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Subject: EPA Response - Exposure Draft: Revisions to Identifying and Reporting
Earmarked Funds: Amending SFFAS 27

Attached is EPA's response to Exposure Draft: Revisions to Identifying and Reporting
Earmarked Funds: Amending Statement of Federal Financial Accounting Standards 27.

Please let us know if you have any questions.

(See attached file: EPA Response to FASAB Exposure Draft Revisions to Identifying
and Reporting Earmarked Funds.docx)

Thanks!
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Questions for Respondents [Word Version of Questions to Facilitate Responses]

Exposure Draft: *Revisions to Identifying and Reporting Earmarked Funds: Amending Statement of Federal Financial Accounting Standards 27.*

Responses are requested by August 22, 2011.

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.

Ans. We agree with the proposed amendment. The rationale for this is to keep the distinction between earmarked fund and the general fund. The proposed amendment distinctly identifies the intent of SFFAS 27.

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.

Ans. We agree with this exclusion. The rationale for this is that these funds recognize long term liability and the large negative net position of this fund offsets the positive net position of other earmarked funds. This is causing for the earmarked revenues to not be used for the intended purposes.

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.

(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.

(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.

Ans.(a) We agree with the proposal to provide an option for an alternative format for component entity reporting of earmarked funds. The rationale for this is to give the opportunity to component entity for different reporting formats.

Ans.(b) We 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. The rationale for this is the users will get misleading numbers regarding the funds from the dedicated collections and their purpose.

Ans.(c) We agree with the proposal that the component entity level reporting should be in sufficient detail to fully support the government-wide reporting requirements. The rationale for this is to identify the use of the funds.

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.

Ans.(4) We agree with the proposal 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 rationale for this answer is to meet the objectives of SFFAS27 which relates to special accountability and intre-governmental borrowing.

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.

Ans.(5) We agree with the replacement of the term” earmarked funds” with “funds from dedicated collections”. The rationale is to avoid confusion between earmaking and earmarked funds. The earmaking refers to earmarking spending for a specific purpose whereas SFFAS27 focuses on collections that are distinct from general purposes and dedicated for a specific purpose.

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.

Ans.(6)We agree with the proposed guidance on funds with such sources of funding. This guidance meets the criteria of SFFAS 27

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.

Ans.(7) We agree with the date being after September 30, 2011 so that the amendments to SFFAS 27 can be in effective in new fiscal year. Three Quarters have been already for this year.