



Tennessee Valley Authority, 400 West Summit Hill Drive, Knoxville, Tennessee 37902

July 2, 2013

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

VIA Electronic Mail: fasab@fasab.gov

Dear Ms. Payne:

Thank you for the opportunity to provide comments on the Federal Accounting Standards Advisory Board's Exposure Draft, *Reporting Entity*, dated April 3, 2013. TVA respectfully submits the following comments to Questions 2 and 5, as attached. If you have any questions, please contact me at (865) 632-2075 or dtwear@tva.gov or Donna Terzak at (865) 632-2871 or djterzak@tva.gov.

Sincerely,

A handwritten signature in black ink that reads "Diane T. Wear".

Diane T. Wear
Vice President and Controller

DTW:DJT:BAR:STB
Attachment: Response to FASAB Request for Comments

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SFFAS, Reporting Entity

Please submit to fasab@fasab.gov

Name of Respondent: Diane T. Wear

Organization: Tennessee Valley Authority

RESPONSE TO FASAB REQUEST FOR COMMENTS

TVA wishes to thank the Federal Accounting Standards Advisory Board (FASAB) for the opportunity to comment on its exposure draft of a proposed Statement of Federal Financial Accounting Standards (SFFAS) entitled *Reporting Entity* dated April 3, 2013. Our comments and concerns are provided below.

Q2. The Board proposes distinguishing between two types of organizations in government-wide general purpose federal financial reports (GPFFRs) and this distinction will ultimately determine how they are reported: consolidation entities and disclosure organizations. Consolidation entities generally are (1) financed by taxes or other non-exchange revenue as evidenced by their inclusion in the budget, (2) governed by the Congress and/or the President, (3) imposing or may impose risks and rewards on the federal government, and/or (4) providing goods and services on a non-market basis. In contrast, disclosure organizations are those that (1) receive limited or no funding from general tax revenues, (2) have less direct involvement, and influence, by the Congress and/or the President, (3) impose limited risks and rewards on the federal government, and/or (4) are more likely to provide goods and services on a market basis.

The Board proposes consolidation entities be consolidated in the government-wide financial statements and the information about disclosure organizations be disclosed in notes. The Board also proposes that certain factors and objectives be considered in determining the information about disclosure organizations to be disclosed in notes. The Statement allows flexibility in the information presented as long as the disclosure objectives are met. The Statement also provides examples of information that may meet objectives.

Refer to paragraphs 37-53 and 64-77 of the proposed standards and paragraphs A30-A54, A62-A63 and A71-A81 in Appendix A - Basis for Conclusions for a discussion and related explanation.

a. Do you agree or disagree with the concept of distinguishing between consolidation entities and disclosure organizations? Please provide the rationale for your answer.

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TVA agrees with the concept of distinguishing between consolidation entities and disclosure organizations to ensure that general purpose financial reports issued by federal entities are meeting the needs of its primary users. As described in paragraph 67, there is a difference in purpose, governance structure, and financial relationships within organizations of the federal government. These differences are based in part on differing business models arising from purpose, governance structure, and financial relationships.

b. Do you agree or disagree with the attributes used to make the distinction between consolidation entities and disclosure organizations? Please provide the rationale for your answer and identify additional attributes, if any, that you believe should be considered.

TVA agrees with the attributes to distinguish between consolidation entities and disclosure organizations as described in paragraph 37, whereby a distinction is made based on an assessment of the degree to which certain characteristics such as financing source, risks and rewards to the federal government, and non-market goods and services are provided.

Governmental activities are different from business-type activities which more nearly parallel private-sector counterparts. Accountability of consolidation entities (utilizing a non-market model) is primarily to (a) citizens, (b) Congress, (c) federal executives, and (d) federal program managers. Disclosure organizations are often identified with for-profit business models which report to financial institutions, bondholders, investors, banking trade groups, and customers.

Q5. For consolidation entities, the Statement proposes that FASAB and Financial Accounting Standards Board (FASB) based information should be consolidated without conversion of FASB-based information to a FASAB basis.

Refer to paragraphs 65-66 of the proposed standards and paragraphs A66-A70 in Appendix A - Basis for Conclusions for a discussion and related explanation.

Do you agree or disagree that consolidation of FASAB and FASB based information without conversion for consolidation entities is appropriate? Please provide the rationale for your answers.

As adopted, SFFAS 34 allows that certain federal reporting entities prepare and publish financial reports pursuant to the accounting and reporting standards issued by FASB and these reports may be regarded as in conformity with generally accepted accounting principles (GAAP). TVA agrees in part with paragraph 66 which states that consolidation entities should consolidate component reporting entity or sub-component financial statements for consolidation entities in accordance with SFFAS 34 without conversion for any differences in accounting policies among the organizations.

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However, TVA does not agree with the last sentence of paragraph 66 which states that “any component reporting entity that publishes financial reports pursuant to the accounting and reporting standards issued by the FASB should disclose intragovernmental amounts measured in accordance with federal financial accounting standards to facilitate elimination entries in preparation of the government-wide financial statements” and recommends it be removed.

TVA’s reason for the removal of the sentence is that the primary users of TVA’s financial statements are financial institutions, bondholders, investors, banking trade groups, and customers. These users expect TVA’s financial statements to be prepared in accordance with FASB GAAP as required by the Securities and Exchange Commission with whom TVA is required to file financial statements. To present a second set of financial statements with intragovernmental amounts measured in accordance with FASAB standards could be confusing to the user. Also, conversion of information may not be cost-effective at a time when agencies are being asked to evaluate work efforts in order to be more cost-conscious.

Concern for the elimination of intragovernmental activity for the government-wide financial statement could potentially be resolved by Treasury through its Governmentwide Financial Report System Closing Package instructions as contained in Treasury’s Financial Manual and its Intragovernmental Transactions Policy. Both documents may more appropriately address the mechanics of eliminating entries for the consolidated GFRS.

Thank you again for the opportunity to comment on the proposed Statement. TVA appreciates your efforts and continuing commitment to improving federal accounting and reporting.