



January 10, 2017

Ms. Wendy M. Payne
Executive Director
Federal Accounting Standards Advisory Board
Mailstop 6H19
441 G Street, NW, Suite 6814
Washington, DC 20548

Dear Ms. Payne:

On behalf of the Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments to the Federal Accounting Standards Advisory Board (FASAB) on its September 29, 2016 exposure draft entitled *Federal Financial Reporting*. The FMSB is comprised of 22 members (list attached) with accounting and auditing backgrounds in federal, state and local government, as well as academia and public accounting. The FMSB reviews and responds to proposed standards and regulations of interest to AGA members. Local AGA chapters and individual members are also encouraged to comment separately.

The FMSB has reviewed the exposure draft and overall supports the adoption of this standard by the FASAB and have answered the questions requested by FASAB.

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- Q1.** The Statement illustrates the relationship between financial statements and required supplementary information (RSI) and the larger body of information available to users for assessing the government's accountability and for decision making. The reporting objectives are intended to be broad to address the range of information users need. In this Statement, FASAB focuses on the Operating Performance and Stewardship objectives and supports reporting budgetary information. The proposed concepts will assist the Board in determining the types of information presented in financial statements and RSI and will assist users in understanding the relationship between information presented in financial statements and RSI and other reported information (ORFI). Refer to paragraphs 6 to 11 and Figure 1: Information for Assessing Accountability and for Decision Making.

Do you agree or disagree with the discussion and illustration? Please provide the rationale for your answer.

We appreciate FASAB's effort in presenting the proposed concepts in a matter that makes it easier to understand the overall financial reporting emphasis. We generally support the discussion and illustrations but have a few questions and suggested changes based on feedback from some of our members.

Per our review of Figure 1 we noted the items listed in the MD&A section does not match the list of items required for MD&A as listed in SFFAS 15. We recommend either remove the items

from Figure 1 and refer to SFFAS 15 or retain the bulleted items making sure they are consistent with the standard.

Our members agree that including Budgeting and Performance reporting is an important aspect since it brings new emphasis to the financial data included in the financial reports.

Paragraph 5 of the exposure draft states that “some existing FASAB concepts statements are reemphasized, amended or rescinded” but does not specify what content is intended to be new, what content is intended to be a reemphasis, and what content is intended to amend or supersede previous concept statements. We would like to see clarification of what statements will be affected by the concept statement.

FASAB would benefit from moving toward model for maintaining and updating standards similar to that used by FASB, where a codification is maintained and new standards or concept statements are issued as updates to the codification. This has the benefit of making amendments clear and eliminating the need for reemphasis of points already included in standards or concept statements. It also has the benefit of making the final product more coherent and accessible since it would be organized in a comprehensive and logical manner rather than in layers based on when standards were issued as the current Handbook reads.

Regarding Figure 1, we recommend that FASAB provide clarification on what “transparency data” is and why it should be included in the Figure 1. We also recommend clarifying the global view of the importance of the transparency information and explaining the connection between it and the financial statements and RSI information since the information is outside the traditional annual report. We are also concerned whether the information should be RSI which inherently provides more credence to the information when included with auditors report even though RSI is subjected to lesser audit scrutiny than basic information in the auditor’s opinion.

While the information is included in other financial and non-financial information we believe an explanation of what is expected for media reports will be helpful when implementing the proposed concept statement.

Paragraph 12 should be consistent with SFFAS No. 1, which states that users of Federal financial information are also concerned about whether programs are sustainable as currently constructed. This user need is particularly important to be included in concepts because it is the basis for the unique requirement for a statement of long-term fiscal projections.

- Q2.** The Financial Statements and RSI section of the Statement discusses the role of financial statements and RSI in achieving the financial reporting objectives. Refer to paragraphs 16 to 25.

Do you agree or disagree with the discussion on financial statements and RSI? Please provide the rationale for your answer.

In Paragraph 21 we suggest the following edit to match the conventional definition of accrual: “The accrual basis of accounting recognizes revenue when earned and recognizes costs when ~~resources are consumed~~ ~~liabilities are incurred.~~ ~~The costs reflect the resources consumed in the period the government provided the services.~~” There are many instances where liabilities are incurred but no service has yet been provided or resources consumed. This statement would apply more closely to the Paragraph 22 discussion of primarily cash-based budgetary accounting.

In Paragraph 23 we suggest the following edit to also describe the receipt of appropriations in addition to their expenditure: “Primarily obligation-based budgetary accounting recognizes ~~receipts when received and outlays events~~ when the component reporting entity enters into agreements that obligate the government to make payments in the future, such as when it awards contracts.”

One of our members brought to our attention that paragraphs 16-25 are summarizing information that has been said in other standards. Is it the intent of FASAB to replace the information in the other standards or is the FASAB summarizing concepts in one place. If the information is being summarized with no changes to the other standards, the FMSB believes there is the potential that would create confusion when reading the standards.

- Q3.** The Other Reported Financial Information and Its Relationship to Financial Statements and RSI section of the Statement discusses ORFI that contributes to achieving the financial reporting objectives and its relationship to financial statements and RSI. Refer to paragraphs 26 to 31.

Do you agree or disagree with the discussion on ORFI and its relationship to financial statements and RSI? Please provide the rationale for your answer.

We respectfully disagree. To help the readers of the proposed concept statement, we recommend that FASAB clarify how the ORFI information relates and enhances the annual financial report (AFR).

- Q4.** The Concepts for Government-Wide and Component Reporting Entities section of the Statement discusses concepts for the government-wide and component reporting entities. The concepts include a discussion on the types of information the government-wide reporting entity financial statements and RSI collectively provide and the types of information component reporting entity financial statements and RSI collectively provide. Refer to paragraphs 33 to 48.

- a. Do you agree or disagree with the concepts pertaining to the government-wide reporting entity? Please provide the rationale for your answer.**

We agree with these concepts as they are reflective of the summary of Paragraphs 1 through 7. As noted above response, if the information is being summarized with no changes to the other concepts and or statements, that has the potential to create confusion when reading the standards.

- b. Do you agree or disagree with the concepts pertaining to component reporting entities? Please provide the rationale for your answer.**

With regard to Question 4, we also suggest including a discussion on the concept of transfers between components or between component(s) and the government-wide entity to fund operations on a temporary (or permanent) basis. For example, transfers from the Social Security trust fund or similar entity to fund other operations of government should be made apparent in government-wide and component reporting. Figure 1 includes transparency data as part of information required by other bodies or voluntarily presented as ORFI. We suggest that such transfers or borrowings would enhance transparency.

We suggest in Paragraph 46 the following edits, to keep terminology consistent: “... 2) the extent to which budget authority has been ~~obligated used~~ and remains available

... Information is needed on the amount of the entity's appropriations that have not been expended at the end of the period, the amount the entity has accumulated from prior period funding, and the amount of ~~obligations~~ (liabilities) for which the entity has incurred by not received budget authority."

Paragraph 42 states "... Users of those component reporting entity financial statements **would be interested in the percent of the component** ... "In the basis of conclusion FASAB chronicles the history of the reporting concepts project but doesn't directly support any assertions as indicated in paragraph 42. Including any FASAB research in the basis for conclusions that supports the bolded face type statement above would be helpful.

- Q5.** The Concepts for Budgetary Information in Component Reporting Entity Financial Statements and RSI section of the Statement discusses component reporting entity budgetary concepts. Refer to paragraphs 49 to 56.

Do you agree or disagree with the concepts for budgetary information in component reporting entity financial statements and RSI? Please provide the rationale for your answer.

We agree that it should apply. The FMSB appreciates paragraph 53 and FMSB has emphasized in past responses the importance of budgetary information and further discussion of the potential for such information is welcome.

- Q6.** The Performance Results section of the Statement discusses the role of financial statements and RSI in providing information on the reporting entity's performance results. Refer to paragraphs 57 to 62.

Do you agree or disagree with the concepts for performance results information? Please provide the rationale for your answer.

We agree with the concepts that are summarized within this section.

- Q7.** The Summary Level Information section of the Statement discusses summary level information with respect to financial statements and RSI. Refer to paragraphs 63 to 70.

Do you agree or disagree with the concepts for summary level information? Please provide the rationale for your answer.

Since the exposure draft discusses two different types of information - summary information and information that supports the summary -- we suggest that these sections be presented separately under their own headers to provide clarification to the proposed draft.

With regard to disaggregated information, the Board believes that there should be more discussion relating to financial reporting and RSI and SFFAS 2. We also believe FASAB should provide in the concept statement the benefits of the disaggregated information.

We noted in the basis of conclusion paragraphs A16-A20 is not very clear and hard to follow. We recommend summarizing the timelines at a much higher level.

Other Items

We noted other items as discussed below.

Paragraph A16 – it was noted there was a reference to the “nation’s economy.” Unless FASAB’s focus has been on the nation’s economy when addressing past standards the wording should not be included.

Paragraph A17 states “Based on feedback from the reporting community, . . . “In prior paragraphs FASAB references staff research with task forces and the NAPA. Is the feedback mentioned in A17 related to that work? If so, we recommend that feedback be changed to reference the worked performed.

We note in paragraph A19 that FASAB used the term “outline” synonymously with “framework” to describe the FASAB’s development of the exposure draft concepts. However, up to that point the basis for conclusions seemed to be saying that the FASAB has developed more substance for the concepts than the term “outline” implies. We recommend that FASAB not use outline when describing the framework related to this exposure draft. We also would like to see a more explanatory discussion on how FASAB in paragraph A20 made the decision that “. . . the guidance should focus on information required by GAAP—financial statements and RSI – rather than information presented in a GPFRR.” We believe further explanation would be beneficial to the readers of the concept statement.

We appreciate the opportunity to comment on this document and will be pleased to discuss this letter with you at your convenience. If there are any questions regarding the comments in this letter, please contact Lealan Miller, CGFM, FSMB Chair, at lmiller@eidebailly.com or at 208-383-4756.

Sincerely,

A handwritten signature in black ink that reads "Lealan Miller". The signature is written in a cursive, flowing style.

Lealan Miller, CGFM, CPA
Chair- AGA Financial Management Standards Board

Association of Government Accountants
Financial Management Standards Board

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