



FASAB News Federal Accounting Standards Advisory Board

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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.

Please direct AAPC technical questions to Monica Valentine, 202-512-7362, valentinem@fasab.gov.

Please direct FASAB and AAPC administrative questions to Charles Jackson, 202-512-7352, jacksoncw1@fasab.gov.

Current Board Projects

(For more information on any of the current projects, click on the title of the project to be directed to the related active project page.)

[DoD Implementation Guidance Request Project](#)

At the February 2015 meeting, staff discussed progress on the Department of Defense (DoD) Implementation Guidance Request project. Staff also obtained Board member views regarding acceptable valuation methodologies for Inventory and Operating Materials & Supplies at transition to systems capable of accounting in accordance with SFFAS 3. It was agreed staff would consider the Board member comments and develop a draft proposal for the Board's consideration at the April 2015 Board meeting. The Board agreed that the notion of deemed cost as used in the International Public Sector Accounting Standards No. 33, *First Time Adoption of Accrual Basis International Public Sector Accounting Standards*, should be explored but written broadly so that it could be adapted to DoD. Staff will also consider broadening the scope of the proposed standard so that it may address other areas such as a first-time adopter and/or other assets reported at historical cost.

Point of Contact: Melissa Loughan, 202-512-5976, loughanm@fasab.gov

[The Financial Report: MD&A, Statements, Notes, RSI and OAI](#)

The FASAB developed a tentative listing of concepts to help guide development of an ideal reporting model. During its February 2015 meeting, the Board continued its discussions on a concepts statement for an ideal reporting model. The initial issue concerned whether: (1) the framework in the concepts statement should be general and assist in the classification and aggregation of flows reported in government-wide or component entity financial statements; or (2) specific rules for classification or aggregation should be discussed in the statement. The Board agreed that concepts should be general; however, members expressed concern that some level of specificity was needed to guide the Board without constraining future standards setting.

Members expressed concern about whether the concepts should include illustrations of financial statements and whether concepts should reflect an ‘aspirational’ reporting model or describe current practice. Consequently, the Board decided to: 1) develop an inventory of concepts and topics that might be included in the concepts statement; and 2) discuss the inventory items during the April 2015 meeting.

In addition, the Board deliberated budgetary reporting and what actions should be taken given the issues noted during its December 2014 discussion with budget experts. During that meeting, budget experts discussed unique aspects of the federal budget, such as only one-third of federal spending is subject to annual appropriations and they noted that users have difficulty understanding the current Statement of Budgetary Resources. The Board agreed with the staff proposal to defer decisions about concepts and standards related specifically to budgetary reporting until concepts for the other components of the financial reporting model are developed.

Point of Contact: Ross Simms, 202-512-2512, simmsr@fasab.gov

[Leases](#)

At the February meeting staff presented to the Board a discussion paper that provided an analysis of the final six chapters of the Governmental Accounting Standards Board (GASB) Preliminary Views (PV) on Leases. The GASB PV on Leases is being used as a foundation for the development of the FASAB lease standards on non-intragovernmental lease agreements – the GASB PV was released for comment in November 2015. The topics discussed included lessee accounting, lessor accounting, short-term exception, lease terminations and modifications, subleases and leaseback transactions, and leases with related parties, and intra-entity leases.

At the December 2015 meeting the topics related to non-intragovernmental leases from the GASB PV included objective, project background, applicability, scope and lease term. Also, at the December meeting the Board discussed proposed guidance for intragovernmental leases. The proposed guidance included definitions of relevant terms, as well as specific provisions that address features of leases and is based on the current FASB operating lease guidance.

Staff will continue to work with the task force to further develop the lease standards.

Point of Contact: Monica Valentine, 202-512-7362, valentinem@fasab.gov

Risk Assumed

Correction: At the December 2014 Board Meeting, representatives from several insurance programs presented an education session. We apologize for not including Michael Drewel, Accounting Officer from the Department of Agriculture (USDA), Risk Management Agency (RMA), Federal Crop Insurance Corp (FCIC).

During the February 2015 Board meeting staff reviewed the proposed standards. The Board made editorial changes to the scope and criteria sections. The Board discussed and approved staff conducting more research to identify and present classifications that will capture all current and future insurance programs. The Board discussed and approved the name “Liability for Losses for Remaining Coverage” as an alternative to “Liability for Premium Deficiency” and adding a definition because this is not a generally known or accepted term.

The Board discussed draft disclosures in paragraph 23. Paragraph 23 provided “*For each **major insurance program** and collectively for all other insurance programs the following information should be disclosed.*” The Board agreed that:

- “Major” is hard to define in relation to materiality,
- There is no existing workable definition of “program” so “major category of insurance” might work better.

The Board discussed the proposed disclosures of financial information, modeled after the dedicated collection note, and did not reach a decision about what detail to include and at what level to report it, for example at the agency and/or combined financial report (CFR). Staff will provide alternatives for discussion at the April meeting.

The Board discussed the guidance for measuring liabilities for losses on remaining coverage and approved use of the expected value of estimated outflows net of unearned premiums.

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Public-Private Partnerships (P3)

The Board began its re-deliberations by reviewing the comment letter responses received pursuant to the Exposure Draft, *Public-Private Partnerships: Disclosure Requirements*, and the staff-proposed changes to the standards section in response to the comments received. Staff noted that it had followed up with some of the respondents to better understand their concerns and to review potential solutions to these concerns, some of which have been incorporated as changes. After reviewing

the content of the comment letters and staff's related analysis, the Board generally agreed that a public hearing was not needed.

However, the Board suggested that staff conduct additional outreach as appropriate, to obtain feedback on (1) other suggested revisions, (2) whether concerns had been satisfactorily addressed in staff's proposed changes, and (3) specific language changes some respondents might suggest.

The Board then discussed the staff proposed changes to the standards section of the document. Specifically, staff's attempt to address some respondent views that the definition was too broad by adding 2 additional carve-outs: (1) exclusion for basic property, plant, and equipment acquisitions and (2) formal as well as informal arrangements that might be interpreted as being a P3 but do not share risks/rewards.

Suggestions were made to better convey the approach of applying a series of filters from the universe of all P3s to those that are ultimately reportable; those requiring disclosure. Members generally noted that the filters include: the exclusions, the conclusive and suggestive risk-based characteristics, and consideration of quantitative and qualitative materiality.

However, some questioned whether the language of the materiality filter sufficiently conveys the concept of qualitative materiality whereas some questioned whether a discussion of materiality is even needed.

Primarily regarding the reporting of risk, the respondents clearly favored the alternative view with respect to the discussion of when disclosure of remote risks is required. Mr. Dacey, who authored the alternative view, questioned whether the inclusion of a discussion of remote risks within the discussion of the materiality filters was needed. He suggested that the terminology from SFFAS 5, *Accounting for Liabilities of the Federal Government*, on contingencies (specifically "probability of loss") should be used rather than "remote risks", and was also concerned with the use of "significant" in discussing a higher threshold for the disclosure of remote risks.

The next step is for staff to incorporate the Board's suggestions and prepare another draft for consideration at the next meeting.

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Accounting and Auditing Policy Committee

The FASAB Internal Use Software (IUS) working group updated the AAPC (the Committee) on the results of their meetings with the Board and the OMB. The working group also discussed their survey results with the federal community. Based on the results, the working group believes that implementation guidance would be most cost beneficial to address the current IUS issues. The group held a re-entrance meeting later in February 2015 to re-engage agencies in drafting Implementation guidance. The guidance will consist of two major topic areas: standard clarification and practical examples of implementation. The Committee agreed on the approach.

FASAB staff briefed the Committee on the commendable job Department of Commerce did in early implementation of the SFFAS 42: *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and 32* which becomes effective in fiscal year 2015. Staff noted that it is important for agencies to follow the same format from period to period when they implement the SFFAS 42.

The Chair also noted that the auditors who participated in the recent Audit Round Table meeting have concerns on the implementation of the Reporting Entity standards. The Chair asked for feedback from the Committee on the issues when they begin to plan for implementation.

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FASAB Meeting Schedule

Schedule for 2015 Meetings:

April 29th and 30th
June 24th and 25th
August 26th and 27th
October 21st and 22nd
December 16th and 17th

Unless otherwise noted, FASAB meetings begin at 9 AM and conclude before 5 PM. Meetings are held at 441 G Street NW in room 7C13. Agendas and briefing materials are available at <http://www.fasab.gov/board-activities/meeting/briefing-materials/> approximately one week before the meetings.

AAPC Meeting Schedule

Schedule for 2015 Meetings:

May 14th (5N30)
July 16th (4N30)
November 19th

Unless otherwise noted, AAPC 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://www.fasab.gov/about/aapc/meetings/> approximately one week before the meetings.

Security Notice

If you wish to attend a FASAB or an AAPC meeting, please [pre-register](http://www.fasab.gov/board-activities/meeting/information-for-observers/pre-registration/) on our Web site at <http://www.fasab.gov/board-activities/meeting/information-for-observers/pre-registration/> **no later than 8 a.m. the Tuesday before the meeting to be observed.** The Government Accountability Office (GAO), which provides space for our meetings, has increased its security procedures and your name must be provided in advance to the GAO security force before you can enter the building. **When you arrive, please advise the security officer that you are attending either a FASAB or AAPC meeting. Doing so will assist the officer in locating the correct security list.** Thank you.