Q1. The Board is proposing three inclusion principles for an organization to be included in the government-wide GPFFR:

- An organization with an account or accounts listed in the *Budget of the United States Government: Analytical Perspectives—Supplemental Materials* schedule entitled "*Federal Programs by Agency and Account"* unless the organization is a non-federal organization receiving federal financial assistance
- An organization in which the federal government holds a majority ownership interest
- An organization that is controlled by the federal government with risk of loss or expectation of benefit

In addition, the Board is proposing that an organization be included in the government-wide

GPFFR if it would be misleading to exclude it even though it does not meet one of the three inclusion principles.

Refer to paragraphs 20-36 of the proposed standards and paragraphs A12- A29 in Appendix A - Basis for Conclusions for a discussion and related explanation.

a. Do you agree or disagree with each of the inclusion principles? Please provide the rationale for your answer.

We agree the inclusion principles adequately encompass the characteristics of most organizations that should be included in the government-wide GPFFR based upon their financial, organizational, and operational impact on the federal government. We agree with each of the inclusion principles. Two of the three principles relate to majority ownership and control, which are concepts commonly applied in the public sector to define the reporting entity. The third concept, budget inclusion, is a reasonable test since the US Budget approval passes through Congress and the President, which implies some level of government involvement with the entity and should be considered.

b. Do you believe the inclusion principles, and the related definitions and indicators, are helpful and clear? Please provide the rationale for your answer.

We believe the inclusion principles, and the related definitions and indicators, are helpful and clear. The definitions promote a thorough understanding of each concept, while the indicators serve as examples to further assist the practitioner in the determination process.

c. Do you agree or disagree that an organization should be included in the GPFFR if it would be misleading to exclude it even though it does not meet one of the three inclusion principles? Please provide the rationale for your answer.

We agree an organization should be included in the GPFFR if it would be misleading to exclude it even though it does not meet one of the three inclusion principles. Generically speaking, the objective of financial reporting is to provide stakeholders with information that is useful in the decision-making process. Therefore, it is reasonable to conclude that misleading financial reports would hamper that objective.

d. Do you agree the inclusion principles can be applied to all organizations, such as the Federal Reserve System, Federally Funded Research and Development Centers, Government Sponsored Enterprises, museums, and others, to determine whether such organizations should be included in the governmentwide GPFFR? Please provide the rationale for your answer.

We agree the inclusion principles can be applied to all entities and should be.

Q2. The Board proposes distinguishing between two types of organizations in 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 nonexchange 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.

We agree distinguishing between consolidation entities and disclosure organizations enhances the usefulness of the financial reports as stated in Paragraph 67, and enables the GPFFR of the reporting entity to more accurately reflect relevant information that faithfully represents the financial position and organizational structure of the entity. There should be a distinction between the reporting of consolidation entities and disclosure organizations. The underlying tests to define organizations in this manner are designed to assess the level of financial and operational autonomy an organization holds. The reporting entity is held to a higher standard of reporting on organizations with greater operational and financial dependency upon it (consolidation) then those with less dependency (disclosure).

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.

We agree with the attributes used to make the distinction between consolidation entities and disclosure organizations because the principles applied are consistent with those used in the public sector for determining such treatment, and can, and should also, be applied to entities that have a relationship with the federal government.

c. Do you agree or disagree that, assuming the organizations are determined to be organizations included in the GPFFRs, the attributes are adequate to make a determination of whether organizations such as the Federal Reserve System, Federally Funded Research and Development Centers, museums, and others are consolidation entities or disclosure organizations? Please provide the rationale for your answer and identify any organizations you believe the attributes could not be adequately applied to, and additional attributes, if any, you believe are needed to address these organizations.

We agree there is adequate guidance in order to determine disclosure versus consolidation entities.

d. Do you agree or disagree with:

> **i. the factors to be considered in making judgments about the extent of appropriate disclosures (see par. 69),**
>
> We agree both qualitative and quantitative factors should be considered in determining whether information regarding a disclosure should be presented separately due to its significance, or aggregated with the information regarding other disclosure organizations. This concept is widely applied in the commercial sector and is a logical way to present information with varying levels of significance to the organization
>
> **ii. the objectives for disclosures (see par. 72), and**
>
> We agree the disclosure objectives in paragraph 72 provide the reader the appropriate type of information to assess the potential current/future impact the disclosure organization has/could have on the reporting entity.
>
> **iii. the examples provided (see par. 73)?**
>
> We agree the examples included in paragraph 73 adequately assist the reader in understanding the specific types of information necessary to meet the disclosure objectives in paragraph 72.

Please provide the rationale for your answers.

Q3. The Board proposes each component reporting entity report in its GPFFR organizations for which it is accountable; that includes consolidation entities and disclosure organizations administratively assigned to it. Administrative assignments can be identified by evaluating:

- the scope of the budget process,
- whether accountability is established within a component reporting entity, or
- rare instances of other significant relationships such that it may be misleading to exclude an organization not administratively assigned based on the previous two principles.

The Board recognizes that in rare instances it also may be misleading to include an organization that is administratively assigned to a reporting entity based on the above principles. In such cases, the organization may be excluded.

Refer to paragraphs 54-63 of the proposed standards and paragraphs A55-A61 in Appendix A - Basis for Conclusions for a discussion and related explanation.

a. Do you agree or disagree that each component reporting entity should report in its GPFFR organizations for which it is accountable, which includes consolidation entities and disclosure organizations administratively assigned to it? Please provide the rationale for your answers.

We agree each component reporting entity should report in its GPFFR organizations for which it is accountable, which includes consolidation entities and disclosure organizations administratively assigned to it. The underlying principles provided for this are consistent with those outlined for the principles for inclusion in the government-wide GPFFR (e.g., budget inclusion, majority ownership, control, and misleading to exclude). This will ensure the financial statements present a complete picture of the entity.

b. Do you agree or disagree that administrative assignments can be identified as provided in paragraphs 54-63? Please provide the rationale for your answers.

We agree administrative assignments can be adequately determined by evaluating (1) the scope of the budget process, (2) accountability established within a component reporting entity, and (3) whether it is misleading to exclude/ include in the GPFFR. Paragraphs 54-63 define these in detail and, as noted in the previous response, the concepts are consistent with the principles of inclusion. However, it will be beneficial if FASAB considers providing a concise definition of an administrative assignment.

Q4. The Statement provides for each reporting entity (the government-wide and component reporting entities) to consolidate financial information for all consolidation entities for which it is accountable without regard to funding source (for example, appropriations or donations). For certain organizations, such as museums and performing arts organizations, this may lead to consolidating funds from sources such as donations that are presently not consolidated in the government-wide GPFFR.

Refer to paragraphs 54-64 of the proposed standards and paragraph A19 in Appendix A – Basis for Conclusions for a discussion and related explanation.

Do you agree or disagree that each component reporting entity (for example, museums) and the government-wide reporting entity should consolidate in their entirety organizations for which it is accountable without regard to funding source, including those receiving appropriations and donations? Please provide the rationale for your answers.

We agree all reporting entities should consolidate all organizations for which they are accountable; no matter what the funding source is (this should all be disclosed too).

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.

We disagree; it is not appropriate to consolidate FASAB- and FASB-based information without conversion for consolidation entities. Consolidating amounts without regard for differences that may result from the differing accounting standards being used by the reporting entity and the consolidation entity may result in inconsistency in financial reporting. The proposed standards should include guidance related to material differences between FASB and FASAB accounting standards.

- Situations may occur in which different accounting standards are applied to different entities, which could lead to possible presentation and disclosure conflicts when they are consolidated.
- The use of different accounting standards reduces the confidence users and prepares have in the qualitative characteristics of the financial reports specifically consistency, comparability, reliability, and understandability.
- Situations may arise in which there is a high opportunity cost to convert all financial statements and reports from FASB to FASAB and the cost outweighs the potential benefit. In these situations, the entity should evaluate the material impact of various accounting differences between the two standards and convert only those that would significantly change or could significantly change the presentation of the financial reports and the decision making of stakeholders and users.

The board should consider the inclusion of principles discussing the requirements and guidance related to consolidation concerns when evaluating differences between FASB and FASAB. This could significantly mitigate costs of interpretation, provide clarity on the subject matter for preparers of a GPFFR, and enhance the usefulness of financial reports for users and stakeholders.

Q6. Central banking (through the Federal Reserve System) is a unique federal responsibility with distinctive characteristics. The proposed standards do not specify that the central banking system be included in GPFFRs or whether, if included, it would be classified as a consolidation entity or a disclosure organization. Because of the unique nature and magnitude of central banking transactions, and the fact there is only one organization of this type, the Board proposes certain minimum disclosures regarding the central banking system. These disclosures would be required in addition to any other reporting requirements regarding the central banking system. The information should be disclosed in the government-wide GPFFR and the GPFFR of any reporting entity to which it may be primarily associated with or administratively assigned. Depending on the circumstances, some of the minimum disclosures may have been addressed in other requirements. The resultant disclosures should be integrated so that concise, meaningful, and transparent information is provided and information is not repetitive.

Refer to paragraph 77 of the proposed standards and paragraphs A30-A37 in Appendix A - Basis for Conclusions for a discussion and related explanation.

a. Do you agree or disagree with the minimum disclosures for the central banking system or believe there are additional disclosures that should be considered? Please provide the rationale for your answer.

We disagree; the central banking system should be required to report disclosures that provide for complete disclosure of their activities. Due to the unique nature of the central banking system, maybe additional guidance should be issued by the board to address specifically all of the central banking system's unique accounting and operations. The statement does not provide sufficient minimum disclosure requirements for the central banking system and the board should consider providing the additional disclosure requirements referenced below.

- Paragraph 77, item b should include an assessment of meeting the objectives of federal and monetary policy. Item b requires the Federal Reserve System to disclose significant roles and responsibilities and how they relate to federal objectives, which is important, but incomplete. Financial reports are useful when they possess comparability and relevance to the user. As a result, it is important that not only the objectives are linked to the roles and responsibilities, but that an assessment is provided of those objectives (similar to a balanced scorecard).
- Paragraph 77, item c should include actions such as open market operations, reserve requirements, adjustments to the fed funds rate, specific financial services provided to the federal government, and investments in specific financial instruments used by the Federal Reserve System (e.g. swaps, asset backed

securities, collateralized debt and mortgage obligations, interest rate derivatives, commodities, real assets, etc.) in which significant positions are taken.

- Paragraph 77, item d should also include significant transactions and balances within the fiscal period that would impact the decision making of stakeholders and GPFFR users.
- The Federal Reserve System should disclose transactions and relationships with foreign governments and financial institutions as well as significant holdings (currencies, debt, treasury securities, ownership interests, etc.) that could be materially useful to a user of the GPFFR.

The current minimum disclosures do not encompass these disclosures requirements, which should be articulated to a greater degree in order to ensure that the government-wide GPFFR is reliable and the information presented is verifiable, and completely and faithfully represents what it purports to represent. The Federal Reserve System is a unique organization; therefore, the board should emphasize transparency in Federal Reserve System disclosures. The board should also consider developing a single statement devoted to the central banking system.

b. Do you believe there are other significant organizations for which minimum disclosures should be made? Please specify which entities, if any, and the nature of disclosures and provide the rationale for your answer.

We believe the board should consider providing minimum disclosures for the following organizations:

- Federally Funded Research and Development Centers;
- Venture capital projects; and
- Government sponsored enterprises such as the Federal Agricultural Mortgage Corporation, Federal National Mortgage Corporation, and Federal Home Loan Mortgage Corporation due to their impact on political, monetary, and fiscal policy objectives, and the federal government.

The statement should require similar disclosures to the Federal Reserve System such as the roles and responsibilities of the organization, how it is accomplishing specified objectives and an assessment of meeting those objectives, nature of the research, development, or venture, sources and uses of funds, significant transactions, and governance structure. The government-wide GPFFR should provide transparency and accountability for the activities financed by taxpayers and non-exchange revenue as well as organizations that have a significant impact on policy making. In turn, this will provide users and stakeholders with sufficient information for decision making purposes.

Q7. The Board proposes a definition of related parties and disclosures for related parties where the relationship is of such significance that it would be misleading to exclude disclosures about the relationship. The proposal also provides a list of the types of organizations that generally would or would not be considered related parties.

Refer to paragraphs 78 -87 of the proposed standards and paragraphs A82-A84 in Appendix A – Basis for Conclusions for a discussion and related explanation.

a. Do you agree or disagree with the related parties definition and requirements? Please provide the rationale for your answer.

We believe the definition and requirements set forth in sections 79 and 87, respectively, provide an adequate understanding of what constitutes a related party and the appropriate information for the reader to understand the nature and extent of the relationship.

The definitions and requirements provided for related parties provide sufficient guidance that enable preparers and auditors of financial reports to assess an organization's relationship to the federal government and whether it should be included and disclosed in the GPFFR.

b. Do you agree or disagree with the list of the types of organizations that generally would be considered related parties? Please provide the rationale for your answer.

We agree that the list of the types of organizations that generally would be considered related parties, while limited, is adequate. Determining whether a related party exists requires professional judgment and the application of a number of tests/principles to reach the appropriate conclusions, which cannot necessarily be anticipated and/or defined by a particular type of organization.

c. Are there additional organizations that generally should be considered related parties? Please provide the rationale for your answer.

We believe the board should also consider the influence of those listed below when considering related parties:

- Free trade agreements
- Customs unions
- Common markets
- United Nations
- Foreign financial institutions

Each of these organizations could possess significant influence due to their relationships with the federal government, its organizations, and non-profit or private sector organizations that impact the federal government.

d. Do you agree or disagree with the list of exclusions? Please provide the rationale for your answer.

We agree with the list of exclusions because it is either explicit or implicit that the transactions do not meet the principles of inclusion or do not meet the related party definition.

e. Are there additional exclusions that should be considered? Please provide the rationale for your answer.

We do not believe there are additional exclusions needed.

Q8. The Board proposes conforming changes to Statement of Federal Financial Accounting Concepts (SFFAC) 2, *Entity and Display,* to rescind or amend language to remove criteria for determining what organizations are required to be included in a federal reporting entity's GPFFR from the concepts statement because criteria will be in a statement of federal financial accounting standards. Refer to paragraphs 88-101 of the proposed standards and paragraphs A85-A88 in Appendix A - Basis for Conclusions for a discussion and related explanation.

Do you agree or disagree with the conforming changes to SFFAC 2? Please provide the rationale for your answer.

We agree the conforming changes to SFFAC 2 relating to rescissions and additions based on the explanations provided in paragraphs 88-101. Rescissions appear to be justified based on the explanations provided in the Exposure Draft. There are two newly added paragraphs, the first of which relates the financial reporting objective of accountability to that of the reporting entity, and the second of which (containing subparagraphs 53A-53E) provides a more detailed distinction between consolidation entities and disclosure organizations.

The remaining changes described are either amendments or replacements. The document does not specify what was replaced and/or why it was replaced. We would recommend that the document specify this information to provide the reader with FASAB's rationale for the proposed change.

FASAB should consider providing more specific guidance related to the material differences before rescinding paragraph 78.

Q9. The Board proposes the Statement and Amendments to SFFAC 2, *Entity and Display,* be effective for periods beginning after September 30, 2016. Refer to paragraph 102 of the proposed standards.

Do you agree or disagree with this effective date? Please provide the rationale for your answer.

We agree the effective date gives entities adequate time to implement the new standard.

Q10. The Statement provides two non-authoritative appendices to assist users in the application of the proposed standards. The Flowchart at Appendix B is a tool that can be used in applying the principles established. The Illustrations at Appendix C offer hypothetical examples that may be useful in understanding the application of the standards. Refer to Appendix B-Flowchart and Appendix C-Illustration.

a. Do you agree the appendices are helpful in the application of the proposed standards?

We agree Appendix B (Flowchart) is helpful in the application of the proposed standards as it provides a simplified depiction of the process, including decision trees, to enable the user to easily understand the thought process that applies to determining the appropriate composition of the reporting entity.

We agree Appendix C (Illustration) is helpful in the application of the proposed standards because it provides detailed scenarios for control, ownership, budget inclusion and related parties, which serve to deepen the reader's understanding of the concepts presented in the standard.

Although Appendix A was not referenced in this question, we believe this appendix is helpful in the application of the proposed standards as it provides the reader with FASAB's rationale for each proposed action in the standard.

b. Do you believe the appendices should remain after the Statement is issued?

We believe the appendices should remain after the Statement is issued for the reasons stated in Q10a.

c. Do you believe there should be any changes or additional examples regarding the illustrations that would be useful in understanding the application of the standards? Please provide rationale to support your answer.

We do not believe there are any additional changes or examples needed.

Q11. Are there other unique situations that should be addressed within this Statement? Please explain fully and also how the situation is not addressed by this Statement when considered in its entirety.

We believe an exception statement should also be added for the applicability to certain entities if application of this standard will be detrimental to national security.

- The proposed guidance does not include information pertaining to the disclosure of the consolidation policy in the GPFFR. It would be helpful to the user to understand the policy implemented to by each consolidating entity. The consolidation process will differ from organization to organization; therefore, providing stakeholders with information pertaining to the policies and methodologies employed could significantly enhance the users understanding of the financial reports.

- The proposed guidance does not discuss differences in fiscal periods between the consolidating entity and the component entity. There are instances in which the fiscal periods may differ for some entities; therefore, the board should consider including guidance related to consolidating an entity with a fiscal period different than that of the consolidation entity. For example, a component entity may be required to prepare a set of financial statements for a period that corresponds with or closely approaches the fiscal period of the consolidation entity.

- Presentation guidance for consolidating and/or combining financial statements is not provided in the statement. The board should consider the possible conflicts and interpretation differences among preparers and auditors of GPFFRs that could arise due to limited guidance between combining and consolidating and the process of presenting information in a uniform manner for users.

- The statement does not discuss principles and guidance related to combinations. Instances could arise in which a combination of ownerships or non-controlling interests is employed by the preparer. The board should address differences in consolidation and combinations of organizations in the financial statements and the disclosures, and the appropriate presentation that may not be provided in SFFAC No. 2 or SFFAS No. 34.

- Deconsolidation principles and guidance are not provided in the statement (the reporting entity deconsolidating a consolidation entity as of the date the reporting entity no longer has majority ownership, exposure to significant benefits or losses, contractual agreement expires, etc.) Presentation requirements for deconsolidations are also not provided in the statement. The board should provide principles and guidance related to these matters since they are possible situations that may occur.

- Majority ownership does not necessarily ascertain that an organization should be included as a consolidation entity or disclosure organization. The board should consider adding a paragraph to the statement providing guidance on a majority-owned entity that does not rest with the majority owner. For example, FAS 160/ABS 51, regarding subsidiaries and parent reporting entities, states that “a majority-owned entity shall not be consolidated if control does not rest with the majority owner if the entity is in legal reorganization or in bankruptcy or operates under foreign exchange restrictions, controls, or other governmentally imposed uncertainties so severe that they cast doubt on the parent’s ability to control the entity.” Similar scenarios and situations should be considered when evaluating the majority ownership of an organization from the perspective of the federal government because there are possible situations which may arise that prohibit the Federal Government from having control of the consolidated or disclosed entity.

- A consolidating entity’s interest as the majority owner may change as a result of legal, regulatory, or financial difficulties, the consolidation entity may issue additional stock, which could alter the majority ownership position, purchase and/or sell ownership interests, and change a contractual agreement, which provides control over an entity.

- The combination of several non-controlling interests could result in a potential risk, loss, or expected benefit to the federal government and could be more impactful then a majority ownership. The board should consider the impact of combining non-controlling interests and the way this information should be presented and disclosed.

Q12. One member has an alternative view regarding receiverships, conservatorships, and interventions. The Board member does not believe receiverships, conservatorships, and intervention organizations should be equated with other disclosure organizations. He believes guidance in the proposed standards gives the impression that these organizations are part of the federal government. Further, he believes all types of interventions should be addressed in the Board's project on risk assumed.

The other members believe the proposed standards appropriately distinguish between consolidation entities and disclosure organizations including receiverships, conservatorships, and interventions resulting in ownership or control. The Board deliberated alternatives regarding such organizations, including creating an "exception" similar to the approach taken in SFFAC 2, but determined an exception would be rules-based rather than principles-based. Such an exception would require more detailed guidance, or "rules," to aid in determining whether ownership or control of such organizations is expected or intended to be permanent.

Instead, the proposed standards establish principles for when relationships with organizations create a need for accountability, and how information should be included in GPFFRs. The Board believes it is important to address these relationship matters in a single Statement of Federal Financial Accounting Standards and has not proposed exceptions. The Board also addresses in this proposed Statement whether organizations are required to apply the GAAP hierarchy for federal reporting entities. Disclosure organizations are not required to apply the GAAP hierarchy for federal reporting entities and this should avoid giving the impression that all disclosure organizations included in GPFFRs are federal reporting entities or "part of the federal government." To further avoid giving this impression, the Board clarified that it is not the purpose of this Statement of Federal Financial Accounting Standards to assist in determining what entities are "part of the federal government" for legal or political purposes.

Refer to paragraphs 7, 13-14, 41, 49-53, and 65 of the proposed standards and paragraphs A1-A2, A9-A11, A20-A23, A30-A31, A44-A54, and A89-A93 in Appendix A – Basis for Conclusions for a discussion and related explanation.

a. Do you agree or disagree with the alternative view that the proposed standards should not equate receiverships, conservatorships, and interventions with other disclosure organizations to avoid an inference that they are part of the Federal government? Please provide the rationale for your answer.

We agree with the alternative view that the proposed standards should not equate receiverships, conservatorships, and interventions with other disclosure organizations to avoid an inference that they are part of the Federal government. If these types of entities have a material relationship with the federal government, they should be disclosed, but there needs to be criteria developed to distinguish the reporting requirements for these types of entities versus true disclosure entities per this standard. The proposed standards should establish specific terminology in order to refer to disclosure entities that are part of the federal government and disclosure entities that are not part of the federal government. The current definition and proposed language for disclosure entities could create unnecessary confusion regarding the type of relationship between a disclosed entity and the federal government, and between a receivership, intervention, or conservatorship (RIC) and the federal government. Disclosure organizations are categorized in the statement as (1) receiving limited or no funding from general tax revenues, (2) having less direct involvement, and influence, by the Congress and/or the President, (3) imposing limited risks and rewards on the federal government, and/or (4) are more likely to provide goods and services on a market basis. These requirements as well as those mentioned throughout the statement do not align with RICs due to

- the unique nature of their relationships with the federal government;
- the government’s exposure to significant loss or benefit;
- the characteristics of RICs in relation to those of a typical disclosure organization; and
- the high degree of influence by Congress and/or the President.

The board should consider differentiating between organizations required to be disclosed and a disclosure entity. RICs should be disclosed in the financial reports; however, based upon the statement they do not meet the qualification of disclosures organizations (i.e. an organization being disclosed does not necessary mean it’s a disclosure organization). As a result, the board should consider developing separate distinctions and principles for RICs in order to segregate the characteristics and nature of disclose organizations from RICs.

b. Do you agree or disagree with the alternative view that the guidance for all interventions, regardless of type, should be presented in a single Statement of Federal Financial Accounting Standard? Please provide the rationale for your answer.

We agree a separate standard should be developed to capture and address all of the unique aspects of these types of entities. Guidance for all interventions should be presented in a single Statement of Federal Financial Accounting Standard in order to adequately discuss all situations and concerns that may arise related to interventions. The brief guidance provided in this proposed Statement of Federal Financial Accounting

Standard does not capture all aspect of interventions; therefore, in order to effectively guide preparers on this subject matter a single standard should be established.

<u>Section: PRINCIPLES FOR INCLUSION IN THE GOVERNMENT-WIDE GPFFR</u>

1. **Page 14, Line 21**

Suggestion: Recommend removing footnote 10 and including this verbiage directly in line 21.

Rational: Provide more clarity without requiring the reader to refer to footnotes, similar to verbiage in line 24 on page 15.

<u>Section: SITUATION WHERE CONTROL DOES NOT EXIST</u>

2. **Page 17, Line 32**

Suggestion: (U) A blanket statement that control does not exist when the organization is economically dependent upon the federal government is unrealistic to a reasonable person; (i.e., the "power of the purse") the presumption should be that there is an ability to influence/control the behaviors of the recipients even when not specifically called out in an agreement -- though it might not be true in all cases and reasonable judgment would be required.

<u>Section: RECEIVERSHIPS AND CONSERATORSHIPS</u>

3. **Page 21, Line 49**

Suggestion: The Basis for Conclusions related to receiverships and conservatorships appears to provide a judgmental conclusion on how to report these organizations, which is not consistent with terminology reflected in the body of the exposure draft.

Rational: Line 49 indicates that "Organizations controlled or owned through receiverships or conservatorships are likely to be disclosure organizations." However, in Appendix A, line A48, the basis for conclusion indicates "… such controlled or owned organizations would be disclosure organizations...."

<u>Sections: RECEIVERSHIPS AND CONSERVATORSHIPS & FEDERAL GOVERNMENT INTERVENTION ACTIONS RESULTING IN CONTROL OR OWNERSHIP</u>

4. **Page 21, Lines 49-53**

Suggestion: Segregating receiverships and conservatorships separately from other Federal Government Intervention Actions Resulting in Control or Ownership may not be necessary. Information included in lines 50-53 could be applied to receiverships and conservatorships to conclude on disclosure requirements.

Rational: Note 20 indicates the difference between the two is that receivership and conservatorship activities are considered part of the mission of the federal reporting entity. However, agencies such as TARP were established with the mission to temporarily oversee/assist financial institutions back to safe and sound conditions as part of an economic intervention activity, similar to FHFA's mission to temporarily assist Fannie Mae/Freddie Mac (referred to as receiverships and conservatorships).

Section: SCOPE OF BUDGET PROCESS

5. **Page 23, Line 58.b**

Suggestion: Recommend editing - b. inclusion in an organization's published organization chart -- may be an indicator but not necessarily evidence of a particular type of relationship; there is no substance to that particular criteria upon which to base a decision.

Section: ACCOUNTABILITY ESTABLISHED WITHIN A COMPONENT REPORTING ENTITY

6. **Page 24, Line 60**

Suggestion: Line 60 appears to have an error. Instead of: "If a disclosure organization has not been administratively assigned to a consolidation entity…." should it state: "If a disclosure organization has not been administratively assigned to a component reporting entity…."

Rationale: Section 58-60 refers to accountability for component reporting entities.

Section: GPFFR CONSOLIDATION AND DISCLOSURE

7. **Page 26, Page 66**

Suggestion: Disagree that consolidation of FASAB and FASB based information without conversion for consolidation entities is appropriate. Recommend that the reporting entity convert any consolidation entity balances to either the FASB or FASAB standards used by the reporting entity.

Rationale: While this provision in line 66 may have been included to address cost/benefit concerns, two of the six qualitative characteristics for developing accounting standards discussed in SFFAC No. 1 and SFFAC No. 4 are consistency and comparability. Consolidating balances from two or more organizations without regard to FASAB and FASB differences does not represent consistent application of accounting principles in a GPFFR.

8. **Page 26, Line 66**

Suggestion: Disagree that any component reporting entity that publishes financial reports pursuant to FASB standards should be required to disclosure intragovernmental amounts measured in accordance with FASAB standards to facilitate elimination entries for the government-wide financial statements

Rationale: Federal reporting components that use FASB standards are already required by Treasury to prepare GFRS (closing package) financial statements which presents the necessary converted intragovernmental elimination information required for the government-wide financial statements. This additional disclosure may be confusing and/or not useful to the reporting entity's wider GPFFR audience.

Section: DISCLOSURE REQUIREMENTS

9. **Page 28, Lines 72.c, 73.e, 73.i, 73.j**

Suggestion: Disagree that disclosures should include the objective of providing a description of future exposures. Recommend considering future exposure information as part of the risk assumed project (Required Supplementary Information).

Rationale: The disclosures (footnotes) are part of the audited financial statements. It may be difficult for reporting entities to make such determinations and defend them during the audit process as this information may be judgmental and/or speculative in nature.

Section: MINIMUM DISCLOSURES REGARDING THE CENTRAL BANKING SYSTEM

10. **Page 30, Line 77**

Suggestion: Minimum Disclosures regarding the Central Banking System -- should include significant types of transactions and balances related to exchanges between the central banking system and foreign entities.