

# Federal Financial Reporting – Lost in Translation

Montgomery/Prince  
George's County AGA

April 12, 2017

---

# Overview

- Report – What to Whom?
- Communication Challenges
- Examples from Around the World
- US Reporting Model
- Translation Tips

# Report – **What** to Whom

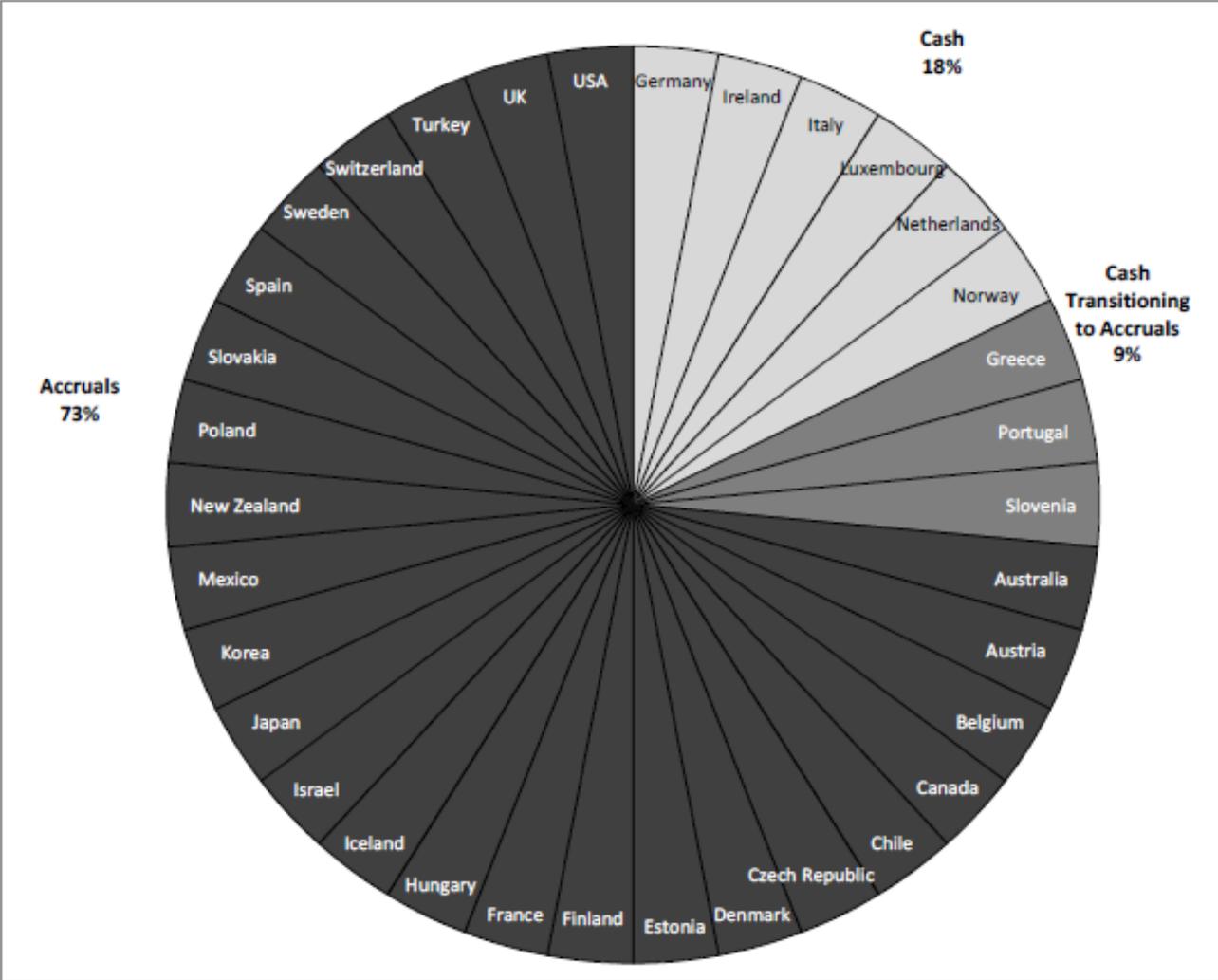
- Financial reporting is a process of communicating.
  - How broad is THE “financial” report?
  - What qualifies as a “financial report”?

# Report – What to Whom

- Stakeholders



**Figure 1. OECD Countries: Accounting basis for Annual Financial Reports**



# Report – What to Whom

Why accrual accounting?

- Enhancing accountability
- Increasing transparency towards public
- Producing meaningful financial analysis for all stakeholders (including elected officials)
- Increasing political and public awareness about the state of public finances
- Better information about the full costs of operations
- More informed decisions about asset and liability management
- Efficiency of the administrator's business processes

Source: OECD, 2017, Accrual Practices and Reform Experiences in OECD Countries

# Communication Challenges

- Awareness
- Complexity
- Motivation (budget remains king)
- Terminology
- Integrating Information

# Challenges Impact Success

**Table 4. OECD countries: Achievement of reforms objectives**

	Fully Achieved	Partially Achieved	Ongoing
Enhancing accountability	AUS, AUT, CAN, FIN, FRA, ISR, KOR, MEX, NZL, ESP, CHE, TUR	BEL, DNK, HUN, ISL, ITA, POL, SVK, SWE	CHL, CZE, IRL, PRT, GBR
Increasing transparency towards public at large	AUS, AUT, CAN, FIN, FRA, ISR, KOR, MEX, NZL, ESP, SVK, CHE, TUR	DNK, HUN, ISL, ITA, POL, SWE	BEL, CHL, CZE, IRL, PRT, GBR
Producing meaningful figures/financial analysts for cabinet and/or parliament and/or citizens	AUS, AUT, FRA, ISL, ISR, KOR, NZL, ESP, SVK, CHE	BEL, CAN, FIN, HUN, ITA, MEX, POL, SWE	CHL, CZE, DNK, IRL, PRT, TUR, GBR
Increasing political and public awareness about the state of public finances	AUS, CAN, FRA, ISR, KOR, MEX, NLD, NZL, SVK, ESP	AUT, CZE, FIN, ISL, ITA, POL, SWE, CHE	BEL, CHL, HUN, IRL, PRT, TUR, GBR
Better information on full costs of operations	AUS, AUT, ISL, ISR, KOR, MEX, NZL, ESP, SWE, CHE	BEL, CAN, DNK, FIN, FRA, ITA, POL	CHL, CZE, HUN, IRL, PRT, SVK, TUR, GBR
More informed decisions on asset and liability management	AUS, AUT, DNK, FRA, ISR, KOR, NZL, ESP, CHE	CAN, FIN, ISL, ITA, MEX, POL, SVK, SWE	BEL, CHL, CZE, HUN, IRL, PRT, TUR, GBR
Efficiency of the administrator's business processes	AUT, CAN, ISL, ISR, KOR, NZL, ESP	BEL, DNK, FIN, ITA, MEX, POL, SWE, CHE,	AUS, CHL, CZE, FRA, HUN, IRL, PRT, SVK, TUR, GBR

# Examples from Around the World – Risk Reporting

**Table 2.** Government liabilities

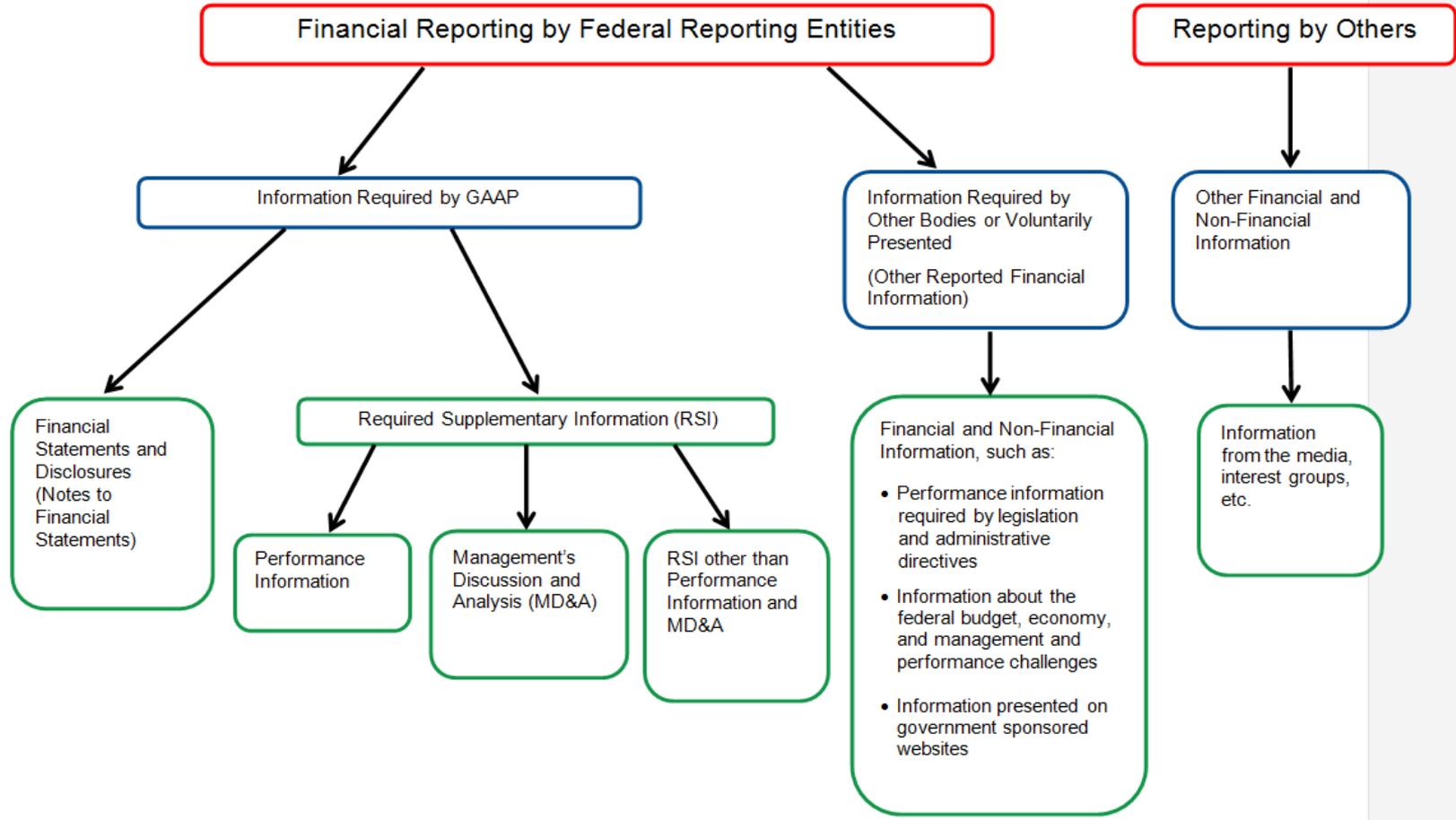
Liability / Obligation	Direct Obligation in any event	Contingent Obligation if a particular event occurs
<b>Explicit</b> Liability recognised by a law	<ul style="list-style-type: none"> <li>- loan, interest</li> <li>- public-private-partnership (PPP)</li> <li>- other contractual obligations</li> <li>- legal obligation to pay</li> <li>- budgetary expenditures</li> </ul>	<ul style="list-style-type: none"> <li>- government collateral</li> <li>- government guarantee</li> <li>- export financing obligations</li> <li>- obligation to cover SMEs' credit and guarantee losses</li> <li>- callable capital in international financial institutions</li> <li>- climate change liabilities</li> <li>- nuclear liabilities</li> </ul>
<b>Implicit</b> A social / moral obligation	<ul style="list-style-type: none"> <li>- citizens' basic social security</li> </ul>	<ul style="list-style-type: none"> <li>- deposit guarantee</li> <li>- other support to the banking sector</li> <li>- state enterprises (increase in share capital to maintain ownership or to ensure business capability)</li> <li>- municipal sector</li> <li>- environmental liabilities, disasters, external security</li> </ul>

Source: Ministry of Finance

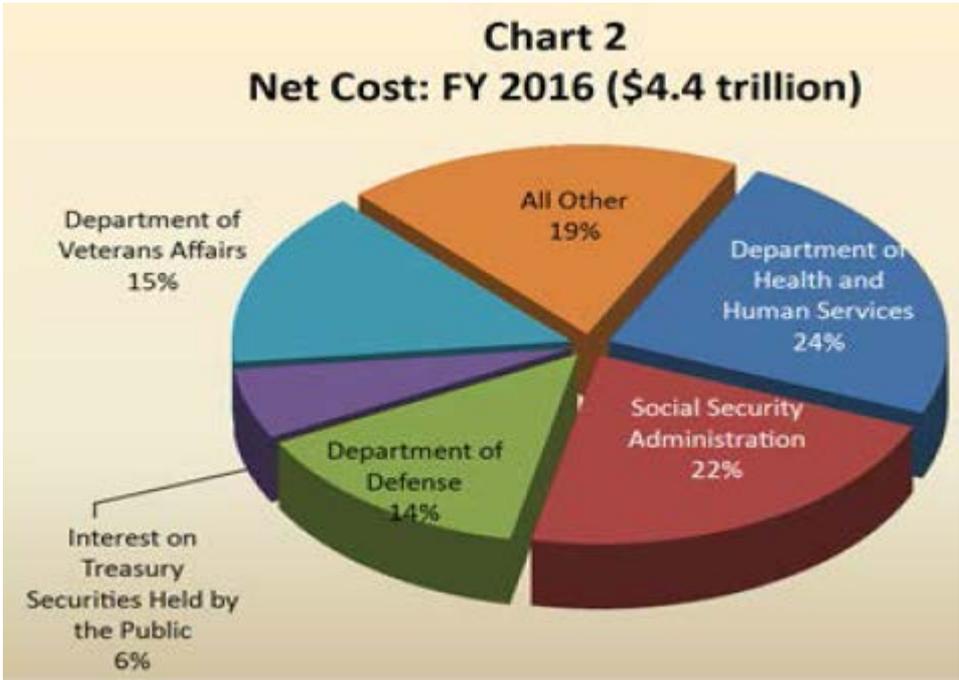
# Examples from Around the World – Risk Reporting

- Sustainability Reporting
- Monitoring size and stability of the financial sector
- Sensitivity to financial changes such as interest rate increasing
- Off-budget funds
- Public-Private Partnerships
- Analysis of assets and liabilities (balance sheet strength)

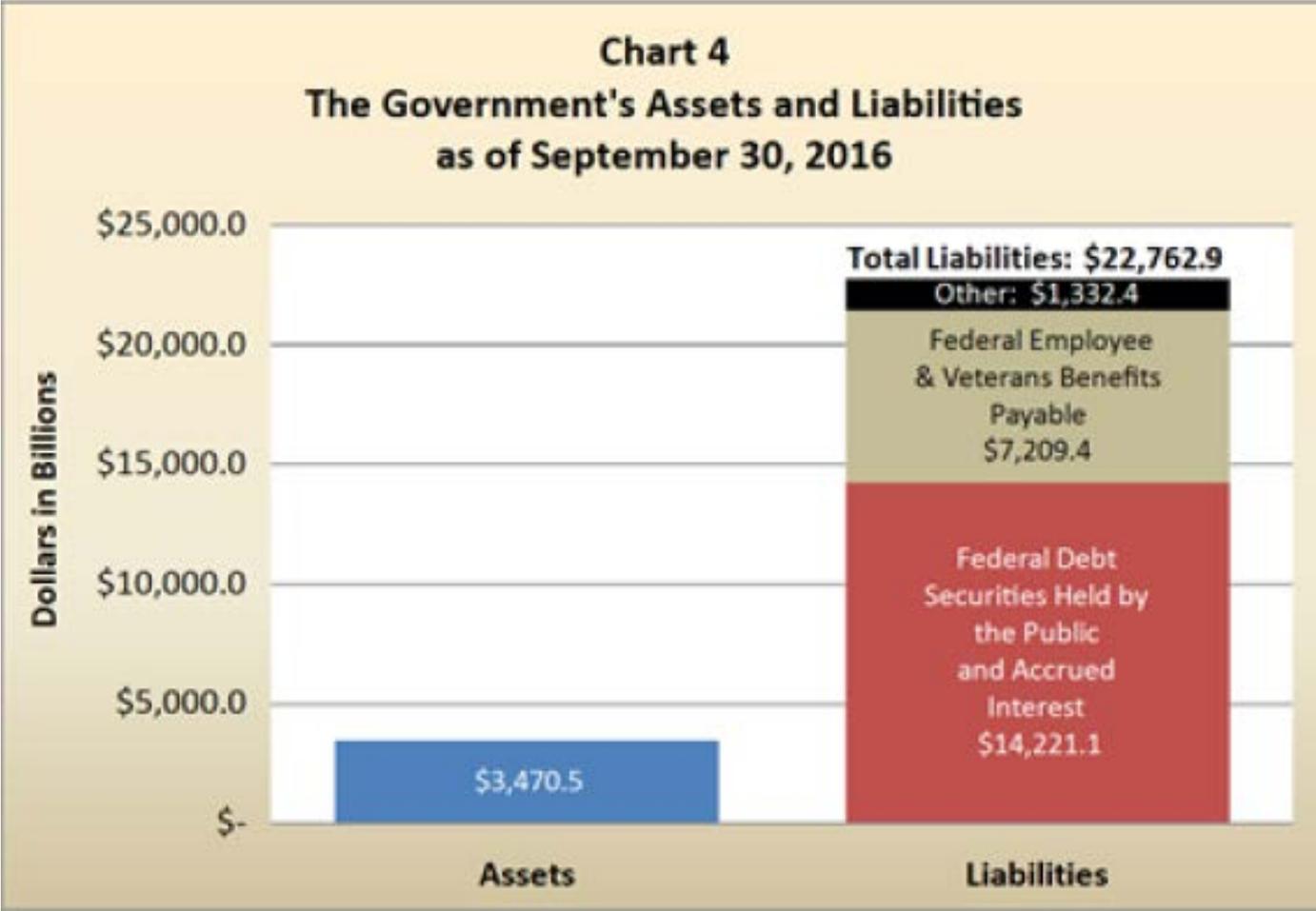
# US Reporting Model



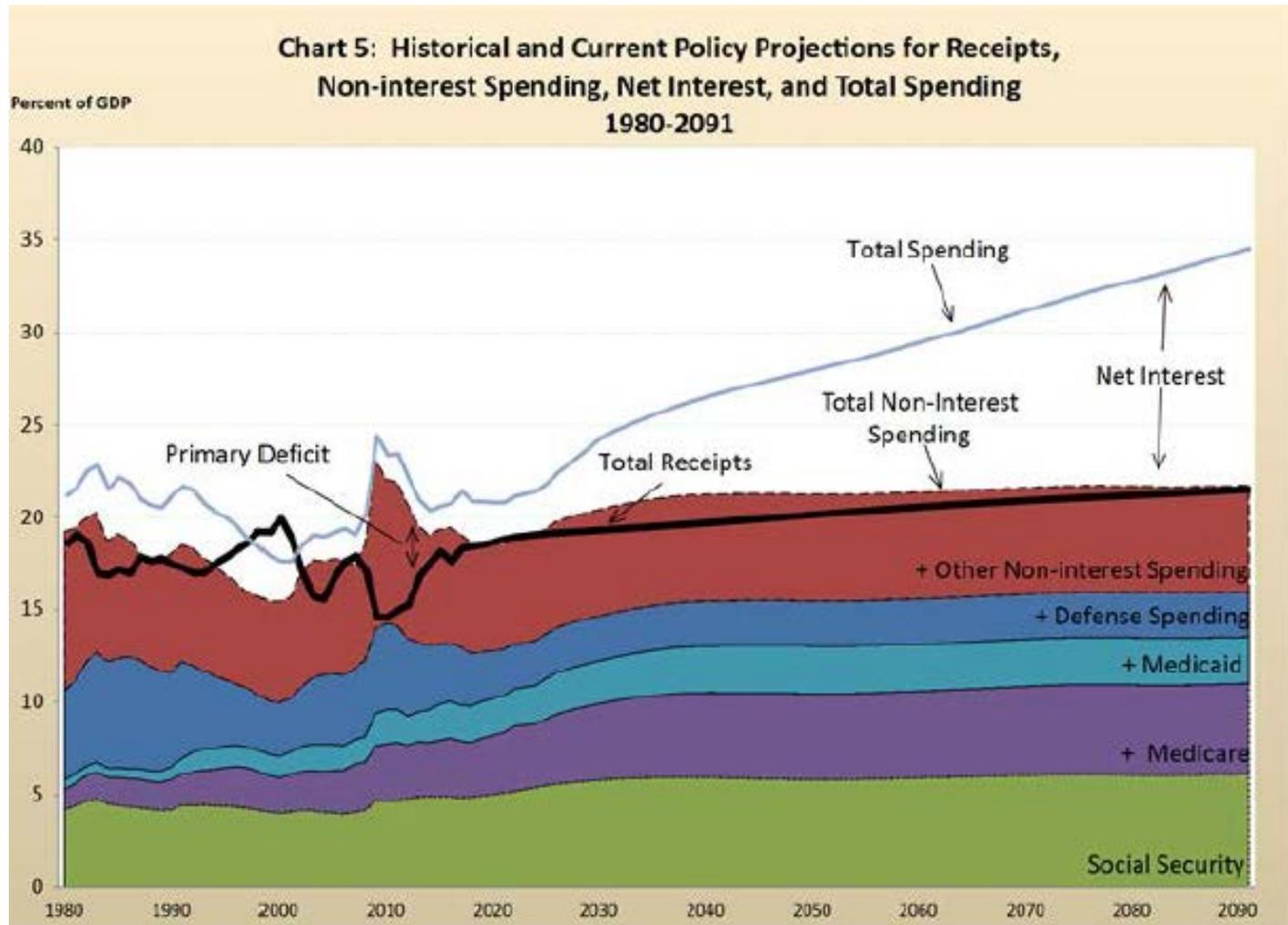
# Net Cost



# Balance Sheet

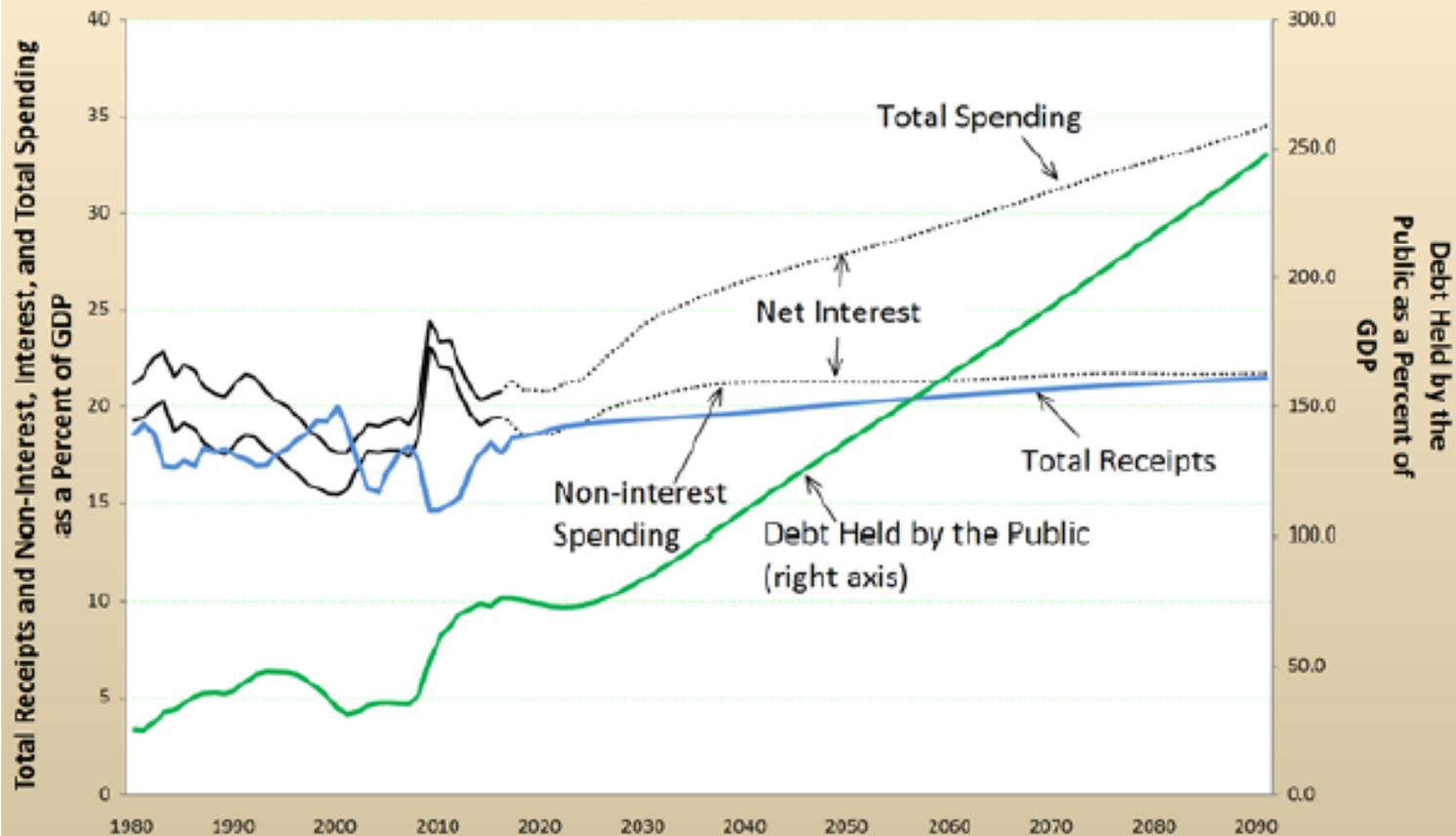


# Sustainability



# Path of Debt

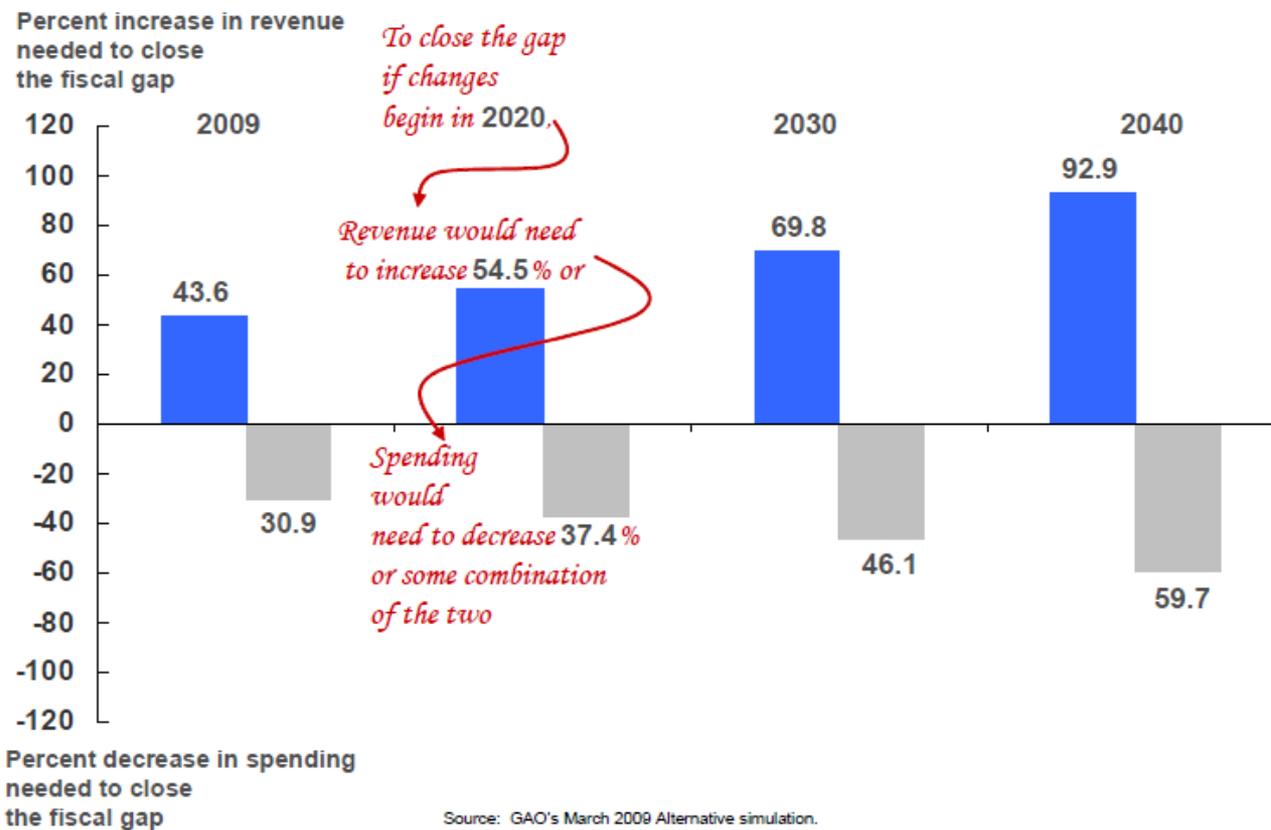
**Chart 6: History and Current Policy Projections for Total Receipts; Non-interest, Net Interest, and Total Spending; and Debt Held by the Public, 1980-2091**



# Fiscal Gap

- It is estimated that preventing the debt-to-GDP ratio from rising over the next 75 years would require some combination of spending reductions and receipt increases that amount to 1.6 percent of GDP on average over the next 75 years, 0.4 percentage points greater than the 1.2 percent estimate in 2015.

# Translation Tips – Pictures!



# Translation Tip – Consistent Terms

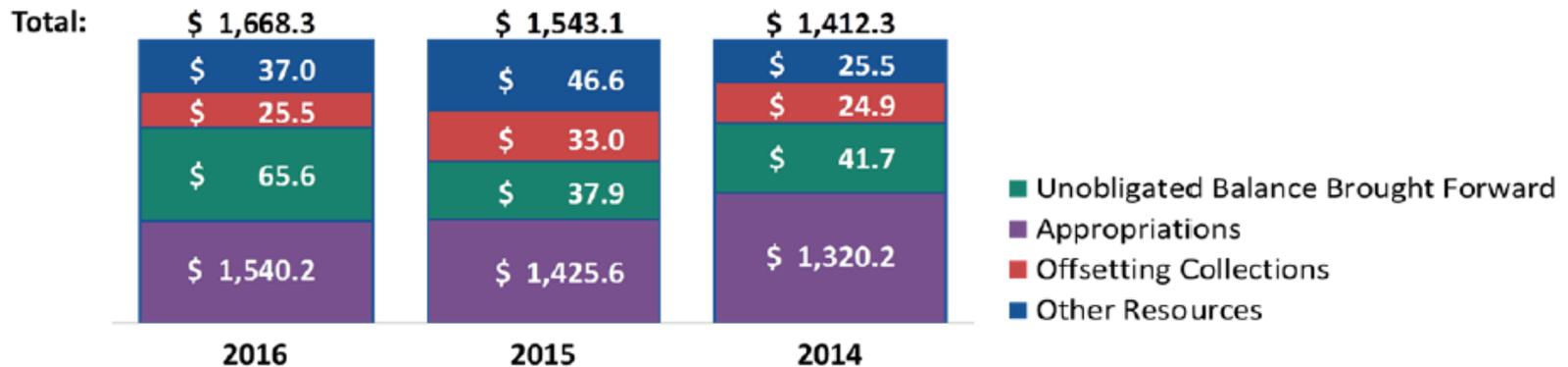
- Cost
- Resources
- Expended
- Committed
- Used
- Consumed

# Translation Tip – Meaningful Groupings

- Organizations (Responsibility Segments)
- Strategic Objectives and Goals
- Programs
- Funds

# Translation Tip – Trends

**Total Budgetary Resources**  
(in Billions)



The increase in appropriations are primarily related to increases in the Payments to Trust Funds of \$44.6 billion, Medicare SMI of \$43.6 billion, Medicare HI of \$11.8 billion, Medicaid of \$11.2 billion, and CHIP of \$1.7 billion. For further details, see the Combining Statement of Budgetary Resources in the “Financial Section” of this report.

Questions?

# Contact Information

[www.fasab.gov](http://www.fasab.gov)

Wendy Payne

[paynew@fasab.gov](mailto:paynew@fasab.gov)

202.512.7350