TO: The Director of Research and Technical Activities

FROM: Cherokee Nation

RE: Project No. 3-251

Chapter 2: Recognition Approaches for Governmental Fund Financial Statements

2.1. Do you believe that governmental fund financial statements should continue to present information that reflects a shorter time perspective than the information presented in the government-wide financial statement and that focuses on financial, rather than economic, resources? Why?

Response: The Nation does believe that governmental fund financial statements should continue to present information that reflects a shorter time perspective than the information presented in the government-wide financial statements and that focuses on financial, rather than economic, resources. The financial resources measurement focus recognizes the effects of transactions when they take place regardless of when cash is received or paid. The accountability shown by this approach lends itself to showing whether current year revenues were sufficient to pay for current year services.

2.2. Do you believe that the government fund financial statements should continue to present information that facilitates comparisons with a government’s budgetary information? Why?

Response: The Nation does believe that the governmental fund financial statements should continue to present information that facilitates comparisons with a government’s budgetary information. The comparisons with budgetary information allows for the demonstration of legal compliance and enhanced financial administration based on goals, internal controls and effects of the budget.

2.3. Which of the three recognition approaches provides the most relevant information for assessing fiscal accountability of the government? Why do you consider that information most relevant?

Response: The Nation thinks the long-term approach provides the most relevant information for assessing fiscal accountability of the government. This information is most relevant because it shows the government’s ability to meet service needs and pay obligations that have been incurred related to noncapital activities.

2.4. Transactions related to tax anticipation notes or revenue anticipation notes are presented differently under the three recognition approaches. In the near-term approach, borrowings on and repayments of these notes would be reported as inflows and outflows of resources on the statement of resource flows and in the reconciliation to the government-wide statement of net position. In the short-term and long-term approaches, outstanding balances of these notes would be reported as liabilities on the balance sheet, and borrowings on and repayments of these notes would be reported in the statement of cash flows. (See discussion in Chapter 3.) Which approach to the reporting of these notes provides the most valuable information? Why?

Response: no comment
2.5. Views vary on the definition of financial resources – a concept integral to all three recognition approaches. (See the discussion in paragraphs 38-40 of Chapter 2.) What definition of financial resources provides the most valuable information? Why? Do you consider prepaid items to be financial resources? Why? Do you consider inventory to be financial resources? Why?

Response: The Nation thinks that the definition of financial resources that provides the most valuable information is the “items that can be or are expected to be converted to cash or are consumable in lieu of financial resources” as the most valuable. We would consider prepaid items as being financial resources because they are consumable in lieu of cash. We would also consider inventory to be a financial resource for the same reason.

2.6. For the recognition approach that you believe provides the most valuable information, how would you change that recognition approach to provide information that is more valuable? How would those changes make the information more valuable?

Response: no comment

2.7. Paragraph 6 of Chapter 2 discusses a same-page reconciliation to government-wide information and the use of specific terminology to more clearly communicate that the information in governmental fund financial statements is of a shorter time perspective than information in the government-wide financial statements and focuses on financial, rather than economic, resources. Are these changes effective in communicating that the information in government fund financial statements is different from the information in government-wide financial statements? How could those differences be communicated more effectively?

Response: The Nation believes the changes are effective in communicating the differences between the statements. Additional detail could be provided to assist in the explanation of the differences (similar to the breakout shown in the Notes).

Chapter 3: Other Governmental Fund Financial Statement Issues

3.1. Which format for the governmental funds resources flows statements – existing formation or current and long-term activity format – provides the most valuable information about governmental funds? Why do you consider the information to be more valuable?

Response: The Nation thinks the existing formation of the governmental funds resources flows statements provides the most valuable information about governmental funds. The existing layout is clear and concise whereas the current and long-term format seems duplicative and may be more difficult for the citizenry to fully understand.

3.2. Should a statement of cash flows be required for governmental funds? Why?
Response: No. With the use of the current financial resources measurement focus, that information is already being presented through the existing fund statements.

3.3. What difficulties, if any, would arise in presenting a statement of cash flows for governmental funds?

Response: It would be excessive, and unnecessary.

3.4. Are the four classifications for the statement of cash flows from Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, the most appropriate for governmental funds? If no, what classifications would be most appropriate?

Response: The Nation believes the four classifications are appropriate for governmental funds.