



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

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**MAY 2007/JUNE 2007**

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### 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).

## Current Board Projects

### Natural Resources

An exposure draft entitled *Accounting for Federal Oil and Gas Resources* ED was issued for public comment on May 21, 2007. Comments on the proposals presented in the ED are requested by September 21, 2007. The ED in PDF format and a separate Word file presenting the specific questions raised in the ED may be retrieved by accessing the **Exposure Drafts and Documents for Comment** link at [www.fasab.gov](http://www.fasab.gov).

**Point of Contact:** Rick Wascak, 202 512-7363, [wascakr@fasab.gov](mailto:wascakr@fasab.gov)

### Concepts Project

#### Elements Phase

At the May Board meeting, the Board considered a revised draft final Concepts Statement on Elements, showing changes made since the March draft, and a cover memo explaining the changes. The modifications to the Elements ED proposed in the March and May draft final statements were not intended to change the substance of the proposed Statement as presented in the ED. The draft final contains reworded material and clarifications designed to resolve concerns raised by some Board members, including concerns about potential misunderstandings by constituents. At the meeting the Board

continued to deliberate on the proposed changes. Staff will continue to address Board concerns to reach agreement. Staff anticipates a pre-ballot draft after the July Board meeting.

**Points of Contact:** Melissa Loughan, 202 512-5976, [loughanm@fasab.gov](mailto:loughanm@fasab.gov)

#### Entity Phase

The Entity Project was not an agenda item at the May 2007 meeting. However, staff continues to research topics and draft proposals for consideration by the Board. Staff will present an update at the July 2007 Board meeting.

**Points of Contact:** Melissa Loughan, 202 512-5976, [loughanm@fasab.gov](mailto:loughanm@fasab.gov)

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

The Financial Report Project was not an agenda item at the May 2007 meeting. Staff continues to research topics initially presented during the November 2006 board meeting and will draft proposals for consideration by the Board. Staff will present an update at the July 2007 Board meeting.

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

## Fiscal Sustainability Reporting

Although time constraints did not permit discussion of Fiscal Sustainability Reporting at the May 2007 Board meeting, staff provided a brief written summary of the April 2007 meeting of the “technical expert” members of the Fiscal Sustainability Task Force. The “financial statement users/communications experts” members, as well as several of the “technical experts” members, will meet in June 2007 to discuss how to communicate information to the public in an understandable and meaningful way. At the July 2007 Board meeting, staff will present a brief summary of the June 2007 Task Force meeting, as well as a survey of several other countries’ reporting on long-term fiscal sustainability.

**Point of Contact:** Eileen Parlow, 202-512-7356, [parlowe@fasab.gov](mailto:parlowe@fasab.gov)

## Social Insurance

A hearing was held on May 23, 2007, to receive testimony on the Preliminary Views document *Accounting for Social Insurance, Revised*, which had been out for comment from October 23, 2006, to April 18, 2007. Sixteen people testified. Comments received after April 18 have been and will continue to be accepted. The Board’s initial consideration of the comment letters and testimony received to date will take place at its next meeting on July 25-26.

**Point of Contact:** Richard Fontenrose, 202-512-7358, [fontenroser@fasab.gov](mailto:fontenroser@fasab.gov)

## Reporting the Gains and Losses from Changes in Assumptions and Other Requirements for Accounting for Post-Employment Benefits

Based on the March discussion and the subsequent communication with Board members, staff presented a number of questions and tentative conclusions about the proposed exposure draft (ED). The Board generally agreed with the staff's conclusions.

The Board discussed whether the proposed standard would preclude display of more than one line item on the statement of net cost (SNC). The Board decided that the proposal should provide for more than one line item if needed for a fair presentation.

The Board discussed two issues regarding the discount rate provisions. A member mentioned that preparers might interpret the word "historical" differently. The Board decided to add a question for respondents asking the respondents how they would interpret "historical" in the phrase "historical average discount rates." Also, the Board decided to add paragraphs to the basis for conclusions explaining the Congressional Budget Office position regarding market rates.

The Board considered and approved the staff proposal to replace "best estimate" with "reasonable estimate." In addition, a member was concerned that the phrase "most likely" in the paragraph discussing "reasonable estimate" was inconsistent with the concept of "reasonable estimate." The Board decided to eliminate that phrase. The Board also decided to require that the preparer merely explain why it did not use assumptions in use generally in the federal government.

The staff will make the changes describe above and any other editorial changes the members submit, circulate a pre-ballot draft for member comments, and present a ballot draft in July.

**Point of Contact:** Richard Fontenrose, 202-512-7358, [fontenroser@fasab.gov](mailto:fontenroser@fasab.gov)

## Application of the Liability Definition

Further work on this project has been postponed pending progress on the conceptual framework. Future updates, if any, will be posted on the active projects page at <http://www.fasab.gov/activeprojects.html>.

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

## Appropriate Source of GAAP

At the May 24, 2007, meeting, staff provided an analysis of various characteristics on the following ten selected entities that have historically followed generally accepted accounting principles (GAAP) set by the Financial Accounting Standards Board (FASB): Community Development Financial Institution, Corporation for National and Community Service, Federal Deposit Insurance Corporation, Federal Prison Industries (Unicor), Government National Mortgage Association (Ginnie Mae), Millennium Challenge Corporation, Office of Thrift Supervision, Pension Benefit Guaranty Corporation, Tennessee Valley Authority, and U.S. Mint (the Mint switched to FASAB GAAP beginning with its fiscal year 2005 financial statements).

The characteristics that staff reviewed were grouped into the following eight categories: (A) General Profile of the Entities; (B) Size of the Entity; (C) Likely Users of the Financial Statements; (D) Title of General Purpose Federal Financial Report; (E) Financial Statements Presented; (F) Main Line Items; (G) Compliance with FASAB Standards and USSGL Requirements; and, (H) Primary Differences between FASAB Standards and FASB Standards. From the population of characteristics contained in the eight areas listed above, staff selected 16 characteristics that it deemed most relevant to the determination of the appropriate source of GAAP. Using those 16 characteristics, staff provided a draft framework for determining which source of GAAP would be more appropriate for a given entity utilizing a non-weighted scoring mechanism.

At the May meeting, staff also provided feedback from the user community in the form of a brief survey that was circulated to the preparers and auditors of the ten selected entities to provide information on the expected benefits and perceived costs and burdens associated with various approaches to resolving any concerns regarding the source of GAAP. Staff summarized the sense of the comments received from the respondents, which were generally not in favor of converting from FASB GAAP to FASAB GAAP.

After discussion of options, FASAB staff was directed to coordinate with GAO, OMB, and Treasury on potential solutions to the issue and, if possible, come back to the Board with a draft framework that could be used to determine the appropriate source of GAAP for federal entities.

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

# FASAB Current Technical Agenda & Status of Projects

Project	Previous Key Milestones	Quarter 2 2007	Quarter 3 2007	Quarter 4 2007	Quarter 1 2008	Staff Contact
Natural Resources		Oil & Gas ED	Field Test	Oil & Gas DP	Oil & Gas DP	Rick Wascak, 202-512-7363
Fiduciary Activity	SFFAS 31 Issued – October 2006	Implementation Guidance Developed	Implementation Guidance Finalized			Eileen Parlow, 202-512-7356
Concepts Project:						
Elements	ED – 6/2006 PH-9/2006	DP	UR	Final		Penny Wardlow, 202-512-7350
Financial Reporting		Research	Research	Research	ED	Eileen Parlow, 202-512-7356 Ross Simms, 202-512-2512
The Federal Entity		Research	Research	Research	Research	Melissa Loughan, 202-512-5976
Social Insurance Liabilities	PV -- October 2006	DP with PH	DP	DP	ED	Richard Fontenrose, 202-512-7358
Reporting Gains & Losses from Changes in Assumptions		Research	ED	DP	UR	Richard Fontenrose, 202-512-7358
Application of the Liability Definition						Julia Ranagan, 202-512-7377

### 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

Over the last several months the AAPC has had three task forces in place, all chaired by various AAPC members. The Inter-Entity Cost (IEC) task force is chaired by Michael McFadden and Dorrice Roth, designee for D. James Sturgill. The IEC task force is developing implementation guidance for SFFAS 30 *Inter-Entity Cost Implementation Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts*. At the May 31, 2007 meeting, the IEC task force chair presented a draft exposure draft technical release to the Committee for review and discussion. The Committee suggested a few minor edits to the draft and voted to release the ED for a 60-day public comment period. The ED is available on the FASAB website at <http://fasab.gov/exposure.html>.

The Heritage Assets/Stewardship Land (HA/SL) task force is chaired by Cindy George and Frank Synowiec, Jr. The HA/SL task force has been tasked with assisting the AAPC in developing implementation guidance for SFFAS 29 *Heritage Assets and Stewardship Land*. Also at the May 31, 2007 meeting the task force chairs presented a draft exposure draft technical release to the Committee for review and discussion. The Committee suggested a few minor edits to the draft and voted to release the ED for a 60-day public comment period. The ED is available on the FASAB website at <http://fasab.gov/exposure.html>.

The NASA Space Exploration Equipment task force was chaired by Pat Healy and has completed its work with an exposure draft (ED) technical release (TR) that was approved by the AAPC. The issue deals with the treatment of NASA's exploration vehicles and whether to treat those vehicles as capitalizable assets or as research & development costs. The AAPC released the exposure draft entitled *Clarification of Standards Relating to the National Aeronautics and Space Administration's Space Exploration Equipment* on February 1, 2007. The comment period for the ED ended on March 2, 2007. Only one comment letter was received and it expressed agreement with the proposed guidance.

At its March 28, 2007 meeting the AAPC approved the release of the technical release to the FASAB for its 45-day review period. At the end of Board's 45-day review period on May 25, 2007 no members objected to the release of the technical release. Technical Release 7 *Clarification of Standards Relating to the National Aeronautics and Space Administration's Space Exploration Equipment* was issued as final technical release guidance and is available on the FASAB website at <http://fasab.gov/aapc/technicl.html>.

The AAPC's Agenda Committee brought an issue to the Committee concerning methodologies for calculating grant accruals. The Committee discussed these issues with knowledgeable staff at the meeting. The Committee did not vote to formally accept the issue as an agenda item, but the members suggested several approaches to pursue as possible resolutions to the issue.

Updates on all AAPC projects can be found on the AAPC website. The minutes for all meetings can be found on the FASAB/AAPC website at <http://fasab.gov/aapc/meeting.html>.

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

## FASAB Meeting Schedule

### Schedule for 2007 Meetings:

Wednesday, July 25<sup>th</sup> and Thursday, July 26<sup>th</sup>  
Wednesday, September 19<sup>th</sup> and Thursday, September 20<sup>th</sup>  
Monday, December 4<sup>th</sup> and Tuesday, December 5<sup>th</sup>

Unless otherwise noted, meetings begin at 9 AM and conclude at 4 PM. Meetings are held at 441 G Street NW in room 7C13. Agendas are available at <http://www.fasab.gov/meeting.html> approximately one week before the meetings.

## AAPC Meeting Schedule

### Schedule for 2007 Meetings:

Thursday, July 12<sup>th</sup>, 2007  
Thursday, September 27<sup>th</sup>, 2007  
Thursday, November 29<sup>th</sup>, 2007

Unless otherwise noted, 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://fasab.gov/aapc/meeting.html> approximately one week before the meetings.

## Security Notice

If you wish to attend a FASAB or an AAPC meeting, please provide your name, organization, and phone number to staff at 202-512-7350 or [fasab@fasab.gov](mailto:fasab@fasab.gov) **at least two days before the meeting**. The Government Accountability Office, which provides space for our meetings, has increased its security procedures and your name must be provided to the security force before you can enter the building. Thank you.