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Ms. Wendy M. Comes, CPA, CGFM  
Executive Director  
Federal Accounting Standards Advisory Board  
Mailstop 6K17V  
441 G Street NW, Suite 6814  
Washington, DC 20548

***Selected Standards for the Consolidated Financial Report of the  
United States Government Exposure Draft***

Dear Ms. Comes:

On behalf of the AGA, the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments on the Federal Accounting Standards Advisory Board (FASAB) exposure draft (ED), *Selected Standards for the Consolidated Financial Report of the United States Government*.

The FMSB, comprised of 21 members with accounting and auditing backgrounds in federal, state, and local government, academia, and public accounting, reviews and responds to proposed standards and regulations of interest to AGA members. The FMSB's comments and recommendations regarding the proposed changes are presented below. However, our comments and recommendations do not necessarily represent positions of individual FMSB members or the organizations that they represent. Local AGA chapters and individual members are encouraged to comment separately.

The ED proposes to establish that the Statements of Federal Financial Accounting Standards (SFFAS) apply to the federal government as a whole, as well as to its component entities, unless otherwise mandated. This proposed amendment would be effective for periods beginning after September 30, 2001. The FMSB supports applying SFFAS to all federal entities unless the FASAB states differently. However, we are concerned that the proposed new Consolidated Financial Report (CFR) reporting requirements reconciling proprietary, budgetary, and cash accounting as illustrated in Appendixes A and B, are not sufficiently developed. We therefore believe that the FASAB should not require such reconciliation until it develops and proscribes an authoritative format. FMSB responses to the request for comments on Pages 3-4 of the ED follow.



1. As explained in paragraphs 14 and 20-22, the Board is proposing to establish that the Statements of Federal Financial Accounting Standards (SFFAS) apply to the Government as a whole as well as to component entities, unless otherwise provided in an existing or subsequent standard. The Board asks respondents whether they agree that SFFAS should apply to the Government as a whole as well as to component entities unless otherwise provided.

The FMSB agrees with applying SFFAS to all federal entities unless FASAB states otherwise. Consistent application of SFFAS should improve the understandability of entity accounting information and facilitate agency roll-up into the CFR.

2. As explained in paragraphs 15 and 23-29 the Board is proposing to exempt the Consolidated Financial Report of the United States Government (CFR) from certain budgetary information required of agencies in the statement of budgetary resources (SBR) and the statement of financing (SOF). The Board tentatively concludes that such information is not relevant or meaningful at the level of the CFR. The Board asks respondents whether they agree that the CFR should be exempt from these particular statements.

The FMSB agrees that the CFR should be exempt from these particular budgetary statements. This exemption is especially appropriate given the proposed target audience for the CFR. Further, budgetary reporting is most relevant at the agency level. The degree of aggregation necessary for consolidated budgetary reporting would at best neutralize the information content.

3. The Board intends to reassess the form in which consolidated budgetary information is presented in the CFR to ensure that such information is relevant and meaningful to users. The Board asks respondents whether they have suggestions for including other information in the CFR that would be relevant and meaningful to users. The Board requests respondents to make suggestions in the context of two potential goals of budgetary information in the CFR: first, the integration of proprietary and budgetary information and , second, improving the quality and integrity of budgetary information.

The FMSB supports the efforts of FASAB to demonstrate, in an understandable manner, the relationship between proprietary and budgetary information. Given the highly technical nature of

such a reconciliation, the FMSB suggests that FASAB consider the approach taken by the Governmental Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, reconciling the fund-level financial statements to the government-wide financial statements.

4. As explained in paragraphs 16-19 and 30-35, the Board is proposing that the Government as a whole be required to provide information relating net operating revenue (or cost), the budget surplus (or deficit), and cash flow. Appendix B provides an illustration of how the reconciliation of the net operating revenue (or cost) with the budget surplus (or deficit) could be displayed. The Board notes that the information is hypothetical and the format is merely illustrative of what would be acceptable.

The reconciliation statement proposed in Appendix B effectively illustrates the difference between budgetary surplus, cash, and accrual-based economic consequences. In general, the reconciliation statement in Appendix B is more understandable than the current entity Statement of Financing. The FMSB supports the disclosure of this information. However, we believe that the FASAB should not require this disclosure without providing authoritative guidance on the format of the reconciliation. We therefore encourage the FASAB to continue to develop the Reconciliation of Net Operating Revenue (or Cost) and Budget Surplus (or Deficit) Statement and not to require the reconciliation until it provides such authoritative guidance.

5. Appendix C presents two versions of the cash flow statement: versions “A” and “B.” Both versions contain the same basic financial statement items but are organized differently. The Board is seeking respondents’ views regarding, among other things, the inherent understandability of the line items and format for a range of users, but especially for citizens with a general knowledge of Government financial operations. In that regard, some of those favoring the version “A” illustration suggest the alternative title “Reconciliation of Budget Surplus (Deficit) and Cash Flow,” and the Board requests that respondents consider whether that title would enhance understandability.

Changing the title of version “A” to “Reconciliation of Budget Surplus (Deficit) and Cash Flow” is more descriptive of the information content of the statement; however, it does little to enhance the understandability or usefulness of the statement. In general, the format of version “B” is easier to understand and presents the financial data in a more logical fashion. Despite this, both versions show monetary transactions that are very small. We encourage FASAB to consider aggregating some of these smaller transactions (for example, those under \$6 billion) to better focus the user on the larger transactions and facilitate readability.

Also, FASAB should follow the practice of other accounting standard-setting bodies and avoid using the word “surplus” whenever possible, because its common meaning implies an excess that should be spent. One of the primary reasons for presenting the reconciliation statement is to demonstrate that “budgetary surplus” is not the same as economic consequences and is not available to be spent. Therefore, using the term “surplus” on a financial statement that purports to demonstrate that the “surplus” is not expendable is counterproductive. The FASAB should consider carefully the use of the term in its current and future pronouncements and avoid its use to the extent practical.

Finally, the FMSB encourages FASAB to tie the change in cash to the balance sheet similar to the GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, requirements for state and local governments.

6. Respondents may also provide other information related to the proposed standard for the Board’s consideration.

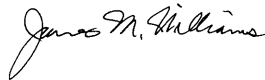
The FMSB supports the immediate implementation of paragraphs 14 and 15. In addition, we agree with the requirements of paragraphs 16-19, but we recommend delaying the implementation of those paragraphs until the FASAB can provide more detailed authoritative guidance.

Finally, we encourage the FASAB to provide a complete listing, perhaps in tabular format, of the standards that have limited application, only agency or only CFR, and where they do not apply. Appendix A provides a partial listing in paragraph 21.

However, it is unclear whether this listing is intended to be exhaustive.

Again, the FMSB appreciates the opportunity to provide comments on this ED. Should you have any questions, or desire further details on FMSB's position, please contact me at (216) 228-4453 or [james.williams17@ey.com](mailto:james.williams17@ey.com), or Rhoda Icerman, the FMSB facilitator for this project, at (850) 644-7874, or [ricerma@cob.fsu.edu](mailto:ricerma@cob.fsu.edu).

Sincerely,



James M. Williams, CPA, CGFM, Chair,  
AGA Financial Management Standards Board

c: Mr. Richard V. Norment, CGFM  
AGA National President