June 1, 2017

Memorandum

To: Members of the Board

From: Grace Wu, Assistant Director

Through: Wendy M. Payne, Executive Director

Subj: Budget and Accrual Reconciliation (BAR) — Tab E

MEETING OBJECTIVES

The objective is to review responses to the updated budget and accrual (BAR) format and obtain feedback on the pre-ballot draft Budget and Accrual Reconciliation.

BRIEFING MATERIAL

The briefing material includes this memorandum and the following attachments:

- **Attachment 1** provides a copy of the trial responses on the updated BAR format.
- **Attachment 2** provides the updated exposure draft (ED) with suggested edits based upon comments received.
- **Attachment 3** provides a clean copy of the pre-ballot version of the BAR.

BACKGROUND

At the April 26, 2017, Board meeting, the Federal Accounting Standards Advisory Board (FASAB or “the Board”) reviewed the comments received on the BAR ED during the comment period and discussed the respondents’ concerns, including the breakdown of the Intragovernmental and With the Public in the BAR ED format. After carefully considering the comments received on the breakdown, the Board discussed an updated BAR format.

MEMBER ACTIONS REQUESTED:

- Provide staff with feedback regarding the pre-ballot draft BAR Statement by June 15th so that member edits can be addressed at the meeting.

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1 The staff prepares Board meeting materials to facilitate discussion of issues at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect authoritative views of FASAB or its staff. Official positions of FASAB are determined only after extensive due process and deliberations.
format does not include the breakdown of Intragovernmental and With the Public for the budgetary net outlays but keeps the remaining breakdown numbers above the net outlays line item. Most of the line items above the net outlays are directly from the balance sheet, and the Statement of Net Cost breakdowns exist in those statements.

Based on the new format, the Bureau of the Fiscal Service (Fiscal Service) updated the draft BAR crosswalk instruction with a breakdown of Intragovernmental and With the Public. The updated format and crosswalk instruction were brought to the nine agencies that were originally against the breakdown during the comment period. By June 1, five out of nine agencies responded with their trial results. These results are summarized in attachment 1, copy of the trial responses on the updated BAR format. In their responses, all agencies welcomed a no-breakdown format for the Net Outlays and provided no additional comments. Two agencies would still prefer a format without breakdown: one stated that additional system programming changes are needed if the breakdown is required and another did not state any reason. One of the respondents pointed out a revolving fund’s interest revenue may be in the section of Budget Outlays That Are Not Part of Net Operating Cost but did not identify if any challenge existed for that account’s breakdown of Intragovernmental and With the Public in the BAR format. The majority of the comments were related to the improvement of the crosswalk. Those comments were passed to Fiscal Service for further refinement of the crosswalk instruction. As such, staff recommended using the updated BAR format in the Statement.

Based on the Board’s discussion of the changes to the BAR ED at the April meeting and the above pilot results, staff revised the Statement as shown in attachment 2.

NEXT STEPS

Staff’s goal is to ballot before the August 2017 meeting. Members that plan to submit a dissent should provide it to staff as soon as possible so that other Board members may consider these views during their review.

MEMBER FEEDBACK

If you have any questions or comments, please contact me by telephone at (202) 512-7377 or by email at wug@fasab.gov with a cc to paynew@fasab.gov.
#1 Department of Energy

-----Original Message-----
From: Wall, John F [mailto:John.Wall@hq.doe.gov]
Sent: Tuesday, May 16, 2017 12:54 PM
To: Wu, Grace Q
Cc: Truitt, William; Douglass, Tynesha; King, Lori; Siegelman, Samantha
Subject: Budget & Accrual Reconciliation

Good Afternoon,

The Department appreciates the opportunity to submit further comments on the new format and using the updated crosswalk. After using the new format and crosswalk, we were unable to reconcile at the consolidated level. We believe there are areas where FASAB needs to clarify the uses of USSGLs in the reconciliation process. Also, DOE will have to implement many business process changes and system modifications that will require reconfiguration, testing and training.

Any thoughts on the updated format?

As DOE understands it, the Treasury crosswalk was to facilitate and assist agencies to have a standard approach to perform the Budgetary and Accrual Reconciliation. However, it is unclear with the current version of the crosswalk how this objective will be met since these versions have been inconsistent in the use of USSGL accounts. While DOE has been unable to complete our BAR, we have used the two principle statements that are readily available to the agency (i.e. at the entity component level) - Statement of Net Cost and Statement of Budgetary Resources to accomplish the task so far. We are close but as indicated to the Board based on our submitted comments, we still have some work to do.

By using your agency's 2016 year end data and the updated crosswalk to try out the format, do you see any specific items especially in "the components of net outlays that are not part of net cost" are not covered by current USSGL breakdown?

DOE has yet to reconcile at a consolidated level, and therefore, cannot make any assertions, with complete certainty, at this point. DOE did note, however, that there were many USSGLs included in the Treasury crosswalk for this section that our Department does not use in the reconciliation. DOE will take into consideration the Treasury crosswalk as reference and for illustrative purposes as long as DOE is not subject to the crosswalk as a mandatory requirement. Having a crosswalk in FASAB will make it appear to the auditors that such crosswalk must be complied with in its full version.

Your agency's specific challenge for this new format

DOE will need to implement significant business process changes and system modifications that will require configuration, testing, and training. DOE will require additional system programming changes if the breakdown of 'Intragovernmental' and 'With the Public' is required
rather than continuing to present combined data. DOE will require additional time to work with Treasury on an updated and fully vetted crosswalk that accommodates unique SGL subaccounts that are applicable to our operations. Furthermore, we would like to understand, what value added this breakdown gives to a reader or user when the breakdown of similar information is already provided on the Balance Sheet and the BAR is merely a reconciliation between outlays and net costs.

John Wall  
Financial Policy Team  
Office of the Chief Financial Officer  
(202) 586-5728

#2 Office of Personal Management

From: Babagana, Kolo [mailto:Kolo.Babagana@opm.gov]  
Sent: Thursday, May 18, 2017 7:06 AM  
To: Wu, Grace Q  
Cc: Johnson, Tonya; Still, Eric; Lee, Susan Eng; Harris, Kenneth T; Cason, Kenneth T.; Allard, Dana L.  
Subject: RE: Update on Budget & Accrual Reconciliation ED Example Issue on Intragovernmental vs. With Public

Hi Grace,  

We (OPM/OCFO) have reviewed the new format and the updated crosswalk. Our comments are noted below.

1. Updated format  
   a. The updated format that does not present the breakdown for the net outlays is preferable. However, OPM recommends that the BAR presents only totals. 
   b. OPM prepares consolidated balance sheet and net cost statement, and combining statement of budgetary resources. When we are reconciling budget and accrual using the format, we are having differences due to departmental eliminations. We recommend that you review the format to ensure that departmental eliminations are properly addressed.

2. Using FY 2016 data in the updated crosswalk  
   a. The crosswalk is missing some SGL accounts that OPM uses.  
   b. OPM has receipts accounts. The crosswalk is not designed to account for receipts accounts.

3. OPM’s specific challenges for this new format are described above.

Thanks  

Kolo  
202-606-1676
Hi, Grace –
We have no comments at this time, and members of our financial statements preparation team (David Bethea and Valerie Grant) will be working with Treasury on the crosswalks and footnotes. Thanks again for the opportunity to submit comments and I hope you have a good weekend.
Kate

Good Afternoon Grace and Chris,

We used the updated “Intragovernmental vs. With the Public” crosswalk to populate the most recent BAR format and we were able to populate the “Fed/NonFed” breakdown above Net Outlays. Currently, our agency is not able to break out Federal Outlays vs. Public Outlays. The USSGL Treasury Crosswalks to Standard External Reports indicate the Reporting Type Code and Fund Type. Is this information going to be incorporated in the USSGL Treasury Crosswalk for the BAR?

For this analysis, we had to break down the information by major fund groups to be able to determine the differences and reconciling items. Below are some deviations from the crosswalk that FAA would like to report in case they are a concern, not only for our agency, but that might impact the entire government:

- Revolving Fund Treasury Account Symbol (TAS) 69-X-4562, Administrative Services Franchise Fund, Federal Aviation Administration: SGL 650000 balance for this revolving fund is not included in the reconciliation as one of the “Components of Net Operating Cost Not Part of the Budgetary Outlays” because this balance is for Reimbursables and it offsets Budgetary Outlays. It is not a reconciling item because it is a component of Net Operating Cost and the Budget Outlays.

- Revolving Fund FAA TAS 69X4120, Aviation Insurance Revolving Fund: SGL 161100 balance for this revolving fund is not included in the reconciliation for FAA. The discount on U.S. Treasury securities is offsetting the transfer amount of the investment balance (it is not a component of Net Operating Cost, nor Budget Outlays). Also, SGL 531100 needs to be included
for this TAS (FAA reconciling item). The interest collected for this account is affecting Actual Offsetting Collections and Net Outlays. This interest revenue is non-exchange (Federal securities interest revenue including associated gains and losses) and it’s not part of net operating cost (“Components of the Budget Outlays That Are Not Part of Net Operating Cost”).

- Trust Fund FAA TAS 69X8103, Airport and Airway Trust Fund: SGLs 134200 and 576500 for this trust fund corpus are not included since all revenue and investment balances are transfers. These transfers offset Budget Authority and don’t affect Budget Outlays (Not a component of Net Operating Cost, nor Budget Outlays).

- Special Fund FAA TAS 69X5422, Aviation User Fees, Federal Aviation Administration: SGL 576500 for this special fund is not included. These are non-expenditure transfers-out of current-year authority previously anticipated that are not affecting Net Operating Cost nor Budget Outlays. These are transfers to the Department (OST TAS 69-X-5423) that are offset by Appropriated Dedicated Collections transferred in (SGL 574000) from the FAA Aviation User Fees and Overflight Fees Receipt account, TAS 645422.004.

- At year end, FBWT remaining balance of cancelling funds are back to Treasury. These transactions are posted to SGL 576000, Expenditure Financing Sources - Transfers-Out, but the portion related to these transfers should not be reported in the reconciliation. They are not affecting Net Operating Cost nor Budget Outlays. At year end, should we use financial statements to populate the BAR as of the date before these transfers are processed in our accounting systems?

- Per BAR comments, “This reconciliation will not work for receipt accounts. Other fund types could cause issues that should be reported to USSGL to analyze any gaps”. Should we exclude Receipt, Deposit Funds and Suspense Accounts balances from this reconciliation as a whole? Meaning that the Net Operating Cost (SNC) balance at the top of the reconciliation and various components should exclude Receipt Accounts, Deposit Funds and Suspense Account Balances.

Thanks for your help and have a great rest of the week,

Lina Osorio  
Systems Accountant  
Financial Statements & Reporting Division, AFR-300  
Federal Aviation Administration  
Phone: 202-267-8419

#5 Department of Labor

From: Maurer, Jennifer - OCFO [mailto:Maurer.Jennifer@dol.gov]  
Sent: Thursday, May 25, 2017 9:48 AM  
To: Wu, Grace Q  
Cc: Trapps, Hayward - OCFO CTR; Iqbal, Hibbatul H - OCFO CTR; Liu, Shuichang - OCFO CTR  
Subject: RE: Update on Budget & Accrual Reconciliation ED Example Issue on Intragovernmental vs. With Public - reminder

Grace,
Please accept my apologies for being late with our response. Here are our observations based on the revised crosswalk:

Recommended updates to reconciliation crosswalk
1) Include activities in SGL 2160 as this is a valid payable not impacting outlays - exclude any 2160 posted against 6800 (UTF Only)
2) Include SGL 5755 in addition to existing SGL 5765, to reflect net amount of transfers with DOL and among DOL internal programs.
3) Include USSGL 4141 and 4148 related to Black Lung activity as these are unique transactions to DOL that create variances if not added to current crosswalk.
4) Include activity in SGL 1320 and 1321 as these are receivable accounts that impact the SNC but not outlays (this SGL is only applicable to DOL)
5) Exclude activity in SGL 1342 that is not part of the SNC (UTF Only)

Please let us know if you need anything further or have any questions or concerns.

Jennifer Maurer, CGFM
U.S. Department of Labor
Office of the Chief Officer
202-693-4340 Office
BUDGET AND ACCRUAL RECONCILIATION
AMENDING STATEMENT OF FEDERAL FINANCIAL ACCOUNTING STANDARDS (SFFAS) 7, SFFAS 22, AND SFFAS 24

Statement of Federal Financial Accounting Standards 52

June XX, 2017
THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General of the United States established the Federal Accounting Standards Advisory Board (FASAB or “the Board”) in October 1990. FASAB is responsible for promulgating accounting standards for the United States government. These standards are recognized as generally accepted accounting principles (GAAP) for the federal government.

An accounting standard is typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, federal executives, federal program managers, and other users of federal financial information. The proposed standards are published in an exposure draft for public comment. In some cases, a discussion memorandum, invitation for comment, or preliminary views document may be published before an exposure draft is published on a specific topic. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standard with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for federal accounting and reporting.

Additional background information is available from FASAB or its website:

- “Memorandum of Understanding among the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board.”

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Contact us:

Federal Accounting Standards Advisory Board
441 G Street, NW, Suite 6814
Mailstop 6H19
Washington, DC 20548
Telephone 202-512-7350
Fax 202-512-7366
www.fasab.gov
This Statement amends requirements for a reconciliation between budgetary and financial accounting information established by Statement of Federal Financial Accounting Standards (SFFAS) 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting. To increase informational value and usefulness, and to support the government-wide accounting (GWA) reporting that reconciles net operating cost to the budget deficit, this Statement provides for the budget and accrual reconciliation (BAR) to replace the Statement of Financing. The BAR explains the relationship between the entity’s net outlays on a budgetary basis and the net cost of operations during the reporting period.

The BAR will start with net cost of operations and be adjusted by

- components of net cost that are not part of net outlays,
- components of net outlays that are not part of net cost, and
- other temporary timing differences, which reflect some special adjustments.

The provisions of this Statement need not be applied to immaterial items. The determination of whether an item is material depends on the degree to which omitting or misstating information about the item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement.
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STANDARDS

SCOPE

1. This Statement applies when a component reporting entity is presenting general purpose financial reports in conformance with SFFAS 34, The Hierarchy of Generally Accepted Accounting Principles, including the Application of Standards Issued by the Financial Accounting Standards Board. This information is not required in the consolidated financial report of the U.S. Government as a whole.

AMENDMENTS TO SFFAS 7, ACCOUNTING FOR REVENUE AND OTHER FINANCING SOURCES AND CONCEPTS FOR RECONCILING BUDGETARY AND FINANCIAL ACCOUNTING (SFFAS 7)

2. Paragraphs 80 to 82 of SFFAS 7 are replaced with the following paragraphs:

80. Budgetary and financial accounting information are complementary, but both the types of information and the timing of their recognition are different. To better understand these differences, the reconciliation should explain the relationship between the net cost of operations \(^1\) and net outlays by the entity during the reporting period. The reconciliation should reference the reported “net outlays” \(^2\) and related adjustments as defined by Office of Management and Budget (OMB) Circular A-11: Preparation, Submission, and Execution of the Budget.

81. The net cost of operations should be adjusted by

(a) components of net cost that are not part of net outlays (e.g., depreciation and amortization expenses of assets previously capitalized, change in asset/liabilities);

(b) components of net outlays that are not part of net cost (e.g., acquisition of capital assets); and

(c) other temporary timing differences (e.g., prior period adjustment due to correction of errors).

82. The adjustments should be presented and explained in appropriate detail and in a manner that best clarifies the relationship between net outlays and the accrual basis amounts used in financial accounting. A narrative explaining the purpose, the nature, the terms “net cost of operations” and “net cost” are used interchangeably to refer to the total cost incurred by the reporting entity less exchange revenue earned during the period.

2 OMB Circular A-11: Preparation, Submission, and Execution of the Budget states, “Outlay means a payment to liquidate an obligation (other than the repayment to the Treasury of debt principal). Outlays are a measure of Government spending. Subtract all offsetting collections (unexpired and expired) from gross outlays to yield net outlays so that the contribution of the budget account to the Federal Government's bottom line (the surplus or deficit) can be determined.”
and the line items of the reconciliation also should be presented with the reconciliation. The amount and nature of non-cash outlays should be disclosed. For purposes of this Statement, non-cash outlays are outlays that are recognized without a concurrent cash disbursement, such as interest accrued by the Department of the Treasury (Treasury) on debt held by the public and non-cash credit reform outlays/activity.

3. Paragraphs 91 to 93 of SFFAS 7 are replaced with the following paragraphs:

91. Subobjective 1C of the Budgetary Integrity objective states that information is needed to help the reader to determine “how information on the use of budgetary resources relates to information on the costs of program operations and whether information on the status of budgetary resources is consistent with other accounting information on assets and liabilities.” This objective arises because accrual-based expense measures used in financial statements differ from the obligation and outlay-based measures used in budgetary reporting.

92. To satisfy this objective, information is needed about the differences between budgetary and financial (i.e., proprietary) accounting that arise as a result of the different measures. This could be accomplished through a Budget and Accrual Reconciliation (BAR) that reconciles the net budgetary outlays for a federal entity’s programs and operations to the net cost of operating that entity. The data presented could be for the reporting entity as a whole, for the major suborganization units, for major budget accounts, or for aggregations of budget accounts, rather than for each individual budget account of the entity.

93. The Budget and Accrual Reconciliation is added to SFFAC No. 2’s suggested list of items included in the section titled “Financial Reporting for an Organizational Entity.” In addition, a footnote (referencing the Reconciliation of Net Costs to Outlays) should be added stating the following:

OMB will provide guidance regarding details of the display for the Budget and Accrual Reconciliation, including whether it should be presented as a basic financial statement or as a schedule in the notes to the basic financial statements.

4. The header before paragraph 95 of SFFAS 7 titled “Statement of Financing” is replaced with “Budget and Accrual Reconciliation.”

5. Paragraphs 95 to 102 of SFFAS 7 are replaced with the following paragraphs:

95. The purpose of the Reconciliation of Net Costs to Outlays is to explain how budgetary resources outlayed during the period relate to the net cost of operations for the reporting entity. This information should be presented in a way that clarifies the relationship between the outlays reported through budgetary accounting and the accrual basis of financial (i.e., proprietary) accounting. By explaining this relationship, information necessary to understand how the budgetary outlays finance the net cost of operations and affect the assets and liabilities of the reporting entity is provided. The appropriate elements for the Budget and Accrual Reconciliation are indicated in the following paragraphs. They provide logical groupings of reconciling items that help the reader move from outlays to net cost of operations.
96. **Net Cost of Operations** is from the Statement of Net Cost.

97. **Components of net cost that are not part of net outlays** are most commonly (a) the result of allocating assets to expenses over more than one reporting period (e.g., depreciation) and the write-down of assets (due to revaluations), (b) the temporary timing differences between outlays/receipts and the operating expense/revenue during the period, and (c) costs financed by other entities (imputed inter-entity costs).

98. **Components of net outlays that are not part of net cost** are primarily amounts provided in the current reporting period that fund costs incurred in prior years and amounts incurred for goods or services that have been capitalized on the balance sheet (e.g., plant, property and equipment acquisition and inventory acquisition).

99. **Other temporary timing differences** reflect special adjustments (e.g., prior period adjustment due to correction of errors).

100. **Net Outlays** is the summation of the above amounts and equals the Statement of Budgetary Resources net outlays amount.

101. The preparer should present material amounts separately in the reconciliation and discuss these in the narrative. The use of “other” captions should be minimized and individually material amounts should not be netted to report an immaterial amount.

102. The following is an example for the financial statement format. This format and its narrative will be added to the appendices of SFFAC No. 2.

**Entity and Display, Appendix 1-G**

**EXAMPLE FINANCIAL STATEMENT FORMATS – BUDGET AND ACCRUAL RECONCILIATION**

**NARRATIVE**

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government’s financial operations and financial position so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting formation. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays.

Unrealized valuation loss on investment in the reconciliation is related to the write down of security investment due to recent market volatility which did not result in an outlay but did result in a cost. The large increase of accounts payable compared to last year is because this year’s rent expense has not been paid but was included in the net cost this year and not included in the outlays. The large variance in the “transfers in/(out) without reimbursement” between fiscal year (FY) 201X and FY201X is primarily due to the transfer of program management responsibility from agency 1 to agency 2 as discussed in further detail in Note X. In addition, the
A decrease in "Imputed financing source" is a result of the payment in FY201X for the ABC Settlement.

### RECONCILIATION SAMPLE

For the year ended September 30, 201X

<table>
<thead>
<tr>
<th>Components of Net Cost That Are Not Part of Net Outlays:</th>
<th>Intra-governmental</th>
<th>With the public</th>
<th>Total FY 201X</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant, and equipment depreciation</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Property, plant, and equipment disposal &amp; revaluation</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Year-end credit reform subsidy re-estimates</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Unrealized valuation loss/(gain) on investments</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Increase/(decrease) in assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Loans receivable</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Investments</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Other assets</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>(Increase)/decrease in liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Insurance and guarantee program liabilities</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Environmental and disposal liabilities</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Other liabilities (Unfunded leave, Unfunded FECA, Actuarial FECA)</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Other financing sources:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal employee retirement benefit costs paid by OPM and imputed to the agency</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Transfers out (in) without reimbursement</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Other imputed financing</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Total Components of Net Cost That Are Not Part of Net Outlays</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
</tbody>
</table>

Component of Net Outlays That Are Not Part of Net Cost:

- Effect of prior year agencies credit reform subsidy re-estimates: xxx, xxx, xxx
- Acquisition of capital assets: xxx, xxx, xxx

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3 This is an illustration of what might be presented in the narrative paragraph. It is an example of how to explain the material line items in the reconciliation and describes why some material line items either increase or decrease net cost but do not have the same impact on net outlays.
# Standards

<table>
<thead>
<tr>
<th></th>
<th>xxx</th>
<th>xxx</th>
<th>xxx</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition of inventory</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition of other assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Components of Net Outlays That Are Not Part of Net Cost</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Temporary Timing Differences</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| **NET OUTLAYS**      | $xxx | $xxx | $xxx

**RELATED AMOUNTS ON THE STATEMENT OF BUDGETARY RESOURCES:**

<table>
<thead>
<tr>
<th></th>
<th>xxx</th>
<th>xxx</th>
<th>xxx</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outlays, gross</td>
<td>$xxx</td>
<td>$xxx</td>
<td>$xxx</td>
</tr>
<tr>
<td>Actual Offsetting Collections</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Distributed Offsetting Receipts</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td><strong>NET OUTLAYS</strong></td>
<td>$xxx</td>
<td>$xxx</td>
<td>$xxx</td>
</tr>
</tbody>
</table>

**RESCISSION TO SFFAS 22, CHANGE IN CERTAIN REQUIREMENTS FOR RECONCILING OBLIGATIONS AND NET COST OF OPERATIONS, AMENDMENT OF SFFAS 7, ACCOUNTING FOR REVENUE AND OTHER FINANCING**

6. SFFAS 22 is rescinded in its entirety by this Statement.

7. The following paragraph replaces SFFAS 24, paragraph 9:

9. Paragraphs 77-82 of SFFAS 7 are not applicable to the consolidated financial report of the U.S. Government as a whole.¹ [Text of footnote 1: Footnote rescinded by SFFAS X53.]

**DISCLOSURE REQUIREMENTS**

8. A narrative explaining the nature of the reconciliation and significant reconciling items should be presented along with the reconciliation. The amount and nature of noncash outlays should be disclosed. For purposes of this Statement, non-cash outlays are outlays that are recognized without a concurrent cash disbursement, such as interest accrued by Treasury on debt held by the public and non-cash credit reform outlays/activity.

---

⁴ Total Net Outlays comes from the Statement of Budgetary Resources. It equals gross outlays less actual offsetting collections and distributed offsetting receipts. The net outlays for Intra-governmental and With the public, listed in the format are calculated totals.
9. The requirements of this Statement are effective for reporting periods beginning after September 30, 2018. Early adoption is permitted. In the initial year of implementation, the disclosure requirements that were applicable in prior reporting periods (SFFAS 7 (unamended) paragraphs 80 to 82) are not required for comparative presentations.

The provisions of this Statement need not be applied to immaterial items.
APPENDIX A: BASIS FOR CONCLUSIONS

This appendix discusses some factors considered significant by Board members in reaching the conclusions in this Statement. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The standards enunciated in this Statement—not the material in this appendix—should govern the accounting for specific transactions, events, or conditions.

PROJECT HISTORY

A1. The Statement of Financing (SOF) note disclosure has been criticized as too complex and not useful. In July 2012, the Association of Government Accountants’ research report (titled Government-wide Financial Reporting) suggested improvements in the processes, as well as related standards. The government-wide accounting (GWA) financial report includes a basic financial statement reconciling the Unified Budget Deficit (deficit) and the Net Cost of Operations. The deficit is based on receipts and outlays rather than obligations. The current component reporting entity obligation-based SOF reconciliation does not align with the GWA reconciliation.

A2. In February 2016, the Board agreed to undertake a project and formed a Budget and Accrual Reconciliation (BAR) task force. Through this project, the Board planned to address concerns regarding the reconciliation and the need to support the GWA reconciliation by aligning the component reporting entity disclosures with the GWA requirements. In addition to agreeing with the concerns of the Board, the BAR task force identified the following additional topics to be addressed:

a. The complexity and usefulness of the SOF note
b. Ways to more directly relate budgetary data and accrual data for a less complex presentation
c. Support for the GWA reconciliation statement (limited to component reporting entity requirements)

A3. The BAR task force, which included industry representatives from several public accounting and consulting firms such as Deloitte, Kearney & Company, and KPMG, as well as representatives with financial reporting preparation and policy background from the following federal agencies, developed this proposed Statement:

a. Department of Energy (DOE)
b. Treasury
c. Department of Veterans Affairs (VA)
d. Small Business Administration (SBA)
e. U.S. Coast Guard (USCG)
f. Securities and Exchange Commission (SEC)

A4. During the initial phase of the project, the BAR task force was divided into subgroups to research (a) the usefulness of the current SOF, (b) a new component reporting entity reconciliation format, and (c) the potential amendment to the existing standards to adopt the new reconciliation format. The SOF sub-group reviewed 23 major agencies’ current
SOF notes to understand the variety of the current SOF note preparation process and surveyed task force members on the advantages and disadvantages of the current SOF note. Based on the research result, the task force came to the following conclusions:

a. The current SOF note resulted in each agency establishing its own processes and it is time-consuming to prepare.
b. Due to the lack of government-wide crosswalk instruction on the SOF note, the SOF note is not comparable between agencies.
c. The SOF note is too complex and to be useful.

A5. Subsequently, the BAR task force researched and developed a first draft of the BAR format based on the objectives identified. In addition, the BAR subgroups (a) performed agency-level piloting of the BAR, (b) conducted Governmentwide Treasury Account Symbol Adjusted Trial Balance System crosswalk accounts research to support the BAR, (c) aligned the current format to GWA research, and (d) assessed how the new format change would impact the standards and conducted other literature research.

A6. In June 2016, the Board approved the BAR task force’s recommendations based on its research results. These recommendations included the following:

a. The current SOF note should be replaced due to its complexity and limited usefulness to the user.
b. There is a need to research an alternative presentation format that would better relate with budgetary and accrual data, as well as support the GWA reconciliation.

A7. By the end of July 2016, the task force proposed an updated BAR, and six agencies—DOE, SBA, SEC, Treasury, USCG, and VA—piloted the BAR and provided their feedback on the process and how it compares to the current SOF note. Based on the pilot results, the BAR task force identified many advantages and some disadvantages of replacing the SOF note with a reconciliation of net cost to net outlays.

A8. In August 2016, the Board approved the new format and supported continued development requests, including involving more agencies to pilot the BAR. By the end of this project phase, a total of 13 agencies—including 11 cabinet agencies—joined the pilot efforts.

A9. Based on feedback from the task force and pilot agencies, the new BAR

a. supports the GWA BAR,
b. is easier to prepare than the current SOF note disclosure,
c. is easier for users not familiar with federal budgeting and accounting to understand due to its similarity to the commercial cash flow statement, and
d. requires that each agency develop a new process.

A10. The task force performed a detailed account-level crosswalk from each line item of the BAR to the GWA budget deficit and net cost reconciliation line items. The task force found
Appendix A: Basis for Conclusions

that about 80 percent of the current GWA reconciliation will be supported by the new reconciliation. The remaining 20 percent primarily relates to the budget receipts, which were intentionally omitted in the new reconciliation to simplify the presentation and reduce the preparation burden on the component reporting entities.

A11. According to the task force respondents, the new reconciliation improves the readability of the statement by making it more closely align with information presented in component reporting entity financial statements. The proposed format is also simpler, easier to understand, and readily auditable. Further, the requirement to provide a narrative explanation of the reconciliation and significant reconciling items also enhances its understandability. For most agencies, it does not require a change of the agencies’ current reporting system.

A12. The taskforce prefers that Treasury provide a crosswalk to increase the consistency across the agencies and to effectively balance this new reconciliation for major funds. Treasury’s Bureau of the Fiscal Service (Fiscal Service) has collaborated with the task force representatives in developing a crosswalk that could be used to prepare the BAR.

SUMMARY OF OUTREACH EFFORTS AND RESPONSES

A13. The Board issued the exposure draft (ED), Budget and Accrual Reconciliation, on December 21, 2016, with comments requested by March 14, 2017.

A14. Upon release of the ED, FASAB provided notices and press releases to the FASAB subscription email list, the Federal Register, FASAB News, the Journal of Accountancy, Association of Government Accountants Topics, the CPA Journal, Government Executive, the CPA Letter, the Financial Statement Audit Network, and committees of professional associations generally commenting on EDs in the past (for example, the Greater Washington Society of CPAs and the Association of Government Accountants Financial Management Standards Board).

A15. FASAB received 27 responses from preparers, users of federal financial information, and professional associations. The majority of respondents agreed with the proposals to: (1) replace the SOF with the BAR, (2) present the BAR as a footnote, and (3) present a narrative disclosure accompanying the BAR.

A16. Approximately half of the respondents disagreed with the proposed effective date and the proposal for the restatement of comparative prior period information. Nine out of 27 respondents also disagreed with the proposal to have a breakdown of the Intragovernmental and With the Public in the reconciliation.

A17. The respondents identified certain issues that could be clarified within the Statement or addressed in the basis for conclusions.

A18. The Board did not rely on the number of respondents in favor of or opposed to a given position. Information about the respondents’ majority view is provided only as a means of summarizing the comments. The Board considered each response and weighed the merits of the points raised. The respondents’ comments are summarized below.
A19. The respondents disagreed with the proposed effective date because they believed it did not allow them sufficient time to test the new format. To maximize agency success in adopting the proposed Statement and allow each agency sufficient time testing the new process, the Board agreed to change the effective date to periods beginning after September 30, 2018, with early adoption permitted.

A20. The respondents stated that to restate prior period data, a one-year phase-in period would be needed. During this time, comparative data could be collected and reported while agencies continued to provide the SOF. Most of the respondents believed that a change to the BAR format should be done prospectively. The Board considered that the restatement of the prior period data may not add any additional value, and the prior year SOF would not be comparative with the BAR format during the implementation year. Ultimately, they concurred to present only data for one reporting period in the first year of implementation, with a comparative presentation in the following reporting period.

A21. The agencies listed various reasons or challenges that they would face, should the breakdown of the Intragovernmental vs. With the Public be a requirement for the BAR format. For example, while the BAR reconciles line items from the Statement of Net Cost and Statement of Budgetary Resources, only the Statement of Net Cost provides information needed to distinguish between amounts that are Intragovernmental versus With the Public. That distinction is not made regarding amounts, including outlays, shown on the Statement of Budgetary Resources. In addition, agencies’ Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) data currently does not require the Intragovernmental and With the Public breakdown of a majority of the U.S. Standard General Ledger (USSGL) accounts that make up the outlays. A few agencies also stated that outlays by trading partner is not readily available in their current systems, and agencies are concerned about the additional system investment cost and the labor-intensive work to segregate information for certain line items associated with this breakdown request.

A22. Fiscal Service needs the audited breakdown information above the net outlays to perform the intragovernmental elimination during the GWA reconciliation. Without the breakdown information, the BAR format is less beneficial for the GWA reconciliation.

A23. After carefully considering the comments received on the breakdown, the Board proposed an updated BAR format. This format does not include the breakdown of Intragovernmental and With the Public for the budgetary net outlays but keeps the remaining breakdown numbers above the net outlays line item based on the below facts:

a. Although the BAR format will be illustrated in the Statement, this Statement does not explicitly require this breakdown. The Office of Management and Budget (OMB) and Treasury have the option to establish more or less detailed requirements upon implementation or in the future.

b. In the proposed BAR format, the line items for the section “Components of Net Cost That Are Not Part of Net Outlays” are directly from the Balance Sheet and the Statement of Net Cost. The needed breakdowns already exist in those statements. The majority of the line items for the section “Components of Net Outlays That Are Not Part of Net Cost” can be traced by USSGL for the breakdown.
Appendix A: Basis for Conclusions

THE NEW BUDGET AND ACCRUAL RECONCILIATION

A1. The BAR incorporates the information needed to meet the reporting objectives and is supportive of the GWA budget deficit and net operating cost reconciliation. It also makes the agency’s budgetary and financial accounting reconciliation preparation easier while improving the usefulness of the information to the public readers/users.

A2. To provide detailed support to the GWA reconciliation, the intra-governmental reconciliation items will be presented separately. To strengthen the connection of this reconciliation to the other financial statements in the financial report, the starting point of the net cost is obtained directly from the Statement of Net Cost; the final calculated net outlays will equal the net outlays on the Statement of Budgetary Resources. To reduce the preparation time for agencies and simplify the reconciliation, the majority of the reconciliation items come directly from the other financial statements’ line items, line items’ prior year and current year comparison, or financial statement note disclosures.

A3. The new format incorporates the requirements of SFFAS 24 to the extent practicable and highlights net outlays not included in net cost and expenses not included in net outlays. To simplify the presentation and reduce the preparation burden on the component reporting entities, the Board omitted receipts not retained by the component reporting entity from the BAR. These receipts are generally not reported as components of net cost or net outlays at the component reporting entity level. Instead, these amounts are reported in the Statement of Custodial Activities. Thus, the amounts supporting GWA reporting can be supported by the component reporting entity’s financial statements. A separate Treasury general fund project is underway, which would help address the receipt issue as well.

A4.A25. Reconciliation between “net cost and net outlays” would replace the current SOF reconciliation between “obligations incurred and net cost.” Six task force member agencies—DOE, SBA, SEC, Treasury, USCG, and VA—piloted the BAR and provided their feedback on the process and how it compares to the current SOF note. Based on the pilot results, the BAR task force identified many advantages and some disadvantages of replacing the SOF note with a reconciliation of net cost to net outlays. Subsequently, seven additional agencies piloted the format and provided feedback.

A5. Based on feedback from the task force and pilot agencies, the new budget and accrual reconciliation

a. supports the GWA budget and accrual reconciliation,

b. is easier to prepare than the current SOF note disclosure,
c. is easier for users not familiar with federal budgeting and accounting to understand due to its similarity to the commercial cash flow statement, and

d. requires that each agency develop a new process.

A6. The task force performed a detailed account-level crosswalk from each line item of the BAR to the GWA budget deficit and net cost reconciliation line items. The task force found that about 80 percent of the current GWA reconciliation will be supported by the new reconciliation. The remaining 20 percent primarily relates to the budget receipts, which were intentionally omitted in the new reconciliation for the reasons stated in paragraph A10.
Appendix A: Basis for Conclusions

A7. According to the task force respondents, the new reconciliation improves the readability of the statement by making it more closely align with information presented in component reporting entity financial statements. The proposed format is also simpler, easier to understand, and readily auditable. Further, the requirement to provide a narrative explanation of the reconciliation and significant reconciling items would also enhance its understandability. For most agencies, it does not require a change of the agencies' current reporting system.

A8. The taskforce prefers that Treasury provide a crosswalk to increase the consistency across the agencies and to effectively balance this new reconciliation for major funds. Treasury's Bureau of the Fiscal Service has been collaborating with the task force representatives in developing a crosswalk that could be used to prepare the BAR.

A9-A26. The Board agreed on the importance of getting the BAR crosswalk developed by the Treasury before the BAR is implemented, as it will reduce agencies’ implementation time and facilitate audit efforts.

A10-A27. In addition, the Board believes disclosing information about any non-cash outlays would aid in preparing the GWA reconciliation of the budget surplus (deficit) to the change in cash.

BOARD APPROVAL

A9-A28. This Statement was approved for issuance by all members of the Board.

Comment [GW1]: To be updated based on actual result.
APPENDIX B: ABBREVIATIONS

BAR  Budget and Accrual Reconciliation
DOE  Department of Energy
FASAB Federal Accounting Standards Advisory Board
FECA Federal Employees’ Compensation Act
FY   Fiscal Year
GAAP Generally Accepted Accounting Principles
GWA  Government-wide Accounting
OMB  Office of Management and Budget
OPM  Office of Personnel Management
SBA  Small Business Administration
SEC  Securities and Exchange Commission
SFFAC Statement of Federal Financial Accounting Concepts
SFFAS Statement of Federal Financial Accounting Standards
SOF  Statement of Financing
Treas  Department of the Treasury
USCG United States Coast Guard
VA  Department of Veterans Affairs
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   Christina Ho
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BUDGET AND ACCRUAL RECONCILIATION
AMENDING STATEMENT OF FEDERAL FINANCIAL ACCOUNTING STANDARDS
(SFFAS) 7, SFFAS 22, AND SFFAS 24

Statement of Federal Financial Accounting Standards 52

June XX, 2017
The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General of the United States established the Federal Accounting Standards Advisory Board (FASAB or “the Board”) in October 1990. FASAB is responsible for promulgating accounting standards for the United States government. These standards are recognized as generally accepted accounting principles (GAAP) for the federal government.

An accounting standard is typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, federal executives, federal program managers, and other users of federal financial information. The proposed standards are published in an exposure draft for public comment. In some cases, a discussion memorandum, invitation for comment, or preliminary views document may be published before an exposure draft is published on a specific topic. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standard with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for federal accounting and reporting.

Additional background information is available from FASAB or its website:

- “Memorandum of Understanding among the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board.”

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This Statement amends requirements for a reconciliation between budgetary and financial accounting information established by Statement of Federal Financial Accounting Standards (SFFAS) 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting. To increase informational value and usefulness, and to support the government-wide accounting (GWA) reporting that reconciles net operating cost to the budget deficit, this Statement provides for the budget and accrual reconciliation (BAR) to replace the Statement of Financing. The BAR explains the relationship between the entity’s net outlays on a budgetary basis and the net cost of operations during the reporting period.

The BAR will start with net cost of operations and be adjusted by

- components of net cost that are not part of net outlays,
- components of net outlays that are not part of net cost, and
- other temporary timing differences, which reflect some special adjustments.

The provisions of this Statement need not be applied to immaterial items. The determination of whether an item is material depends on the degree to which omitting or misstating information about the item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement.
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STANDARDS

SCOPE

1. This Statement applies when a component reporting entity is presenting general purpose financial reports in conformance with SFFAS 34, The Hierarchy of Generally Accepted Accounting Principles, including the Application of Standards Issued by the Financial Accounting Standards Board. This information is not required in the consolidated financial report of the U.S. Government as a whole.

AMENDMENTS TO SFFAS 7, ACCOUNTING FOR REVENUE AND OTHER FINANCING SOURCES AND CONCEPTS FOR RECONCILING BUDGETARY AND FINANCIAL ACCOUNTING (SFFAS 7)

2. Paragraphs 80 to 82 of SFFAS 7 are replaced with the following paragraphs:

   80. Budgetary and financial accounting information are complementary, but both the types of information and the timing of their recognition are different. To better understand these differences, the reconciliation should explain the relationship between the net cost of operations\(^1\) and net outlays by the entity during the reporting period. The reconciliation should reference the reported “net outlays”\(^2\) and related adjustments as defined by Office of Management and Budget (OMB) Circular A-11: Preparation, Submission, and Execution of the Budget.

   81. The net cost of operations should be adjusted by

   (a) components of net cost that are not part of net outlays (e.g., depreciation and amortization expenses of assets previously capitalized, change in asset/liabilities);

   (b) components of net outlays that are not part of net cost (e.g., acquisition of capital assets); and

   (c) other temporary timing differences (e.g., prior period adjustment due to correction of errors).

82. The adjustments should be presented and explained in appropriate detail and in a manner that best clarifies the relationship between net outlays and the accrual basis amounts used in financial accounting. A narrative explaining the purpose, the nature,

\(^1\) The terms “net cost of operations” and “net cost” are used interchangeably to refer to the total cost incurred by the reporting entity less exchange revenue earned during the period.

\(^2\) OMB Circular A-11: Preparation, Submission, and Execution of the Budget states, “Outlay means a payment to liquidate an obligation (other than the repayment to the Treasury of debt principal). Outlays are a measure of Government spending. Subtract all offsetting collections (unexpired and expired) from gross outlays to yield net outlays so that the contribution of the budget account to the Federal Government's bottom line (the surplus or deficit) can be determined.”
and the line items of the reconciliation also should be presented with the reconciliation. The amount and nature of non-cash outlays should be disclosed. For purposes of this Statement, non-cash outlays are outlays that are recognized without a concurrent cash disbursement, such as interest accrued by the Department of the Treasury (Treasury) on debt held by the public and non-cash credit reform outlays/activity.

3. Paragraphs 91 to 93 of SFFAS 7 are replaced with the following paragraphs:

91. Subobjective 1C of the Budgetary Integrity objective states that information is needed to help the reader to determine "how information on the use of budgetary resources relates to information on the costs of program operations and whether information on the status of budgetary resources is consistent with other accounting information on assets and liabilities." This objective arises because accrual-based expense measures used in financial statements differ from the obligation and outlay-based measures used in budgetary reporting.

92. To satisfy this objective, information is needed about the differences between budgetary and financial (i.e., proprietary) accounting that arise as a result of the different measures. This could be accomplished through a Budget and Accrual Reconciliation (BAR) that reconciles the net budgetary outlays for a federal entity’s programs and operations to the net cost of operating that entity. The data presented could be for the reporting entity as a whole, for the major suborganization units, for major budget accounts, or for aggregations of budget accounts, rather than for each individual budget account of the entity.

93. The Budget and Accrual Reconciliation is added to SFFAC No. 2’s suggested list of items included in the section titled “Financial Reporting for an Organizational Entity.” In addition, a footnote (referencing the Reconciliation of Net Costs to Outlays) should be added stating the following:

OMB will provide guidance regarding details of the display for the Budget and Accrual Reconciliation, including whether it should be presented as a basic financial statement or as a schedule in the notes to the basic financial statements.

4. The header before paragraph 95 of SFFAS 7 titled “Statement of Financing” is replaced with “Budget and Accrual Reconciliation.”

5. Paragraphs 95 to 102 of SFFAS 7 are replaced with the following paragraphs:

95. The purpose of the Reconciliation of Net Costs to Outlays is to explain how budgetary resources outlaid during the period relate to the net cost of operations for the reporting entity. This information should be presented in a way that clarifies the relationship between the outlays reported through budgetary accounting and the accrual basis of financial (i.e., proprietary) accounting. By explaining this relationship, information necessary to understand how the budgetary outlays finance the net cost of operations and affect the assets and liabilities of the reporting entity is provided. The appropriate elements for the Budget and Accrual Reconciliation are indicated in the following paragraphs. They provide logical groupings of reconciling items that help the reader move from outlays to net cost of operations.
96. **Net Cost of Operations** is from the Statement of Net Cost.

97. **Components of net cost that are not part of net outlays** are most commonly (a) the result of allocating assets to expenses over more than one reporting period (e.g., depreciation) and the write-down of assets (due to revaluations), (b) the temporary timing differences between outlays/receipts and the operating expense/revenue during the period, and (c) costs financed by other entities (imputed inter-entity costs).

98. **Components of net outlays that are not part of net cost** are primarily amounts provided in the current reporting period that fund costs incurred in prior years and amounts incurred for goods or services that have been capitalized on the balance sheet (e.g., plant, property and equipment acquisition and inventory acquisition).

99. **Other temporary timing differences** reflect special adjustments (e.g., prior period adjustment due to correction of errors).

100. **Net Outlays** is the summation of the above amounts and equals the Statement of Budgetary Resources net outlays amount.

101. The preparer should present material amounts separately in the reconciliation and discuss these in the narrative. The use of “other” captions should be minimized and individually material amounts should not be netted to report an immaterial amount.

102. The following is an example for the financial statement format. This format and its narrative will be added to the appendices of SFFAC No. 2.

**Entity and Display, Appendix 1-G**

**EXAMPLE FINANCIAL STATEMENT FORMATS – BUDGET AND ACCRUAL RECONCILIATION**

**NARRATIVE**

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting formation. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays.

Unrealized valuation loss on investment in the reconciliation is related to the write down of security investment due to recent market volatility which did not result in an outlay but did result in a cost. The large increase of accounts payable compared to last year is because this year’s rent expense has not been paid but was included in the net cost this year and not included in the outlays. The large variance in the "transfers in/(out) without reimbursement" between fiscal year (FY) 201X and FY201X is primarily due to the transfer of program management responsibility from agency 1 to agency 2 as discussed in further detail in Note X. In addition, the
A decrease in "Imputed financing source" is a result of the payment in FY201X for the ABC Settlement.

RECONCILIATION SAMPLE

For the year ended September 30, 201X

<table>
<thead>
<tr>
<th>NET COST Components of Net Cost That Are Not Part of Net Outlays:</th>
<th>Intra-governmental</th>
<th>With the public</th>
<th>Total FY 201X</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant, and equipment depreciation</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Property, plant, and equipment disposal &amp; revaluation</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Year-end credit reform subsidy re-estimates</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Unrealized valuation loss/(gain) on investments</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Increase/(decrease) in assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Loans receivable</td>
<td>xxx</td>
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<td>xxx</td>
</tr>
<tr>
<td>Investments</td>
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<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Other assets</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>(Increase)/decrease in liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Insurance and guarantee program liabilities</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Environmental and disposal liabilities</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Other liabilities (Unfunded leave, Unfunded FECA, Actuarial FECA)</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Other financing sources:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal employee retirement benefit costs paid by OPM and imputed to the agency</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Transfers out (in) without reimbursement</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Other imputed financing</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Total Components of Net Cost That Are Not Part of Net Outlays</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
</tbody>
</table>

Components of Net Outlays That Are Not Part of Net Cost:

- Effect of prior year agencies credit reform subsidy re-estimates: xxx, xxx, xxx
- Acquisition of capital assets: xxx, xxx, xxx

---

3 This is an illustration of what might be presented in the narrative paragraph. It is an example of how to explain the material line items in the reconciliation and describes why some material line items either increase or decrease net cost but do not have the same impact on net outlays.
### RESCISSION TO SFFAS 22, CHANGE IN CERTAIN REQUIREMENTS FOR RECONCILING OBLIGATIONS AND NET COST OF OPERATIONS, AMENDMENT OF SFFAS 7, ACCOUNTING FOR REVENUE AND OTHER FINANCING

6. SFFAS 22 is rescinded in its entirety by this Statement.

### AMENDMENT TO SFFAS 24, SELECTED STANDARDS FOR THE CONSOLIDATED FINANCIAL REPORT OF THE UNITED STATES GOVERNMENT

7. The following paragraph replaces SFFAS 24, paragraph 9:

9. Paragraphs 77-82 of SFFAS 7 are not applicable to the consolidated financial report of the U.S. Government as a whole. [Footnote rescinded by SFFAS 52.]

### EFFECTIVE DATE

8. The requirements of this Statement are effective for reporting periods beginning after September 30, 2018. Early adoption is permitted. In the initial year of implementation, the disclosure requirements that were applicable in prior reporting periods (SFFAS 7(unamended) paragraphs 80 to 82) are not required for comparative presentations.

The provisions of this Statement need not be applied to immaterial items.

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4 Total Net Outlays comes from the Statement of Budgetary Resources. It equals gross outlays less actual offsetting collections and distributed offsetting receipts. The net outlays for Intra-governmental and With the public listed in the format are calculated totals.
APPENDIX A: BASIS FOR CONCLUSIONS

This appendix discusses some factors considered significant by Board members in reaching the conclusions in this Statement. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The standards enunciated in this Statement—not the material in this appendix—should govern the accounting for specific transactions, events, or conditions.

PROJECT HISTORY

A1. The Statement of Financing (SOF) note disclosure has been criticized as too complex and not useful. In July 2012, the Association of Government Accountants’ research report (titled Government-wide Financial Reporting) suggested improvements in the processes, as well as related standards. The government-wide accounting (GWA) financial report includes a basic financial statement reconciling the Unified Budget Deficit (deficit) and the Net Cost of Operations. The deficit is based on receipts and outlays rather than obligations. The current component reporting entity obligation-based SOF reconciliation does not align with the GWA reconciliation.

A2. In February 2016, the Board agreed to undertake a project and formed a Budget and Accrual Reconciliation (BAR) task force. Through this project, the Board planned to address concerns regarding the reconciliation and the need to support the GWA reconciliation by aligning the component reporting entity disclosures with the GWA requirements. In addition to agreeing with the concerns of the Board, the BAR task force identified the following additional topics to be addressed:

a. The complexity and usefulness of the SOF note
b. Ways to more directly relate budgetary data and accrual data for a less complex presentation
c. Support for the GWA reconciliation statement (limited to component reporting entity requirements)

A3. The BAR task force, which included industry representatives from several public accounting and consulting firms such as Deloitte, Kearney & Company, and KPMG, as well as representatives with financial reporting preparation and policy background from the following federal agencies, developed this proposed Statement:

a. Department of Energy (DOE)
b. Treasury
c. Department of Veterans Affairs (VA)
d. Small Business Administration (SBA)
e. U.S. Coast Guard (USCG)
f. Securities and Exchange Commission (SEC)

A4. During the initial phase of the project, the BAR task force was divided into subgroups to research (a) the usefulness of the current SOF, (b) a new component reporting entity reconciliation format, and (c) the potential amendment to the existing standards to adopt
the new reconciliation format. The SOF sub-group reviewed 23 major agencies’ current SOF notes to understand the variety of the current SOF note preparation process and surveyed task force members on the advantages and disadvantages of the current SOF note. Based on the research result, the task force came to the following conclusions:

a. The current SOF note resulted in each agency establishing its own processes and it is time consuming to prepare.

b. Due to the lack of government-wide crosswalk instruction on the SOF note, the SOF note is not comparable between agencies.

c. The SOF note is too complex and to be useful.

A5. Subsequently, the BAR task force researched and developed a first draft of the BAR format based on the objectives identified. In addition, the BAR subgroups (a) performed agency-level piloting of the BAR, (b) conducted Governmentwide Treasury Account Symbol Adjusted Trial Balance System crosswalk accounts research to support the BAR, (c) aligned the current format to GWA research, and (d) assessed how the new format change would impact the standards and conducted other literature research.

A6. In June 2016, the Board approved the BAR task force’s recommendations based on its research results. These recommendations included the following:

a. The current SOF note should be replaced due to its complexity and limited usefulness to the user.

b. There is a need to research an alternative presentation format that would better relate with budgetary and accrual data, as well as support the GWA reconciliation.

A7. By the end of July 2016, the task force proposed an updated BAR. Six agencies—DOE, SBA, SEC, Treasury, USCG, and VA—piloted the BAR and provided their feedback on the process and how it compares to the current SOF note. Based on the pilot results, the BAR task force identified many advantages and some disadvantages of replacing the SOF note with a reconciliation of net cost to net outlays.

A8. In August 2016, the Board approved the new format and supported continued development requests, including involving more agencies to pilot the BAR. By the end of this project phase, a total of 13 agencies—including 11 cabinet agencies—joined the pilot efforts.

A9. Based on feedback from the task force and pilot agencies, the new BAR

a. supports the GWA BAR,

b. is easier to prepare than the current SOF note disclosure,

c. is easier for users not familiar with federal budgeting and accounting to understand due to its similarity to the commercial cash flow statement, and

d. requires that each agency develop a new process.

A10. The task force performed a detailed account-level crosswalk from each line item of the BAR to the GWA budget deficit and net cost reconciliation line items. The task force found
that about 80 percent of the current GWA reconciliation will be supported by the new reconciliation. The remaining 20 percent primarily relates to the budget receipts, which were intentionally omitted in the new reconciliation to simplify the presentation and reduce the preparation burden on the component reporting entities.

A11. According to the task force respondents, the new reconciliation improves the readability of the statement by making it more closely align with information presented in component reporting entity financial statements. The proposed format is also simpler, easier to understand, and readily auditable. Further, the requirement to provide a narrative explanation of the reconciliation and significant reconciling items also enhances its understandability. For most agencies, it does not require a change of the agencies’ current reporting system.

A12. The taskforce prefers that Treasury provide a crosswalk to increase the consistency across the agencies and to effectively balance this new reconciliation for major funds. Treasury’s Bureau of the Fiscal Service (Fiscal Service) has collaborated with the task force representatives in developing a crosswalk that could be used to prepare the BAR.

SUMMARY OF OUTREACH EFFORTS AND RESPONSES

A13. The Federal Accounting Standards Advisory Board (FASAB or “the Board”) issued the exposure draft (ED), Budget and Accrual Reconciliation, on December 21, 2016, with comments requested by March 14, 2017.

A14. Upon release of the ED, FASAB provided notices and press releases to the FASAB subscription email list, the Federal Register, FASAB News, the Journal of Accountancy, Association of Government Accountants Topics, the CPA Journal, Government Executive, the CPA Letter, the Financial Statement Audit Network, and committees of professional associations generally commenting on EDs in the past (for example, the Greater Washington Society of CPAs and the Association of Government Accountants Financial Management Standards Board).

A15. FASAB received 27 responses from preparers, users of federal financial information, and professional associations. The majority of respondents agreed with the proposals to (1) replace the SOF with the BAR, (2) present the BAR as a footnote, and (3) present a narrative disclosure accompanying the BAR.

A16. Approximately half of the respondents disagreed with the proposed effective date and the proposal for the restatement of comparative prior period information. Nine out of 27 respondents also disagreed with the proposal to have a breakdown of the Intragovernmental and With the Public in the reconciliation.

A17. The respondents identified certain issues that could be clarified within the Statement or addressed in the basis for conclusions.

A18. The Board did not rely on the number of respondents in favor of or opposed to a given position. Information about the respondents’ majority view is provided only as a means of summarizing the comments. The Board considered each response and weighed the merits of the points raised. The respondents’ comments are summarized below.
A19. The respondents disagreed with the proposed effective date because they believed it did not allow them sufficient time to test the new format. To maximize agency success in adopting the proposed Statement and allow each agency sufficient time testing the new process, the Board agreed to change the effective date to periods beginning after September 30, 2018, with early adoption permitted.

A20. The respondents stated that to restate prior period data, a one-year phase-in period would be needed. During this time, comparative data could be collected and reported while agencies continued to provide the SOF. Most of the respondents believed that a change to the BAR format should be done prospectively. The Board considered that the restatement of the prior period data may not add any additional value, and the prior year SOF would not be comparative with the BAR format during the implementation year. Ultimately, they concurred to present only data for one reporting period in the first year of implementation, with a comparative presentation in the following reporting period.

A21. The agencies listed various reasons or challenges that they would face, should the breakdown of the Intragovernmental vs. With the Public be a requirement for the BAR format. For example, while the BAR reconciles line items from the Statement of Net Cost and Statement of Budgetary Resources, only the Statement of Net Cost provides information needed to distinguish between amounts that are Intragovernmental versus With the Public. That distinction is not made regarding amounts, including outlays, shown on the Statement of Budgetary Resources. In addition, agencies’ Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) data currently does not require the Intragramatical and With the Public breakdown of a majority of the U.S. Standard General Ledger (USSGL) accounts that make up the outlays. A few agencies also stated that outlays by trading partner is not readily available in their current systems, and agencies are concerned about the additional system investment cost and the labor-intensive work to segregate information for certain line items associated with this breakdown request.

A22. Fiscal Service needs the audited breakdown information above the net outlays to perform the intragovernmental elimination during the GWA reconciliation. Without the breakdown information, the BAR format is less beneficial for the GWA reconciliation.

A23. After carefully considering the comments received on the breakdown, the Board proposed an updated BAR format. This format does not include the breakdown of Intragovernmental and With the Public for the budgetary net outlays but keeps the remaining breakdown numbers above the net outlays line item based on the below facts:

a. Although the BAR format will be illustrated in the Statement, this Statement does not explicitly require this breakdown. The Office of Management and Budget (OMB) and Treasury have the option to establish more or less detailed requirements upon implementation or in the future.

b. In the proposed BAR format, the line items for the section “Components of Net Cost That Are Not Part of Net Outlays” are directly from the Balance Sheet and the Statement of Net Cost. The needed breakdowns already exist in those statements. The majority of the line items for the section “Components of Net Outlays That Are Not Part of Net Cost” can be traced by USSGL for the breakdown.
A24. Based on the updated format, Fiscal Service updated the draft BAR crosswalk instruction with a breakdown of Intragovernmental and With the Public. The updated format and crosswalk instruction were brought to the nine agencies that were originally against the breakdown during the comment period. All respondents preferred a no-breakdown format for the net outlays and provided no additional comments on the updated format. Their pilot comments on the crosswalk were passed to Fiscal Service for further refinement of the crosswalk instruction. As such, the updated BAR format was included as an illustration to be presented in SFFAC 2 as amended by this Statement.

A25. The Board agreed on the importance of getting the BAR crosswalk developed by the Treasury before the BAR is implemented, as it will reduce agencies’ implementation time and facilitate audit efforts.

A26. In addition, the Board believes disclosing information about any non-cash outlays would aid in preparing the GWA reconciliation of the budget surplus (deficit) to the change in cash.

BOARD APPROVAL

A27. This Statement was approved for issuance by [all members of the Board].

Comment [GW1]: To be updated based on actual result.
## APPENDIX B: ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>BAR</td>
<td>Budget and Accrual Reconciliation</td>
</tr>
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<td>DOE</td>
<td>Department of Energy</td>
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<td>FASAB</td>
<td>Federal Accounting Standards Advisory Board</td>
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<td>FECA</td>
<td>Federal Employees' Compensation Act</td>
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<td>FY</td>
<td>Fiscal Year</td>
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<td>GAAP</td>
<td>Generally Accepted Accounting Principles</td>
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<td>GWA</td>
<td>Government-wide Accounting</td>
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<td>OMB</td>
<td>Office of Management and Budget</td>
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<tr>
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<td>Office of Personnel Management</td>
</tr>
<tr>
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<td>Small Business Administration</td>
</tr>
<tr>
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<td>Securities and Exchange Commission</td>
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<tr>
<td>SFFAC</td>
<td>Statement of Federal Financial Accounting Concepts</td>
</tr>
<tr>
<td>SFFAS</td>
<td>Statement of Federal Financial Accounting Standards</td>
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<td>SOF</td>
<td>Statement of Financing</td>
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<tr>
<td>Treasury</td>
<td>Department of the Treasury</td>
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<tr>
<td>USCG</td>
<td>United States Coast Guard</td>
</tr>
<tr>
<td>VA</td>
<td>Department of Veterans Affairs</td>
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</tbody>
</table>
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