Federal Accounting Standards Advisory Board

August 24, 2016

MEMBER ACTIONS REQUESTED:
• Please provide responses to the questions on page 8 to me before August 17th

Memorandum

To: Members of the Board

From: Grace Wu, Project Manager

Wendy M. Payne /s/

Through: Wendy M. Payne, Executive Director

Subject: New Budget and Accrual Reconciliation Format – Tab B[1]

MEMO OBJECTIVE

The objective of this memorandum is to present the progress and findings of the budget and accrual reconciliation (BAR) working group related to the proposed new BAR (NBAR) format and to seek Board input on the new format and approval to develop an exposure draft proposing amendments consistent with the new format.

BRIEFING MATERIAL

This memorandum includes a summary of the working group's activities, findings, and recommendations on the NBAR. Questions for the Board are included to solicit feedback from the Board and identify next steps. In addition, attachment A is a proposed NBAR with an agency sample, attachment B is proposed new format survey result and attachment C is a sample Treasury crosswalk on the proposed new format.

[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 the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations.

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BACKGROUND

The BAR working group held its initial meeting regarding the BAR on December 10, 2015 with participants representing FASAB, Treasury, Office of Management and Budget (OMB), private firms such as Deloitte, Kearny and KPMG, and a variety of federal agencies such as Department of Energy (DOE), Small Business Administration (SBA), Securities and Exchange Commission (SEC), Treasury, US Coast Guard (USCG) and Veterans Affair (VA). The BAR working group was asked to provide feedback on project objectives, recommend sub-topics to address, and identify additional project participants. In February 2016, three Subgroups were formed to evaluate the existing Statement of Financing Footnote (SOF), consider the potential impact on the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS), and perform research on a new reconciliation of net cost to outlays. During this phase of the project the working group began meeting regularly to identify advantages and disadvantages of the existing format (reconciling obligations and nonbudgetary resources to net costs) and develop a new format for reconciling net costs to net outlays.

The BAR project plan was reviewed and approved by FASAB. Members also identified the following areas as topics to be addressed:

1. The complexity and usefulness of Statement of Financing note
2. Ways to more directly relate budgetary data and accrual data for a less complex presentation
3. Support for the Government-Wide Accounting (GWA) Reconciliation Statement (limited to component reporting entity requirements)

In March 2016, the working group researched and developed a first draft of the BAR format to address each of the issues identified by the FASAB. The working group also came up with a preliminary conclusion that a new format reconciling net cost to outlays better served the needs of Treasury and the agencies. In April, the BAR subgroups performed agency level tryout of the new reconciliation to outlays, GTAS crosswalk research, current format alignment to GWA, new format change impact to other literature, and SFFAS 7 change identification. BAR working group provided an update to FASAB on the findings and progress to date in June and began finalizing the new reconciliation format based upon feedback and agency pilot results. By the end of July, an updated NBAR was proposed, six agencies piloted the new format and provided their feedback, and BAR working group members from Treasury developed a draft crosswalk based on the proposed NBAR.

THE WORKING GROUP'S PRELIMINARY RECOMMENDATION

After examining the research result, the BAR working group, recommended the following

1. The NBAR should replace the current SOF note to reduce the complexity and provide more usefulness to the user and support the government-wide net cost to budget deficit reconciliation. The new format aligns the agency reporting with government-wide reporting that reconciles net cost to the unified budget surplus or deficit as required by SFFAS 24. It will provide agency level support to the government-wide reconciliation.

2. The suggested placement for the NBAR is to be as a financial statement note.

3. There is a need to update the current standards to reflect the changes brought by the NBAR.

INTRODUCTION OF THE NBAR

The proposed NBAR provides an alternative to the current reconciliation of obligations and nonbudgetary resources to net cost. SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting,* requires the following:

> 80. Budgetary and financial accounting information are complementary, but both the types of information and the timing of their recognition are different, causing differences in the basis of accounting. To better understand these differences, a reconciliation should explain the relationship between budgetary resources obligated by the entity during the period and the net cost of operations. It should reference the reported "obligations incurred" and related adjustments as defined by OMB Circular A-34. It also should include other financing sources not included in "obligations incurred" such as imputed financing, transfers of assets, and donations of assets not included in budget receipts. [Text deleted by SFFAS No. 22] The total of these items comprises obligations and nonbudgetary resources.
>
> 81. This total should then be adjusted by:
>
> > (a) Resources that do not fund net cost of operations (e.g., changes in undelivered orders, appropriations received to pay for prior period costs, capitalized assets),
> >
> > (b) Costs included in net cost of operations that do not require resources (e.g., depreciation and amortization expenses of assets previously capitalized), and
> >
> > (c) Financing sources yet to be provided (those becoming available in future periods which will be used to finance costs recognized in determining net cost for the present reporting period).
>
> 82. The adjustments should be presented and explained in appropriate detail and in a manner that best clarifies the relationship between the obligations basis used in the budget and the accrual basis used in financial (proprietary) accounting.

The proposed NBAR aligns agency reporting with government-wide reporting that reconciles net operating cost (net operating cost is nonexchange revenue less net cost) to the deficit as required by SFFAS 24 *Selected Standards for the Consolidated Financial Report of the United States Government*. SFFAS 24 requires the following:

> 10. The financial report of the Government as a whole should provide a financial statement reconciling net operating revenue (or cost) and the annual unified budget surplus (or deficit). The financial statement should highlight:
>
> - The components of net operating revenue (or cost) that are not part of the unified budget surplus (or deficit), including the accrued and amortized expenses not included in budget outlays and the accrued or other revenue not included in budget receipts; and
> - The components of the unified budget surplus (or deficit) that are not part of net operating revenue (or cost), including budget receipts and outlays that are not included in net operating revenue (or cost).

The new format mirrors SFFAS 24 and highlights budgetary net outlays[2] not included in net cost and expenses not included in budgetary net outlays. The receipts not available to the

[2] Net outlays are the sum of gross budget authority and outlays and any applicable offsets. It begins with

component reporting entity[3] were not included in the NBAR because a majority of the federal agencies collect only minor receipts. Omitting these from the reconciliation reduces the complexity of the reconciliation in the component level financial reports. Restructuring the SFFAS 7 requirements to mirror the SFFAS 24 requirements will continue to meet the intent of providing users with useful information to understand the relationship between budgetary resources and net cost.

Based on feedback from the working group pilot agencies and Treasury's crosswalk from the new format to the government-wide BAR reconciliation, the NBAR supports the government-wide BAR reconciliation, it is easier to prepare than the current SOF note, and is easier for users not familiar with federal budgeting and accounting to understand due to its similarity to the commercial cash flow statement. However, the subgroup prefers to have a Treasury 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 working group representatives to develop a crosswalk that could be used to prepare the new format. See attachment C sample draft Treasury crosswalk on the proposed new format. FASAB does not issue guidance at this level of detail; the crosswalk is provided for information only.

Major Components of Reconciliation of Net Cost to Net Outlays

The "net outlays" and the "net cost" are different because (1) the net cost of operations may be financed by non-budgetary resources, (2) the budgetary and non-budgetary resources used by an agency may finance activities which are not components of the net cost of operations, and (3) the net cost of operations may contain components which do not use or generate resources in the current period. The NBAR starts with net cost, it has three major sections which, when properly detailed, yield the net outlays. A skeleton listing of the sections is shown in figure 1, below. See attachment A: A Proposed NBAR with an Agency Sample for a detail reconciliation format and how the NBAR applied to a real agency. In addition to the NBAR, a narrative explaining the purpose and nature of the reconciliation will help reader understand the reconciliation. See attachment A for a suggested sample language on the narrative.

The reconciliation items will be broken into intra-government and with the public to provide the detail support to the government-wide reconciliation. To increase the connection of this reconciliation to the other financial statements in the financial report, the start point of the net cost is directly obtained from the Statement of Net Cost; the calculated net outlays in the end will be equal to the net outlays on the Statement of Budgetary Resources. To reduce the preparation time to the agency and increase the simplicity of the reconciliation, the majority of the reconciliation items are directly from the other financial statements line items, line items' comparison, or financial statement note disclosure.

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mandatory and discretionary gross budget authority and outlays. Next, cash collections of offsetting collections are shown as negative amounts that offset both gross budget authority and gross outlays. Following that are several items that further adjust only gross budget authority: changes in uncollected customer payments; offsetting collections credited to expired accounts; and recoveries of prior year paid obligations.

[3] Most nonexchange revenue such as income tax, excise tax, and duties are collected by component reporting entities and transferred to Treasury's general fund. These revenues are not included in calculating net cost or net outlays. However, they are included in the government-wide net operating cost and the unified budget deficit.

Figure 1: SECTIONS OF THE RECONCILIAITON OF NET COST AND BUDGET OUTLAY

	Intra-government	With the Public	Total
Net Cost			
Components of net cost not part of the budget outlays Examples: property, plant, and equipment depreciation			
- **Increase/(decrease) in assets** Examples: accounts receivable			
- **(Increase)/decrease in liabilities** Examples: accounts payable			
- **Other financing sources** Examples: transfers out (in) without reimbursement			
Components of the budget outlays that are not part of net cost Examples: acquisition of capital assets			
Other temporary timing differences			
Net Outlays			
Vs.			
Net Outlays from SBR			

Advantages and Disadvantages of the NBAR comparing to current SOF note

A reconciliation between "net cost and net outlays" provides an alternative to the current SOF reconciliation between "obligations incurred and net cost" that adds simplicity and usefulness to the users and readers. Six BAR working group member agencies – DOE, SBA, SEC, Treasury, USCG and VA piloted the NBAR and provided their feedback in attachment B proposed new format survey result. SBA, Treasury and SEC successfully completed the reconciliation within a short time period. DOE, USCG and VA still continue the reconciliation effort due to issues not contributing to the NBAR design such as unique agency's account set up, system limitation on asset, and unavailability of resources. Based on the pilot result, the BAR working group identified the following advantages and disadvantages of replacing the reconciliation of net cost to obligations incurred and other resources used with a reconciliation of net cost to net outlays.

Advantages

- The shift in focus of the new format from obligations incurred to net outlays improves the readability of the statement by making it more closely align with information presented in agency component level financial statements.
- The proposed new format provides the additional benefits of providing a simpler and easier to understand format.

- Retains audit scrutiny, as information has a high relevance to fair presentation of financial data (see SFFAC 2, para. 73E).
- The new reconciliation format would parallel the government-wide statement Reconciliation of Net Operating Cost to Unified Budget Deficit. Since the new reconciliation format reconciles to net outlays vs. resources used; changes in budgetary obligation status prior to outlay would no longer need to be considered in the reconciliation.
- Agency statements could be used to provide support to the government-wide statements. New footnote and format would be instrumental in clearance of material weakness of the government-wide financial statements on compilation.

Disadvantages

- The calculation of resources used will be lost in the proposed new format.
- Additional development effort for agencies to be able to prepare the new financial statement, and identify agency specific USSGL / attribute mapping to reconciliation lines by TAS.

Placement of the NBAR

Classification of the information as basic information, required supplemental information (RSI) or other accompanying information (OAI) involves a process where the Board considers objectives of federal financial reporting, qualitative characteristics and cost-benefit considerations. “OMB will provide guidance regarding details of the display for the Statement of Financing, including whether it shall be presented as a basic statement or as a schedule in the notes to the basic statements.” (SFFAS 7, para 93 – amendments to SFFAC 2) Effective for fiscal year 2007 reporting, OMB changed the reporting requirement from a basic statement to a schedule in the notes to the financial statements.

In order to implement a reporting change from reconciling “net cost to obligations incurred and other resources” to “net cost to net outlays” will require an amendment of SFFAS 7. Further, SFFAC 2 should be updated. SFFAC 2 currently designates OMB as the authoritative source as to whether the reconciliation should be a basic statement or a schedule in the notes to the basic statements. The BAR working group analyzed the advantage and disadvantage of the potential change of the placement of the NBAR from the current SOF note placement to other placements. The result of the analysis is shown in the table below. The research result showed that no compelling evidence to suggest that objectives of federal financial reporting warranted a change in placement.

Placement	Advantage	Disadvantage
Basic Financial Statement	• Elevate existing footnote requirement to basic financial statement status	• Reduce flexibility that agencies have in consolidating or adding reconciliation line items based on materiality.
MD&A or Other RSI	• Could result in helpful	• Would not receive direct

Placement	analyses of organizational activities that impact differences between budgetary and proprietary accounting. • May be more flexible and potentially tailored to specific agencies.	audit scrutiny and would not directly support auditability of the government-wide statement. • Presentation of similar information could diverge across agencies. • Detailed information falls outside of the parameters of the MD&A requirements dictated by SFFAS15.
Other Information	• May be more flexible & potentially tailored to specific agencies.	• Would not receive direct audit scrutiny. • Prescribing the format of Other Information is outside the scope of FASAB guidance. • Presentation of similar information could diverge across agencies, thereby negating the ability to roll up to consistent government-wide amounts.

Overall Conclusion

The BAR working group is pleased to propose the NBAR and recommend to place this new format as a note to the financial statements. This revised format will improve the consistency between agency and government-wide financial reporting by aligning the proprietary to budgetary reconciliation required by SFFAS 7 for agency reporting to the existing reconciliation required by SFFAS 24 for government-wide reporting. This alignment supports the auditability and credibility of government-wide statements by further integrating agency and government-wide level reporting standards, which is a cornerstone to providing taxpayer confidence in the Federal government. Further, the new format continues to support the budgetary integrity reporting subobjective to provide information that helps the reader to determine "how information on the use of budgetary resources relates to information on the costs of programs operations and whether information on the status of budgetary resources is consistent with other accounting information on assets and liabilities."(see SFFAC1, para.13)

While the transition to a new reconciliation format will reduce reporting complexity, it will require a short-term investment of resources by agencies to adopt to the new format. Testing of the new reconciliation by participating agencies demonstrated that the transition to a new reconciliation may be more challenging for organizations with complex programs. As a result, it is recommended Treasury provide detailed crosswalk guidance in conjunction with updates to the standards that highlights the key elements of the revised reconciliation to increase the likelihood of successful adoption. A successful implementation will require sufficient lead time for the guidance to be in place and agencies to develop structures to support the new reporting requirements. It is also enabled by support from key regulators, including OMB and Treasury, who collaborate to provide form and content and transaction level accounting guidance.

DETERMINATION OF NEXT STEPS

Question 1: Does the Board approve the NBAR to replace the current SOF note in the financial statement note?

Question 2: Assuming the Board approves moving forward in this way, does the Board have specific guidance or suggestions on what the working group should focus on for next steps?

Question 3: If the Board opposes the new BAR format, does the Board have recommendations for an alternative path?

ATTACHMENT A: A PROPOSED NBAR WITH AN AGENCY SAMPLE

Budgetary and financial accounting information are complementary, but both the types of information and the timing of their recognition are different, causing differences in the basis of accounting. To better understand these differences, the proposed NBAR explains the relationship between budgetary resources - net outlay used by the entity during the period and the net cost of operations.

The proposed NBAR reflects an overall balanced consideration of the commercial cash flow statement preparation, supportive of the GWA budget deficit & net operating cost reconciliation, the easiness & readiness of the agency's budgetary & net cost reconciliation preparation, and the usefulness of the information to the public readers/users. In addition, the working group performed a detail account level crosswalk from the NBAR each line item to the GWA budget deficit and net cost reconciliation line items and found that about eighty percent of the current GWA reconciliation will be supported by the NBAR. The remaining twenty percent primarily relates to the budget receipts which were intentionally omitted in the NBAR to reduce the preparation burden to the component level agencies since majority of the budget receipts are collected by one federal agency – Internal Revenue Service.

The NBAR starts with net cost of operations and is adjusted by:

a) Components of net cost not part of the budget outlays, which reflects costs included in the net cost of operations that do not require outlays (e.g. depreciation and amortization expenses of assets previously capitalized, change in asset/liabilities, other financing sources),

b) Components of the budget outlays that not part of net cost, which adjusts for the outlay that do not fund net cost of operations (e.g. acquisition of capital assets), and

c) Other temporary timing differences, which reflects some special adjustments (e.g. prior period adjustment due to correction of errors).

The bottom line of this reconciliation would be the net outlay from the Statement of Budgetary Resources. The adjustments should be presented and explained in appropriate detail and in a manner that best clarifies the relationship between the net outlay used in the budget and the accrual basis used in financial (proprietary) accounting.

To increase the understandability and usefulness of the reconciliation to general reader/user, a narrative explaining the purpose and nature of the reconciliation is suggested to be added prior to the NBAR in the note. Below is a sample suggested language that could be used by the federal agencies when they present the NBAR:

- *Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relate to the receipt and use of cash, as well as the federal deficit. Financial accounting is intended to provide a more complete 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 incurrent 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. It 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 schedule below illustrates this reconciliation by listing the key differences between the net cost and net outlays. Note that the large variance in the "transfers in/(out) without reimbursement" between FY2014 and FY2013 is primarily due to the transfer of program management responsibility from DOI to DOE as discussed in* *further detail in Note 5. In addition, the decrease in "Imputed financing source" is a result of the payment in FY2013 for the Cobell Settlement*

Listed in Table 1 below is an example of the proposed NBAR. This NBAR would require agencies to delineate material amounts in their reconciliation but allow agencies discretion in determining what is meaningful for an agency. Table 2 is a pilot result of one working group member agency. It illustrates an example of how some of the agencies participating in the working group represented lines that they considered meaningful for their agency. Each agency would be allowed latitude to delineate meaningful information for their users.

Table 1 Proposed NBAR

THE RECONCILIAITON OF NET COST AND BUDGET OUTLAY

	Intra-government	With the Public	Total
Net Cost			
Components of net cost not part of the budget outlays			
Property, plant, and equipment depreciation			
Property, plant, and equipment disposal & revaluation			
Yearend credit reform subsidy re-estimates			
Unrealized valuation loss/(Gain) on investments in GSEs			
Other - such as bad debt etc.			
- **Increase/(decrease) in assets**			
Accounts receivable			
Loans receivable			
Investment			
Other asset			
- **(Increase)/decrease in liabilities**			
Accounts payable			
Salaries and benefits			
Insurance and guarantee program liabilities			
Environmental and disposal liabilities			
Other liabilities (Unfunded Leave, Unfunded FECA, Actuarial FECA)			
- **Other financing sources**			
Federal employee retirement benefit costs paid by OPM and imputed to the agency			
Transfers out (in) without reimbursement			
Other imputed financing			
Components of the budget outlays that are not part of net cost			
Effect of prior year agencies credit reform subsidy re-estimates			
Acquisition of capital assets			
Acquisition of inventory			
Acquisition of other assets			
Other			

Other temporary timing differences **Net Outlays** **Vs.** **Net Outlays from SBR** Outlays, gross (line 4185 SBR) Less: Actual offsetting collections (line 4187 SBR)

Table 2 Pilot Result of One Working Group Agency

	Intra-governmental	With the public	Total
Net Cost	**377,537**	**(2,027)**	**375,510**
Components of net cost not part of the budget outlays			
Property, plant, and equipment depreciation	-	(462)	(462)
Property, plant, and equipment disposal & reevaluation	-	(5)	(5)
Yearend credit reform subsidy re-estimates	17	(42)	(25)
Unrealized valuation loss/(Gain) on investments in GSEs	-	8,072	8,072
Other	32,070	(1,387)	30,684
	32,087	6,176	38,263
Increase/(decrease) in assets:			
Accounts receivable	(1,275)	(12)	(1,287)
Loan receivable	(1,400)	(774)	(2,174)
Other asset	(1,734)	834	(900)
	(4,409)	47	(4,362)
(Increase)/decrease in liabilities:			
Accounts payable	2	794	795
Salaries and benefits	(29)	(6)	(34)
Other liabilities (Unfunded Leave, Unfunded FECA, Actuarial FECA)	1,509	17	1,527
	1,482	806	2,288
Other financing sources:			
Federal employee retirement benefit costs paid by OPM and imputed	(89)	(1,176)	(1,265)
Transfers out (in) without reimbursement	525	-	525
Other imputed finance	(0)	-	(0)
	436	(1,176)	(740)
Components of the budget outlays that are not part of net operating cost:			
Effect of prior year agencies credit reform subsidy re-estimate	266	-	266
Acquisition of capital assets	-	185	185
Acquisition of inventory	-	2,543	2,543
Acquisition of other assets	-	1	1
Debt and equity securities	(40)	-	(40)
Other	506	24,813	25,320
	733	27,543	28,276
Net Outlays			**439,235**
Outlays, gross (line 4185 SBR)			(453,859)
Actual offsetting collections (line 4187 SBR)			14,624
Outlays, net			**(439,235)**

ATTACHMENT B: PROPOSED NEW FORMAT SURVEY RESULTS

This appendix provides the staff summary of survey responses received from working group members representing six federal agencies. It represented an individual's opinion and does not represent the official responses from that agency. The survey is intended to support the Board's consideration of the issues raised and to draw conclusions on next steps for the working group research. The objective of this survey was to evaluate the advantages and disadvantages of the new reconciliation format and understand its impact on the user.

To do so, the subgroup sought feedback from the federal agencies in the working group who piloted the NBAR. Specifically, the working group sent out a questionnaire regarding the new format, presentation, and reconciliation to the Department of Energy (DOE), Department of Veterans Affairs (VA), Department of the Treasury (Treasury), the Small Business Administration (SBA), the Securities and Exchange Commission (SEC), and the US Coast Guard (USCG). The primary issues identified include the learning curve involved with preparation of the new format, the length of time it takes to prepare the reconciliation, and the lack of benefits derived from the current SOF. These results are consistent with the working group's understanding that federal agency users believe the advantages of the new format outweigh the disadvantages. The full text of the comments is provided in the table below.

A. Advantages and Disadvantages of the New Format

RESPONDENT	Advantages	Disadvantages
#1 DOE	-This reconciliation satisfies our reporting requirement. - So far, this reconciliation is easier to prepare than the current Financing Footnote. - The information from this footnote could help when preparing the government-wide statements. - A crosswalk is to be provided by Treasury for this reconciliation.	-Learning curve for all of those not involved in this working group -Some agencies in this working group have not been able to fully reconcile their Department's data utilizing this new format -Few agencies are involved in the working group, so we could be missing an area of reporting that we haven't thought of
#2 VA	- Still need time to work on this new format	-Still need time to work on this new format
#3 Treasury	N/A	N/A

RESPONDENT	Advantages	Disadvantages
#4 SBA	- It is easier for the public to understand a reconciliation between Net Cost and Outlays than Net Cost to Obligations. Obligation is a unique Federal Concept that is not well understood outside of the small population that understands Federal Budgeting and Accounting. - Changes in assets and liabilities and non-outlay activity is easier to conceptualize and explain than the timing of obligations. - Many agencies had difficulty in applying the SOF concepts. - The crosswalk for SoF has not been updated for years.	- Federal entities will need to invest in the development of the new reconciliation. - Treasury will need to develop crosswalks for new reconciliation. - FASAB will need to provide a comment period once the new approach is developed. - Limited number of agencies have participated in the development of the new format.
#5 SEC	- The proposed new format reconciles major line items that appear on the face of the basic financial statements (Net Cost of Operations and Net Outlays).	- The general public is not familiar with the concept of budgetary outlays and other various differences between budgetary and accrual-based accounting. Unless there is an understandable explanatory narrative, readers are likely to find the new note just as confusing as the old one. - Some agencies have not been able to fully reconcile, which is an indication that the crosswalk has not yet been fully developed. Additional gaps may become evident as more agencies, who have not participated in the working group, try to reconcile. - This would be a new footnote that auditors have not seen before.
#6 USCG	- 66% of the USCG funds were reconciled.	- Crosswalk needs to be further developed

B. Responses by Questions

RESPONDENT	**Question 2:** Are there improvements to the new format, or the new format line items, that could be made that would help meet the reporting objectives?
#1 DOE	No comment
#2 VA	No comment
#3 Treasury	In the asset section, are the “Loan receivable gross” and “Loan receivable (subsidy allowance net of sub re-estimate)” line items needed or can they be consolidated to the “Other asset” line item? In the liability section, does the “Advances” line item need to be separate or can it be considered as part of the “Other Liabilities” line item?
#4 SBA	Let's keep it as simple as possible and use "Other" in each section to allow agencies to address agency specific issues.
#5 SEC	No comment
#6 USCG	Subtotals should be added to each section. Additionally, we noted during our reconciliation that decreases in liabilities needed to be shown as a credit and increases as a debit. This is different than what is reflected in the proposed new format. Did other agencies note this same issue?

RESPONDENT	**Question 3:** If the new format is used, what impacts do you foresee on your agency reporting?
#1 DOE	We will need time to analyze how we can make our revolving funds work with this new format. In addition, it will take time for others preparing this footnote, to understand it.
#2 VA	No comment
#3 Treasury	No comment
#4 SBA	If FASAB and Treasury's concepts align with SBA's interpretation, implementation will be relatively easy. If the authority for crosswalking the data is different, SBA will need to determine how to develop the information consistent with the chosen methodology.
#5 SEC	No comment
#6 USCG	We will need additional time to determine how we can make this reconciliation work for Revolving Funds, Trust Funds and funds with reimbursable activity.

RESPONDENT	**Question 4:** Comparing the new reconciliation to the old SOF note, assuming a cross-walk will be provided by the Treasury, which format is easier to prepare?
#1 DOE	With the crosswalk provided, the new reconciliation should be easier to prepare.
#2 VA	No comment
#3 Treasury	With a cross-walk, the new reconciliation should be easier to prepare.

RESPONDENT	**Question 4:** Comparing the new reconciliation to the old SOF note, assuming a cross-walk will be provided by the Treasury, which format is easier to prepare?
#4 SBA	The new reconciliation will be easier for the SBA to prepare if FASAB and Treasury's interpretation is similar
#5 SEC	No comment
#6 USCG	The crosswalk will make it much easier to prepare; however, an 'Other' line should be provided for agencies to address specific issues.

RESPONDENT	**Question 5:** Do you foresee any time constraints for implementation? If yes, please explain.
#1 DOE	Yes, we will need to work together to get our revolving funds to work in this new format, which is posing somewhat of a challenge.
#2 VA	No comment
#3 Treasury	Yes, we need to work with all of the Treasury reporting entities for them to understand the new format and be able to report the required information for the consolidated statements.
#4 SBA	We would like to see a preview of the crosswalk, but we feel that we are able to manage the transition in a manner consistent with other federal reporting entities.
#5 SEC	No comment
#6 USCG	Yes, we will need additional time to determine how we can make this reconciliation work for Revolving Funds, Trust Funds and funds with reimbursable activity.

ATTACHMENT C: A SAMPLE TREASURY CROSSWALK ON THE PROPOSED NEW FORMAT

While OMB provides flexibility in Circular A-136 for the existing Reconciliation of Net Cost of Operations to Budget footnote, many agencies continue to depend on the former Treasury SOF USSGL crosswalk for completeness and accuracy purposes. Therefore, the BAR Working group, with assistance from Treasury, created a high-level NBAR USSGL crosswalk that may be leveraged as an initial guide that will be issued by the Treasury. The working group understands the challenges and complexity of accounting transactions unique to each agency, which may require additional line items not yet created to successfully implement the NBAR.

The crosswalk illustrated below was created based on a combination of SGLs used by working group representatives in new format trials for their respective agencies, and SGLs used to crosswalk the existing Statement of Financing format. The new format crosswalk is still being developed and will continue to be updated as more agencies attempt the new format and provide feedback to Treasury.

Reconciliation of Net Operating Cost and Net Budget Outlays Crosswalk Guidance				
Line Items		Trial Bal.	USSGL Account	USSGL Account Title
Net Cost (SNC)				
Components of net operating cost not part of the budget outlays				
	Property, plant, and equipment depreciation	E	671000	Depreciation, Amortization, and Depletion
	Property, plant, and equipment disposal & reevaluation	E	711000	Gains on Disposition of Assets - Other
		E	721000	Losses on Disposition of Assets - Other
	Unrealized valuation loss/(Gain) on investments in GSEs	E	592200	Valuation Change in Investments for Federal Government Sponsored Enterprise
	Yearend credit reform subsidy re-estimates	E	579100	Adjustment to Financing Sources - Credit Reform
		E	619900	Adjustment to Subsidy Expense
		E	217000	Subsidy Payable to the Financing Account
	Other	E	520000	Revenue From Services Provided
			532500	Administrative Fees Revenue
			590000	Other Revenue
			650000	Cost of Goods Sold
		E	660000	Applied Overhead
		E	661000	Cost Capitalization Offset
		E	672000	Bad Debt Expense
		E	679000	Other Expenses Not Requiring Budgetary Resources

	E	680000	Future Funded Expenses
	E	711100	Gains on Disposition of Investments
	E	711200	Gains on Disposition of Borrowings
		717100	Gains on Changes in Long-Term Assumptions - From Experience
	E	718000	Unrealized Gains
	E	719000	Other Gains
	E	721100	Losses on Disposition of Investments
	E	721200	Losses on Disposition of Borrowings
		727100	Gains on Changes in Long-Term Assumptions
	E	728000	Unrealized Losses
	E	728100	Unrealized Losses - Exchange Stabilization Fund
	E	729000	Other Losses
	E	730000	Extraordinary Items
(Increase)/decrease in assets:			
Accounts receivable	E-B	131000	Accounts Receivable
	E-B	131900	Allowance for Loss on Accounts Receivable
	E-B	133500	Expenditure Transfers Receivable
	E-B	134000	Interest Receivable - Not Otherwise Classified
	E-B	134100	Interest Receivable - Loans
	E-B	134700	Allowance for Loss on Interest Receivable - Not Otherwise Classified
	E-B	134200	Interest Receivable - Investments
	E-B	136000	Penalties and Fines Receivable - Not Otherwise Classified
	E-B	136700	Allowance for Loss on Penalties and Fines Receivable - Not Otherwise Classified
	E-B	136800	Allowance for Loss on Penalties and Fines Receivable - Taxes
	E-B	137000	Administrative Fees Receivable - Not Otherwise Classified
	E-B	137700	Allowance for Loss on Administrative Fees Receivable - Not Otherwise Classified
	E-B	192500	Capital Transfers Receivable
	E-B	134500	Allowance for Loss on Interest Receivable - Loans
	E-B	136100	Penalties and Fines Receivable - Loans
	E-B	136500	Allowance for Loss on Penalties and Fines Receivable - Loans
	E-B	137100	Administrative Fees Receivable - Loans
	E-B	137500	Allowance for Loss on Administrative Fees Receivable - Loans
	E-B	138100	Interest Receivable - Loans - Troubled Assets Relief Program
	E-B	138400	Interest Receivable - Foreign Currency Denominated Assets
	E-B	138500	Allowance for Loss on Interest Receivable - Loans - Troubled Assets Relief Program
Loan receivable	E-B	135000	Loans Receivable
	E-B	135900	Allowance for Loss on Loans Receivable
	E-B	138000	Loans Receivable - Troubled Assets Relief Program
	E-B	138900	Allowance for Subsidy - Loans - Troubled Assets Relief Program
	E-B	139900	Allowance for Subsidy
Other asset - Regulatory Assets	E-B	111000	Undeposited Collections
	E-B	112000	Imprest Funds
	E-B	119000	Other Cash
	E-B	141000	Advances and Prepayments
	E-B	199000	Other Assets
Investments	E-B	161100	Discount on U.S. Treasury Securities Issued by the Bureau of the Fiscal Service
	E-B	161200	Premium on U.S. Treasury Securities Issued by the Bureau of the Fiscal Service

		E-B	161300	Amortization of Discount and Premium on U.S. Treasury Securities Issued by the Bureau of the Fiscal Service
		E-B	161800	Market Adjustment - Investments
		E-B	162100	Discount on Securities Other Than the Bureau of the Fiscal Service Securities
		E-B	162200	Premium on Securities Other Than the Bureau of the Fiscal Service Securities
		E-B	162300	Amortization of Discount and Premium on Securities Other Than the Bureau of the Fiscal Service Securities
		E-B	163100	Discount on U.S. Treasury Zero Coupon Bonds Issued by the Bureau of the Fiscal Service
		E-B	163300	Amortization of Discount on U.S. Treasury Zero Coupon Bonds Issued by the Bureau of the Fiscal Service
		E-B	169000	Other Investments
	Increase/(Decrease) in liabilities not affecting Budget Outlays:			
	Accounts payable	E-B	211000	Accounts Payable
		E-B	212000	Disbursements in Transit
		E-B	214000	Accrued Interest Payable - Not Otherwise Classified
		E-B	214100	Accrued Interest Payable - Loans
		E-B	231000	Liability for Advances and Prepayments
	Salaries and benefits	E-B	221000	Accrued Funded Payroll and Leave
		E-B	221100	Withholdings Payable
		E-B	221300	Employer Contributions and Payroll Taxes Payable
		E-B	221500	Other Post Employment Benefits Due and Payable
	Insurance and guarantee program liabilities	E-B	218000	Loan Guarantee Liability
	Environmental and disposal liabilities	E-B	299500	Estimated Cleanup Cost Liability
	Other liabilities (Unfunded leave, unfunded FECA, actuarial FECA)	E-B	215500	Expenditure Transfers Payable
		B	217000	Subsidy Payable to the Financing Account
		E-B	219000	Other Liabilities With Related Budgetary Obligations
		E-B	685000	Employer Contributions to Employee Benefit Programs Not Requiring Current-Year Budget Authority (Unobligated)
		E-B	232000	Other Deferred Revenue
		E-B	240000	Liability for Nonfiduciary Deposit Funds and Undeposited Collections
		E-B	241000	Liability for Clearing Accounts
		E-B	251100	Capitalized Loan Interest Payable - Non-Credit Reform
		E-B	760000	Changes in Actuarial Liability
		E-B	294000	Capital Lease Liability
		E-B	298000	Custodial Liability
		E-B	298500	Liability for Non-Entity Assets Not Reported on the Statement of Custodial Activity
	Other financing sources			
	Federal employee retirement benefit			

costs			
paid by OPM and imputed to agency	E	578000	Imputed Financing Sources
Transfers out (in) without reimbursement	E	572000	Financing Sources Transferred In Without Reimbursement
	E	573000	Financing Sources Transferred Out Without Reimbursement
	E	575000	Expenditure Financing Sources - Transfers-In
	E	576000	Expenditure Financing Sources - Transfers-Out
Other imputed finance	E	579000	Other Financing Sources
	E	750000	Distribution of Income - Dividend
Components of the budget outlays that are not part of net operating cost			
Effect of prior year agencies credit reform subsidy re-estimate			
Acquisition of capital assets	E	880200	Purchases of Property, Plant, and Equipment
Acquisition of inventory	E	880300	Purchases of Inventory and Related Property
Acquisition of other assets	E	880400	Purchases of Assets - Other
Other	E	490800	Authority Outlayed Not Yet Disbursed
Other temporary timing difference			
	E	740000	Prior-Period Adjustments Due to Corrections of Errors
	E	740100	Prior-Period Adjustments Due to Changes in Accounting Principles
	E	740500	Prior Period Adjustments Due to Corrections of Errors -Years Preceding the Prior Year
Net Outlays			
Outlays, gross (SBR 4185)			
Actual offsetting collections (SBR 4187)			
Outlays, net (SBR 4210)			