

FASAB Technical Update – FMS Conference

Disclaimer

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

Outlook for Priority Projects

- Conceptual Framework
- Stewardship Land/Heritage Assets
- Natural Resources
- Social Insurance & Liabilities
- Trust Funds
 - Earmarking - Intra-governmental Investments
 - Fiduciary Activities

Conceptual Framework

- Project Objectives
 - Revisit current concepts
 - Elements of financial reporting
 - Reporting Objectives
 - Financial Statements
 - Other communication methods

Asset and Liability Issues

- Importance of definitions
- Are assets things “owned” or “controlled”?
- When do promises become liabilities?

Current Project Status

- Asset definition
- Characteristics of a liability
- Next steps

Required Supplementary Stewardship Reporting

- Continuing to reclassify all items designated as RSSI
- Reclassification requires designating each item of information as basic or RSI.
- Stewardship responsibilities completed in SFFAS 25.
- Currently address HA and SL.
- Will begin addressing Stewardship Investments soon.

Heritage Assets and Stewardship Land

- Project Objective
 - Determine the appropriate categorization of heritage assets and stewardship land information within the traditional model
 - Determine disclosure requirements for the U.S. Government-wide Financial Statement

Board Proposal

- Exposure Draft Heritage Assets and Stewardship Land: Reclassification from Required Supplementary Stewardship Information issued in 2003
- Parallels GASB and FASB work on museum collections

Heritage Assets and Stewardship Land Exposure Draft

- Reclassifies HA & SL information as basic
 - Line on the balance sheet
 - Non-financial information in the notes
- Condition reporting considered RSI
- Minor changes to the current disclosure requirements for HA & SL
- Disclosure requirements for the U.S. Government-wide Financial Statement
- Incorporates all standards for heritage assets and stewardship land into one document

HA/SL Status

- Comment Letters Did Not Support the Board's Proposal
- Public Hearing Held March 2004, Participants Did Not Support the Board's Proposal

HA/SL Issues Raised

- Cost/benefit considerations
- Need for more specific guidance
- Proposed standard may result in less information being presented

HA/SL Next Steps

- Research phase
 - Private museums
 - Major Agencies
 - FASB/GASB
 - Auditors
- Develop Alternatives
 - Phased or Staggered Implementation

Natural Resources

- Project objective
 - develop an accounting standard for oil & gas resources owned by or under the stewardship of the Federal Government.

Status Report on Natural Resources

- Focusing first on oil and gas
- Pursuing capitalization of estimated proved oil and gas reserves with supporting disclosures
- Involving agencies in research

Social Insurance

- Project objective
 - to reconsider the FASAB liability definition and specifically its application to social insurance programs.
 - Subsequently the Board will consider recognition, measurement and display of social insurance obligations.

Progress Report on SI

- Reopening the debate regarding an actuarial liability for SI programs
- Deliberations are focusing first on the obligating event
- Measurement issues will follow

Other Commitments & Liabilities

- Project Objective

- to reconsider the application of the FASAB liability definition to other activities of the Federal government beyond social insurance.

- Subsequently the Board would consider recognition, measurement and display issues.

Planned Research on Commitments

- Veterans Health Benefits
- Nonexchange entitlements (e.g., Medicaid)
- Assumption of risk (e.g. treaties)
- Government Sponsored Enterprises (GSE)

Trust Funds - What are they?

- Project Objective: new reporting standards to:
 - Distinguish between federal trust funds and private sector trust funds
 - Show the impact of federal trust funds on the financial condition of the Federal government

“Earmarked” vs. “Fiduciary”

- Earmarked Funds
 - Dedicated to a specific use, such as Social Security and the Highway Trust Fund
- Fiduciary Activities
 - Similar to private sector usage of the term “trust fund”

“Earmarked Funds” Exposure Draft

Exposure Draft, “Identifying and Reporting Earmarked Funds”

- Issued in October 2003
- Public Hearing held in March 2004

“Earmarked Funds”

Highlights of Proposed Standard

- Definition of Earmarked Funds (three criteria)
- The definition criteria, and not the title of a fund, determines classification

“Earmarked Funds”

Highlights of Proposed Standard

- Proposed New Requirements for Component Entities
 - Financial Statement presentation
 - Footnote disclosures
 - “Footnote on Investments” will disclose that investments in Treasury securities are eliminated in the consolidation process for government-wide reporting.

“Earmarked Funds”

Highlights of Proposed Standard

Proposed New Requirements for the U.S. Government-wide Financial Statements

- Financial Statement presentation
- Footnote Disclosures

“Fiduciary Activities”

- Objective:
 - Differentiate between fiduciary activities and Federal program activities
 - Provide accounting and reporting guidance for fiduciary activities
- Characteristics of Fiduciary Activities
 - Federal entity collects, invests and/or disposes of assets in which non-Federal parties have ownership interest
 - Fiduciary relationship exists between Federal entity and non-Federal entity
 - Non-Federal party’s interest is enforceable

“Fiduciary Activities”

- Exposure Draft, “Accounting for Fiduciary Activities” issued in April 2003
- Public Hearing in October 2003

“Fiduciary Activities”

- Proposed reporting requirements
 - will hold federal agencies accountable, but
 - will clearly distinguish between government-owned and fiduciary assets.
- Board will consider issues raised in hearings and in comment letters