



FASAB Update

Federal Audit Executive Council The Future of Accountability Conference

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Assistant Director

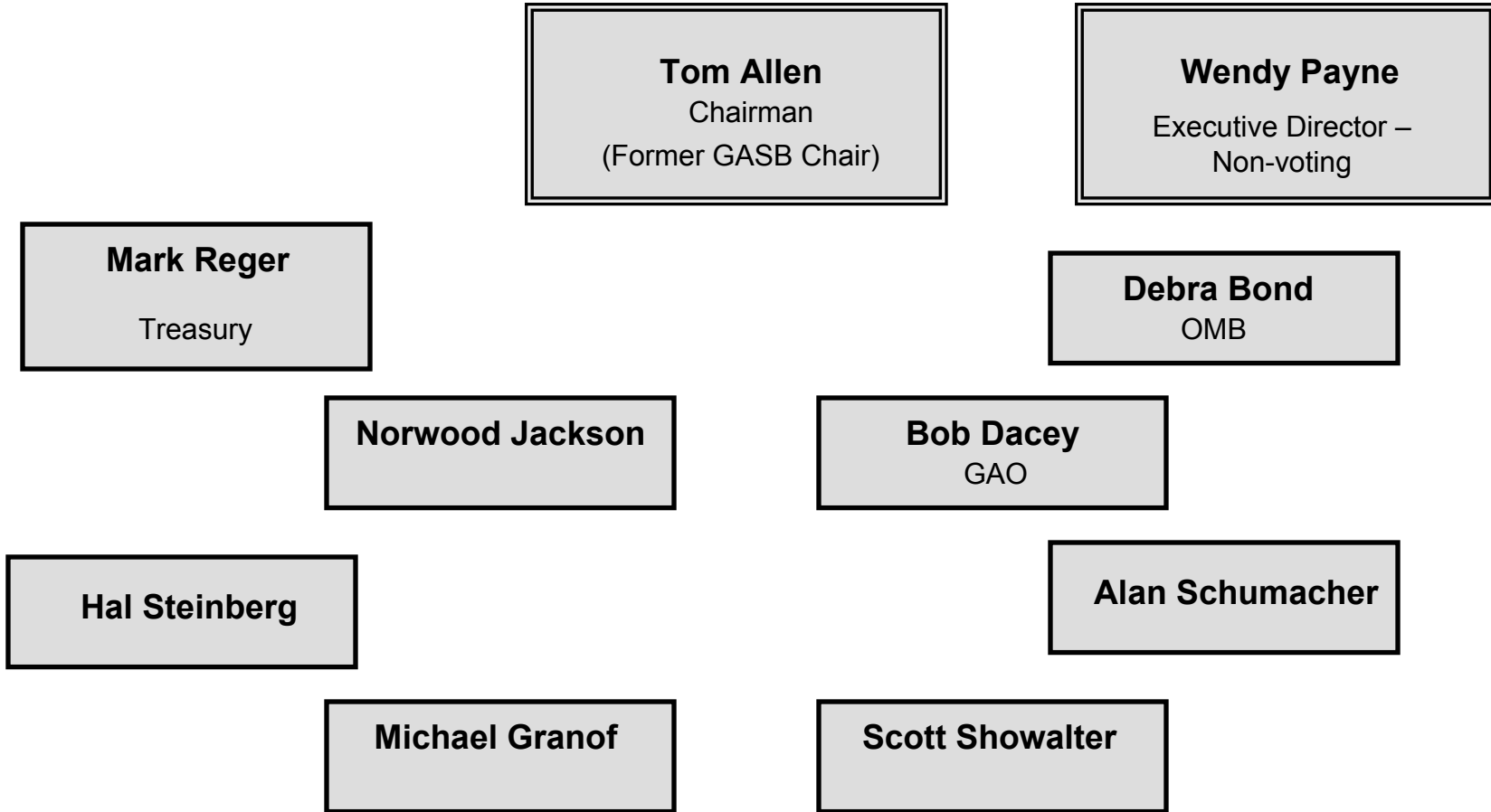
September 9, 2011

Disclaimer



- Views expressed are those of the speaker. The Board expresses its views in official publications.

Who is FASAB? There are 9 board members supported by an Executive Director and 6 staff.



Current as of July 2011

Bios available at www.fasab.gov



Financial Statements

- “Traditional” with some twists
 - Statement of Net Cost
 - Statement of Operations and Changes in Net Position
 - Balance Sheet
- Budgetary
 - Reconciliations of Net Operating Cost and Deficit
 - Statement of Changes in Cash Balances from Deficit and Other Activities
- Prospective
 - Statement of Long-Term Fiscal Projections
 - Statement of Social Insurance
 - Statement of Changes in Social Insurance

Overview

Recently Completed Projects

- SFFAS 36 - Comprehensive Long-term Fiscal Projections (Sep 2009)
- SFFAS 37, Social Insurance – Additional Requirements (April 2010)
- SFFAS 38, Accounting for Federal Oil and Gas Resources (April 2010)
- SFFAS 39, Subsequent Events: Codification of Accounting and Financial Reporting Standards Contained in the AICPA Statement on Auditing Standards (Aug 2010)
- SFFAS 40, Deferred Maintenance and Repairs: Definitional Changes (May 11)



Overview

Recently Completed Projects

- SFFAS 41, Deferral of the Effective Date of *SFFAS 38, Accounting for Federal Oil and Gas Resources*
- Technical Release 12 - Accrual Estimates for Grant Programs
- Technical Release 13 - Implementation Guide for Estimating the Historical Cost of General Property, Plant & Equipment
- TB 2011-1, Accounting for Federal Natural Resources Other Than Oil and Gas



SFFAS 36 - Comprehensive Long-term Fiscal Projections

- Basic Information (audited)
 - Reporting is RSI for FY 2010-2012 and will become basic in 2013
 - the present value of projected receipts and non-interest spending under current policy without change including its relationship to projected GDP
 - changes in the present value of projected receipts and non-interest spending from the prior year
 - the assumptions underlying the projections
 - factors influencing trends
 - significant changes in the projections from period to period



SFFAS 36 - Comprehensive Long-term Fiscal Projections, cont.

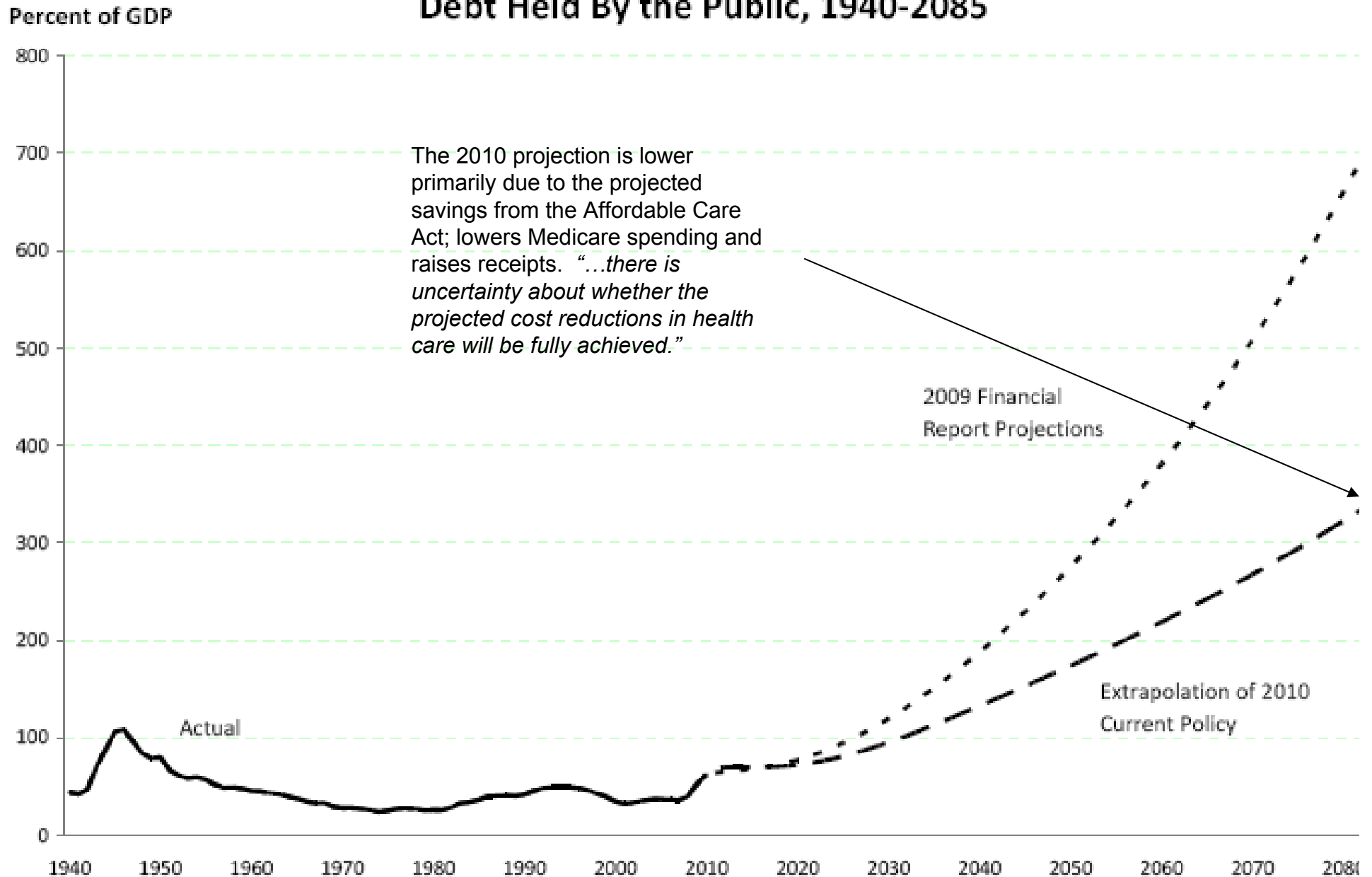
- Required Supplemental Information
 - the projected trends in:
 - the relationship between receipts and spending
 - deficits or surpluses
 - Treasury debt held by the public as a share of GDP
 - possible results using alternative scenarios
 - the likely impact of delaying corrective action when a fiscal gap exists (“cost of delay”)



The Sustainability of Fiscal Policy

An important purpose of the Financial Report is to help citizens and policymakers assess whether current fiscal policy is sustainable and, if it is not, the urgency and magnitude of policy reforms necessary to make it sustainable. A sustainable policy is one where the ratio of debt held by the public to GDP (debt to GDP) is stable over time. The discussion below focuses on balancing revenues and expenditures over time, and **does not consider fairness or efficiency implications of the reforms necessary to achieve sustainability.** It is shown below that, under current policy, the ratio of debt to GDP is projected to rise continuously over the next 75 years, eventually exceeding 350 percent in 2085. If these projections were extended beyond 2085, the deficit excluding interest would continue as the population continues to age and if the other assumptions made for the 75-year horizon continue to hold. The persistence of the deficit excluding interest beyond the 75-year horizon implies that the ratio of debt to GDP would continue to grow beyond the 75-year horizon. **The continuing rise in this ratio means that current policy is unsustainable.**

Chart 3: Historical and Current Policy Projections for Debt Held By the Public, 1940-2085



Costs of Delay

Table 2	
Costs of Delaying Fiscal Consolidation	
Period of Delay	Change in Average Primary Surplus
No Delay: Reform in 2011	2.4 percent of GDP between 2011 and 2085
Ten Years: Reform in 2021	2.9 percent of GDP between 2021 and 2085
Thirty Years: Reform in 2031	3.7 percent of GDP between 2031 and 2085

SFFAS 37 - Social Insurance – Additional Requirements

- Together in one section in management's discussion and analysis -- critical information about costs, assets and liabilities, social insurance commitments, budget flows, and the long-term fiscal projections
- A new summary section within the statement of social insurance displaying open and closed group measures
- A **new basic financial statement** to present the reasons for changes during the reporting period in the open group measure reported on the statement of social insurance



Overview

Current Projects

- **Federal Financial Reporting Model**
 - Ross Simms @ 202-512-2512
- **Federal Entity**
 - Melissa Loughan @ 202-512-5976
- **Deferred Maintenance**
 - Dom Savini @ 202-512-6841
- **Asset Impairment**
 - Dom Savini @ 202-512-6841
- **Earmarked funds**
 - Eileen Parlow @ 202-512-7356



Federal Reporting Model

- Concerns exist regarding the benefits of accrual basis financial statements relative to the cost of preparing them
 - FASAB conducting a user needs study
 - Federal CFO Council proposal
 - Recently developed a report on experiences in other countries with the assistance of OECD and its members (report will be available soon at <http://www.fasab.gov/conceptsfinan.html>)
- FASAB Task Force report issued December 22nd, 2010



Federal Reporting Model Task Force Recommendations

- Web delivery model
- Government-wide performance information
- Net cost and spending by function
- Statement of spending requirements
- Intergovernmental financial dependency
- Improved reconciliation of deficit and operating cost
- Reclassify the reconciliation of cash and debt changes
- Re-orient the balance sheet and improve stakeholder link
- Explain the difference between net liabilities and fiscal gap
- Establish a web-site for reports and raise awareness in the near-term



Federal Reporting Model

Next Steps

- Consider implications of user needs study and task force recommendations for existing concepts
- Consider input from the CFO Council/CIGIE joint study of the CFO Act at 20 years
- Study of component entity reporting model



Federal Entity

- FASAB established concepts in mid-90's
- Standards now being developed
- Questions:
 - What to include in CFR (all entities “established by” the federal government or a subset)?
 - How to present information (all consolidated, some separately displayed or disclosed)?
 - Boundary between “related” parties, core and non-core entities?



Deferred Maintenance

- Exposure Draft on measurement & reporting DM&R is issued – Comments due September 16:
 - Eliminates condition reporting and option to report a range
 - Emphasizes consistency
 - Improves requirements for narrative
- Deferred maintenance viewed as critical management issue
- Experimental reporting has been underway since 1998
- SFFAS 40 revised DM&R definition – revised definition includes repairs.



Asset Impairment

- Asset impairment standards built from GASB and IPSASB standards
 - Assets held in-use
 - Indicators of potential impairment
 - Techniques for measuring potential impairment
 - Recognition guidance vs. adjusting estimates or NBV
- Significant & permanent declines in service utility
- Should be limited & rare cases
 - Prominent events
 - Entities not required to “search or hunt”



Earmarked Funds

- Comments on exposure draft were due August 22nd
- Changing the name from “Earmarked Funds” to “Funds from Dedicated Collections”
- Excluding funds:
 - supporting federal employee benefits
 - predominantly financed from general funds rather than a dedicated collection
- Amending SFFAS 27 to allow combined or consolidated amounts to be presented



Earmarked Funds

- Providing component entities two presentation options:
 - continue current presentation
 - present amounts for key line items parenthetically
- Provides guidance for funds with mixed sources of funding (only partially funded by dedicated collections)

Emerging Issues

- Risk Assumed
- Leases
- Investments in non-federal securities
- Public Private Partnerships

- AAPC – Determining the full cost of PP&E
 - Capacity challenges in a more constrained environment...



Contact and Website Information

- General inquiries can be directed to fasab@fasab.gov
- Phone: 202 512-7350
- www.FASAB.gov
 - Listserv
 - Exposure Drafts
 - Active Projects
- I can be reached at savinid@fasab.gov or 202 512-6841



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