

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.

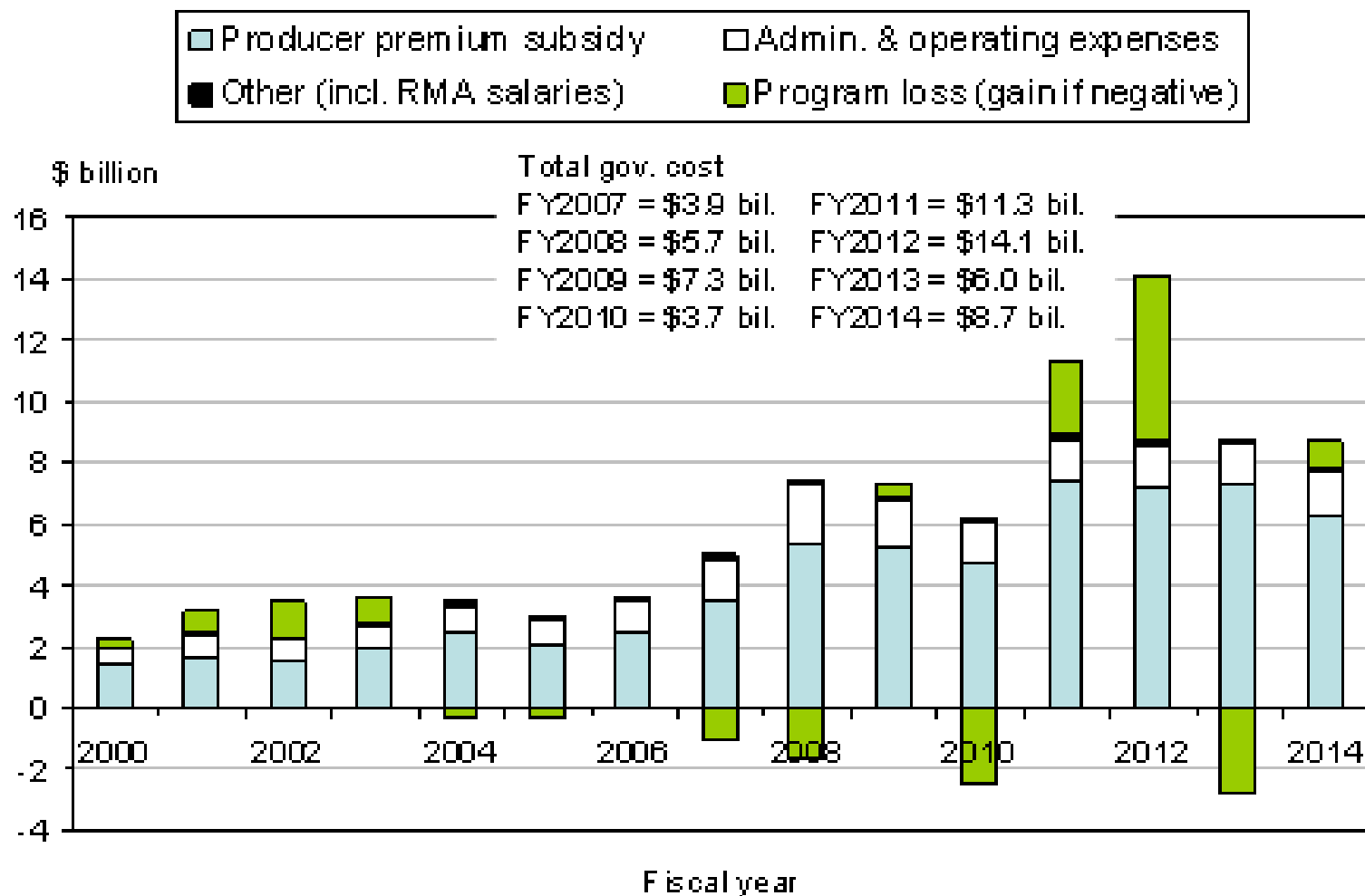
Leases



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)

2,500

2,000

1,500

1,000

500

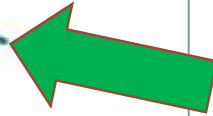
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1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014

Fiscal year

- Discretionary spending
- - - Mandatory spending minus net interest
- Sum of tax expenditure revenue loss estimates

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

