

**From:** Fleming, Edmund T.  
**Sent:** Tuesday, August 16, 2011 3:34 PM  
**To:** Earmarked  
**Cc:** Govan, George V.; Walter, John; Wilke, Alvin J.  
**Subject:** SFFAS 27

The following are responses from the Railroad Retirement Board's (RRB) Bureau of Fiscal Operations to the questions provided concerning FASAB's exposure draft entitled *Revisions to Identifying and Reporting Earmarked Funds: Statement of Federal Financial Accounting Standards 27*. If you have any questions or require additional information, please contact John Walter (email: [John.Walter@rrb.gov](mailto:John.Walter@rrb.gov), telephone 312-751-4308) or Ed Fleming (email: [Edmund.Fleming@rrb.gov](mailto:Edmund.Fleming@rrb.gov), telephone: 312-751-7120).

Regards,

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Q1. The Board is proposing amendments to state explicitly that the source of the “specifically identified revenues or other financing sources” in paragraph 11 of SFFAS 27 must be external to the federal government, and to clarify the distinction between earmarked funds and the general fund. This issue is discussed in paragraphs A11 - A12 of the Basis for Conclusions. The proposed amendment to paragraph 11.1 of SFFAS 27 can be found in paragraph 6 of this exposure draft. Do you agree or disagree with the proposed amendment? Please provide the rationale for your answer.

**Response: Agree, this clarifies funds from dedicated collections. Footnote 3a is good in that it answers the question when another agency collects the funds.**

Q2. The Board believes that funds established to account for pensions, other retirement benefits, other post-employment benefits, and other employee benefits provided to federal employees (civilian and military) should not be reported as earmarked funds and is proposing that such funds should be excluded from the category of earmarked funds. This issue is discussed in the Basis for Conclusions, paragraphs A15 - A16. The proposed amendment to paragraph 18 of SFFAS 27 can be found in paragraph 10 of this exposure draft. Do you agree or disagree with this exclusion? Please provide the rationale for your answer.

**Response: Agree, the actuarial long term liability can distort the true values of the other funds. The actuarial liability can be reported on the Statement of Social Insurance.**

Q3. The Board is proposing that component entities would have the option to continue to use the existing format of separate lines or columns to display information on earmarked funds on the face of the balance sheet and statement of changes in net position, or to use an alternative format. Some members question the need for component entities to display information on earmarked funds on the face of the balance sheet and statement of changes in net position. The Board is also proposing that the component entity level reporting should be at a sufficient level of detail to support the U.S. government-wide financial statements. The discussion of this issue may be found in the Basis for Conclusions, paragraphs A17 - A20 and the proposed amendments in paragraph 11. Illustrative financial statements may be found in Appendix F.

- (a) Do you agree or disagree with the proposal to provide an option for an alternative format for component entity reporting of earmarked funds? Please provide the rationale for your answer.

**Response: Agree, each agency's financial statements are different and providing options allows agencies to tailor their statements to/for their readers.**

- (b) Do you agree or disagree with the view of some of the members that component entities should not be required to display information on earmarked funds on the face of the balance sheet and statement of changes

in net position and that disclosure in the notes is sufficient? Please provide the rationale for your answer.

**Response:** Agree, too much information on the face of the financial statements makes them unreadable, footnotes are an acceptable alternative.

(c) Do you agree or disagree with the proposal that the component entity level reporting should be in sufficient detail to fully support the government-wide reporting requirements? Please provide the rationale for your answer.

**Response:** Disagree, we already have GFRS for the FR report of the Federal government. Treasury doesn't use the (P&AR) financial statements for the FR.

Q4. The Board proposes to rescind potentially confusing guidance on eliminations for component entities and instead provide that combined or consolidated amounts are permitted and that amounts be labeled accordingly. The discussion of this issue may be found in the Basis for Conclusions, paragraphs A21 - A25 and the proposed amendments in paragraphs 11 - 12. Do you agree or disagree with this proposed amendment? Please provide the rationale for your answer.

**Response:** Disagree, only the SBR should be on a combined basis. If you start allowing other footnotes or statements to be on a combined basis, this will lead to confusion.

Q5. The Board proposes to replace the term "earmarked funds" with "funds from dedicated collections." This issue is addressed in the Basis for Conclusions, paragraphs A6 - A8 and the proposed amendments in paragraphs 4 - 5. To facilitate review, Attachment B displays the text of SFFAS 27 with proposed amendments, including the new term. Do you agree or disagree with the Board's proposal to rename "earmarked funds" and make conforming grammatical changes in SFFAS 27? Please provide the rationale for your answer.

**Response:** Agree, this will clarify the funds use.

Q6. The following question applies to funds with a combination of (a) revenues and other financing sources that meet the criteria in paragraph 11 of SFFAS 27 ("non-federal") and (b) general fund appropriations ("federal"). The Board proposes that to be classified as an earmarked fund, a fund should be predominantly funded by revenues from non-federal sources or have non-federal revenues supporting the fund that are material to the reporting entity. The Board has also proposed guidance for situations where the proportion of funding sources may change from year to year. This issue is discussed in the Basis for Conclusions, paragraphs A13 - A14. The proposed revised guidance is in paragraph 7. Do you agree or disagree with the proposed guidance on funds with such sources of funding? Please provide the rationale for your answer.

**Response:** Disagree, footnotes can be used to clarify a fund's sources. The character of the fund shouldn't change from year to year.

Q7. The Board is proposing that the amendments to SFFAS 27 have an effective date of periods beginning after September 30, 2011. Do you agree or disagree with this effective date? Please provide the rationale for your answer.

Response: Agree, this date should not be a problem.