or deduction from gross income
- provide a special credit, a preferential rate of tax, or a deferral of tax liability

Source: Congressional Budget and Impoundment Act of 1974

Examples

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Not taxed:

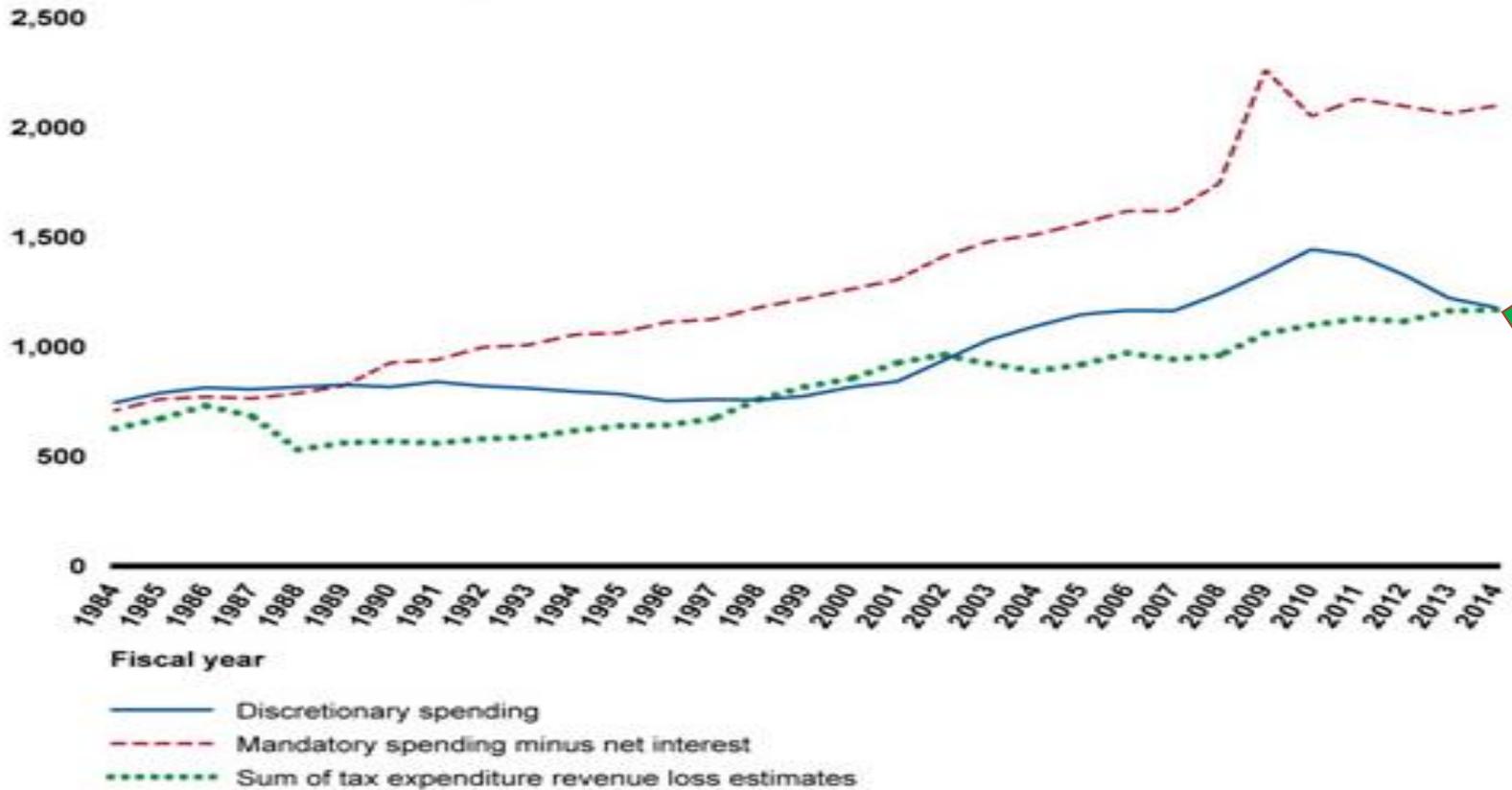
- Employer-provided health insurance
- Gains from the sale of a home
- Earnings set aside for retirement
- Interest on state and local bonds

Use Increasing

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Figure 2: Tax Expenditures Approach the Size of Discretionary Spending

Dollars in billions (in 2014 dollars)



Source: GAO analysis of Treasury estimates and OMB historical data.

Does it Help Meet Reporting Objectives?

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- Operating Performance – cost of government actions and how costs are financed should be known.

Tax expenditures are a growing part of the story of service efforts and accomplishments.

- Stewardship – how the government makes investments that impact the nation's financial condition is important information.

Tax expenditures are an investment tool that may be overlooked by citizens.

QUESTIONS

