

FASAB Exposure Draft: Questions for Respondents due March 14, 2017

Budget and Accrual Reconciliation

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

Accounting Firm	<input type="checkbox"/>	
Federal Entity (user)	<input type="checkbox"/>	
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Q1. The Board proposes to replace the current Statement of Finance (SOF) requirement with the new budget and accrual reconciliation (NBAR). The NBAR reconciles the net outlays to net cost of operations. This presentation explains the difference between budgetary and financial accounting. The proposed Statement would apply to component reporting entities and describes the NBAR method and related disclosures. Refer to paragraphs six to nine.

Do you agree or disagree with the proposal to replace the SOF with the NBAR? If you agree, should the NBAR be presented as a part of basic financial statements or as a footnote? Please provide the rationale for your answer.

Agree – The NBAR should replace the current Reconciliation of Net Cost of Operations to Budget (formerly SOF). The proposed note is streamlined to reconcile Net Cost to Net Outlays as opposed to Net Cost to Obligations and Non-budgetary Resources. This is a more logical reconciliation since it enables the reader to more clearly align budget and cost data.

We recommend the reconciliation be included as a note because:

- 1) The suggested format is a reconciliation between components of two statements (SNC and SBR). A reconciliation of this nature would be better presented as a note.
- 2) The addition of Intra-governmental and With the Public segregation more appropriately aligns with detailed note information as opposed to a financial statement.

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3) A narrative would not be feasible as a statement. As a result the inclusion of the reconciliation as a statement would result in an additional statement AND note.

- Q2.** The Board proposes to require a narrative disclosure regarding the reconciliation and disclosure of the amount and nature of non-cash outlays. Refer to paragraphs six and 12.

**Do you agree or disagree that a narrative disclosure should accompany the NBAR? Please provide the rationale for your answer.**

We agree that a general narrative disclosure should accompany the NBAR. While a narrative to explain the purpose of the reconciliation and general reconciling items between Net Cost and Net Outlays (paragraph 1 in Appendix 1-G) is beneficial; the additional detail in paragraph 2 of Appendix 1-G appears to be more of a fluctuation analysis as opposed to an explanation of the information presented. A fluctuation analysis is not traditionally presented in a published financial statement note. Due to the number of lines in the reconciliation, fluctuation related explanations may require extensive language that could lead to confusion and non-conformity on a government-wide basis. We, therefore, recommend limiting the narrative to a general introduction of the purpose and intent of the reconciliation.

- Q3.** The Board proposes that this Statement be effective for periods beginning after September 30, 2017 with early adoption permitted. In addition, restatement of comparative prior period information would be required. Refer to paragraph 13.

**Do you agree or disagree that the effective date, the early adoption, and restatement of comparative prior period information are reasonable? Please provide the rationale for your answer.**

The effective date should be contingent on the release of the final pronouncement and crosswalk.