



# **U. S. Federal Accounting Standards Advisory Board**

Update for 2012 OECD Accruals  
Symposium

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# Disclaimer

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

# Overview

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- Recently Completed Project on Prospective Information
- Ongoing Projects
  - Federal Financial Reporting Model
  - Federal Entity



# Prospective Information

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- Management's Discussion and Analysis
  - the possible future effects on the entity of existing, currently-known demands, risks, uncertainties, events, conditions and trends
- Financial Statements
  - Statement of Long-Term Fiscal Projections
  - Statement of Social Insurance
  - Statement of Changes in Social Insurance



# SFFAS 37 - Social Insurance – Additional Requirements

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- Management's discussion and analysis – requirement for a singular presentation of accrual, budgetary and prospective information to ensure context and encourage integration
- Statement of social insurance required to display both open and closed group measures
- **Statement of Changes in Social Insurance Amounts** to present the reasons for changes in the open group measure (the bottom line of the statement of social insurance)



# Statement of Changes in SIA

for the Year Ended September 30, 2011 (Note 26)

(In billions of dollars)	Social Security	Medicare HI	Medicare SMI	Other (e.g. Railroad Retirement)	Total
Net present value (NPV) of future revenue less future expenditures for current and future participants (the "open group") over the next 75 years, beginning of the year .....	(7,947)	(2,683)	(20,130)	(97)	(30,857)
Reasons for changes in the NPV during the year:					
Changes in valuation period .....	(436)	(112)	(968)	(2)	(1,518)
Changes in demographic data and assumptions .....	(688)	(112)	(59)	(0)	(859)
Changes in economic data and assumptions .....	(143)	0	-	(2)	(145)
Changes in law or policy .....	-	-	(14)	-	(14)
Changes in methodology and programmatic data .....	56	-	-	-	56
Changes in economic and other healthcare assumptions .....	-	185	(648)	-	(463)
Change in projection base .....	-	(531)	500	-	(31)
Net change in open group measure .....	(1,211)	(570)	(1,189)	(4)	(2,974)
Open group measure, end of year.....	(9,157)	(3,252)	(21,320)	(101)	(33,830)



# Selected On-going Projects

# Federal Reporting Model

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- Concerns exist regarding the benefits of accrual basis financial statements relative to the cost of preparing them
  - FASAB user needs study (citizen focus groups and surveys)
  - OECD assisted survey regarding users of government-wide reports (2010)
  - Federal Chief Financial Officers (CFO) Council report on results of CFO Act (financial statement audits at component entity level) (2011)
  - OECD assisted survey of country practices regarding component entity reports (2011)
- FASAB Task Force on Government-wide Financial Reports (Dec 2010)





# Federal Reporting Model

## Government-wide Recommendations

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- 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 Entity

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- FASAB established concepts in mid-90's
- Standards now being developed
- Questions:
  - What to include (all entities “established by” the federal government or a subset)?
  - How to present information (all consolidated, some separately displayed or disclosed)?
  - What distinguishes “related” parties from parties included in governmental reports?



# Federal Entity – Draft Proposal

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- Include all entities budgeted for, controlled with potential for risk or reward, or owned
- Distinguish between core and non-core entities
  - Core entities are taxpayer supported and on-going decision making is more clearly linked to elected officials. Information for core entities is to be consolidated in financial statements.
  - Non-core entities are somewhat independent from elected officials and may be financial self-sustaining. Information regarding non-core entities is to be disclosed in notes.
    - Relationship explained
    - Relevant financial activity during the period revealed
    - Risks discussed and quantified if possible



# Emerging Issues

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



# Contact and Website Information

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