

# FASAB Update 2016



AGA DC CHAPTER

MARCH 30, 2016

# 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



## Challenges observed

### Presently...

- Financial statements
  - highly aggregated
  - Static
  - Present cost by strategic goals
- Multiple sources of information available through websites
  - GAAP
  - Non-GAAP
- Multiple measurement bases
  - Accrual, budget, projections
- Spending is mostly mandatory not discretionary

### However...

- Users also looking to
  - Review functions or programs
  - Make comparisons
  - Drill-down
  - Access data
  - Create their own reports
  - Identify trends, patterns
  - Analyze performance
  - Compare budgeted to actual

# Reporting Model



## How should financial reporting...

- Relate GAAP and non-GAAP sources
- Help users understand
  - Differences between government-wide and component financing
  - The relationship among the different measurement bases
  - Mandatory vs. discretionary spending
- Facilitate multi-dimensional analyses

# Reporting Model



Given the variety of issues  
the model can take different paths



# 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



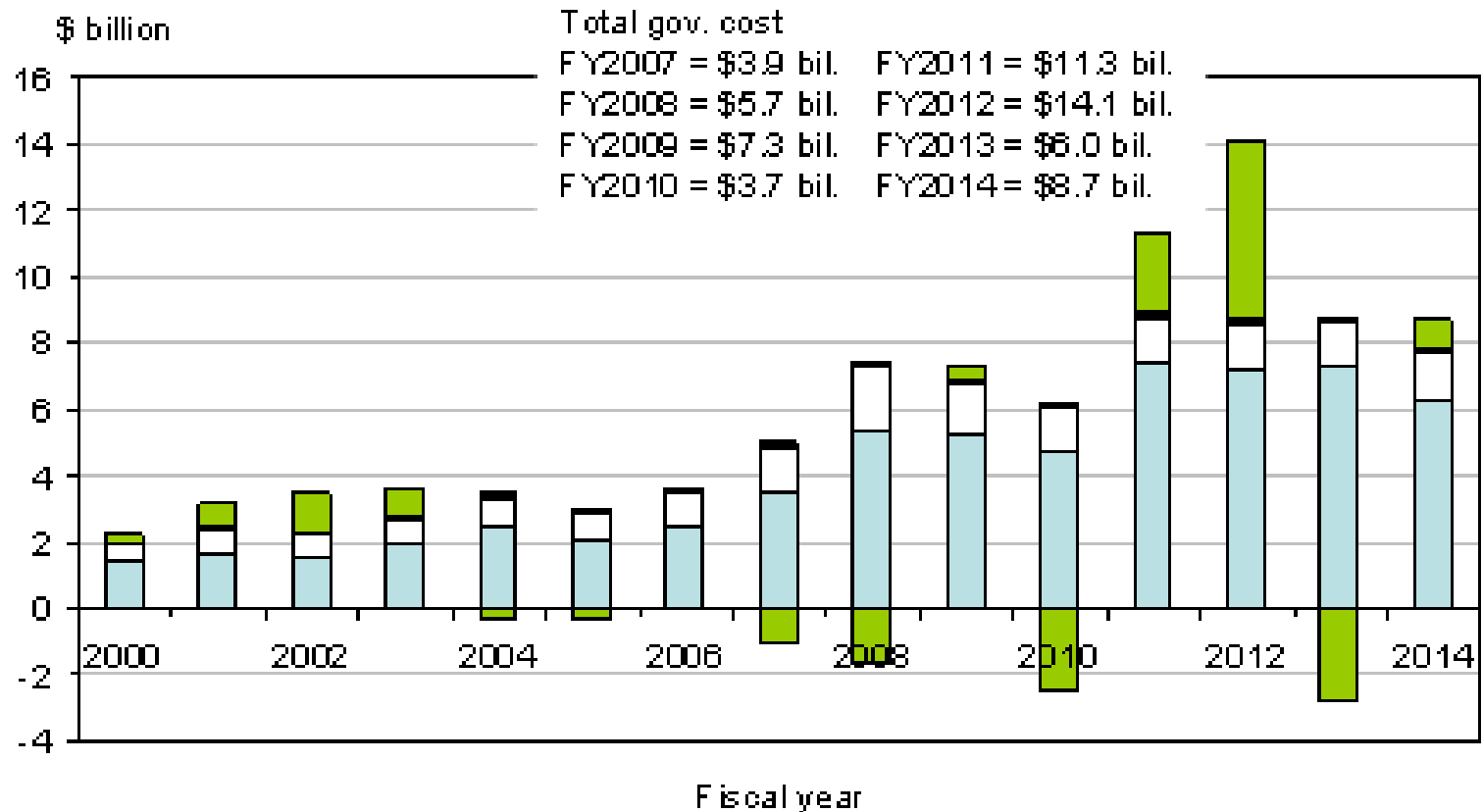
## Tentative Timelines

- ED by summer 2016
- Final early 2017

# Insurance Programs



# 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:

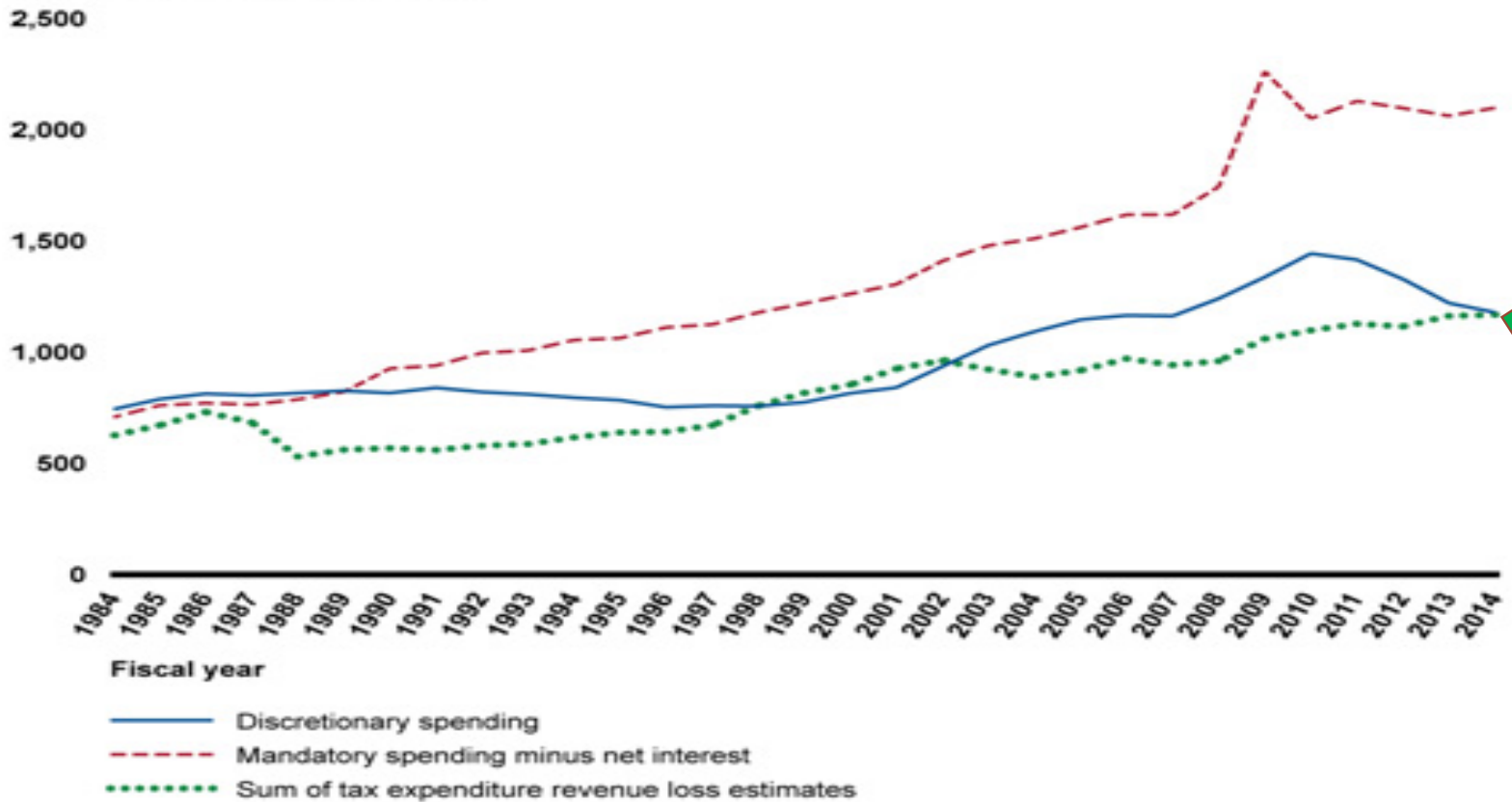
- Employer-provided health insurance
- Gains from the sale of a home
- Earnings set aside for retirement
- Interest on state and local bonds

# 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

