



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

THE DIRECTOR

August 23, 2005

CIRCULAR NO. A-136  
Revised

**TO THE HEADS OF EXECUTIVE DEPARTMENTS, AGENCIES, AND OTHER ENTITIES SUBJECT TO THE CHIEF FINANCIAL OFFICERS ACT AND THE ACCOUNTABILITY OF TAX DOLLARS ACT AND GOVERNMENT ENTITIES SUBJECT TO THE GOVERNMENT CORPORATIONS CONTROL ACT.**

**SUBJECT:** Financial Reporting Requirements

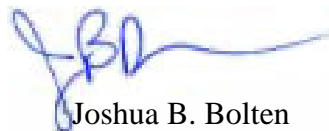
The Office of Management and Budget in conjunction with the Chief Financial Officers (CFO) Council undertook an effort to consolidate, clarify and update existing OMB guidance relating to agency and government-wide financial reporting. OMB Circular A-136, *Financial Reporting Requirements* (Circular A-136) establishes this central reference point and supersedes OMB memoranda and bulletins listed in the overview to this Circular, section (5).

In addition to streamlining existing guidance, the current update includes the following:

- Clarifications and minor reporting changes relating to FY 2005 Performance and Accountability Reports (PARs) (Part A);
- Advance guidance for FY 2006 agency PARs (Part A); and
- Agency requirements and due dates to support Treasury in preparing the 2005 Financial Report of the U.S. Government (Part B);

All significant changes are summarized in the *Analysis of Significant Changes* section beginning on page 8. OMB intends to develop annual revisions to Circular A-136 in the future. Circular A-136 is effective the end of fiscal year (FY) 2005, unless otherwise specified.

Agencies can contact David Zavada at (202) 395-3993 with questions regarding this Circular.



Joshua B. Bolten  
Director

Attachment

## Overview

- 1. Purpose:** This Circular establishes a central point of reference for all Federal financial reporting guidance for Executive Branch departments, agencies, and entities required to submit audited financial statements, interim financial statements, and Performance and Accountability Reports (PAR) under the Chief Financial Officers Act of 1990 (“CFO Act”) (Pub. L. No. 101 – 576), the Accountability of Tax Dollars Act of 2002 (“ATDA”) (Pub. L. No. 107 – 289), and Annual Management Reports under the Government Corporations Control Act (31 U.S.C. § 9101 et seq.). This Circular is available on the Office of Management and Budget (OMB) home page on the Internet, which is currently located at <http://www.whitehouse.gov/OMB/>.

The Overview of this Circular consists of Sections 2 through 5. Section 2 provides background information on Federal Financial Reporting; Section 3 discusses entities to which this Circular applies; Section 4 states the effective date of this Circular; Section 5 provides Federal Financial Reporting policy and references the relevant bulletin and memoranda for which this specific guidance supersedes; and Section 6 provides contact information for inquiries. Part A of this Circular incorporates and updates Bulletin 01-09 *Form and Content of Agency Financial Statements*, which provides guidance and instruction to those covered departments, agencies, and other entities on preparing PARs. Guidance on preparing the *Financial Report of the United States Government* (FR) is located in Part B of this Circular.

- 2. Background:** Executive Branch agencies must generally prepare and submit audited financial statements to the OMB. The CFO Act, as amended by the Government Management Reform Act of 1994 (GMRA) (Pub. L. No. 103 – 356), requires the major 24 agencies of the Federal Government to prepare and submit audited financial statements. For those Federal entities not covered by the CFO Act, the ATDA requires those Federal agencies and entities to also prepare and submit audited financial statements to OMB and the Congress, and the Government Corporations Control Act requires Government Corporations to submit Annual Management Reports to OMB and the Congress.

Under the Reports Consolidation Act of 2000 (Pub. L. No. 106-531), agencies are permitted to submit combined reports in implementing statutory requirements for financial and performance management reporting to improve the efficiency of executive branch performance. These reports are combined in the PAR, which consists of the Annual Performance Report required by the Government Performance and Results Act (GPRA) (Pub. L. No. 103 – 62) with annual financial statements and other reports, such as agencies’ assurances on internal control, accountability reports by agency heads and Inspector Generals’ assessments of the agencies’ most serious management and performance challenges. PARs provide financial and performance information that enables the President, the Congress, and the public to assess the performance of an

agency relative to its mission and to demonstrate accountability.

The Department of the Treasury, in coordination with OMB, prepares and submits the FR, as required by GMRA. The FR presents and discusses the Government's financial condition and operations for the fiscal year and includes consolidated financial statements and related disclosures, as well as reports on stewardship responsibilities. Important financial management issues are also discussed in Management's Discussion and Analysis section of the FR.

3. **Coverage:** The provisions of this Circular apply to each Executive Branch department, agency, and other entity ("entity") that is required to prepare audited financial statements under the CFO Act, GMRA, the ATDA and the Government Corporations Control Act, except any corporation that is required to register a class of its equity securities with the Securities and Exchange Commission (SEC).
4. **Effective:** The provisions of this Circular are effective in their entirety for the preparation of financial statements for the end of fiscal year (FY) 2005, unless otherwise specified. Earlier implementation is permitted, unless otherwise specified.
5. **Policy for Federal Financial Statements and PARs:**

- a. **General.**

The purpose of accelerated reporting is to better ensure that timely and accurate financial and performance information is made available to Federal agency managers as soon as possible after the end of the fiscal year and throughout the year.

- b. **Preparation.**

Agencies shall prepare PARs in accordance with *Form and Content of the Performance and Accountability Report*, located in Part A of this Circular, which supersedes all other bulletins and memoranda (see Section 4e) providing guidance on preparation of PARs, except for OMB Circular No. A-11 *Preparation, Submission, and Execution of the Budget*, as amended, located at <http://www.whitehouse.gov/omb/circulars/index.html>.

- c. **Submission Date.**

- i. **PARs.** Agencies shall submit their PARs to OMB and the Congress<sup>1</sup> no later than 45 days after the end of the fiscal year. (For those agencies with a September 30 fiscal year end, the due date is November 15.) This

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<sup>1</sup>Copies of the reports must be provided to the Speaker of the House of Representatives, the President and the President pro tempore of the Senate, the Chairmen and ranking minority member of the Senate Committee on Homeland Security and Government Affairs and the House Committee on Government Reform, and the chairmen and ranking minority member of the budget committees, relevant authorization and oversight committees, and appropriation subcommittees.

Circular makes this 45-day deadline a permanent annual requirement for all executive agencies regardless of fiscal year. Agencies shall submit a draft of the PAR to OMB's Office of Federal Financial Management (OFFM) and the appropriate Resource Management Office (RMO) ten working days before agencies issue the final PAR and should include all sections of the PAR.

- ii. Annual Management Reports. Effective FY 2006,** Government Corporations shall submit their Annual Management Reports, as described in Government Corporations Control Act to OMB and the Congress<sup>1</sup> no later than 45 days after the end of the fiscal year. (For those corporations with a September 30 fiscal year end, the due date is November 15.) This Circular makes this 45-day deadline a permanent annual requirement for all government corporations regardless of fiscal year. Government Corporations shall submit a draft of the Annual Management Report to OMB's OFFM and the appropriate RMO ten working days before government corporations issue the final Annual Management Report and should include all sections of the Management Report. Government Corporations that present their financial statements in accordance with the Financial Accounting Standards Board (FASB) are also required to report information to the Department of the Treasury to support government wide financial statements as specified in Part B of this Circular.

Any corporation that is required to register a class of its equity securities with the SEC is excluded from the OMB accelerated due dates.

- iii. Financial Report of the United States Government.** The U.S. Treasury is required to issue the *Financial Report of the United States Government* no later than one month after the 45-day deadline as noted in (i) and (ii) above. (For a September 30 fiscal year end, this due date is December 15.) This Circular makes this deadline a permanent annual requirement.
- iv. Interim Financial Statements.** Agencies shall submit unaudited interim financial statements to OMB 21 days after the end of each of the first three quarters of the fiscal year. Agencies should include management's explanation of significant variances in types or amounts of assets, liabilities, costs, revenues, obligations and outlays along with the submitted statements. This Circular makes this deadline a permanent quarterly requirement.

- d. Submission Format and Contact Information.** The draft and final reports (i.e., PARs, Annual Management Reports, etc.) shall be submitted electronically in a PDF format or specified website location (preferred). Offices of the Chief Financial Officer should submit the final PARs (and Annual Management Reports for Government Corporations) to OMB's OFFM and appropriate RMO, Department of the Treasury (Main), Financial Management Service (FMS), and

the Government Accountability Office (GAO) using the electronic addresses provided in Attachment 1. To be considered final, the electronic files must include all required signatures. In addition, four (4) hard copies of the PAR should be provided to OMB as soon as they are available.

**e. Relevant OMB Memoranda and Bulletin.**

- i.** This Circular reiterates and incorporates the accelerated reporting requirements specified in the following memoranda: *External Reporting Changes* (December 21, 2001), located at [http://www.whitehouse.gov/omb/financial/year\\_end\\_reporting\\_2001.pdf](http://www.whitehouse.gov/omb/financial/year_end_reporting_2001.pdf), and Memorandum: Requirements for Accountability of Tax Dollars Act (December 6, 2002), located at [http://www.whitehouse.gov/omb/financial/accountability\\_of\\_tax\\_dollars.pdf](http://www.whitehouse.gov/omb/financial/accountability_of_tax_dollars.pdf).
- ii.** In addition, this Circular incorporates updates to accelerated and other reporting requirements for FY 2004 that were provided in Memorandum M-04-20 FY 2004 Performance and Accountability Reports and Reporting Requirements for the *Financial Report of the United States Government* (July 22, 2004), located at <http://www.whitehouse.gov/omb/memoranda/fy04/m04-20.pdf>.
- iii.** This Circular also incorporates reporting requirements from FY 2002 that were provided in Memorandum FY 2002 *Financial and Performance Reporting*, dated October 18, 2002.
- iv.** This Circular incorporates and updates Bulletin 01-09 *Form and Content of Agency Financial Statements*, revised September 25, 2001.

**6. Inquiries:** For information concerning this Circular, you may contact the Financial Standards and Grants Branch, Office of Federal Financial Management, telephone 202-395-3993.

**7. Copies:** Copies of this circular may be obtained from <http://www.omb.gov>.

**Contacts for Submission of PARs and Annual Management Reports**

Office of Management and Budget  
New Executive Office Building  
Office of Federal Financial Management  
725 17<sup>th</sup> Street, NW, Suite 6025  
Washington, DC 20503  
Attn: OFFM  
E-mail: [David\\_Zavada\\_Statements@omb.eop.gov](mailto:David_Zavada_Statements@omb.eop.gov)  
Telephone: (202) 395-3993  
Fax: (202) 395-3952

Office of Management and Budget  
New Executive Office Building  
Resource Management Office  
725 17<sup>th</sup> Street, NW  
Washington, DC 20503  
(Office number, e-mail,  
telephone and fax should be  
obtained from respective RMO.)

Department of the Treasury  
Financial Management Services, Room 509B  
3700 East-West Highway  
Hyattsville, MD 20782  
Attn: Faye McCreary  
E-mail: [Financial.reports@fms.treas.gov](mailto:Financial.reports@fms.treas.gov)  
Telephone: (202) 874-9910  
Fax: (202) 874-9907

Department of Treasury (Main)  
1500 Pennsylvania Ave, NW  
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Government Accountability Office  
441 G Street, NW, Room 5V09  
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**PART A**

**Form and Content of the  
Performance and Accountability Report (PAR)**

**PART A  
TABLE OF CONTENTS**

| <i>Title</i>   | <i>Sec./Ex.<br/>No.</i> | <i>Page</i> |
|--|-------------------------|-------------|
| <b>Section 1 -- Guide to Part A Form and Content of the PAR</b>  |                         |             |
| What is the purpose of Part A? .....   | 1.1                     | 1           |
| What is the relationship between Part A and the hierarchy of accounting principles for Federal entities? .....   | 1.2                     | 2           |
| When is Part A effective? .....  | 1.3                     | 3           |
| To which entities does Part A apply? .....   | 1.4                     | 3           |
| What should the annual financial statement include? .....  | 1.5                     | 4           |
| What elements of the Annual Financial Statements are required to be presented on a comparative basis?.....   | 1.6                     | 5           |
| What steps should agencies take to ensure consistency between information presented in the Statement of Budgetary Resources and the Budget of the United States Government?..... | 1.7                     | 5           |
| Why does the Consolidated Statement of Financing present amounts and balances on a consolidated and a combined basis?.....   | 1.8                     | 6           |
| Should all of the lines illustrated in the Statement of Budgetary Resources and the Statement of Financing be presented in the agency's statements?.....                         | 1.9                     | 6           |
| What is required for a performance and accountability report? .....  | 1.10                    | 6           |
| In Management's Discussion and Analysis, may agencies reference the performance section of the report rather than incorporating key performance measures into the MD&A?.....     | 1.11                    | 7           |
| <b>Analysis of Significant Changes</b> .....   | -                       | 8           |
| <b>Section 2 -- General</b>  |                         |             |
| <b>Instructions for the Annual Financial Statements</b> .....  | 2.1                     | 12          |
| <b>Format of the PAR</b> .....   | 2.2                     | 14          |
| Agency Head (Secretary) Message.....   | 2.2A                    | 14          |
| Part 1: Management's Discussion & Analysis.....  | 2.2B                    | 14          |
| Part 2: Performance Section.....   | 2.2C                    | 15          |
| Part 3: Financial Section.....   | 2.2D                    | 15          |
| A. CFO Letter  |                         |             |
| B. Auditor' Report   |                         |             |

| <i>Title</i>   | <i>Sec./Ex.<br/>No.</i> | <i>Page</i> |
|--|-------------------------|-------------|
| <b>C. Financial Statements and Notes</b>   |                         |             |
| <b>Section 3 -- Balance Sheet</b>  |                         |             |
| General .....  | 3.1                     | 16          |
| Illustrative Statement - Consolidated Balance Sheet .....                          | 3.2                     | 17          |
| Assets .....   | 3.3                     | 19          |
| Liabilities .....  | 3.4                     | 23          |
| Net Position.....  | 3.5                     | 27          |
| <b>Section 4 -- Statement of Net Cost</b>  |                         |             |
| General .....  | 4.1                     | 28          |
| Illustrative Statement - Consolidated Statement of Net Cost .                      | 4.2                     | 30          |
| Program Costs .....  | 4.3                     | 30          |
| Earned Revenues.....   | 4.4                     | 31          |
| Net Program Costs .....  | 4.5                     | 32          |
| Costs Not Assigned to Programs .....   | 4.6                     | 32          |
| Earned Revenues Not Attributed to Programs .....                                   | 4.7                     | 32          |
| Net Cost of Operations.....  | 4.8                     | 32          |
| <b>Section 5 -- Statement of Changes in Net Position</b>                           |                         |             |
| General .....  | 5.1                     | 33          |
| Illustrative Statement - Consolidated Statement of Changes in<br>Net Position..... | 5.2                     | 34          |
| Earmarked Funds.....   | 5.3                     | 36          |
| Net Position - Beginning Balances .....  | 5.4                     | 36          |
| Budgetary Financing Sources .....  | 5.5                     | 39          |
| Other Financing Sources .....  | 5.6                     | 40          |
| Net Cost of Operations.....  | 5.7                     | 41          |
| Net Change.....  | 5.8                     | 41          |
| Net Position - Ending Balances .....   | 5.9                     | 41          |
| <b>Section 6 -- Statement of Budgetary Resources</b>                               |                         |             |
| General .....  | 6.1                     | 42          |
| Combined vs. Consolidated Statement .....  | 6.2                     | 43          |
| Format of the Statement of Budgetary Resources .....                               | 6.3                     | 43          |
| Illustrative Statement - Combined Statement of Budgetary<br>Resources .....        | 6.4                     | 45          |
| Budgetary Resources.....   | 6.5                     | 49          |
| Status of Budgetary Resources .....  | 6.6                     | 49          |
| Relationship of Obligations to Outlays .....                                       | 6.7                     | 49          |

| <i>Title</i>  | <i>Sec./Ex.<br/>No.</i> | <i>Page</i> |
|---|-------------------------|-------------|
| <b>Section 7 -- Statement of Financing</b>                                      |                         |             |
| General .....   | 7.1                     | 53          |
| Illustrative Statement - Consolidated Statement of Financing..                  | 7.2                     | 54          |
| Resources Used to Finance Activities.....                                       | 7.3                     | 55          |
| Resources Used to Finance Items Not Part of the Net Cost of<br>Operations ..... | 7.4                     | 56          |
| Components Requiring or Generating Resources in Future<br>Periods.....          | 7.5                     | 57          |
| Components Not Requiring or Generating Resources .....                          | 7.6                     | 58          |
| Net Cost of Operations.....   | 7.7                     | 59          |
| <b>Section 8 -- Statement of Custodial Activity</b>                             |                         |             |
| General .....   | 8.1                     | 60          |
| Illustrative Statement - Statement of Custodial Activity .....                  | 8.2                     | 61          |
| Sources of Collections .....  | 8.3                     | 62          |
| Disposition of Collections.....   | 8.4                     | 62          |
| Net Custodial Activity .....  | 8.5                     | 62          |
| <b>Section 9 -- Notes to the Financial Statements (Part 1 of 2)</b>             |                         |             |
| Note 1 Significant Accounting Policies .....                                    | 9.1                     | 63          |
| <i>Note Disclosures Related to the Balance Sheet</i>                            |                         |             |
| Note 2 Non-entity Assets .....  | 9.2                     | 64          |
| Note 3 Fund Balance with Treasury .....   | 9.3                     | 65          |
| Note 4 Cash and Other Monetary Assets .....                                     | 9.4                     | 66          |
| Note 5 Investments.....   | 9.5                     | 68          |
| Format of Note .....  | Ex. 9A                  | 68          |
| Note 6 Accounts Receivable, Net .....   | 9.6                     | 69          |
| Note 7 Taxes Receivable, Net.....   | 9.7                     | 69          |
| Note 8 Direct Loans and Loan Guarantees, Non-Federal<br>Borrowers.....          | 9.8                     | 70          |
| Format of Note .....  | Ex. 9B                  | 70          |
| Note 9 Inventory and Related Property, Net .....                                | 9.9                     | 84          |
| Note 10 General Property, Plant and Equipment, Net .....                        | 9.10                    | 86          |
| Note 11 Other Assets .....  | 9.11                    | 88          |
| Note 12 Liabilities Not Covered by Budgetary Resources .....                    | 9.12                    | 88          |
| Note 13 Debt .....  | 9.13                    | 89          |
| Format of Note .....  | Ex. 9C                  | 89          |

| <i>Title</i>   | <i>Sec./Ex.<br/>No.</i> | <i>Page</i> |
|--|-------------------------|-------------|
| Note 14 Federal Employee and Veteran Benefits .....  | 9.14                    | 90          |
| Note 15 Environmental and Disposal Liabilities ..... | 9.15                    | 91          |
| Note 16 Other Liabilities.....                       | 9.16                    | 91          |
| Format of Note .....                                 | Ex. 9D                  | 91          |
| Note 17 Leases .....                                 | 9.17                    | 93          |
| Note 18 Life Insurance Liabilities.....              | 9.18                    | 95          |
| Note 19 Commitments and Contingencies.....           | 9.19                    | 95          |
| <b>Note 20 Earmarked Funds (Effective FY 2006)</b>   | 9.20                    | 96          |

**Section 9 -- Notes to the Financial Statements (Part 2 of 2)**

*Note Disclosures Related to the Statement of Net Cost*

|  |        |     |
|--|--------|-----|
| Note 21 Intragovernmental Costs and Exchange Revenue .....               | 9.21   | 98  |
| Format of Note .....   | Ex. 9E | 98  |
| Note 22 Suborganization Program Costs/Program Costs by<br>Segment .....  | 9.22   | 99  |
| Format of Note.....  | Ex. 9F | 99  |
| Note 23 Cost of Stewardship PP&E .....                                   | 9.23   | 101 |
| Note 24 Stewardship Assets Through Transfer, Donation or<br>Devise ..... | 9.24   | 101 |
| Note 25-Exchange Revenues.....   | 9.25   | 101 |

*Note Disclosures Related to the Statement of Changes in Net Position*

|                                       |      |     |
|---------------------------------------|------|-----|
| Note 26 Cleanup Cost Adjustments..... | 9.26 | 101 |
|---------------------------------------|------|-----|

| <i>Title</i>   | <i>Sec./Ex.<br/>No.</i> | <i>Page</i> |
|--|-------------------------|-------------|
| <b>Section 9 – Notes to the Financial Statements (Part 2 of 2<br/>Continued)</b>   |                         |             |
| <b><i>Note Disclosures Related to the Statement of Budgetary<br/>Resources</i></b>   |                         |             |
| Note 27 Apportionment Categories of Obligations Incurred...  | 9.27                    | 101         |
| Note 28 Available Borrowing/Contract Authority, End of<br>Period .....   | 9.28                    | 102         |
| Note 29 Terms of Borrowing Authority Used .....  | 9.29                    | 102         |
| Note 30 Adjustments to Beginning Balance of Budgetary<br>Resources .....   | 9.30                    | 102         |
| Note 31 Permanent Indefinite Appropriations .....  | 9.31                    | 102         |
| Note 32 Legal Arrangements Affecting Use of Unobligated<br>Balances .....  | 9.32                    | 102         |
| Note 33 Explanation of Differences Between the Statement<br>of Budgetary Resources and the Budget of the<br>United States Government.....  | 9.33                    | 102         |
| Note 34 Undelivered orders at the end of the period.....   | 9.34                    | 103         |
| Note 35 Contributed Capital.....   | 9.35                    | 103         |
| <b><i>Note Disclosures Related to the Statement of Financing</i></b>   |                         |             |
| Note 36 Explanation of Relationship Between Liabilities Not<br>Covered by Budgetary Resources on the Balance<br>Sheet and the Change in Components Requiring<br>or Generating Resources in Future Periods..... | 9.36                    | 103         |
| Note 37 Description of Transfers that Appear as a<br>Reconciling Item on the Statement of<br>Financing.....  | 9.37                    | 103         |
| <b><i>Note Disclosures Related to the Statement of Custodial<br/>Activity</i></b>  |                         |             |
| Note 38 Incidental Custodial Collections .....   | 9.38                    | 104         |
| Note 39 Nonexchange Revenues.....  | 9.39                    | 104         |
| <b><i>Note Disclosures Not Related to a Specific Statement</i></b>   |                         |             |
| 9.40 Note 40 Dedicated Collections.....  | 9.40                    | 104         |
| 9.41 Note 41 Restatements.....   | 9.41                    | 105         |

| <i>Title</i>   | <i>Sec./Ex.<br/>No.</i> | <i>Page</i> |
|--|-------------------------|-------------|
| <b>Section 10 – Required Supplementary Stewardship Information</b>         |                         |             |
| General .....  | 10.1                    | 106         |
| Stewardship Property, Plant and Equipment.....                             | 10.2                    | 107         |
| Heritage Assets .....  | 10.2A                   | 107         |
| Stewardship Land.....  | 10.2B                   | 108         |
| Summary of Minimum Reporting Requirements.....                             | 10.2C                   | 108         |
| Stewardship Investments.....   | 10.3                    | 109         |
| Non-Federal Physical Property .....  | 10.3A                   | 109         |
| Human Capital .....  | 10.3B                   | 109         |
| Research and Development.....  | 10.3C                   | 110         |
| Summary of Minimum Stewardship Reporting Requirements .....                | 10.3D                   | 111         |
| Stewardship Responsibilities .....   | 10.4                    | 112         |
| <b>Section 11 – Required Supplementary Information</b>                     |                         |             |
| Management's Discussion & Analysis.....                                    | 11.1                    | 114         |
| Purpose.....   | 11.1A                   | 114         |
| Responsibility.....  | 11.1B                   | 115         |
| Scope.....   | 11.1C                   | 115         |
| Mission and Organizational Structure.....                                  | 11.1D                   | 115         |
| Performance Goals, Objectives and Results .....                            | 11.1E                   | 115         |
| Analysis of Entity's Financial Statements and Stewardship Information..... | 11.1F                   | 116         |
| Analysis of Entity's Systems, Controls and Legal Compliance .....          | 11.1G                   | 117         |
| Possible Future Effects of Existing Events and Conditions .....            | 11.1H                   | 118         |
| Other Management Initiative, Information, and Issues....                   | 11.1I                   | 118         |
| Limitations of the Financial Statements.....                               | 11.1J                   | 118         |
| Deferred Maintenance.....  | 11.2                    | 119         |
| Intragovernmental Amounts .....  | 11.3                    | 119         |
| Statement of Budgetary Resources.....                                      | 11.4                    | 122         |
| Statement of Custodial Activity.....                                       | 11.5                    | 122         |
| Segment Information.....   | 11.6                    | 122         |
| Risk Assumed Information   | 11.7                    | 123         |

| <i>Title</i>   | <i>Sec./Ex.<br/>No.</i> | <i>Page</i> |
|--|-------------------------|-------------|
| <b>Section 12 -- Other Accompanying Information</b>  |                         |             |
| Performance Measures .....   | 12.1                    | 124         |
| Revenue Foregone.....  | 12.2                    | 124         |
| Tax Burden/Tax Gap.....  | 12.3                    | 124         |
| Tax Expenditures with Directed Flow of Resources.....  | 12.4                    | 125         |
| Management Challenges.....   | 12.5                    | 125         |
| IPIA Reporting Details.....  | 12.6                    | 125         |
| Other Agency-specific Statutorily Required Reports.....  | 12.7                    | 130         |
| <b>APPENDIX</b>  |                         |             |
| List of Statements of Federal Financial Accounting Concepts<br>and Standards, Interpretations, Technical Bulletins, and<br>Technical Releases..... | A                       | 131         |

## **Section 1 - Guide to Part A Form and Content of the PAR**

### **Table of Contents**

- 1.1 What is the purpose of Part A?**
- 1.2 What is the relationship between Part A and the hierarchy of accounting principles for Federal entities?**
- 1.3 When is Part A effective?**
- 1.4 To which entity does Part A apply?**
- 1.5 What should the annual financial statement include?**
- 1.6 What elements of the Annual Financial Statements are required to be presented on a comparative basis?**
- 1.7 What steps should agencies take to ensure consistency between information presented in the Statement of Budgetary Resources and the Budget of the United States Government?**
- 1.8 Why does the Consolidated Statement of Financing present amounts and balances on a consolidated and a combined basis?**
- 1.9 Should all of the lines illustrated in the Statement of Budgetary Resources and the Statement of Financing be presented in the agency's statements?**
- 1.10 How does the annual financial statement relate to accountability reports and performance and accountability reports?**
- 1.11 In Management's Discussion and Analysis, may agencies reference the performance section of the report rather than incorporating key performance measures into the MD&A when an agency issues a performance and accountability report?**

### **1.1 What is the purpose of Part A Form and Content of the PAR?**

Part A is issued under the authority of 31 U.S.C. 3515 (d). Part A defines the form and content for Federal agency financial statements that are required to be submitted to the Director of the Office of Management and Budget (OMB) and the Congress pursuant to the requirements of the Chief Financial Officers Act, as amended by the Reports Consolidation Act of 2000 (P.L.106-531). These statements are in addition to the reports submitted to OMB for purposes of monitoring budget execution.

Federal financial statements are prepared in accordance with policies prescribed by OMB in Part A of this Circular. These formats and instructions provide a framework within which individual agencies have flexibility to provide information useful to the Congress, agency managers, and the public.

### **1.2 What is the relationship between Part A and the hierarchy of accounting principles for Federal entities?**

In April 2000, the American Institute of Certified Public Accountants (AICPA) through Statement on Auditing Standards (SAS) No. 69, *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles (GAAP) in the Independent Auditor's Report*, as amended by SAS No. 91, *Federal GAAP Hierarchy*, established the following hierarchy of accounting principles for Federal governmental entities:

- A. Federal Accounting Standards Advisory Board (FASAB) Statements and Interpretations plus AICPA and Financial Accounting Standards Board (FASB) pronouncements if made applicable to Federal governmental entities by a FASAB Statement or Interpretation;
- B. FASAB Technical Bulletins and the following pronouncements if specifically made applicable to Federal governmental entities by the AICPA and cleared by the FASAB: AICPA Industry Audit and Accounting Guides and AICPA Statements of Position;
- C. AICPA Accounting Standards Executive Committee (ACSEC) Practice Bulletins if specifically made applicable to Federal governmental entities and cleared by the FASAB and Technical Releases of the Accounting and Auditing Policy Committee of the FASAB; and
- D. Implementation guides published by the FASAB staff and practices that are widely recognized and prevalent in the Federal government.

In the absence of a pronouncement covered by Federal GAAP or another source of established accounting principles, the auditor of a Federal governmental entity may consider other accounting literature, depending on its relevance in the circumstances. Other accounting literature includes, for example, FASAB Concept Statements; pronouncements in (A)-(D) of the hierarchy when not specifically made applicable to Federal governmental entities; FASB Concept Statements; Governmental Accounting Standards Board (GASB) Statements, Interpretations, Technical Bulletins, and Concept Statements; AICPA Issue Papers; International Accounting Standards of the International Accounting Standards Committee; pronouncements of other professional associations or regulatory agencies; AICPA *Technical Practice Aids*; and accounting textbooks, handbooks, and articles.

Guidance prescribed in Part A that is specified by a FASAB, AAPC, AICPA, or FASB pronouncement as described in paragraphs (A)-(C) above, are considered to be A, B, or C-level GAAP as appropriate. Requirements in Part A that are not specified by a pronouncement described in paragraphs (A)-(C) above are considered to be level (D) of the Federal GAAP hierarchy because they constitute "practices that are widely recognized and prevalent in the Federal government." The Statements of Federal Financial Accounting Concepts (SFFACs), the Statements of Federal Financial Accounting Standards (SFFASs), Interpretations, Technical Bulletins, and Technical Releases addressed in Part A are listed in Appendix A of this Circular.

SFFACs and SFFASs are set and promulgated by FASAB following procedures adopted by the three FASAB principals from OMB, the Department of the Treasury, and the Government Accountability Office (GAO). The principal members, however, retain their authorities, separately and jointly, to establish and adopt accounting standards for the Federal Government, as evidenced by this Circular issued by OMB. When directed by the OMB, through this Circular, GAAP serves as authoritative guidance for Federal agencies in preparing the reports addressed in this Circular.

### 1.3 When is Part A effective?

The provisions of Part A are effective in their entirety for the preparation of financial statements for the end of fiscal year (FY) 2005, unless otherwise specified. Earlier implementation is permitted, unless otherwise specified.

**Note: Changes related to SFFAS 27, Identifying and Reporting Earmarked Funds, are effective for FY 2006. Earlier implementation of SFFAS 27 is not permitted.**

### 1.4 To which entity does Part A apply?

Part A applies to the Executive Branch Agencies specified Section 3 of the overview of this Circular.

Components of Executive Branch Agencies required by law to issue financial statements prepared in accordance with accounting standards other than those promulgated by FASAB shall continue to comply with applicable standards. When the reporting entities, of which these components are a part, issue consolidated or consolidating statements that include such components, GAAP for Federal entities shall be applied to these components. (See Section 1.2 for guidance on determining GAAP for Federal entities.)

The Executive Branch Agencies covered by this Circular are reporting entities and, as such, are required to prepare organization-wide financial statements. SFFAC No. 2, *Entity and Display*, includes two types of criteria for determining which components of executive departments and agencies shall be included in their organization-wide financial statements. The first is the conclusive criterion, i.e., there is an inherent conclusion that for financial reporting purposes, any organization meeting this criterion is part of a specified larger entity. Appearance in the *Budget of the United States Government Analytical Perspectives* section currently entitled *Federal Programs by Agency and Account* is a conclusive criterion. Any organization, program or budget account, including off-budget accounts and government corporations, included in that section shall be considered part of the Federal Government, as well as part of the executive department or agency with which it appears. OMB approval shall be obtained for exemptions to the conclusive criterion.

The second type of criteria is *indicative* criteria. The indicative criteria described in SFFAC No. 2 should be considered in the aggregate when determining what components to include in an executive department or agency's organization-wide financial statement.

### **1.5 What should the annual financial statements include?**

The "Annual Financial Statements" of a reporting entity shall consist of:

- (1) Management's discussion and analysis (part of RSI).
- (2) Basic statements and related notes.
- (3) Required supplementary stewardship information (RSSI).
- (4) Required supplementary information (RSI).

In addition, the annual financial statements may include "other accompanying information" (OAI). OAI should provide users of the financial statement with a better understanding of the entity's programs and the extent to which the programs objectives are achieved.

Preparation of the annual financial statement is the responsibility of agency management. In carrying out that responsibility, each agency CFO should prepare a policy bulletin or guidance memorandum that guides agency fiscal and management personnel in the preparation of the annual financial statement.

The basic statements shall include:

- (1) Balance Sheet.
- (2) Statement of Net Cost.
- (3) Statement of Changes in Net Position.
- (4) Statement of Budgetary Resources.
- (5) Statement of Financing.
- (6) Statement of Custodial Activity, when applicable.

Basic statements prepared in accordance with this Circular should present summary or detailed information necessary to make the statements most useful to users. Care should be taken to avoid placing so much detail in the body of the statements that they cannot be easily understood. Where substantial detail is necessary to properly convey the information, the body of the statement should contain summary information and the detail should be reported in notes to the statements. The instructions provided in the Circular for each of the basic statements describe how information should be presented.

### **1.6 What elements of the Annual Financial Statements are required to be presented on a comparative basis?**

The six basic statements identified above, and the related footnotes, should present balances and amounts for the current year and the prior year. The MD&A should include comparisons of the current year to the prior year and should provide an analysis of the agency's overall financial position and results of operations to assist users in assessing whether that financial position has improved or deteriorated as a result of the year's activities. Information presented in the RSSI and RSI should also be presented on a comparative basis when the information would be meaningful to the user of the financial report. (See Section 2.1, General Instructions, for the implementation dates for the requirement to prepare comparative financial statements.)

**Note: For FY 2006, the initial year of implementation for earmarked funds, do not restate prior periods per the provisions of SFFAS 27.**

### **1.7 What steps should agencies take to ensure consistency between information presented in the Statement of Budgetary Resources and the Budget of the United States Government?**

Better linkage between budgetary information presented in the financial statements and the Budget of the United States Government is critical to ensuring the integrity of the numbers presented. Both reports contain actual information. Agencies should follow the steps identified below to avoid inconsistencies between the two documents:

- Agencies should ensure that the budgetary information used to prepare the Statement of Budgetary Resources (SBR) is consistent with the budgetary information reported to the Federal Agencies' Centralized Trial-balance System II (FACTS II) during the 4th quarter window. The information submitted through the FACTS II system will be used to produce the 4<sup>th</sup> quarter SF 133, Report on Budget Execution and Budgetary Resources; the FMS 2108, Year-end Closing Statement; and much of the initial data that will appear in the prior year column of the Program and Financing Schedule of the Budget. The budgetary information reported should be coordinated with the agency's budget office.
- Due to timing differences, subsequent changes may be made to budgetary information included in the Budget but after the SBR has been published. Agencies should post all subsequent changes, whether material or non-material, to OMB's MAX A-11 budget preparation system during the timeframes provided by OMB. Agencies should also post all subsequent changes made to OMB's MAX A-11 budget preparation system, whether material or non-material, to FACTS II during its revision window (November/December timeframe). These efforts should also be coordinated with the agency's budget office.
- Agencies should discuss any material changes to budgetary information subsequent to the publication of the audited Statement of Budgetary Resources (SBR) with their auditors to determine if restatement or note disclosure is necessary. At a minimum, any material differences between comparable information contained in the SBR and the

actual information presented in the Budget of the United States Government must be disclosed in the footnotes to the SBR.

### **1.8 Why does the Consolidated Statement of Financing present amounts and balances on a consolidated and a combined basis?**

The Statement of Financing demonstrates the relationship between budgetary amounts reported on the Statement of Budgetary Resources (which is prepared on a combined basis) to the proprietary amounts reported on the Statement of Net Cost (which is prepared on a consolidated basis). The focus of this presentation is to reconcile net obligations to the net cost of operations. Lines number 1, 2, and 4 of the Statement of Financing are reported on a combined basis as presented in the Statement of Budgetary Resources. This allows the user to follow the flow of reported amounts through the financial statements. Line 5 (Net Obligations) of the Statement of Financing, while reported on what appears to be a combined basis, is in fact a consolidated number. This is because the intra-entity obligations reported on Line 1 are reduced by the corresponding intra-entity offsetting collections and recoveries reported on Line 2 and the offsetting receipts reported on Line 4.

### **1.9 Should all of the lines illustrated in the Statement of Budgetary Resources and the Statement of Financing be presented in the agency's statements?**

No. The illustrative statements have been provided as a guide to assist agencies in identifying the proper placement of information on the statements, thus ensuring greater consistency between agency financial statements and the budget execution reports. Lines may be combined, using discretion, where balances are related in nature. Material components, however, should continue to be displayed separately on the face of the statement or in a footnote.

### **1.10 What is required in the Performance and Accountability Reports (PAR)?**

The Reports Consolidation Act (RCA) of 2000 (P.L.106-531) provides permanent authority for agencies to integrate financial and performance information into a single, consolidated accountability report beginning with the FY 2000 reports. It also allows consolidation of other reports with OMB approval and after consultation with the appropriate Congressional committees. See Section 2.2 *Format of the PAR* for reporting requirements and layout of a final PAR.

### **1.11 In Management's Discussion and Analysis, may agencies reference the performance section of the report rather than incorporating key performance measures into the MD&A?**

No. The Reports Consolidation Act was intended to provide the Congress and the public with one report that presents a comprehensive and integrated picture of each agency's performance. The performance and accountability report will provide a large amount of detail about the agency's financial and program performance but an overall summary of the report should be included in the beginning of the document. The MD&A is an excellent means of providing this summary. Redundancy may be reduced by providing key performance information in the MD&A with the other performance measures displayed in the performance section of the report.

## Analysis of Significant Changes

The following table summarizes the significant changes reflected in this Circular based on requirements incorporated from OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements*, as amended by OMB Memoranda M-04-20 FY 2004 Performance and Accountability Reports and Reporting Requirements for the *Financial Report of the United States Government* (July 22, 2004), *External Reporting Changes* (December 21, 2001), and requirements for both the Accountability of Tax Dollars Act (December 6, 2002) and the Government Corporations Control Act (Sec 31 U.S.C. sec 9101 etc. seq.,).

| <i>Section Title</i>                    | <i>Section Number</i> | <i>Change</i>   |
|---|-----------------------|---|
| A-136 Main                              | 3                     | <b>Effective FY 2006</b> , Government Corporations included in accelerated reporting requirements, except for corporations who are required to report to the SEC.   |
|   | 4 c iv                | Interim Financial Statements include management's explanation of significant variances.   |
| Guide to the Circular                   | 1.10                  | What is required in the Performance and Accountability Report (See Section 2.2)   |
| General                                 | 2.2                   | Format of the PAR added to provide guidance on reporting requirements and layout of the report.   |
| Financial Statements                    | Various               | Lines on the Balance Sheet, the Statement of Net Cost, the Statement of Changes in Net Position, and the Statement of Budgetary Resources, have been added, deleted, renamed, separated or combined. These changes were made to more clearly describe the activity reported in the lines, to improve the linkage between the statements, and with the Budget of the United States Government. |
| Annual Financial Statement Instructions | 2.1                   | Modified instructions for preparing the Annual Financial Statements to clarify guidance; reduce redundant disclosures; and to ensure consistency with the Statements of Federal Financial Accounting Standards, other OMB circulars, etc.   |
| Part A                                  |                       | Form and Content of the Performance and Accountability Report, separate section added.  |
| Balance Sheet                           | 3.1                   | Included effective date for SFFAS 27, definition of earmarked funds, and instructions regarding prior periods in initial year of implementation for SFFAS 27 ( <b>Effective FY 2006</b> ).  |
|   | 3.2                   | Added separate illustrative statements for FY 2005 and for FY 2006. For FY 2006, added separate lines for cumulative results of operations and unexpended appropriations for earmarked funds to implement SFFAS 27 ( <b>Effective FY 2006</b> ).  |
|   | 3.3                   | Revised description of General PP&E for SFFAS 23, which eliminated the category of National Defense PP&E.   |
|   | 3.5                   | Added requirements for unexpended appropriations and cumulative results of operations for earmarked funds to implement SFFAS 27 ( <b>Effective FY 2006</b> ).   |
| Statement of Net Cost                   | 4.1                   | Changed definition of Intragovernmental and public costs to align with the  |

| <i>Section Title</i>                 | <i>Section Number</i> | <i>Change</i>  |
|--------------------------------------|-----------------------|--|
|                                      |                       | Department of the Treasury's definition.   |
|                                      | 4.2                   | Illustrative statement for Consolidated Statement of Net Cost no longer separates Intragovernmental and public costs and revenues on the face of the statement. These separate costs and revenues are displayed in Footnote 9.21. <b>Effective FY 2006, early implementation is permitted. For agencies not implementing in FY 2005, refer to OMB Bulletin 01-09, Section 4 for illustrative guidance.</b> |
| Statement of Changes in Net Position | 5.2                   | Added separate illustrative statements for FY 2005 and FY 2006 and subsequent to display earmarked funds ( <b>Effective FY 2006</b> ).   |
|                                      | 5.2                   | Added lines 2(a), Changes in accounting principles, and 2 (b), Corrections of errors, in accordance with SFFAS 21.   |
|                                      | 5.2                   | Added lines for required separate display of earmarked funds ( <b>Effective FY 2006</b> ).   |
|                                      | 5.2                   | Added subtotal line, Net Change  |
|                                      | 5.3                   | New section on earmarked funds to implement SFFAS 27 ( <b>Effective FY 2006</b> ).   |
|                                      | 5.4                   | Explanation of separate reporting of corrections of errors and changes in accounting principles in accordance with SFFAS 21.   |
|                                      | 5.5                   | Clarification of certain differences between Appropriations Received on the Statement of Changes in Net Position and Appropriations line of the Statement of Budgetary Resources.  |
|                                      | 5.8                   | New section for new line item, Net Change  |
| Statement of Budgetary Resources     | 6.1                   | Additional explanatory information added about the Statement of Budgetary Resources.   |
|                                      | 6.3                   | New information on the format of the SBR ( <b>Effective FY 2006</b> ).   |
|                                      | 6.4                   | Added separate illustrative statements for FY 2005 and for <b>FY 2006</b> to reflect changes in the SF 133 ( <b>Effective FY 2006</b> ).   |
|                                      | 6.7 b & c             | New information added to describe <b>FY 2006</b> requirements for (b) change in unpaid obligated balances, and (b) net outlays ( <b>Effective FY 2006</b> ).   |
| Statement of Financing               |                       | No change  |
| Statement of Custodial Activity      | 8.1                   | Exchange revenue reporting requirements added per SFFAS 7.   |
|                                      | 8.3                   | Clarification on accrual adjustments required for nonexchange revenue and not for exchange revenue.  |
| Notes to the Balance Sheet           | 9.1                   | Added requirement to disclose changes in generally accepted accounting principles that affect the financial statements, and to include explanation of  |

| <i>Section Title</i>                          | <i>Section Number</i> | <i>Change</i>  |
|---|-----------------------|--|
|   |                       | concepts that are unique to Federal financial statements, such as Fund Balance with Treasury and Earmarked Funds. Modified the provisions for restatement to comply with paragraphs 20 and 26 of SFFAS 27.                                       |
|   | 9.3                   | Modified the Fund Balance with Treasury footnote disclosure to include nonbudgetary FBWT in section B, Status of Fund Balance with Treasury.   |
|   | 9.5                   | Added Note on Investments for Earmarked Funds to implement SFFAS 27 <b>(Effective FY 2006)</b> .   |
|   | 9.10                  | Added reference to SFFAS 11, 16 and 23.  |
|   | 9.12                  | Added cross-reference to section 3.4 for definition of covered and not covered by budgetary resources.   |
|   | 9.14                  | Added language to clarify that the reporting requirements for Note 14 are for entities that administer pensions, other retirement benefits, and other post-employment benefits   |
|   | 9.20                  | Added note for earmarked funds to implement SFFAS 27 <b>(Effective FY 2006)</b> .  |
| Notes to the Statement of Net Cost            |                       |  |
|   | 9.20                  | Old note entitled "Intragovernmental Costs" removed  |
|   | 9.21                  | New note on Intragovernmental Costs and Exchange Revenue to report Intragovernmental and public costs and revenues since no longer reported on the face of the statement (see 4.2). <b>Effective FY 2006, early implementation is permitted.</b> |
|   | 9.25                  | Old Note 25 Gross Cost and Earned Revenue by Budget Functional Classification - removed  |
| Notes to the Statement of Budgetary Resources |                       |  |
|   | 9.34                  | New note entitled, "Undelivered orders at the end of the period". <b>(Effective FY 2006)</b>   |
| Notes to the Statement of Custodial Activity  | 9.40                  | Revised "Dedicated Collections" note (previously 9.39) to exclude earmarked funds <b>(effective FY 2006)</b>   |
| Notes Not Related to Specific Statements      | 9.41                  | Disclosures related to restatements.   |
| RSSI  |                       |  |
|   | 10.2B                 | National Defense PP&E removed to comply with SFFAS 23.   |
|   | 10.2C                 | National Defense PP&E removed from table and guidance provided for condition description from SFFAS 6.   |

**Form and Content of the PAR****Analysis of Significant Changes**

| <i>Section Title</i>           | <i>Section Number</i> | <i>Change</i>  |
|--------------------------------|-----------------------|--|
| RSI                            | 10.4A                 | Risk Assumed Information removed from RSSI and included in RSI per SFFAS 5.  |
| MD&A                           | 11.1                  | All sections updated to reflect guidance from OMB memoranda.   |
| Deferred Maintenance           | 11.2                  | Additional guidance added from SFFAS 6.  |
| Risk Assumed Information       | 11.5                  | Moved from RSSI per SFFAS 5.   |
| Other Accompanying Information |                       | Updated Section 12 to include information from OMB Memorandum FY 2002 Financial and Performance Reporting, dated October 18, 2002 and OMB Memorandum M-04-20 <i>FY 2004 Performance and Accountability Reports and Reporting Requirements for the Financial Report of the United States Government</i> . |
|                                | 12.5                  | Management Challenges  |
|                                | 12.6                  | IPIA Reporting Details   |
|                                | 12.7                  | Other Agency Specific Statutorily Required Reports   |
| Appendix A                     |                       | Update of FASAB issuances subsequent to Bulletin 01-09.  |
| Part B                         |                       | Preparing the Financial Report of the United States Government<br>Updated guidance in OMB Memorandum M-04-20 <i>FY 2004 Performance and Accountability Reports and Reporting Requirements for the Financial Report of the United States Government</i> (Attachments 4 through 7).                        |

**Section 2 – General  
Table of Contents****2.1 Instructions for Agency Financial Statements****2.2 Format of the PAR****Section 2.1 -- Instructions for Agency Financial Statements**

- A. Reporting entities should ensure that information in the financial statements is presented in accordance with Federal GAAP and the requirements of this Circular. Preparers of financial statements seeking additional guidance on matters involving the recognition, measurement, and disclosure requirements should refer to the specific FASAB standards governing those requirements. These standards are available at <http://www.fasab.gov>. Where the FASAB standards and interpretations or the instructions in this Circular do not provide guidance, agencies shall follow the hierarchy of accounting principles described in Section 1.2.
- B. Comparative financial statements are required. Information for the current and preceding years should be presented regardless of the type of audit opinion rendered by the auditor. Footnotes should contain the information necessary for full disclosure of both years.
- C. When agencies present disaggregated information for component organizations, the total column for the entity as a whole shall reflect consolidated totals net of intra-entity transactions, except for the Statement of Budgetary Resources which is presented on a combined basis. With the exception of the Statement of Budgetary Resources, financial statements that use a multi-column format to present information on an entity's major components or lines of business as well as the consolidated amounts are referred to as consolidating statements. Eliminations for intra-entity transactions needed to arrive at the consolidated amounts should also be presented in a column on the face of the consolidating statements.

Currently the Statement of Net Cost requires certain disaggregated statements to be presented in the Notes to the Financial Statements. Entities may elect to include disaggregated statements for other primary financial statements, such as the Balance Sheet, Statement of Changes in Net Position and/or Statement of Custodial Activity. To enhance usefulness of the information, entities may include any disaggregated statements not presented in the Notes to the Financial Statements as Required Supplementary Information.

- D. The format displays in this Circular are generally for illustrative guidance only. Agencies

may modify the displays to best present the information for their programs. In doing so, they may add or remove lines and may use different words than those provided in the displays. However, agencies must report their assets, liabilities, and net position by the lines displayed in the illustrative Balance Sheet and in the illustrative Statement of Changes in Net Position to support the compilation and audit of the FR. To enhance reporting at the entity-level, agencies may combine these illustrated lines in their statements but the composition of these lines must be provided, i.e., either as subcategories on the face of the statements or in a footnote. Conversely, to ensure that reporting at the entity-level is meaningful, agencies may also disaggregate the illustrated lines in their statements but the total of these lines must be provided, i.e., either a total on the face of the statement or in a footnote.

- E. Combine lines using discretion, where balances are related in nature and are not material enough to warrant separate disclosures. Designate discrete balances of an immaterial amount as "other." The "other" category should not aggregate to an amount which is material.
- F. Exclude statement line items, footnotes, and lines or columns in footnotes that do not apply or, except as described in D above, are not informative for the reporting entity.
- G. Schedule totals presented in the footnotes, in support of amounts presented in financial statements, must agree with the amounts presented in the body of the financial statements.
- H. Round dollar amounts to the nearest whole dollar, thousand, or million based upon informative value to the reporting entity. Maintain the chosen rounding level throughout the principal statements and footnotes. Ensure that individual line items add up to the totals by adjusting the line items for differences created by the rounding process rather than adjusting column totals.
- I. Do not use line numbers on illustrative statement formats. They are for reference purposes only.
- J. Sequentially number footnotes without regard to the numbers in this document.
- K. Interim unaudited financial statements, without footnotes, are required on a quarterly basis. The interim statements must be submitted to OMB 21 days after the end of each quarter. Interim statements may be limited to a Balance Sheet, Statement of Net Cost, and Statement of Budgetary Resources. Management Discussion and Analysis, RSSI, and RSI are not required for quarterly reporting. OMB Bulletin 01-02, "Audits of Federal Financial Statements," Appendix B ([www.whitehouse.gov/omb/](http://www.whitehouse.gov/omb/)), lists major agency components that are required to prepare financial statements and subject them to annual audits.

## Section 2.2 – Format of the PAR

The purpose of this section is to provide reporting requirements and layout for a complete and final Performance and Accountability Report (PAR)<sup>2</sup>.

### 2.2A Agency Head (Secretary) Message:

A dated transmittal letter signed by the agency head should be located at the beginning of the report. It must include:

A brief message from the agency head highlighting:

- (1) The Agency's mission, goals and accomplishments upholding the mission.
- (2) An assessment of whether financial and performance data in the report is reliable and complete, identifying material internal control weaknesses and actions the agency is taking to resolve them, (the letter may reference a more detailed discussion of this topic elsewhere in the report); and
- (3) A Federal Manager's Financial Integrity Act (Integrity Act) statement of assurance indicating whether (a) management controls are in place and (b) financial systems conform with government-wide standards. The statement must take one of the following forms: statement of assurance; qualified statement of assurance, with exceptions explicitly noted; or statement of no assurance. **(Effective through FY 2005)**

### 2.2B Part 1: Management's Discussion and Analysis

A PAR must contain a section entitled Management's Discussion and Analysis (MD&A). The MD&A is Section 1 of the PAR and should follow the Agency Head (Secretary) Message. To be useful, it must be concise and readable to a non-technical audience. The MD&A is an overview of the Financial and Performance results. See Section 11 of this document for an outline of the required information to be included in the MD&A. Beginning with FY 2006, Management Assurances required under the Integrity Act and OMB Circular A-123, *Management's Responsibility for Internal Control* must be separately identified within the MD&A as part of the information provided in accordance with Section 11.1G Analysis of the Entity's Systems, Controls and Legal Compliance.

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<sup>2</sup> Agencies are also encouraged to develop a brief highlights version of the annual PAR. The PAR Highlights should exist as a standalone document, presenting key findings and relevant financial and performance data. Agencies should prepare the highlights document in a manner and writing style appropriate for the general public. Agencies may find it useful to prepare a PAR highlights with a CD of the entire PAR document included as an alternative to distributing numerous printed copies of the entire PAR document.

## **2.2C Part 2: Performance Section**

The annual program performance information submitted per the Government Performance and Results Act (GPRA) should contain all of the required elements for the Annual Performance Report as specified in OMB Circular No. A-11, Part 6, Preparation and Submission of Strategic Plans, Annual Performance Plans, and Annual Program Performance Reports, as amended. In developing the MD&A, preparers should draw from this section to provide an overview of the most significant performance results.

## **2.2D Part 3: Financial Section**

### **A. CFO Letter**

A signed letter from the Chief Financial Officer (CFO) that briefly summarizes:

- (1) Planned time frames for correcting audit weaknesses and noncompliance;
- (2) Major impediments to correcting audit weaknesses and noncompliance;
- (3) Progress made in correcting previously reported problems; and
- (4) Integrity Act information, if the agency chooses not to include it in the PAR MD&A.

### **B. Auditor's Report**

Reporting guidance for the Auditor's Report is located in OMB Bulletin 01-02, *Audit Requirements for Federal Financial Statements*. The final Report must be signed by the auditor.

### **C. Financial Statements and Notes**

See Sections 3 through 12 in this document for information on the financial statements, notes, RSI and RSSI and Other Accompanying Information (OAI).

**Section 3 - Balance Sheet**  
Table of Contents

|  |
|--|
| <b>3.1 General</b>   |
| <b>3.2 Illustrative Statement - Consolidated Balance Sheet</b> |
| <b>3.3 Assets</b>  |
| <b>3.4 Liabilities</b>   |
| <b>3.5 Net Position</b>  |

### 3.1 General

The balance sheet presents, as of a specific time, amounts of future economic benefits owned or managed by the reporting entity exclusive of items subject to stewardship reporting (assets), amounts owed by the entity (liabilities), and amounts which comprise the difference (net position).

The balance sheet displayed in Section 3.2A and B illustrates a consolidated two-column format to allow the user to make appropriate comparisons with prior periods. Reporting entities preparing financial statements in accordance with this Circular may present similar information or may present information in separate columns for their primary components, e.g., bureaus or major lines of business.

Combine entity and non-entity assets on the face of the balance sheet and disclose non-entity assets in the footnotes. Combine liabilities covered by budgetary resources and liabilities not covered by budgetary resources on the face of the balance sheet. Disclose liabilities not covered by budgetary resources in the footnotes.

**SFFAS 27, *Identifying and Reporting Earmarked Funds*, is effective for periods beginning after September 30, 2005. See Note 9.20 and SFFAS 27 for more details on earmarked funds.** The Illustrative Statement (3.2.B) - Consolidated Balance Sheet (Beginning FY2006) shows the portion of cumulative results of operations and unexpended appropriations for earmarked funds separately from all other funds on the face of the balance sheet. Based on SFFAS 27 requirements, prior periods shall not be restated in the initial year of implementation (FY 2006). For the purposes of earmarked funds, FY 2005 should not be restated. Also, the provisions of SFFAS 27 need not be applied to immaterial items.

**3.2.A Illustrative Statement - Consolidated Balance Sheet (Reporting FY2005 and Prior)**Department/Agency/Reporting entity  
CONSOLIDATED BALANCE SHEETAs of September 30, 2xxx (CY) and 2xxx (PY)  
(in dollars/thousands/millions)

|  | <u>2xxx</u><br>(CY) | <u>2xxx</u><br>(PY) |
|--|---------------------|---------------------|
| Assets (Note 2):   |                     |                     |
| Intragovernmental:   |                     |                     |
| 1. Fund balance with Treasury (Note 3)                             | \$ xxx              | \$ xxx              |
| 2. Investments (Note 5)  | xxx                 | xxx                 |
| 3. Accounts receivable (Note 6)                                    | xxx                 | xxx                 |
| 4. Loans receivable  | xxx                 | xxx                 |
| 5. Other (Note 11)   | <u>xxx</u>          | <u>xxx</u>          |
| 6. Total intragovernmental   | xxx                 | xxx                 |
| 7. Cash and other monetary assets (Note 4)                         | xxx                 | xxx                 |
| 8. Investments (Note 5)  | xxx                 | xxx                 |
| 9. Accounts receivable, net (Note 6)                               | xxx                 | xxx                 |
| 10. Taxes receivable, net (Note 7)                                 | xxx                 | xxx                 |
| 11. Loans receivable and related foreclosed property, net (Note 8) | xxx                 | xxx                 |
| 12. Inventory and related property, net (Note 9)                   | xxx                 | xxx                 |
| 13. General property, plant and equipment, net (Note 10)           | xxx                 | xxx                 |
| 14. Other (Note 11)  | <u>xxx</u>          | <u>xxx</u>          |
| 15. Total assets   | \$ <u>x,xxx</u>     | \$ <u>x,xxx</u>     |
| Liabilities (Note 12):   |                     |                     |
| Intragovernmental:   |                     |                     |
| 16. Accounts payable   | \$ xxx              | \$ xxx              |
| 17. Debt (Note 13)   | xxx                 | xxx                 |
| 18. Other (Notes 16, 17 and 18)                                    | <u>xxx</u>          | <u>xxx</u>          |
| 19. Total intragovernmental  | xxx                 | xxx                 |
| 20. Accounts payable   | xxx                 | xxx                 |
| 21. Loan guarantee liability (Note 8)                              | xxx                 | xxx                 |
| 22. Debt held by the public (Note 13)                              | xxx                 | xxx                 |
| 23. Federal employee and veteran benefits (Note 14)                | xxx                 | xxx                 |
| 24. Environmental and disposal liabilities (Note 15)               | xxx                 | xxx                 |
| 25. Benefits due and payable                                       | xxx                 | xxx                 |
| 26. Other (Notes 16, 17 and 18)                                    | <u>xxx</u>          | <u>xxx</u>          |
| 27. Total liabilities  | x,xxx               | x,xxx               |
| 28. Commitments and contingencies (Note 19)                        |                     |                     |
| Net position:  |                     |                     |
| 29. Unexpended appropriations                                      | xxx                 | xxx                 |
| 30. Cumulative results of operations                               | <u>xxx</u>          | <u>xxx</u>          |
| 31. Total net position   | \$ <u>x,xxx</u>     | \$ <u>x,xxx</u>     |
| 32. Total liabilities and net position                             | \$ <u>x,xxx</u>     | \$ <u>x,xxx</u>     |

The accompanying notes are an integral part of these statements.

**3.2.B Illustrative Statement - Consolidated Balance Sheet (Report Beginning FY2006)**

Department/Agency/Reporting entity  
**CONSOLIDATED BALANCE SHEET**  
 As of September 30, 2xxx (CY) and 2xxx (PY)  
 (in dollars/thousands/millions)

|  | 2xxx<br>(CY)    | 2xxx<br>(PY)    |
|--|-----------------|-----------------|
| Assets (Note 2):   |                 |                 |
| Intragovernmental:   |                 |                 |
| 1. Fund balance with Treasury (Note 3)                             | \$   xxx        | \$   xxx        |
| 2. Investments (Note 5)  | xxx             | xxx             |
| 3. Accounts receivable (Note 6)                                    | xxx             | xxx             |
| 4. Loans receivable  | xxx             | xxx             |
| 5. Other (Note 11)   | <u>xxx</u>      | <u>xxx</u>      |
| 6. Total intragovernmental   | xxx             | xxx             |
| 7. Cash and other monetary assets (Note 4)                         | xxx             | xxx             |
| 8. Investments (Note 5)  | xxx             | xxx             |
| 9. Accounts receivable, net (Note 6)                               | xxx             | xxx             |
| 10. Taxes receivable, net (Note 7)                                 | xxx             | xxx             |
| 11. Loans receivable and related foreclosed property, net (Note 8) | xxx             | xxx             |
| 12. Inventory and related property, net (Note 9)                   | xxx             | xxx             |
| 13. General property, plant and equipment, net (Note 10)           | xxx             | xxx             |
| 14. Other (Note 11)  | <u>xxx</u>      | <u>xxx</u>      |
| 15. Total assets   | \$ <u>x,xxx</u> | \$ <u>x,xxx</u> |
| Liabilities (Note 12):   |                 |                 |
| Intragovernmental:   |                 |                 |
| 16. Accounts payable   | \$   xxx        | \$   xxx        |
| 17. Debt (Note 13)   | xxx             | xxx             |
| 18. Other (Notes 16, 17 and 18)                                    | <u>xxx</u>      | <u>xxx</u>      |
| 19. Total intragovernmental  | xxx             | xxx             |
| 20. Accounts payable   | xxx             | xxx             |
| 21. Loan guarantee liability (Note 8)                              | xxx             | xxx             |
| 22. Debt held by the public (Note 13)                              | xxx             | xxx             |
| 23. Federal employee and veteran benefits (Note 14)                | xxx             | xxx             |
| 24. Environmental and disposal liabilities (Note 15)               | xxx             | xxx             |
| 25. Benefits due and payable                                       | xxx             | xxx             |
| 26. Other (Notes 16, 17 and 18)                                    | <u>xxx</u>      | <u>xxx</u>      |
| 27. Total liabilities  | x,xxx           | x,xxx           |
| 28. Commitments and contingencies (Note 19)                        |                 |                 |
| Net position:  |                 |                 |
| 29. Unexpended appropriations – earmarked funds (Note 20)          | xxx             | xxx             |
| 30. Unexpended appropriations- other funds                         | xxx             | xxx             |
| 31. Cumulative results of operations – earmarked funds (Note 20)   | <u>xxx</u>      | <u>xxx</u>      |
| 32. Cumulative results of operations – other funds                 | <u>xxx</u>      | <u>xxx</u>      |
| 33. Total net position   | \$ <u>x,xxx</u> | \$ <u>x,xxx</u> |
| 34. Total liabilities and net position                             | \$ <u>x,xxx</u> | \$ <u>x,xxx</u> |

The accompanying notes are an integral part of these statements.

### 3.3 Assets

**General Categories.** Assets are tangible or intangible items owned by the Federal Government which have probable economic benefits that can be obtained or controlled by a Federal Government entity. The intragovernmental assets of an agency are separately reported on the face of the balance sheet. Non-entity assets, which may be intragovernmental or governmental (i.e., non-Federal), are separately disclosed in the footnotes. Entity, non-entity, and intragovernmental assets are defined below in accordance with SFFAS No. 1.

**Entity Assets.** These are assets that the reporting entity has authority to use in its operations. The authority to use funds in an entity's operations means that entity management has the authority to decide how funds are used, or management is legally obligated to use funds to meet entity obligations, e.g., repay loans from Treasury.

**Non-Entity Assets.** These are assets that are held by an entity but are not available to the entity. An example of non-entity assets is income tax receivables, which the Internal Revenue Service collects for the U.S. Government but has no authority to spend.

Combine entity and non-entity assets on the face of the balance sheet, e.g., entity intragovernmental accounts receivable and non-entity intragovernmental accounts receivable shall be combined and reported as a single intragovernmental accounts receivable line item on the face of the balance sheet. Disclose non-entity assets in a note to the financial statements (Note 2; Section 9.2).

**Intragovernmental Assets.** These assets arise from transactions among Federal entities. These assets are claims of a Federal entity against other Federal entities. Report intragovernmental assets separately from transactions with non-Federal entities, the Federal Reserve, and government-sponsored enterprises (i.e., Federally chartered but privately owned and operated entities). The term "non-Federal entity" encompasses domestic and foreign persons and organizations outside the U. S. Government.

**Fund Balance with Treasury.** This is the aggregate amount of the entity's accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. This account includes clearing account balances and the dollar equivalent of foreign currency account balances.

Foreign currency account balances reported on the balance sheet shall be translated into U.S. dollars at exchange rates determined by the Treasury and effective on the financial reporting date.

To the extent that the reporting entity maintains fund balances in deposit, suspense, and clearing accounts that are not available to finance the entity's activities, those balances should be disclosed as non-entity assets. The fund balance which the entity is authorized to use shall be

disclosed by fund type in the notes to the financial statement; e.g., trust fund, revolving fund, etc. (Note 3; Section 9.3)

**Cash and Other Monetary Assets.** Cash consists of: (i) coins, paper currency and readily negotiable instruments, such as money orders, checks, and bank drafts on hand or in transit for deposit; (ii) amounts on demand deposit with banks or other financial institutions; (iii) cash held in imprest funds; and, (iv) foreign currencies which, for accounting purposes, shall be translated into U.S. dollars at the exchange rate on the financial statement date. Other monetary assets include gold, special drawing rights, and U.S. Reserves in the International Monetary Fund. This category is principally for use by the Department of the Treasury. The amount of cash and other monetary assets that the reporting entity holds and is authorized to spend is entity cash. The cash and other monetary assets that a Federal entity collects and holds on behalf of the U.S. Government or other entities are non-entity cash and other monetary assets. The components of cash and other monetary assets shall be disclosed in the notes to the financial statement. (Note 4; Section 9.4)

**Investments.** Investments in Federal securities shall be reported separately from investments in non-Federal securities. Investments in Federal securities include non-marketable par value Treasury securities, market-based Treasury securities, marketable Treasury securities, and securities issued by other Federal entities. Non-Federal securities include those issued by State and local governments, Government-Sponsored Enterprises, and other private corporations. Investments are normally reported at acquisition cost or amortized acquisition cost (less an allowance for losses, if any). The components of investments, including the market value of market-based and marketable Treasury securities, shall be disclosed (Note 5; Section 9.5). (See SFFAS No. 1 for further information on investments in par value Treasury securities and in marketable and market-based Treasury securities expected to be held to maturity.) **Effective FY 2006**, reporting entities with material investments in Treasury securities attributable to earmarked funds must include in the required Note (Note 5; Section 9.5) on Investments as described in SFFAS 27, paragraphs 27 and 28.

**Accounts Receivable, Net.** Federal entity claims for payment from other entities. Gross receivables shall be reduced to net realizable value by an allowance for doubtful accounts. Disclose the method(s) of calculating the allowance for doubtful accounts and the dollar amount of the allowance (Note 6; Section 9.6).

**Taxes Receivable, Net.** Federal entity claims for taxes owed by the public. Gross receivables shall be reduced to net realizable value by an allowance for uncollectible taxes receivable. Disclose the method(s) of calculating the allowance for uncollectible taxes and the dollar amount of the allowance (Note 7; Section 9.7).

**Interest Receivable, Net.** Interest income earned but not received as of the reporting date. Report interest receivable as a component of the appropriate asset accounts. No interest shall be recognized as revenue on accounts receivable and investments that are determined to be

uncollectible, until the interest is actually collected. Accrued interest on uncollectible accounts receivable, however, shall be disclosed until the requirement to pay interest is waived by the Federal Government or the related bad debt is written off.

Interest receivable related to pre-1992 and post-1991 direct loans and acquired defaulted guaranteed loans shall be reported as a component of loans receivable and related foreclosed property.

**Loans Receivable and Related Foreclosed Property, Net.** The net value of credit program receivables and related foreclosed property are considered an entity asset if, as provided by law or OMB Circulars, the entity has the authority to determine the use of the funds collected, or if the entity is legally obligated to use the funds to meet entity obligations, e. g., loans payable to Treasury. Disclose the components of this line in the notes to the financial statement (Note 8; Section 9.8).

**Receivable from Borrowings.** When a loan guarantee program, which is generating negative subsidy, guarantees a loan and the lender has not disbursed the loan as of the balance sheet date, a proprietary receivable from borrowings shall not be reported. It is sufficient to report the undelivered order, which is recorded to obligate the funds, and the borrowing authority or unobligated balances to support the undelivered order.

**Negative Subsidies and Downward Reestimates of Subsidy.** Special fund receipt accounts for negative subsidies and downward subsidy reestimates are to be included in the credit reporting entity's financial statements. Any assets in the accounts are non-entity assets and are offset by intragovernmental liabilities covered by budgetary resources.

**Inventory and related property, Net.** Disclose additional information about each category below in the notes to the financial statement (Note 9; Section 9.9).

| CATEGORY                                | DESCRIPTION   |
|---|---|
| <b>Inventory</b>                        | Tangible personal property that is (i) held for sale, including raw materials and work in process, (ii) in the process of production for sale, or (iii) to be consumed in the production of goods for sale or in the provision of services for a fee. |
| <b>Operating materials and supplies</b> | Tangible personal property to be consumed in normal operations.   |
| <b>Stockpile materials</b>              | Strategic and critical materials held due to statutory requirements for use in national defense, conservation or national emergencies. They are not held with the intent of selling in the ordinary course of business.                               |

|  |  |
|--|--|
| <b>Seized property</b>   | <p>Monetary instruments, real property, and tangible personal property of others, including illegal drugs, contraband, and counterfeit items seized by authorized law enforcement agencies as a consequence of various laws, in the actual or constructive possession of a custodial agency.</p> <p>Only seized monetary instruments shall be recognized as seized assets when seized (and a liability shall be reported in <b>Other Liabilities</b> in an amount equal to the seized asset value). Seized property other than monetary instruments and additional information regarding seized property shall be disclosed.</p> |
| <b>Forfeited property</b>  | <p>(i) Monetary instruments, intangible property, real property, and tangible personal property acquired through forfeiture proceedings; (ii) property acquired by the government to satisfy a taxpayer's liability; and (iii) unclaimed and abandoned merchandise.</p>  |
| <b>Goods held under price support and stabilization programs</b> | <p>These goods are referred to as commodities. Commodities are items of commerce or trade having an exchange value.</p>  |

**General Property, Plant and Equipment, Net.** SFFAS No. 6, as amended by SFFAS 11, 16 and 23, defines general property, plant and equipment (PP&E) as any PP&E used in providing goods and services. SFFAS No. 6 also provides guidance for determining the cost of general PP&E acquired by purchase, capital lease, donation, devise, judicial process, exchange, forfeiture, or transfer from other Federal entities. Minimum disclosure requirements for general PP&E can be found in section 9.10.

General PP&E has one or more of the following characteristics:

- It is primarily used to produce goods or services, or to support the mission of the entity. But, it may be used for alternative purposes (e.g., by other Federal programs, State or local governments, or non-governmental entities). or
- It is used in a significantly self-sustaining activity which finances its continuing cycle of operations through the collection of revenue (business-type activities), or
- It is used by entities in activities whose costs can be compared to other entities performing similar activities.

For entities operating as business-type activities, all PP&E shall be categorized as general PP&E whether or not it meets the definition of other PP&E categories (e.g., heritage assets).

Land and land rights acquired for or in connection with general PP&E shall be included in general PP&E.

Internal use software, whether commercial off-the-shelf, internally developed or contractor developed, shall be capitalized and depreciated if it meets the criteria of general PP&E. Refer to SFFAS No. 10 for further guidance on internal use software.

Depreciation shall be recognized on all general PP&E, except land and land rights of unlimited duration. The depreciation expense associated with the use of general PP&E is calculated through the systematic and rational allocation of the cost, less its estimated salvage/residual value, over the estimated useful life of the general PP&E.

Heritage assets, and stewardship land are categories of PP&E not reported on the balance sheet with one exception. Multi-use heritage assets are heritage assets that are predominantly used in general government operations (e.g., buildings, such as the main Treasury building which is used as an office building). The cost of acquisition, betterment, or reconstruction of multi-use heritage assets shall be capitalized as general PP&E and depreciated, with an appropriate footnote disclosure explaining that physical quantity information for the multi-use heritage assets is included in Required Supplemental Stewardship Information reporting for heritage assets (Section 10.2).

**Other Assets.** The "Other" assets category shall include assets that are not reported in a separate category on the face of the balance sheet. Reporting entities should disclose in the notes the amount and nature of categories of "Other" assets (Note 11; Section 9.11).

Examples of "Other" Assets may include, but are not limited to, advances and prepayments. Advances are cash outlays made by a Federal entity to its employees, contractors, grantees or others to cover a part or all of the recipients' anticipated expenses or as advance payments for the costs of goods and services the entity receives. Prepayments are payments made by a Federal entity to cover certain periodic expenses before those expenses are incurred. Progress payments on work in process are not to be included in advances and prepayments.

### 3.4 Liabilities

**General Categories.** A liability is a probable future outflow or other sacrifice of resources as a result of past transactions or events. Financial statements shall recognize probable and measurable future outflows or other sacrifices of resources arising from (1) past exchange transactions, (2) government-related events, (3) government-acknowledged events, or (4) nonexchange transactions that, according to current law and applicable policy, are unpaid amounts due as of the reporting date. SFFAS No. 5 describes the general principles governing the recognition of a liability.

Liabilities shall be recognized when they are incurred regardless of whether they are covered by

available budgetary resources. This includes liabilities related to appropriations canceled under "M" account legislation (P.L. 101-510, Sec.1405).

Liabilities of Federal agencies are classified as liabilities covered or not covered by budgetary resources. The intragovernmental liabilities of an agency are separately classified on the face of the balance sheet. These terms are defined below in accordance with SFFAS No. 1.

***Liabilities Covered by Budgetary Resources.*** Liabilities incurred which are covered by realized budgetary resources as of the balance sheet date. Budgetary resources encompass not only new budget authority but also other resources available to cover liabilities for specified purposes in a given year. Available budgetary resources include: (1) new budget authority, (2) unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year, (3) spending authority from offsetting collections (credited to an appropriation or fund account), and (4) recoveries of unexpired budget authority through downward adjustments of prior year obligations. Liabilities are considered covered by budgetary resources if they are to be funded by permanent indefinite appropriations, which have been enacted and signed into law and are available for use as of the balance sheet date, provided that the resources may be apportioned by OMB without further action by the Congress and without a contingency having to be met first.

***Liabilities Not Covered by Budgetary Resources.*** This category is for liabilities which are not considered to be covered by budgetary resources, as provided in the previous paragraph.

Combine liabilities covered by budgetary resources with liabilities not covered by budgetary resources on the face of the balance sheet, e.g., intragovernmental accounts payable covered by budgetary resources and intragovernmental accounts payable not covered by budgetary resources shall be combined and reported as a single intragovernmental accounts payable line item on the face of the balance sheet. Disclose liabilities not covered by budgetary resources in a note to the financial statements (Note 12; Section 9.12).

***Intragovernmental Liabilities.*** These liabilities are claims against the entity by other Federal entities. Report intragovernmental liabilities separately from claims against the reporting entity by non-Federal entities, including government-sponsored enterprises, and the Federal Reserve System.

**Accounts Payable.** The amounts owed by the reporting entity for goods and services received from other entities, progress in contract performance made by other entities, and rents due to other entities.

**Interest Payable.** Interest incurred but unpaid on liabilities of the reporting entity. Report interest payable as a component of the appropriate liability accounts.

**Liabilities for Loan Guarantees.** For post-1991 loan guarantees, the present value of the

estimated net cash flows to be paid as a result of loan guarantees. For pre-1992 loan guarantees, the amount of known and estimated losses to be payable. Disclose the components of the line in the notes to the financial statement (Note 8; Section 9.8).

**Negative Loan Guarantee Liability.** When the total loan guarantee liability for all credit programs of a reporting entity is negative, it should be reported as an asset. If a loan guarantee liability is the result of both positive and negative amounts for the various components, the total will be shown as a liability, and negative components disclosed.

**Debt.** Amounts borrowed from the Treasury, the Federal Financing Bank, other Federal agencies, or the public under general or special financing authority (e.g., Treasury bills, notes, bonds and Federal Housing Administration debentures). The components of debt shall be disclosed in the notes to the financial statement (Note 13; Section 9.13).

**Federal Employee and Veteran Benefits.** Entities that are responsible for administering pensions, other retirement benefits (e.g., health benefits for retirees), and other post-employment benefits should calculate and report these liabilities and related expenses in accordance with SFFAS No. 5. Liabilities for Federal employee and veteran benefits include the actuarial portion of these benefits. They do not include liabilities related to ongoing continuous expenses such as employees' accrued salary and accrued annual leave, which are reported in the Other liabilities line item. Disclose in the notes to the financial statements the actuarial liabilities, assumptions used to compute the actuarial liabilities, and the components of expense for the period for pensions, other retirement benefits, and other post-employment benefits (Note 14; Section 9.14).

**Environmental and Disposal Liabilities.** SFFAS No. 5 provides criteria for recognizing a contingent liability, which shall be applied to determine if cleanup costs should be recognized as liabilities and/or disclosed in the notes. SFFAS No. 6 supplements the liability standard by providing guidance for recording cleanup costs related to general PP&E and stewardship assets used in Federal operations. The guidance applies to cleanup costs from Federal operations known to result in hazardous waste which the Federal Government is required by Federal, State and/or local statutes and/or regulations to cleanup. Depending on the materiality of the amount, the liability for cleanup costs may be displayed separately or included with Other liabilities. The footnote disclosures required for liabilities (Note 15; Section 9.15) associated with cleanup costs are described in SFFAS No. 6.

**Benefits Due and Payable.** These are amounts owed to program recipients or medical service providers as of the balance sheet date that have not yet been paid. These amounts include payables by the Federal entity for benefits, goods, or services provided under the terms of a benefits program (other than Federal employee and veteran benefits programs), whether or not such amounts have been reported to the Federal entity (e.g., estimated payments due to health providers for services that have been rendered and that will be financed by the Federal entity but have not yet been reported to the Federal entity). Benefit programs reported on this line item include, but are not limited to, Federal Old-Age and Survivors Insurance, Federal Hospital

Insurance (Medicare Part A), Federal Supplementary Medical Insurance (Medicare Part B), Grants to States for Medicaid, Federal Disability Insurance, Supplemental Security Income, Railroad Retirement, Unemployment Insurance, and Black Lung.

**Other Liabilities.** This line item covers liabilities that are not recognized in specific categories. It includes (but is not limited to) liabilities related to: capital leases, insurance, advances and prepayments, deposit fund amounts held in escrow, and accrued liabilities related to ongoing continuous expenses such as Federal employee salaries and accrued employee annual leave. This item also covers estimated losses for claims or other contingencies if (1) a past event or exchange transaction has occurred (e.g., a Federal entity has breached a contract with a non-Federal entity) as of the date of the statements, (2) a future outflow or other sacrifice of resources is probable, and (3) the future outflow or sacrifice of resources is measurable (e.g., the amount can be reasonably estimated). Do not include cleanup costs, if material, which shall be reported as environmental and disposal costs. Examples of claims or other contingencies include: (1) indemnity agreements -- reimbursements due to licensees or contractors for losses incurred in support of Federal activities; (2) adjudicated claims -- claims against the Federal Government that are in the process of judicial proceedings; and (3) commitments to international institutions -- payments due to international financial institutions. Separate reporting of items within other liabilities is appropriate if the amounts are significant to the balance sheet. Disclose the items within this line and any additional information necessary to understand the liabilities in the notes to the financial statement (Note 16; Section 9.16).

**Lease Liabilities.** This item is the liability for capital leases. Report the lease liability as a component of the Other Liabilities line item on the balance sheet and disclose the components of and other information about the capital lease liability in a separate footnote (Note 17; Section 9.17). According to OMB Circular No. A-11 *Preparation and Submission of Budget Estimates*, capital leases entered into during FY 1992 and thereafter are required to be fully funded in the first year of the lease.

**Insurance Liabilities.** Report insurance liabilities as a component of the Other Liabilities line item on the balance sheet and disclose insurance liabilities in a separate footnote (Note 18; Section 9.18). Entities with Federal insurance and guarantee programs, except social insurance and loan guarantee programs, shall recognize a liability for unpaid claims incurred, resulting from insured events that have occurred as of the reporting date. The amount recognized is the liability known with certainty plus an accrual for a contingent liability recognized when an existing condition, situation, or set of circumstances involving uncertainty as to possible loss exists and the uncertainty shall ultimately be resolved when one or more future events occur or fail to occur, a future outflow or other sacrifice of resources is probable, and the future outflow or sacrifice of resources is measurable. Life insurance programs shall recognize a liability for future policy benefits in addition to the liability for unpaid claims incurred.

**Commitments and Contingencies.** A loss contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible loss to an entity. The uncertainty

should ultimately be resolved when one or more future events occur or fail to occur. The likelihood that the future event or events will confirm the loss or the incurrence of a liability can range from probable to remote. SFFAS No. 5, as amended by SFFAS No. 12, contains the criteria for recognition and disclosure of contingent liabilities. In addition to the contingent liabilities required by SFFAS No. 5, the following shall also be disclosed: (1) an estimate of obligations related to canceled appropriations for which the reporting entity has a contractual commitment for payment, and (2) amounts for contractual arrangements which may require future financial obligations (Note 19; Section 9.19).

### 3.5 Net Position

The components of net position are classified as follows:

**Unexpended Appropriations.** This amount includes the portion of the entity's appropriations represented by undelivered orders and unobligated balances. Unexpended appropriations attributable to earmarked funds, if material, should be shown separately on the face of the balance sheet upon implementation of **SFFAS 27 in FY 2006**. (Note 20; Section 9.20)

**Cumulative Results of Operations.** The net results of operations since inception plus the cumulative amount of prior period adjustments. This includes the cumulative amount of donations and transfers of assets in and out without reimbursement. **Beginning in FY 2006, cumulative results of operations attributable to earmarked funds, if material, should be shown separately on the face of the balance sheet, in accordance with the provisions of SFFAS 27.** (Note 20; Section 9.20)

**Section 4 - Statement of Net Cost**  
Table of Contents

|  |
|--|
| <b>4.1 General</b>   |
| <b>4.2 Illustrative Statement - Consolidated Statement of Net Cost</b> |
| <b>4.3 Program Costs</b>   |
| <b>4.4 Earned Revenues</b>   |
| <b>4.5 Net Program Costs</b>   |
| <b>4.6 Costs Not Assigned to Programs</b>                              |
| <b>4.7 Earned Revenues Not Attributed to Programs</b>                  |
| <b>4.8 Net Cost of Operations</b>                                      |

**4.1 General**

The Statement of Net Cost is designed to show separately the components of the net cost of the reporting entity's operations for the period. However, the organizational structure and operations of some entities are so complex that to fully display their suborganizations' major programs and activities may require supporting schedules to supplement the information in the Statement of Net Cost. The supporting schedules shall be included in the notes to the financial statements.

Net cost of operations is the gross cost incurred by the reporting entity less any exchange revenue earned from its activities. The gross cost of a program consists of the full cost of the outputs produced by that program plus any non-production costs that can be assigned to the program (non-production costs are costs linked to events other than the production of goods and services). The net cost of a program consists of gross cost less related exchange revenues. By disclosing the gross and net cost of the entity's programs, the Statement of Net Cost provides information that can be related to the outputs and outcomes of the programs and activities.

The Statement of Net Cost and related supporting schedules classify revenue and cost information by suborganization or responsibility segment and, to the extent practicable, within each classification by major program. (Suborganizations are considered to be generally equivalent to responsibility segments.) Preparers of the Statement of Net Cost should present responsibility segments that align directly with the major goals and outputs described in the entity's strategic and performance plans, required by the Government Performance and Results Act (GPRA).

The Statement of Net Cost and related supporting schedules should show the net cost of operations for the reporting entity as a whole and its programs and suborganizations. This can be accomplished by reporting by program: (1) Expense costs, (2) related exchange revenues, (3) the excess of costs over exchange revenues (net program costs), (4) the costs that cannot be assigned

to specific programs or outputs, and (5) the exchange revenues that cannot be attributed to specific programs and outputs.

Intragovernmental gross costs and earned revenues shall be disclosed in Note 21.

**The changes in Illustrative Statement 4.2 *Consolidated Statement for Net Cost* is effective for FY 2006, however, early implementation is permitted. For agencies not implementing in FY 2005, refer to OMB Bulletin 01-09, Section 4 for illustrative guidance.**

Preparers are encouraged to consult the *Implementation Guide to SFFAS No. 7, Accounting for Revenue and Other Financing Sources*, for illustrations and explanations designed to assist in understanding and applying the standards for classifying, recognizing, and measuring inflows of resources to the Federal Government and its component reporting entities.

**4.2 Illustrative Statement - Consolidated Statement of Net Cost**

| Department/Agency/Reporting Entity<br>CONSOLIDATED STATEMENT OF NET COST<br>For the years ended September 30, 2xxx (CY) and 2xxx (PY)<br>(in dollars/thousands/millions) |     |                     |                     |
|--|-----|---------------------|---------------------|
|  |     | <u>2xxx</u><br>(CY) | <u>2xxx</u><br>(PY) |
| Program Costs:   |     |                     |                     |
| Program A:   |     |                     |                     |
| 1. Gross costs (Note 21)   |     | \$ xxx              | \$ xxx              |
| 2. Less: Earned Revenue  |     |                     |                     |
| 3. Net Program Costs   | xxx | xxx                 |                     |
| Other Programs:  |     |                     |                     |
| Program B:   |     | xxx                 | xxx                 |
| Program C:   |     | xxx                 | xxx                 |
| Program D:   |     | xxx                 | xxx                 |
| Program E:   |     | xxx                 | xxx                 |
| Program F:   |     | xxx                 | xxx                 |
| Other programs:  |     | <u>xxx</u>          | <u>xxx</u>          |
| Total Other Program Costs:   |     | x,xxx               | x,xxx               |
| 4. Cost not assigned to programs   |     | x,xxx               | x,xxx               |
| 5. Less: Earned revenues not attributed to programs  |     | <u>-xxx</u>         | <u>-xxx</u>         |
| 6. Net Cost of Operations  |     | \$ <u>x,xxx</u>     | \$ <u>x,xxx</u>     |

The accompanying notes are an integral part of these statements.

**4.3 Program Costs**

The reporting entity should report the full cost of each program's output, which consists of (a) both direct and indirect costs of the output, and (b) the costs of identifiable supporting services provided by other segments within the reporting entity and by other reporting entities. The reporting entity should accumulate and assign costs in accordance with the costing methodology in SFFAS No. 4. Program costs also include any non-production costs that can be assigned to the program but not to its outputs. The costs of program outputs shall include the costs of services provided by other entities whether or not the providing entity is fully reimbursed. The costs of program outputs shall include specific imputed costs that are incurred by the reporting entity but paid in total or in part by other entities to the extent that accounting standards

require them to be recognized in financial statements (See FASAB Interpretation No. 6 *Accounting for Imputed Intra-departmental Costs: An Interpretation of SFFAS 4*). In the case of employee benefits, the imputed amount is the difference between employer/employee contributions and the total cost of the benefit.

Reporting entities are required to recognize the following costs, including the portions that are funded through the Office of Personnel Management (OPM), the Department of Defense, the Department of the Treasury, the Department of Labor, or other agencies: (1) employees' pension, post-retirement health and life insurance benefits, (2) other post-employment benefits for retired, terminated, and inactive employees, which includes unemployment and workers compensation under the Federal Employees' Compensation Act, and (3) losses in litigation proceedings (see FASAB Interpretation No. 2, *Accounting for Treasury Judgment Fund Transactions*). To ensure consistency, agencies should not recognize costs other than those listed until OMB provides further guidance.

In accounting for the listed costs, reporting entities should refer to relevant SFFAS and Interpretations, such as SFFAS Nos. 4 and 5 and Interpretation No. 2, the Standard General Ledger, and the Department of Treasury Financial Management Service *Intragovernmental Fiduciary Transactions Accounting Guide* for guidance. Reporting entities should also consult with the funding and administering agencies, such as OPM, for information needed to properly record inter-entity costs. For further guidance on the recognition of inter-entity costs that are not fully reimbursed or are not reimbursed at all, the reporting entity should consult the inter-entity cost standard in SFFAS No. 4.

Costs related to the production of outputs shall be reported separately from costs that are not related to the production of outputs (e.g., non-production costs). In addition, the costs of stewardship PP&E, listed below, shall be reported separately from other non-production costs:

- The cost of acquiring, constructing, improving, reconstructing, or renovating heritage assets, other than multi-use heritage assets; and
- The cost of acquiring stewardship land.

Agencies should consider differentiating other significant costs if by doing so the usefulness of the statements would be improved either because the amount of a particular cost is large or because of its special nature. For example, when reporting on a program that makes transfer payments, it may be useful to differentiate between the transfer payments and administrative costs.

#### **4.4 Earned Revenues**

Earned revenues are exchange revenues, which arise when a Federal entity provides goods and services to the public or to another government entity for a price. The full amount of exchange

revenue is to be reported on the Statement of Net Cost or a supplementary schedule, regardless of whether the entity is permitted to retain the revenues in whole or in part. Any portion of exchange revenue that cannot be retained by the entity is reported as a transfer-out on the Statement of Changes in Net Position. (See SFFAS No. 7 for information on exchange revenues.)

Earned revenues should be deducted from the full cost of outputs or outcomes to determine their net cost unless it is not practical or reasonably possible to do so. However, there are no precise guidelines to determine the degree to which earned revenue can reasonably be attributed to outputs, outcomes, programs, or suborganizations. The attribution of earned revenues requires the exercise of managerial judgment. In exercising this judgment, it is important to provide users of the Statement of Net Cost with the ability to ascertain whether exchange revenues are sufficient to cover the costs incurred to produce the goods or services involved. Earned revenue shall be deducted from the gross cost of programs to determine the net program costs

#### **4.5 Net Program Costs**

This is the difference between a program's gross costs and its related exchange revenues. If a program does not earn any exchange revenue, there is no netting and the term used might be total program costs.

#### **4.6 Costs Not Assigned to Programs**

A reporting entity and its suborganizations may incur: (a) high level general management and administrative support costs that cannot be directly traced, assigned on a cause-and-effect basis, or reasonably allocated to segments and their outputs and (b) non-production costs that cannot be assigned to a particular program. These costs are part of the entity and suborganization costs and should be reported on the Statement of Net Cost as "costs not assigned to programs."

#### **4.7 Earned Revenues Not Attributed to Programs**

Earned revenue that is insignificant or cannot be attributed to particular outputs or programs should be reported separately as a deduction in arriving at net cost of operations of the suborganization or reporting entity as a whole.

#### **4.8 Net Cost of Operations**

This is the gross cost incurred by the reporting entity less any exchange revenue earned from its activities. This amount represents the net cost of a suborganization or entity that is funded by sources other than exchange revenues. The financing sources for net cost of operations are reported on the Statement of Changes in Net Position.

**Section 5 - Statement of Changes in Net Position**

Table of Contents

**5.1 General**

**5.2 Illustrative Statement - Consolidated Statement of Changes in Net Position**

**5.3 Earmarked Funds**

**5.4 Net Position - Beginning Balances**

**5.5 Budgetary Financing Sources**

**5.6 Other Financing Sources**

**5.7 Net Cost of Operations**

**5.8 Net Change**

**5.9 Net Position - Ending Balances**

**5.1 General**

The Statement of Changes in Net Position reports the change in net position during the reporting period. Net position is affected by changes to its two components: Cumulative Results of Operations and Unexpended Appropriations. The statement format is designed to display both components of net position separately to enable the user to better understand the nature of changes to net position as a whole.

**5.2.A Illustrative Statement FY 2005 - Consolidated Statement of Changes in Net Position**

| Department/Agency/Reporting Entity                           |   |                                      |   |                                      |
|--|---|--------------------------------------|---|--------------------------------------|
| CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION            |   |                                      |   |                                      |
| For the years ended September 30, 2xxx (CY) and 2xxx (PY)    |   |                                      |   |                                      |
| (in dollars/thousands/millions)                              |   |                                      |   |                                      |
|  | 2xxx<br>(CY)                                    | 2xxx<br>(CY)                         | 2xxx<br>(PY)                                    | 2xxx<br>(PY)                         |
|  | <u>Cumulative<br/>Results<br/>of Operations</u> | <u>Unexpended<br/>Appropriations</u> | <u>Cumulative<br/>Results<br/>of Operations</u> | <u>Unexpended<br/>Appropriations</u> |
| 1. Beginning Balances  | \$ xxx  | \$ xxx                               | \$ xxx  | \$ xxx                               |
| 2. Adjustments (+/-)   |   |                                      |   |                                      |
| a. Changes in accounting principle (+/-)                     | xxx   | xxx                                  | xxx   | xxx                                  |
| b. Corrections of errors (+/-)                               | <u>      </u>                                   | <u>      </u>                        | <u>xxx</u>                                      | <u>xxx</u>                           |
| 3. Beginning balances, as adjusted                           | xxx   | xxx                                  | xxx   | xxx                                  |
| Budgetary Financing Sources:                                 |   |                                      |   |                                      |
| 4. Appropriations received                                   |   | xxx                                  |   | xxx                                  |
| 5. Appropriations transferred-in/out (+/-)                   |   | xxx                                  |   | xxx                                  |
| 6. Other adjustments (rescissions, etc) (+/-)                | xxx   | xxx                                  | xxx   | xxx                                  |
| 7. Appropriations used                                       | xxx   | -xxx                                 | xxx   | -xxx                                 |
| 8. Nonexchange revenue                                       | xxx   |                                      | xxx   |                                      |
| 9. Donations and forfeitures of cash<br>and cash equivalents | xxx   |                                      | xxx   |                                      |
| 10. Transfers-in/out without reimbursement (+/-)             | xxx   |                                      | xxx   |                                      |
| 11. Other budgetary financing sources (+/-)                  | xxx   |                                      | xxx   |                                      |
| Other Financing Sources:                                     |   |                                      |   |                                      |
| 12. Donations and forfeitures of property                    | xxx   |                                      | xxx   |                                      |
| 13. Transfers-in/out without reimbursement (+/-)             | xxx   |                                      | xxx   |                                      |
| 14. Imputed financing from costs absorbed by others          | xxx   |                                      | xxx   |                                      |
| 15. Other (+/-)  | <u>xxx</u>                                      |                                      | <u>xxx</u>                                      |                                      |
| 16. Total Financing Sources                                  | xxx   | <u>xxx</u>                           | xxx   | <u>xxx</u>                           |
| 17. Net Cost of Operations (+/-)                             | <u>xxx</u>                                      |                                      | <u>xxx</u>                                      |                                      |
| 18. Net Change   | xxx   | xxx                                  | xxx   | xxx                                  |
| 19. Ending Balances  | \$ <u>x,xxx</u>                                 | \$ <u>x,xxx</u>                      | \$ <u>x,xxx</u>                                 | \$ <u>x,xxx</u>                      |

The accompanying notes are an integral part of these statements.

### 5.2B Illustrative Statement for FY 2006 and subsequent periods - Consolidated Statement of Changes in Net Position

| Department/Agency/Reporting Entity                           |   |                                      |   |                                      |
|--|---|--------------------------------------|---|--------------------------------------|
| CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION            |   |                                      |   |                                      |
| For the years ended September 30, 2xxx (CY) and 2xxx (PY)    |   |                                      |   |                                      |
| (in dollars/thousands/millions)                              |   |                                      |   |                                      |
|  | 2xxx<br>(CY)                                    | 2xxx<br>(CY)                         | 2xxx<br>(PY)                                    | 2xxx<br>(PY)                         |
|  | <u>Cumulative<br/>Results<br/>of Operations</u> | <u>Unexpended<br/>Appropriations</u> | <u>Cumulative<br/>Results<br/>of Operations</u> | <u>Unexpended<br/>Appropriations</u> |
| 1. Beginning Balances  | \$ xxx  | \$ xxx                               | \$ xxx  | \$ xxx                               |
| 2. Adjustments:  |   |                                      |   |                                      |
| (a) Changes in accounting principles (+/-)                   | xxx   | xxx                                  | xxx   | xxx                                  |
| (b) Corrections of errors (+/-)                              | <u>    </u>                                     | <u>    </u>                          | <u>xxx</u>                                      | <u>xxx</u>                           |
| 3. Beginning balances, as adjusted                           | xxx   | xxx                                  | xxx   | xxx                                  |
| Budgetary Financing Sources:                                 |   |                                      |   |                                      |
| 4. Appropriations received                                   |   |                                      |   |                                      |
| (a) Earmarked funds  |   | xxx                                  |   | xxx                                  |
| (b) All other funds  |   | xxx                                  |   | xxx                                  |
| 5. Appropriations transferred-in/out (+/-)                   |   | xxx                                  |   | xxx                                  |
| 6. Other adjustments (rescissions, etc) (+/-)                | xxx   | xxx                                  | xxx   | xxx                                  |
| 7. Appropriations used                                       |   |                                      |   |                                      |
| (a) Earmarked funds  | xxx   | -xxx                                 | xxx   | -xxx                                 |
| (b) All other funds  | xxx   | -xxx                                 | xxx   | xxx                                  |
| 8. Nonexchange revenue                                       |   |                                      |   |                                      |
| (a) Earmarked funds  | xxx   |                                      | xxx   |                                      |
| (b) All other funds  | xxx   |                                      | xxx   |                                      |
| 9. Donations and forfeitures of cash<br>and cash equivalents |   |                                      |   |                                      |
| (a) Earmarked funds  | xxx   |                                      | xxx   |                                      |
| (b) All other funds  | xxx   |                                      | xxx   |                                      |
| 10. Transfers-in/out without reimbursement (+/-)             | xxx   |                                      | xxx   |                                      |
| 11. Other budgetary financing sources (+/-)                  |   |                                      |   |                                      |
| (a) Earmarked funds  | xxx   |                                      | xxx   |                                      |
| (b) All other funds  | xxx   |                                      | xxx   |                                      |
| Other Financing Sources:                                     |   |                                      |   |                                      |
| 12. Donations and forfeitures of property                    |   |                                      |   |                                      |
| (a) Earmarked funds  | xxx   |                                      | xxx   |                                      |
| (b) All other funds  | xxx   |                                      | xxx   |                                      |
| 13. Transfers-in/out without reimbursement (+/-)             | xxx   |                                      | xxx   |                                      |
| 14. Imputed financing from costs absorbed by others          | xxx   |                                      | xxx   |                                      |
| 15. Other (+/-)  | <u>xxx</u>                                      |                                      | <u>xxx</u>                                      |                                      |
| 16. Total Financing Sources                                  | xxx   | <u>xxx</u>                           | xxx   | <u>xxx</u>                           |
| 17. Net Cost of Operations (+/-)                             |   |                                      |   |                                      |
| (a) Earmarked funds  | xxx   |                                      | xxx   |                                      |
| (b) All other funds  | <u>xxx</u>                                      |                                      | <u>xxx</u>                                      |                                      |

The accompanying notes are an integral part of these statements.

Department/Agency/Reporting Entity  
**CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION**  
 For the years ended September 30, 2xxx (CY) and 2xxx (PY)  
 (in dollars/thousands/millions)

|                     | 2xxx<br>(CY)<br>Cumulative<br>Results<br>of Operations | 2xxx<br>(CY)<br>Unexpended<br>Appropriations | 2xxx<br>(PY)<br>Cumulative<br>Results<br>of Operations | 2xxx<br>(PY)<br>Unexpended<br>Appropriations |
|---------------------|--|--|--|--|
| 18. Net Change      |  |  |  |  |
| (a) Earmarked funds | <u>xxx</u>   | <u>xxx</u>                                   | <u>xxx</u>   | <u>xxx</u>                                   |
| (b) All other funds | xxx  | xxx  | xxx  | xxx  |
| 19. Ending Balances |  |  |  |  |
| (a) Earmarked funds | x,xxx  | x,xxx  | x,xxx  | x,xxx  |
| (b) All other funds | <u>x,xxx</u>   | <u>x,xxx</u>                                 | <u>x,xxx</u>   | <u>x,xxx</u>                                 |
| Total all funds     | \$ <u>x,xxx</u>  | \$ <u>x,xxx</u>                              | \$ <u>x,xxx</u>  | \$ <u>x,xxx</u>                              |

### 5.3 Earmarked Funds

**Effective FY 2006**, report earmarked non-exchange revenue and other financing sources, including appropriations, and net cost of operations separately on the face of the Statement of Changes in Net Position to implement SFFAS 27, *Identifying and Reporting Earmarked Funds*. Report the portions of cumulative results of operations and unexpended appropriations attributable to earmarked funds separately on the face of the Statement of Changes in Net Position as illustrated in 5.2B. See Note 9.20 and SFFAS 27 for more detailed information. SFFAS 27 contains certain categories of funds that are excluded from the reporting requirements and specific guidance if more than one component entity is responsible for carrying out a program financed with earmarked revenues and other financing sources.

Based on SFFAS 27 requirements, prior periods shall not be restated in the initial year of implementation (FY 2006). Therefore, for FY 2005, do not restate. The provisions of SFFAS 27 need not be applied to immaterial items. Eliminations between earmarked funds and other funds within the reporting entity, where applicable, should be disclosed in Note 20, Earmarked Funds.

### 5.4 Net Position - Beginning Balances

**Effective FY 2006:** If material, the net position balances attributable to earmarked funds are reported separately from all other funds. Beginning balances shall agree with the amounts

reported as net position on the prior year's balance sheet. Adjustments for corrections of errors and changes in accounting principles should be reported in accordance with SFFAS 21, *Reporting Corrections of Errors and Changes in Accounting Principles*.

### Corrections of Errors

“Errors in financial statements result from mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time the financial statements were prepared.”<sup>3</sup> Once it has been determined that an error has occurred and restatement is required, the following provides guidance from SFFAS 21 on how management should correct an error in the financial statements.

Paragraph 10: When errors are discovered after the issuance of financial statements, and if the financial statements would be materially misstated absent correction of the errors, corrections should be made as follows:

- (a) If only the current period statements are presented, then the cumulative effect of correcting the error should be reported as a prior period adjustment. The adjustment should be made to the beginning balance of cumulative results of operations, in the statement of changes in net position.
- (b) If comparative financial statements are presented, then the error should be corrected in the earliest affected period presented by correcting any individual amounts on the financial statements. If the earliest period presented is not the period in which the error occurred and the cumulative effect is attributable to prior periods, then the cumulative effect should be reported as a prior period adjustment. The adjustment should be made to the beginning balance of cumulative results of operations, in the statement of changes in net position for the earliest period presented.
- (c) The nature of an error in previously issued financial statements and the effect of its correction on relevant balances should be disclosed. Financial statements of subsequent periods need not repeat the disclosures.

Paragraph 11: Prior period financial statements should only be restated for corrections of errors that would have caused any statements presented to be materially misstated.

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<sup>3</sup> Accounting Principles Board Opinion No. 20, par. 13.  
OMB Circular A-136

***Management Actions Related to Correction of Errors***

The following policy relates to actions required by management concerning material errors that escaped detection until after they were included in the published audited financial statements. Management shall assume responsibility for any false or misleading information in the financial statements, or omissions that render information made in the financial statements misleading. As such, as soon as possible after errors are detected, management shall notify their auditors and inform their primary users of their financial statements of the error and plans for correcting it in the financial statements.

Auditors are bound by the requirements of the AICPA audit standards, AU 561, *Subsequent Discovery of Facts Existing at the Date of the Auditor's Report*. Based on this guidance, the auditor determines whether action should be taken to prevent future reliance on the published audit report. If the auditor decides that the effect on the financial statements or auditor's report of the subsequently discovered information can promptly be determined, the auditor may determine that disclosure should consist of issuing, as soon as practicable, revised financial statements and auditor's report. However, if it is determined by the auditor that subsequently discovered information is not reliable; the auditor may decide to change the audit opinion. Therefore, it is imperative that management work with their auditor as soon as the error is detected to assist the auditor in any actions that need to be taken.

See Note 9.41 *Restatements* for specific information to be included in the financial statement notes.

**Changes in Accounting Principles**

A change in accounting principle is a change from one generally accepted accounting principle to another one that can be justified as preferable. For the purposes of this standard, changes in accounting principles also include those occasioned by the adoption of new federal financial accounting standards.

Unless otherwise specified in transitioning instructions of a new FASAB standard, for all changes in accounting principles that would have resulted in a change to prior period financial statements:

- (a) The cumulative effect of the change on prior periods should be reported as a "change in accounting principle." The adjustment should be made to the beginning balance of cumulative results of operations in the statement of changes in net position for the period that the change is made.
- (b) Prior period financial statements presented for comparative purposes should be presented as previously reported; and
- (c) The nature of the changes in accounting principle and its effect on relevant balances should be disclosed in the current period. Financial statements of subsequent periods need not repeat the disclosure.

Beginning balances, as adjusted, are the sum of the beginning balances of net position as reported on the prior year's Balance Sheet and prior period adjustments.

### 5.5 Budgetary Financing Sources

This section displays financing sources and nonexchange revenue that are also budgetary resources, or adjustments to those resources, as reported on the Statement of Budgetary Resources and defined as such by OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget*, as amended.

**Appropriations received.** This amount includes "appropriations received" during the current reporting period. These are amounts appropriated from Treasury General Fund receipts, such as income taxes, that are not earmarked by law for a specific purpose. This amount will not necessarily agree with the "appropriations received" amount reported on the Statement of Budgetary Resources (SBR) because of differences between proprietary and budgetary accounting concepts and reporting requirements. For example, certain dedicated and earmarked receipts are recorded as "appropriations received" on the SBR, but are recognized as exchange or non-exchange revenue (i.e., typically in special and non-revolving trust funds) and reported on the SCNP in accordance with SFFAS No.7. Another example is with certain parent/child reporting described in Section 9.36 of this document: Note 36, *Descriptions of Transfers that Appear as a Reconciling Item on the Statement of Financing*. The above examples are not all inclusive.

**Appropriations transferred-in/out.** This is the amount of appropriations received in the current or prior year(s) that have been transferred in or out during the current reporting year.

**Other adjustments.** This amount includes adjustments to either cumulative results of operations or unexpended appropriations. Some examples of adjustments include rescissions of appropriations and cancellations of expired appropriation/expenditure accounts, which would also be included in Line 6, *Permanently not available*, on the Statement of Budgetary Resources. In addition, the appropriations used by collecting entities to provide refunds of monies deposited to Treasury and trust funds shall be reported on this line item rather than as an *Appropriations Used*.

**Appropriations Used.** Appropriations are considered used as a financing source when goods and services are received or benefits are provided. This is true whether the goods, services, and benefits are payable or paid as of the reporting date and whether the appropriations are used for items that are expensed or capitalized. Appropriations Used does not include undelivered orders or unobligated appropriations. Appropriations Used does not increase net position; it is subtracted from Unexpended Appropriations but added to Cumulative Results of Operations for a net zero effect on net position as a whole.

**Nonexchange Revenue.** This amount includes revenues the Federal Government is able to demand or receive due to its sovereign powers. See SFFAS No. 7 for a discussion of the recognition and measurement criteria for taxes and other nonexchange revenues.

**Donations and forfeitures of cash and cash equivalents.** This amount includes voluntary gifts and involuntary forfeitures of resources to the Federal Government by non-Federal entities. Donations of financial resources may be in the form of cash or securities. This amount also includes the forfeiture of seized cash and cash equivalents.

**Transfers-in/out without reimbursement.** This amount includes intragovernmental non-appropriated balance transfers in or out during the current reporting year. Non-appropriated balances include financing sources and revenue not reported as unexpended appropriations. Exchange revenue (included in calculating an entity's net cost of operations) required to be transferred to the Treasury or another Federal entity shall be recognized as a transfer-out.

**Other budgetary financing sources.** This amount includes other financing sources that affect budgetary resources and are not otherwise classified above.

## 5.6 Other Financing Sources

This section displays financing sources and nonexchange revenue that do not represent budgetary resources as reported on the Statement of Budgetary Resources and defined as such by OMB Circular No. A-11. The items within this section shall directly tie to the Statement of Financing section *Other Resources*.

**Donations and forfeitures of property.** This amount includes voluntary gifts and involuntary forfeitures of resources to the Federal Government by non-Federal entities. These resources may be in the form of land or buildings. The amount of revenue arising from donations/involuntary forfeitures of non-financial resources shall be recognized in accordance with criteria in SFFAS No. 6.

**Transfers-in/out without reimbursement.** This amount includes intragovernmental transfers in or out of capitalized assets during the current reporting year. The amount of the transfer shall be recorded at the book value of the transferring entity. If the book value is not known, the amount recognized should be the asset's estimated fair value at the date of the transfer.

**Imputed financing from costs absorbed by others.** This amount includes financing of certain costs by one Federal entity on behalf of another Federal entity (e.g., the payment of certain employee benefit costs by OPM for employees of other Federal agencies). Imputed financing shall equal the amount of imputed costs as reported on the Statement of Net Cost.

**Other.** This amount includes other financing sources that do not represent budgetary resources and are not otherwise classified above.

**5.7 Net Cost of Operations**

This amount shall agree with the net cost of operations as reported on the Statement of Net Cost. The Net Cost of Operations is subtracted from the total financing sources and beginning balance, as adjusted, to yield the ending balance of net position as it relates to the Cumulative Results of Operations.

**5.8 Net Change**

Report the net change from beginning balances, as adjusted, to ending balances (subtotal of lines 4 through 17 in Illustrative statement 5.2A). Report the net change from beginning balances, as adjusted, to ending balances (subtotal of lines 16 and 17 in Illustrative statement 5.2B).

**5.9 Net Position - Ending Balances**

Ending balances shall agree with the amounts reported as net position on the current year's balance sheet.

**Section 6 - Statement of Budgetary Resources**

## Table of Contents

**6.1 General****6.2 Combined vs. Consolidated Statement****6.3 Format of the Statement of Budgetary Resources****6.4 a. FY 2005 Illustrative Statement - Combined Statement of Budgetary Resources****b. FY 2006 Illustrative Statement – Combined Statement of Budgetary Resources****6.5 Budgetary Resources****6.6 Status of Budgetary Resources – FY 2005****6.7 a. Relationship of Obligations to Outlays – FY 2005****b. Change in Obligated Balances – FY 2006****c. Net Outlays – FY 2006****6.1 General**

The Statement of Budgetary Resources (SBR) and related disclosures provide information about how budgetary resources were made available as well as their status at the end of the period. It is the only financial statement predominantly derived from an entity's budgetary general ledger in accordance with budgetary accounting rules, which are incorporated into GAAP for the Federal Government.

Information on the SBR should be consistent with and reconciled to the budget execution information reported on the *Report on Budget Execution and Budgetary Resources* (SF 133) and with information reported in the Budget of the United States Government to ensure the integrity of the numbers presented. The SBR is an agency-wide report, which aggregates account-level information reported in the SF 133.

Consistency between budgetary information presented in the financial statements and the Budget of the United States Government is critical to ensure the integrity of the numbers presented. The Federal Agencies' Centralized Trial-balance System II (FACTS II) helps to ensure the consistency of data. The FACTS II data submitted by agencies are USSGL-based trial balances, which are used to populate the SF 133 and the actual column of the Program and Financing Schedule of the Budget. The USSGL-based trial balance is also used to prepare the Statement of Budgetary Resources.

***FACTS II revision period*** The primary purpose of the FACTS II revision period is to make FACTS II consistent with the amounts in the prior-year column of the Budget. Due to timing differences, subsequent changes whether material or non-material may be made to the budgetary information included in the Budget after the SBR has been published. All subsequent changes whether material or non-material must be made in FACTS II during the revision period.

Any changes to budgetary information subsequent to the publication of the audited SBR, that are material to the SBR, should be discussed between the agencies and their auditors to determine if restatement or note disclosure is necessary. Any material differences between comparable information contained in the SBR and the Budget, at a minimum must be disclosed in the footnotes to this statement (Note 33; Section 9.33).

Budget information for the entity's major budget accounts will be presented as required supplementary information (Section 11.3).

Recognition and measurement of budgetary information reported on this statement should be based on budget terminology, definitions, and guidance in OMB Circular No A-11, *Preparation, Submission, and Execution of the Budget (as amended)*. OMB Circular No. A-11 (as amended) provides definitions and instructions for each line item reported in this statement ([www.whitehouse.gov/omb](http://www.whitehouse.gov/omb)).

## **6.2 Combined vs. Consolidated Statement**

The budgetary information presented in this statement shall be presented on a combined basis and not a consolidated basis. Preparation of consolidated financial statements involves line-by-line elimination of inter-entity balances. In order to remain consistent with the aggregate of the account-level information presented on the SF 133, consolidation of this statement is not appropriate. Accordingly, line-by-line consolidation of this statement is not permitted.

## **6.3 Format of the Statement of Budgetary Resources**

The format of the SBR is based on the SF 133. The format outlined in this document for FY 2005 remains effective through the end of FY 2005. Beginning with fiscal year 2006, OMB revised its format of the SF 133. To align with this change, the illustrative format of the Statement of Budgetary Resources will also change. The new format of the SBR planned to be included in OMB Circular A-11 as amended, should be used beginning with the first quarter of fiscal year 2006 as agencies submit interim financial statements to OMB. The comparative fiscal year 2006 SBR should include fiscal year 2005 data prepared in the fiscal year 2006 format.

Two enhancements are included to the SBR to facilitate the reconciliation of information between the SBR, and actual information reported in the Budget of the United States Government. These two enhancements are:

***Separate Column for Non-budgetary Credit Reform (Financing Accounts)*** These are non-budgetary accounts that record all the cash flows activity resulting from post-1991 direct loans and loan guarantees. This activity in the financing account is reported separately in the Budget of the United States Government and is excluded from the budget surplus/ deficit totals. The separate presentation in the SBR allows for a clear distinction between budgetary accounts and non-budgetary credit reform accounts.

***Offsetting Receipts Line.*** Distributed offsetting receipts were introduced as a new line item in the SBR. Offsetting receipts offset the outlays of an agency as a whole and are therefore not reflected in budget execution reports (SF 133) at the account level. Since the SBR is an agency-wide report, offsetting receipts must be included to reconcile to information in the Budget of the United States Government. A more extensive discussion on offsetting receipts can be found in Section 6.7.

**6.4 A Illustrative Statement - Combined Statement of Budgetary Resources (FY 2005 and prior)**

| Department/Agency/Reporting Entity                        |                  |  |                  |   |
|---|------------------|--|------------------|---|
| COMBINED STATEMENT OF BUDGETARY RESOURCES (page 1 of 2)   |                  |  |                  |   |
| For the Years Ended September 30, 2xxx (CY) and 2xxx (PY) |                  |  |                  |   |
| (in dollars/thousands/millions)                           |                  |  |                  |   |
|   | 2xxx<br>(CY)     | 2xxx<br>(CY)   | 2xxx<br>(PY)     | 2xxx<br>(PY)  |
|   | <u>Budgetary</u> | <u>Non-Budgetary<br/>Credit Program<br/>Financing Accounts</u> | <u>Budgetary</u> | <u>Non-Budgetary<br/>Credit Program<br/>Financing</u> |
| <u>Accounts</u>   |                  |  |                  |   |
| Budgetary Resources:                                      |                  |  |                  |   |
| 1. Budget authority:                                      |                  |  |                  |   |
| 1a. Appropriations received                               | \$ xxx           | \$ xxx   | \$ xxx           | \$ xxx  |
| 1b. Borrowing authority                                   | xxx              | xxx  | xxx              | xxx   |
| 1c. Contract authority                                    | xxx              | xxx  | xxx              | xxx   |
| 1d. Net transfers (+/-)                                   | xxx              | xxx  | xxx              | xxx   |
| 1e. Other   | xxx              | xxx  | xxx              | xxx   |
| 2. Unobligated balance:                                   |                  |  |                  |   |
| 2a. Beginning of period                                   | xxx              | xxx  | xxx              | xxx   |
| 2b. Net transfers, actual (+/-)                           | xxx              | xxx  | xxx              | xxx   |
| 2c. Anticipated Transfers balances                        | xxx              | xxx  | xxx              | xxx   |
| 3. Spending authority from offsetting collections:        |                  |  |                  |   |
| 3a. Earned  |                  |  |                  |   |
| 1. Collected  | xxx              | xxx  | xxx              | xxx   |
| 2. Receivable from Federal sources                        | xxx              | xxx  | xxx              | xxx   |
| 3b. Change in unfilled customer orders                    |                  |  |                  |   |
| 1. Advance received                                       | xxx              | xxx  | xxx              | xxx   |
| 2. Without advance from Federal sources                   | xxx              | xxx  | xxx              | xxx   |
| 3c. Anticipated for rest of year, without advances        | xxx              | xxx  | xxx              | xxx   |
| 3d. Previously unavailable                                | xxx              | xxx  | xxx              | xxx   |
| 3e. Transfers from trust funds                            | xxx              | xxx  | xxx              | xxx   |
| 3f. Subtotal  | xxx              | xxx  | xxx              | xxx   |
| 4. Recoveries of prior year obligations                   | xxx              | xxx  | xxx              | xxx   |
| 5. Temporarily not available pursuant to Public Law       | xxx              | xxx  | xxx              | xxx   |
| 6. Permanently not available                              | xxx              | xxx  | xxx              | xxx   |
| 7. Total Budgetary Resources                              | \$ <u>x,xxx</u>  | \$ <u>x,xxx</u>  | \$ <u>x,xxx</u>  | \$ <u>x,xxx</u>                                       |

| Department/Agency/Reporting Entity                        |                                 |                           |                                 |                           |
|---|---------------------------------|---------------------------|---------------------------------|---------------------------|
| COMBINED STATEMENT OF BUDGETARY RESOURCES (page 2 of 2)   |                                 |                           |                                 |                           |
| For the Years Ended September 30, 2xxx (CY) and 2xxx (PY) |                                 |                           |                                 |                           |
| (in dollars/thousands/millions)                           |                                 |                           |                                 |                           |
|   | 2xxx<br>(CY)                    | 2xxx<br>(CY)              | 2xxx<br>(PY)                    | 2xxx<br>(PY)              |
|   | Non-Budgetary<br>Credit Program |                           | Non-Budgetary<br>Credit Program |                           |
|   | <u>Budgetary</u>                | <u>Financing Accounts</u> | <u>Budgetary</u>                | <u>Financing Accounts</u> |
| Status of Budgetary Resources:                            |                                 |                           |                                 |                           |
| 8. Obligations incurred:                                  |                                 |                           |                                 |                           |
| 8a. Direct  | \$ xxx                          | \$ xxx                    | \$ xxx                          | \$ xxx                    |
| 8b. Reimbursable  | <u>xxx</u>                      | <u>xxx</u>                | <u>xxx</u>                      | <u>xxx</u>                |
| 8c. Subtotal  | xxx                             | xxx                       | xxx                             | xxx                       |
| 9. Unobligated balance:                                   |                                 |                           |                                 |                           |
| 9a. Apportioned   | xxx                             | xxx                       | xxx                             | xxx                       |
| 9b. Exempt from apportionment                             | xxx                             | xxx                       | xxx                             | xxx                       |
| 9c. Other available                                       | xxx                             | xxx                       | xxx                             | xxx                       |
| 10. Unobligated balance not available                     | <u>xxx</u>                      | <u>xxx</u>                | <u>xxx</u>                      | <u>xxx</u>                |
| 11. Total Status of Budgetary Resources                   | <u>x,xxx</u>                    | <u>x,xxx</u>              | <u>x,xxx</u>                    | <u>x,xxx</u>              |
| Relationship of Obligations to Outlays:                   |                                 |                           |                                 |                           |
| 12. Obligated balance, net, beginning of period           | xxx                             | xxx                       | xxx                             | xxx                       |
| 13. Obligated balance transferred, net (+/-)              | xxx                             | xxx                       | xxx                             | xxx                       |
| 14. Obligated balance, net, end of period:                |                                 |                           |                                 |                           |
| 14a. Accounts receivable                                  | xxx                             | xxx                       | xxx                             | xxx                       |
| 14b. Unfilled customer orders from Federal sources        | xxx                             | xxx                       | xxx                             | xxx                       |
| 14c. Undelivered orders                                   | xxx                             | xxx                       | xxx                             | xxx                       |
| 14d. Accounts payable                                     | xxx                             | xxx                       | xxx                             | xxx                       |
| 15. Outlays:  |                                 |                           |                                 |                           |
| 15a. Disbursements  | xxx                             | xxx                       | xxx                             | xxx                       |
| 15b. Collections  | <u>xxx</u>                      | <u>xxx</u>                | <u>xxx</u>                      | <u>xxx</u>                |
| 15c. Subtotal   | xxx                             | xxx                       | xxx                             | xxx                       |
| 16. Less: Distributed Offsetting receipts                 | <u>xxx</u>                      | <u>xxx</u>                | <u>xxx</u>                      | <u>xxx</u>                |
| 17. Net Outlays   | \$ <u>x,xxx</u>                 | \$ <u>x,xxx</u>           | \$ <u>x,xxx</u>                 | \$ <u>x,xxx</u>           |

The accompanying notes are an integral part of these statements.

6.4B Illustrative Statement - Combined Statement of Budgetary Resources (Beginning with FY 2006)

| Department/Agency/Reporting Entity                        |                  |   |                  |   |
|---|------------------|---|------------------|---|
| COMBINED STATEMENT OF BUDGETARY RESOURCES (page 1 of 2)   |                  |   |                  |   |
| For the Years Ended September 30, 2xxx (CY) and 2xxx (PY) |                  |   |                  |   |
| (in dollars/thousands/millions)                           |                  |   |                  |   |
|   | 2xxx<br>(CY)     | 2xxx<br>(CY)  | 2xxx<br>(PY)     | 2xxx<br>(PY)  |
|   | <u>Budgetary</u> | Non-Budgetary<br>Credit Reform<br><u>Financing Accounts</u> | <u>Budgetary</u> | Non-Budgetary<br>Credit Reform<br><u>Financing Accounts</u> |
| <b>Budgetary Resources:</b>                               |                  |   |                  |   |
| 1. Unobligated balance, brought forward, October 1:       | \$ xxx           | \$ xxx  | \$ xxx           | \$ xxx  |
| 2. Recoveries of prior year unpaid obligations            | xxx              | xxx   | xxx              | xxx   |
| 3. Budget authority                                       |                  |   |                  |   |
| 3A. Appropriation   | xxx              | xxx   | xxx              | xxx   |
| 3B. Borrowing Authority                                   | xxx              | xxx   | xxx              | xxx   |
| 3C. Contract authority                                    | xxx              | xxx   | xxx              | xxx   |
| 3D. Spending authority from offsetting collections        |                  |   |                  |   |
| 3D1. Earned   |                  |   |                  |   |
| 3D1a. Collected   | xxx              | xxx   | xxx              | xxx   |
| 3D1b. Change in receivables from Federal sources          | xxx              | xxx   | xxx              | xxx   |
| 3D2. Change in unfilled customer orders                   |                  |   |                  |   |
| 3D2a. Advance received                                    | xxx              | xxx   | xxx              | xxx   |
| 3D2b. Without advance from Federal sources                | xxx              | xxx   | xxx              | xxx   |
| 3D3. Anticipated for rest of year, without advances       |                  |   |                  |   |
| 3D4. Previously unavailable                               | xxx              | xxx   | xxx              | xxx   |
| 3D5. Expenditure transfers from trust funds               | xxx              | xxx   | xxx              | xxx   |
| 3E. Subtotal  | xxx              | xxx   | xxx              | xxx   |
| 4. Nonexpenditure transfers, net, anticipated and actual  | xxx              | xxx   | xxx              | xxx   |
| 5. Temporarily not available pursuant to Public Law       | xxx              | xxx   | xxx              | xxx   |
| 6. Permanently not available                              | <u>xxx</u>       | <u>xxx</u>  | <u>xxx</u>       | <u>xxx</u>  |
| 7. Total Budgetary Resources                              | \$ <u>x,xxx</u>  | \$ <u>x,xxx</u>   | \$ <u>x,xxx</u>  | \$ <u>x,xxx</u>   |

Department/Agency/Reporting Entity  
**COMBINED STATEMENT OF BUDGETARY RESOURCES** (page 2 of 2)  
For the Years Ended September 30, 2xxx (CY) and 2xxx (PY)  
(in dollars/thousands/millions)

| Program  | 2xxx<br>(CY)     | 2xxx<br>(CY)   | 2xxx<br>(PY)     | 2xxx<br>(PY)   |
|--|------------------|--|------------------|--|
|  | <u>Budgetary</u> | <u>Non-Budgetary<br/>Credit Program<br/>Financing Accounts</u> | <u>Budgetary</u> | <u>Non-Budgetary<br/>Credit<br/>Financing Accounts</u> |
| <b>Status of Budgetary Resources:</b>  |                  |  |                  |  |
| 8. Obligations incurred:   |                  |  |                  |  |
| 8A. Direct   | \$ xxx           | \$ xxx   | \$ xxx           | \$ xxx   |
| 8B. Reimbursable   | <u>xxx</u>       | <u>xxx</u>   | <u>xxx</u>       | <u>xxx</u>   |
| 8C. Subtotal   | xxx              | xxx  | xxx              | xxx  |
| 9. Unobligated balance:  |                  |  |                  |  |
| 9A. Apportioned  | xxx              | xxx  | xxx              | xxx  |
| 9B. Exempt from apportionment  | xxx              | xxx  | xxx              | xxx  |
| 9C. Subtotal   | xxx              | xxx  | xxx              | xxx  |
| 10. Unobligated balance not available  | <u>xxx</u>       | <u>xxx</u>   | <u>xxx</u>       | <u>xxx</u>   |
| 11. Total status of budgetary resources  | <u>x,xxx</u>     | <u>x,xxx</u>   | <u>x,xxx</u>     | <u>x,xxx</u>   |
| <b>Change in Obligated Balance:</b>  |                  |  |                  |  |
| 12. Obligated balance, net   |                  |  |                  |  |
| 12A. Unpaid obligations, brought forward, October 1  | xxx              | xxx  | xxx              | xxx  |
| 12B. Less: Uncollected customer payments from<br>Federal sources, brought forward, October 1 | xxx              | xxx  | xxx              | xxx  |
| 12C. Total unpaid obligated balance, net   | xxx              | xxx  | xxx              | xxx  |
| 13. Obligations incurred net (+/-)   | xxx              | xxx  | xxx              | xxx  |
| 14. Less: Gross outlays  | xxx              | xxx  | xxx              | xxx  |
| 15. Obligated balance transferred, net   |                  |  |                  |  |
| 15A. Actual transfers, unpaid obligations (+/-)  | xxx              | xxx  | xxx              | xxx  |
| 15B. Actual transfers, uncollected customer payments<br>from Federal sources (+/-)           | xxx              | xxx  | xxx              | xxx  |
| 15C. Total Unpaid obligated balance transferred, net   | xxx              | xxx  | xxx              | xxx  |
| 16. Less: Recoveries of prior year unpaid<br>obligations, actual                             | xxx              | xxx  | xxx              | xxx  |
| 17. Change in uncollected customer payments<br>from Federal sources (+/-)                    | xxx              | xxx  | xxx              | xxx  |
| 18. Obligated balance, net, end of period  |                  |  |                  |  |
| 18A. Unpaid obligations  | xxx              | xxx  | xxx              | xxx  |
| 18B. Less: Uncollected customer payments from<br>Federal sources                             | xxx              | xxx  | xxx              | xxx  |
| 18C. Total, unpaid obligated balance, net,<br>end of period                                  | xxx              | xxx  | xxx              | xxx  |
| <b>Net Outlays</b>   |                  |  |                  |  |
| 19. Net Outlays:   |                  |  |                  |  |
| 19A. Gross outlays   | xxx              | xxx  | xxx              | xxx  |
| 19B. Less: Offsetting collections  | <u>xxx</u>       | <u>xxx</u>   | <u>xxx</u>       | <u>xxx</u>   |
| 19C. Less: Distributed Offsetting receipts   | <u>xxx</u>       | <u>xxx</u>   | <u>xxx</u>       | <u>xxx</u>   |
| 19D. Net Outlays   | xxx              | xxx  | xxx              | xxx  |

The accompanying notes are an integral part of these statements.

## 6.5 Budgetary Resources

This section of the statement is designed to present the total budgetary resources available to the reporting entity. Budgetary resources include new budget authority, unobligated balances at the beginning of the period and transferred in and out during the period, spending authority from offsetting collections, recoveries of prior year unpaid obligations, and any adjustments to these resources. The resources reported on this statement shall agree with, and be reconciled to, the total budgetary resources reported for the aggregate of all budget accounts on the SF 133.

Expired obligated and unobligated balances that cancel at the end of the fiscal year must be reported as canceled on the year-end SBR. Authority canceled in previous years should not be included on the current SBR.

## 6.6 Status of Budgetary Resources

This section of the statement is designed to display information about the status of budgetary resources at the end of the period. It consists of the obligations incurred, the unobligated balances at the end of the period that remain available, and unobligated balances at the end of the period that are unavailable except to adjust or liquidate prior year obligations. The total amount displayed for the status of budgetary resources shall equal the total budgetary resources available to the reporting entity as of the reporting date. The status of budgetary resources reported on this statement shall agree with, and be reconciled to, the total status reported for the aggregate of all budget accounts on the SF 133.

### 6.7. A. Relationship of Obligations to Outlays FY 2005

This section of the statement displays the obligated balances and outlays during the reporting period.

**Outlays.** Outlays consist of disbursements net of offsetting collections<sup>4</sup>. The outlays shall agree with, and be reconciled to, the agency outlay totals reported in the Budget of the United States Government (i.e., with the aggregate of the outlays for accounts within the budget). The outlays shall also agree with, and be reconciled to, the aggregate of outlays reported on the SF 133 for the aggregate of all budget accounts, including non-budgetary financing accounts and the disbursements and collections reported to Treasury on a monthly basis (SF 224, *Statement of Transactions*; SF 1219, *Statement of Accountability*; and SF 1220 *Statement of Transactions*) per OMB Circular No. A-11 (as amended).

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<sup>4</sup> There are however rare exceptions in which outlays reported in the Budget do not correspond to disbursements reported on the Statement of Transactions.

**Offsetting receipts.** Offsetting receipts are collections that are credited to general fund, special fund or trust fund receipt accounts and that offset gross outlays. Unlike offsetting collections, which are credited to expenditure accounts and offset outlays at the account level, offsetting receipts are credited to receipt accounts and offset outlays at the agency or government-wide level.

Offsetting receipts may be distributed to agencies or undistributed. Distributed offsetting receipts offset the outlays of the agency, while undistributed offsetting receipts offset government-wide outlays. Distributed offsetting receipts typically offset the outlays of the agency that conducts the activity generating the receipts and the subfunction to which the activity is assigned. Offsetting receipts are composed of: proprietary receipts from the public, receipts from intragovernmental transactions, and offsetting governmental receipts.

This line item on the Statement of Budgetary Resources should include all distributed offsetting receipts for the agency. A listing of distributed offsetting receipt accounts can be found at the following website [www.fms.treas.gov](http://www.fms.treas.gov). Go to Financial Management Service, Combined Statement, Part Four Other Information. This is an unpublished part of the Combined Statement of Receipts, Outlays, and Balances of the United States Government, issued by the Department of the Treasury. Agencies should include in the SBR, the receipt accounts in Part 4 classified as:

- Proprietary Receipts from the Public
- Intrabudgetary Receipts Deducted by Agencies
- Offsetting Governmental Receipts

The amount of distributed offsetting receipts reported in this statement should be the aggregate of cash collected in these receipt accounts and reported to Treasury on a monthly basis (SF 224, Statement of Transactions; SF 1219, Statement of Accountability; and SF 1220, Statement of Transactions). The amount of offsetting receipts that are distributed to agencies and reported in this statement shall also agree with, and be reconciled to the deductions for offsetting receipts as reported in the Budget of the United States Government.

Undistributed offsetting receipts credited to government-wide outlay totals should not be included in the SBR.

**Net outlays.** For FY 2005, the amount on this line shall equal line 15C *Outlays, Subtotal* less line 16 *Less: Offsetting receipts*. This amount shall agree with, and be reconciled to the net outlays (gross outlays less offsetting collections and receipts) for the agency as reported in the Budget of the United States Government.

### **6.7.B Change in Obligated Balances: FY 2006**

This section of the statement displays the change in obligated balances during the reporting period.

**6.7.C Net Outlays: FY 2006**

**Outlays.** Outlays consist of disbursements net of offsetting collections<sup>5</sup>. The outlays shall agree with, and be reconciled to, the agency outlay totals reported in the Budget of the United States Government (i.e., with the aggregate of the outlays for accounts within the budget). The outlays shall also agree with, and be reconciled to, the aggregate of outlays reported on the SF 133 for the aggregate of all budget accounts, including non-budgetary financing accounts and the disbursements and collections reported to Treasury on a monthly basis (SF 224, *Statement of Transactions*; SF 1219, *Statement of Accountability*; and SF 1220 *Statement of Transactions*) per OMB Circular No. A-11 (as amended).

**Offsetting receipts.** Offsetting receipts are collections that are credited to general fund, special fund or trust fund receipt accounts and that offset gross outlays. Unlike offsetting collections, which are credited to expenditure accounts and offset outlays at the account level, offsetting receipts are credited to receipt accounts and offset outlays at the agency or government-wide level.

Offsetting receipts may be distributed to agencies or undistributed. Distributed offsetting receipts offset the outlays of the agency, while undistributed offsetting receipts offset government-wide outlays. Distributed offsetting receipts typically offset the outlays of the agency that conducts the activity generating the receipts and the subfunction to which the activity is assigned. Offsetting receipts are composed of: proprietary receipts from the public, receipts from intragovernmental transactions, and offsetting governmental receipts.

This line item on the Statement of Budgetary Resources should include all distributed offsetting receipts for the agency. A listing of distributed offsetting receipt accounts can be found at the following website [www.fms.treas.gov](http://www.fms.treas.gov). Go to Financial Management Service, Combined Statement, Part Four Other Information. This is an unpublished part of the Combined Statement of Receipts, Outlays, and Balances of the United States Government, issued by the Department of the Treasury. Agencies should include in the SBR, the receipt accounts in Part 4 classified as:

Proprietary Receipts from the Public  
Intrabudgetary Receipts Deducted by Agencies  
Offsetting Governmental Receipts

The amount of distributed offsetting receipts reported in this statement should be the aggregate of cash collected in these receipt accounts and reported to Treasury on a monthly basis (SF 224, *Statement of Transactions*; SF 1219, *Statement of Accountability*; and SF 1220, *Statement of Transactions*). The amount of offsetting receipts that are distributed to agencies and reported in this statement shall also agree with, and be reconciled to the deductions for offsetting receipts as reported in the Budget of the United States Government.

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<sup>5</sup> There are however rare exceptions in which outlays reported in the Budget do not correspond to disbursements reported on the Statement of Transactions.

Undistributed offsetting receipts credited to government-wide outlay totals should not be included in the SBR.

**Net outlays.** Line 19D is calculated. It is computed as Line 19A less Line 19B less Line 19C. This amount shall agree with, and be reconciled to the net outlays (gross outlays less offsetting collections and receipts) as reported in the Budget of the United States Government.

**Section 7 - Statement of Financing**  
Table of Contents

|   |
|---|
| <b>7.1 General</b>  |
| <b>7.2 Illustrative Statement - Consolidated Statement of Financing</b>           |
| <b>7.3 Resources Used to Finance Activities</b>                                   |
| <b>7.4 Resources Used to Finance Items Not Part of the Net Cost of Operations</b> |
| <b>7.5 Components Requiring or Generating Resources in Future Periods</b>         |
| <b>7.6 Components Not Requiring or Generating Resources</b>                       |
| <b>7.7 Net Cost of Operations</b>   |

## 7.1 General

The Statement of Financing is the bridge between an entity's budgetary and financial (i.e., proprietary) accounting. The Statement of Financing articulates the relationship between net obligations derived from an entity's budgetary accounts and net cost of operations derived from the entity's proprietary accounts by identifying and explaining key differences between the two numbers.

Most entity transactions are recorded in both budgetary and proprietary accounts. However, because different accounting bases are used for budgetary and proprietary accounting, some transactions may appear in only one set of accounts (e.g., accrual of environmental and disposal liabilities which is recorded only in the proprietary records). Furthermore, not all obligations or offsetting collections may result in expenses or exchange revenue (e.g., purchase of a building is capitalized on the balance sheet in the proprietary accounts but obligated and outlayed in the budgetary accounts).

The statement is structured to first identify total resources used by an entity during the period (budgetary and other) and then makes adjustments to the resources based upon how they were used to finance net obligations or net cost. Budgetary resources reported in this statement are those resources as defined in OMB Circular No. A-11 and also reported on the Statement of Budgetary Resources. Other resources reported in this statement are also reflected in the Statement of Changes in Net Position.

Preparers of financial statements should refer to *FASAB's Implementation Guide to SFFAS No. 7* for more detailed guidance useful in preparing the Statement of Financing. Preparers of financial statements have flexibility as to the level of detail presented, e.g., the information should be presented for the reporting entity as a whole and, if the preparer elects, for the major suborganizations or responsibility segments or for the major budget accounts.

The budgetary information used to calculate net obligations (i.e., lines 1-4) must be presented on a combined basis in the Statement of Financing to enable a direct tie to the Statement of Budgetary Resources.

**7.2 Illustrative Statement - Consolidated Statement of Financing**

| Department/Agency/Reporting Entity<br>CONSOLIDATED STATEMENT OF FINANCING (Page 1 of 2)<br>For the Years Ended September 30, 2xxx (CY) and 2xxx (PY)<br>(in dollars/thousands/millions) |              |              |
|---|--------------|--------------|
|   | 2xxx<br>(CY) | 2xxx<br>(PY) |
| <i>Resources Used to Finance Activities:</i>  |              |              |
| Budgetary Resources Obligated   |              |              |
| 1. Obligations incurred   | \$ xxx       | \$ xxx       |
| 2. Less: Spending authority from offsetting collections and recoveries  | <u>xxx</u>   | <u>xxx</u>   |
| 3. Obligations net of offsetting collections and recoveries   | xxx          | xxx          |
| 4. Less: Offsetting receipts  | <u>xxx</u>   | <u>xxx</u>   |
| 5. Net obligations  | xxx          | xxx          |
| Other Resources   |              |              |
| 6. Donations and forfeitures of property  | xxx          | xxx          |
| 7. Transfers in/out without reimbursement (+/-)   | xxx          | xxx          |
| 8. Imputed financing from costs absorbed by others  | xxx          | xxx          |
| 9. Other (+/-)  | <u>xxx</u>   | <u>xxx</u>   |
| 10. Net other resources used to finance activities  | <u>xxx</u>   | <u>xxx</u>   |
| 11. <i>Total resources used to finance activities</i>   | x,xxx        | x,xxx        |
| <i>Resources Used to Finance Items not Part of the Net Cost of Operations</i>   |              |              |
| 12. Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided (+/-)   | xxx          | xxx          |
| 13. Resources that fund expenses recognized in prior periods  | xxx          | xxx          |
| 14. Budgetary offsetting collections and receipts that do not affect net cost of operations   |              |              |
| 14a. Credit program collections which increase liabilities for loan guarantees or allowances for subsidy  | xxx          | xxx          |
| 14b. Other  | xxx          | xxx          |
| 15. Resources that finance the acquisition of assets  | xxx          | xxx          |
| 16. Other resources or adjustments to net obligated resources that do not affect net cost of operations (+/-)   | <u>xxx</u>   | <u>xxx</u>   |
| 17. <i>Total resources used to finance items not part of the net cost of operations</i>   | <u>xxx</u>   | <u>xxx</u>   |
| 18. <i>Total resources used to finance the net cost of operations</i>   | x,xxx        | x,xxx        |

| Department/Agency/Reporting Entity<br>CONSOLIDATED STATEMENT OF FINANCING (Page 2 of 2)<br>For the Years Ended September 30, 2xxx (CY) and 2xxx (PY)<br>(in dollars/thousands/millions) |                 |                 |
|---|-----------------|-----------------|
|   | 2xxx<br>(CY)    | 2xxx<br>(PY)    |
| <i>Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:</i>  |                 |                 |
| <b>Components Requiring or Generating Resources in Future Periods:</b>  |                 |                 |
| 19. Increase in annual leave liability  | xxx             | xxx             |
| 20. Increase in environmental and disposal liability  | xxx             | xxx             |
| 21. Upward/Downward reestimates of credit subsidy expense (+/-)   | xxx             | xxx             |
| 22. Increase in exchange revenue receivable from the public   | xxx             | xxx             |
| 23. Other (+/-)   | <u>xxx</u>      | <u>xxx</u>      |
| 24. Total components of Net Cost of Operations that will require or generate resources in future periods  | xxx             | xxx             |
| <b>Components not Requiring or Generating Resources:</b>  |                 |                 |
| 25. Depreciation and amortization   | xxx             | xxx             |
| 26. Revaluation of assets or liabilities (+/-)  | xxx             | xxx             |
| 27. Other (+/-)   | <u>xxx</u>      | <u>xxx</u>      |
| 28. Total components of Net Cost of Operations that will not require or generate resources  | <u>xxx</u>      | <u>xxx</u>      |
| 29. Total components of net cost of operations that will not require or generate resources in the current period  | <u>x,xxx</u>    | <u>x,xxx</u>    |
| 30. Net Cost of Operations  | \$ <u>x,xxx</u> | \$ <u>x,xxx</u> |

The accompanying notes are an integral part of these statements.

### 7.3 Resources Used to Finance Activities

This section reflects the budgetary resources obligated and other resources that are used to finance the activities of the agency. The obligations of budgetary resources are net of offsetting collections, recoveries and offsetting receipts. The other resources are financing sources that increase net position but are not budgetary resources.

#### Budgetary Resources Obligated

**Obligations incurred.** This line item will agree with the obligations incurred (line 8) as reported on the Statement of Budgetary Resources. This line item will include all budget accounts, including non-budgetary financing accounts.

**Less: Spending authority from offsetting collections and recoveries.** This line item will agree with the spending authority from offsetting collections (line 3 for FY 2005 and line 3D for FY 2006) and recoveries (line 4 for FY 2005 and line 2 for FY 2006) as reported on the Statement of

Budgetary Resources. This line item will include all budget accounts, including non-budgetary financing accounts.

**Obligations net of offsetting collections and recoveries.** This line item is the difference between the two preceding lines.

**Less: Offsetting receipts.** This line item will agree with the offsetting receipts (line 16 in FY 2005 and line 19C in FY 2006) as reported on the Statement of Budgetary Resources.

**Net obligations.** This line item is the difference between the two preceding lines. Net obligations reflect obligations incurred net of offsetting collections, recoveries, and offsetting receipts.

**Other Resources.** The line items in this section will agree with the corresponding line items as reported on the Statement of Changes in Net Position: Donations and forfeitures of property (line 12), Transfers in/out without reimbursement (line 13 only), Imputed financing from costs absorbed by others (line 14) and Other (line 15). These resources increase net position but are not budgetary resources as reported on the Statement of Budgetary Resources or defined as such in the OMB Circular No. A-11.

#### **7.4 Resources Used to Finance Items Not Part of the Net Cost of Operations**

This section adjusts total resources used to finance the activities of the entity to account for items that were included in net obligations and other resources but were not part of the net cost of operations. This section would include items in which the expense was recognized in a prior period but the budgetary resource and obligation are recognized in the current period (e.g., upward/downward reestimates of subsidy expense accrued in the prior period but obligated in the current period). It would also include budgetary resources and obligations recognized in the current period that do not affect the net cost of operations (e.g., the acquisition of assets reflected in net obligations but not in net cost of operations for the period).

**Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided.** This amount reflects undelivered orders or adjustments thereof, reflected in net obligations but not part of net cost of operations. This line item is typically a reduction to *Total resources used to finance activities*.

**Resources that fund expenses recognized in prior periods.** This line item reflects the obligation of resources that were part of the net cost of operations in a prior period. The expense would have been reported on this statement in a prior period as a *Component Requiring or Generating Resources in Future Periods* (Section 7.5). An example includes the liquidation of a liability with budgetary resources provided in the current period. Such activities include decreases in annual leave and environmental clean-up liabilities.

**Budgetary offsetting collections and receipts that do not affect net cost of operations.** This line item reflects offsetting collections and receipts that are not reported as exchange revenue on the Statement of Net Cost. Gross offsetting collections and receipts are offset against obligations incurred to determine net obligations in the *Resources Used to Finance Activities* section of this statement. Since not all of offsetting collections and receipts are exchange revenue, an adjustment is needed on this line. The adjustment reflects the portion of offsetting collections and receipts that are not reported on the Statement of Net Cost.

***Credit program collections which increase liabilities for loan guarantees or allowances for subsidy.*** Certain collections in the financing account represent budgetary resources but do not affect net cost. These collections do, however, adjust amounts on the balance sheet. For example, the accounting for subsidy expense illustrates this reconciling item. In determining net obligations, in the *Resources Used to Finance Activities* section, subsidy expense is reflected as both a component of obligations incurred and offsetting collections. The program account obligates the subsidy expense and the financing account collects and retains the subsidy until disbursement of a loan or default claim. The subsidy expense is reflected as both an obligation on the Statement of Budgetary Resources and an expense on the Statement of Net Cost. The collection, however, is reflected as an offsetting collection on the Statement of Budgetary Resources but reflected as a contra-asset or liability on the Balance Sheet.

***Other.*** Other transactions generating differences between net obligations and net cost of operations that are reflected on this line include the collection of exchange revenue receivable from the public and advances received for work not yet performed.

**Resources that finance the acquisition of assets.** This line item reflects budgetary resources obligated that are not expenses as reported on the Statement of Net Cost. An example of this activity includes purchases of capitalized assets.

**Other resources or adjustments to net obligated resources that do not affect net cost of operations.** This line item includes activities not otherwise classified above. This activity may include non-cash recoveries of prior year obligations. Recoveries are budgetary resources that offset obligations on the Statement of Budgetary Resources, but are not a proprietary financing source used to offset costs on the Statement of Net Cost.

Other examples include donations of property, forfeitures of property and transfers of property. These examples are reported as Other resources in the first section of this statement but are not reported on the Statements of Net Cost or Budgetary Resources.

### **7.5 Components Requiring or Generating Resources in Future Periods**

The costs of the Federal Government are not always funded in the period the costs are incurred. This section identifies items that are recognized as a component of the net cost of operations for

the period but the budgetary resources (and related obligation) will not be provided (or incurred) until a subsequent period.

**Increase in annual leave liability.** This line item includes the expense related to the increase in annual leave liability for which the budgetary resources will be provided in a subsequent period.

**Increase in environmental and disposal liability.** This line item includes the expense related to the increase in environmental and disposal liability for which the budgetary resources will be provided in a subsequent period.

**Upward/downward reestimates of credit subsidy expense.** This line item includes the expense recognized as a result of an upward/downward reestimate of credit program subsidy cost, for which the budgetary resources (or obligation) will be provided (or incurred) in a subsequent period. While budgetary resources are not provided in the current period, credit subsidy reestimates should be reflected as liabilities covered by budgetary resources since the budget authority to fund the reestimates is permanent and indefinite and no further Congressional action is needed to provide the resources.

**Increase in exchange revenue receivable from the public.** Exchange revenue from the public is reflected as it is earned as a component of the net cost of operations for the period, but will normally not be reflected in net obligations until it is received. Budgetary resources are normally not recognized from the public until collected in accordance with the OMB Circular No. A-11.

**Other.** This line item includes activities not otherwise classified above.

#### **7.6 Components Not Requiring or Generating Resources**

This section includes items that are recognized as part of the net cost of operations for the period but will not generate or require the use of resources.

**Depreciation and Amortization.** This line item includes the depreciation and amortization of assets reflected as a component of net cost of operations for the period. For capitalized assets, budgetary resources are obligated when the asset is acquired, not when it is depreciated.

**Revaluation of assets or liabilities.** This line item includes gains and losses recognized during the revaluation of assets or liabilities.

**Other.** This line item includes activities not otherwise classified above.

**7.7 Net Cost of Operations**

This amount is the sum of the line items *Total resources used to finance net cost of operations* and *Total components of net cost of operations that will not require or generate resources in the current period*. This line item will agree with the net cost of operations as reported on the Statement of Net Cost.

**Section 8 - Statement of Custodial Activity**  
Table of Contents

**8.1 General**  
**8.2 Illustrative Statement - Statement of Custodial Activity**  
**8.3 Sources of Collections**  
**8.4 Disposition of Collections**  
**8.5 Net Custodial Activity**

### **8.1 General**

The Statement of Custodial Activity is required for entities that collect nonexchange revenue for the General Fund of the Treasury, a trust fund, or other recipient entities. In addition, the Statement of Custodial Activity is required for selected exchange revenues specified in SFFAS 7, including oil and gas revenues. The collecting entities do not recognize as revenue those collections that have been or should be transferred to others as revenues. Rather, they shall account for sources and disposition of the collections as custodial activities on the Statement of Custodial Activity.

An exception to requiring preparation of the Statement of Custodial Activity is made when collecting entities have custodial collections that are immaterial and incidental to their primary mission. In these cases, the sources and disposition of the collections may be disclosed in accompanying footnotes.

Custodial collections are normally nonexchange revenues, such as taxes and duties collected by the Internal Revenue Service and the U.S. Customs and Border Protection. Exchange revenue is normally reported on the Statement of Net Cost. However, SFFAS 7 identified certain exceptional circumstances in which the entity recognizes virtually no costs in connection with earning the revenue that it collects (see paragraph 45 of SFFAS No. 7). In these identified situations, the exchange revenue is reported in the Statement of Custodial Activity rather than on the Statement of Net Cost. Information on the sections of the Statement of Custodial Activity is presented below. Also see SFFAS No. 7 and the related implementation guide.

**8.2 Illustrative Statement - Statement of Custodial Activity**

| Department/Agency/Reporting Entity<br>STATEMENT OF CUSTODIAL ACTIVITY<br>For the Years ended September 30, 2xxx (CY) and 2xxx (PY)<br>(in dollars/thousands/millions) |              |              |
|---|--------------|--------------|
|   | 2xxx<br>(CY) | 2xxx<br>(PY) |
| Revenue Activity:   |              |              |
| Sources of Cash Collections:  |              |              |
| 1. Individual Income and FICA/SECA Taxes  | \$ xxx       | \$ xxx       |
| 2. Corporate Income Taxes   | xxx          | xxx          |
| 3. Excise Taxes   | xxx          | xxx          |
| 4. Estate and Gift Taxes  | xxx          | xxx          |
| 5. Federal Unemployment Taxes   | xxx          | xxx          |
| 6. Customs Duties   | xxx          | xxx          |
| 7. Miscellaneous  | <u>xxx</u>   | xxx          |
| 8. Total Cash Collections   | x,xxx        | x,xxx        |
| 9. Accrual Adjustments (+/-)  | <u>xxx</u>   | xxx          |
| 10. Total Custodial Revenue   | x,xxx        | x,xxx        |
| Disposition of Collections:   |              |              |
| 11. Transferred to Others (by Recipient):   |              |              |
| Recipient A   | xxx          | xxx          |
| Recipient B   | xxx          | xxx          |
| Recipient C   | xxx          | xxx          |
| 12. (Increase)/Decrease in Amounts Yet to be Transferred (+/-)  | xxx          | xxx          |
| 13. Refunds and Other Payments  | xxx          | xxx          |
| 14. Retained by the Reporting Entity  | <u>xxx</u>   | xxx          |
| 15. Net Custodial Activity  | \$ <u>0</u>  | \$ <u>0</u>  |

The accompanying notes are an integral part of these statements.

### 8.3 Sources of Collections

Report in this section of the statement the components of collections, such as by type of tax and duty, collection of past-due receivables for others, or other appropriate identifier to describe the source and nature of the collections. If refunds of taxes or other non-exchange revenues are material in relation to the gross collections made, consider reporting them by component separately in a footnote.

This section of the report also includes the nonexchange revenue accrual adjustment, which shall be shown separately and added or subtracted from the net collections to determine the total custodial nonexchange revenue. Guidance for calculating the accrual adjustment can be found in SFFAS No. 7 and the related implementation guide. If the accrual adjustments are material in relation to the gross collections, consider reporting them separately in a footnote. The accrual adjustment is not applicable to exchange revenue.

Exchange revenues are reported on an accrual basis.

### 8.4 Disposition of Collections

This section of the statement accounts for the disposition of the revenue reported in the preceding section.

**Amounts Transferred to Others.** Identify the specific agencies to which collections were transferred and the amounts transferred.

**Amounts Yet to be Transferred.** Report the change in liability for revenue yet to be transferred. The liability may exist because the revenue has been accrued--and is receivable--but has not yet been collected, or because collections already made have not yet been transferred to the entity for which collected as of the end of the reporting period.

**Amounts of Refunds and Other Payments.** Report the amounts of refunds and other payments made. This line is normally not applicable to exchange revenue.

**Amounts Retained by the Collecting Entity.** In some cases, collecting entities are permitted to retain a portion of amounts collected. Amounts retained shall be separately reported by the collecting entity as a disposition of collections.

**8.5 Net Custodial Activity.** The total of the Sources of Collections section (total revenue) shall equal the total of the Disposition of Collections section (total disposition of revenue). The net custodial activity shall always equal zero.

**Section 9 - Notes to the Financial Statements (Part 1 of 2)**

## Table of Contents

**9.1 Note 1 Significant Accounting Policies***Notes Related to the Balance Sheet*

|                     |  |
|---------------------|--|
| <b>9.2 Note 2</b>   | <b>Non-entity Assets</b>                                       |
| <b>9.3 Note 3</b>   | <b>Fund Balance with Treasury</b>                              |
| <b>9.4 Note 4</b>   | <b>Cash and Other Monetary Assets</b>                          |
| <b>9.5 Note 5</b>   | <b>Investments</b>   |
| <b>9.6 Note 6</b>   | <b>Accounts Receivable, Net</b>                                |
| <b>9.7 Note 7</b>   | <b>Taxes Receivable, Net</b>                                   |
| <b>9.8 Note 8</b>   | <b>Direct Loans and Loan Guarantees, Non-Federal Borrowers</b> |
| <b>9.9 Note 9</b>   | <b>Inventory and Related Property, Net</b>                     |
| <b>9.10 Note 10</b> | <b>General Property, Plant and Equipment, Net</b>              |
| <b>9.11 Note 11</b> | <b>Other Assets</b>  |
| <b>9.12 Note 12</b> | <b>Liabilities Not Covered by Budgetary Resources</b>          |
| <b>9.13 Note 13</b> | <b>Debt</b>  |
| <b>9.14 Note 14</b> | <b>Federal Employee and Veteran Benefits</b>                   |
| <b>9.15 Note 15</b> | <b>Environmental and Disposal Liabilities</b>                  |
| <b>9.16 Note 16</b> | <b>Other Liabilities</b>                                       |
| <b>9.17 Note 17</b> | <b>Leases</b>  |
| <b>9.18 Note 18</b> | <b>Life Insurance Liabilities</b>                              |
| <b>9.19 Note 19</b> | <b>Commitments and Contingencies</b>                           |
| <b>9.20 Note 20</b> | <b>Earmarked Funds (Effective FY 2006)</b>                     |

**9.1 Note 1 Significant Accounting Policies**

Describe the reporting entity and identify its major components. Summarize the accounting principles and methods of applying those principles that management has concluded are appropriate for presenting fairly the entity's assets, liabilities, net cost of operations, changes in net position, and budgetary resources. Disclosure of accounting policies should identify and describe the accounting principles followed by the reporting entity and the methods of applying those principles. In general, the disclosure should encompass important judgments as to the valuation, recognition, and allocation of assets, liabilities, expenses, revenues and other financing sources. Disclosures of accounting policies should not duplicate details presented elsewhere as part of the notes to the financial statements. The summary of significant accounting policies should include a description of changes in generally accepted accounting principles that impact the financial statements, and an explanation of concepts, such as Fund Balance with Treasury and Earmarked Funds that are unique to Federal financial statements.

**Form and Content of the PAR                      Section 9 -- Notes to the Financial Statements (Part 1 of 2)**

In addition, the summary of significant accounting policies should disclose any significant changes in the composition of the reporting entity or significant changes in the manner in which the reporting entity aggregates information for financial reporting purposes. These changes, in effect, result in a new reporting entity, and their impact should be reported by restating the financial statements for all prior periods presented in order to show the new reporting entity for all periods presented, except for certain portions of earmarked funds, as described in paragraphs 20 and 26 of SFFAS 27.

**9.2 Note 2 Non-entity Assets**

|  | <u>2xxx</u><br>(CY) | <u>2xxx</u><br>(PY) |
|--|---------------------|---------------------|
| Intragovernmental:                               |                     |                     |
| Fund balance with Treasury                       | \$ xxx              | \$ xxx              |
| Investments                                      | xxx                 | xxx                 |
| Accounts receivable                              | xxx                 | xxx                 |
| Loans receivable                                 | xxx                 | xxx                 |
| Other  | <u>xxx</u>          | <u>xxx</u>          |
| Total intragovernmental                          | xxx                 | xxx                 |
|  |                     |                     |
| Cash and other monetary assets                   | xxx                 | xxx                 |
| Accounts receivable                              | xxx                 | xxx                 |
| Taxes receivable                                 | xxx                 | xxx                 |
| Loans receivable and related foreclosed property | xxx                 | xxx                 |
| Inventory and related property                   | xxx                 | xxx                 |
| Other  | <u>xxx</u>          | <u>xxx</u>          |
| Total non-entity assets                          | x,xxx               | x,xxx               |
| Total entity assets                              | <u>x,xxx</u>        | <u>x,xxx</u>        |
| Total assets                                     | \$ <u>x,xxx</u>     | \$ <u>x,xxx</u>     |

Other information: \_\_\_\_\_

---

Disclose intragovernmental non-entity assets separately from other non-entity assets. Also provide other information needed to understand the nature of non-entity assets.

**9.3 Note 3 Fund Balance with Treasury**

A. Fund Balances:

|                        | <u>2xxx</u><br>(CY) | <u>2xxx</u><br>(PY) |
|------------------------|---------------------|---------------------|
| (1) Trust Funds        | \$ xxx              | \$ xxx              |
| (2) Revolving Funds    | xxx                 | xxx                 |
| (3) Appropriated Funds | xxx                 | xxx                 |
| (4) Other Fund Types   | <u>xxx</u>          | <u>xxx</u>          |
| Total                  | \$ <u>x,xxx</u>     | \$ <u>x,xxx</u>     |

B. Status of Fund Balance with Treasury

|   | <u>2xxx</u><br>(CY) | <u>2xxx</u><br>(PY) |
|---|---------------------|---------------------|
| (1) Unobligated Balance                 |                     |                     |
| (a) Available                           | xxx                 | xxx                 |
| (b) Unavailable                         | xxx                 | xxx                 |
| (2) Obligated Balance not yet Disbursed | xxx                 | xxx                 |
| (3) Non-Budgetary FBWT                  | <u>xxx</u>          | <u>xxx</u>          |
| Total                                   | \$ <u>x,xxx</u>     | \$ <u>x,xxx</u>     |

C. Other information: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**Instructions.**

- A. **Fund Balances.** The total of all undisbursed account balances with the U.S. Treasury, as reflected in the entity’s records and summarized by fund type. Line (4), other fund types, should include balances in deposit accounts, such as for collections pending litigation, awaiting determination of the proper accounting disposition, or being held by the entity in the capacity of a banker or agent for others. If any of the balances under other fund types are material, list them separately.
  
- B. **Status of Fund Balance.** The total of the entity's fund balance with Treasury, as reflected in the entity's general ledger and represented by unobligated and obligated balances. Unobligated balances shall be segregated to show available and unavailable amounts. Certain unobligated balances may be restricted to future use and are not apportioned for current use. Explain such restrictions. Include in (3) entity FBWT in unavailable receipt accounts, clearing accounts, etc. that do not have budget authority and non-entity FBWT recognized on the balance sheet.

C. **Other Information.** Explain any discrepancies between fund balance with Treasury, as reflected in the entity's general ledger, and the balance in the Treasury accounts. Disclose any other information necessary for understanding the nature of the fund balances.

**9.4 Note 4 Cash and Other Monetary Assets**

|  | 2xxx<br>(CY)    | 2xxx<br>(PY)    |
|--|-----------------|-----------------|
| A. Cash  | \$ xxx          | \$ xxx          |
| B. Foreign Currency                                  | xxx             | xxx             |
| C. Other Monetary Assets                             |                 |                 |
| (1) Gold   | xxx             | xxx             |
| (2) Special Drawing Rights                           | xxx             | xxx             |
| (3) U.S. Reserves in the International Monetary Fund | xxx             | xxx             |
| (4) Other  | <u>xxx</u>      | <u>xxx</u>      |
| (5) Total Other Monetary Assets                      | <u>xxx</u>      | <u>xxx</u>      |
| D. Total Cash and Other Monetary Assets              | \$ <u>x,xxx</u> | \$ <u>x,xxx</u> |

E. Other information: \_\_\_\_\_

---

**Instructions.** Report the amount of Cash and Other Monetary Assets.

**Cash.** The total of cash under the control of the reporting entity, which includes coin, paper currency, purchased foreign currency, negotiable instruments, and amounts on deposit in banks and other financial institutions. Cash available for agency use should include petty cash and cash held in revolving funds which will not be transferred to the general fund.

**Foreign Currency.** The total U.S. dollar equivalent of non-purchased foreign currencies held in foreign currency fund accounts.

**Other Monetary Assets.** This amount represents other items, including gold, special drawing rights, and U.S. Reserves in the International Monetary Fund.

**Total Cash and Other Monetary Assets.** The sum of lines A, B, and C(5).

**Other Information.** Disclose as other information any restrictions on cash. Restricted cash includes holdings which are unavailable for agency use (non-entity cash) and have not been transferred to the general fund. Restricted cash also includes cash held in escrow to pay property taxes and insurance related to property associated with defaulted loans as well as other amounts of legally restricted cash for specific purposes. Disclose any restrictions on the use or conversion of cash denominated in foreign currencies, and the significant effects, if any, of changes in the exchange rate on the entity's financial position that occur after the end of the reporting period but

before the issuance of financial statements. Provide other information, as appropriate, such as the valuation rate of gold.



**Instructions.** Columns 1 through 4 are for disclosing amounts to be recognized on the balance sheet. Column 4 equals column 1 plus or minus column 3, column 5 includes any reduction in value that is more than temporary and other adjustments, and column 6 equals column 4 minus column 5. Securities are normally recognized at cost or amortized cost on the Balance Sheet. However, market value is used for Balance Sheet purposes (except for pension and other retirement plans) when (a) there is intent to sell the securities prior to maturity and (b) there is a reduction in value that is more than temporary. Column 6 is to be used to disclose the market value of all marketable securities and all non-marketable market-based securities.

- A. **Intragovernmental Securities.** Marketable Federal securities can be bought and sold on the open market. Non-marketable par value Treasury securities are issued by the Bureau of the Public Debt to Federal accounts and are purchased and redeemed at par exclusively through Treasury's Federal Investment Branch. Non-marketable market-based Treasury securities are also issued by the Bureau of Public Debt to Federal accounts. They are not traded on any securities exchange but mirror the prices of particular Treasury securities trading in the Government securities market.
- B. **Note on Investments for Earmarked Funds (Effective FY 2006)**  
In accordance with SFFAS 27, Investments in Treasury securities for earmarked funds should be accompanied by a note. Paragraph 27 of the standard explains issues to be addressed in the note. SFFAS 27, paragraph 28, *Intra-governmental Investments in Treasury Securities*, provides an example of a note that addresses the requirements stated in paragraph 27.
- C. **Other Information.** Disclose any other information relative to understanding the nature of reported investments, such as permanent impairments.

### 9.6 Note 6 Accounts Receivable, Net

Present the gross receivables, the method used to estimate the allowance for uncollectible accounts, and the net amount due. Do not include receivables related to direct or guaranteed loans which are reported in Note 8.

### 9.7 Note 7 Taxes Receivable, Net

Disclose the gross taxes receivable, allowance for uncollectible taxes receivable and net taxes receivable. Also, disclose the method used to compute the allowance for uncollectible taxes.

**9.8 Note 8 Direct Loans and Loan Guarantees, Non-Federal Borrowers**

**A. Direct Loan and Loan Guarantee Programs:**

**Exhibit 9B**

|   |
|---|
| <p>List the direct loan and/or loan guarantee programs administered by the reporting entity:</p> <p>(1) _____</p> <p>(2) _____</p> <p>(3) _____</p> |
|---|

Sections B through O illustrate the required financial and statistical disclosures. These sections provide an analysis of the reporting entities' direct loans and loan guarantees including: loans receivable, allowance for subsidy costs, liability for loan guarantees, foreclosed property, modifications, reestimates, and administrative costs. Sections B through O must be supplemented by narrative and discussions, which include the following topics: description of the characteristics of the loan programs; events that have had a significant and measurable effect on subsidy rates, subsidy expense and subsidy reestimates; nature of modifications; and the number of and restrictions on foreclosed property.

The comparative disclosures required for this note are limited to those required by SFFAS Nos. 2, 18, and 19.

**Direct Loans**

**B. Direct Loans Obligated Prior to FY 1992:**

| <b>B1. Direct Loans Obligated Prior to FY 1992 (Present Value Method):</b>      |                                |                            |                                  |                                |   |
|---|--------------------------------|----------------------------|----------------------------------|--------------------------------|---|
| (1)   | (2)                            | (3)                        | (4)                              | (5)                            | (6)   |
| <u>Direct Loan Programs</u>   | <u>Loans Receivable, Gross</u> | <u>Interest Receivable</u> | <u>Foreclosed Property</u>       | <u>Present Value Allowance</u> | <u>Value of Assets Related to Direct Loans, Net</u> |
| (1) _____   | xxx                            | xxx                        | xxx                              | -xxx                           | xxx   |
| (2) _____   | <u>xxx</u>                     | <u>xxx</u>                 | <u>xxx</u>                       | <u>-xxx</u>                    | <u>xxx</u>  |
| Total   | <u>xxx</u>                     | <u>xxx</u>                 | <u>xxx</u>                       | <u>-xxx</u>                    | <u>xxx</u>  |
| <b>B2. Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method):</b> |                                |                            |                                  |                                |   |
| <u>Direct Loan Programs</u>   | <u>Loans Receivable, Gross</u> | <u>Interest Receivable</u> | <u>Allowance For Loan Losses</u> | <u>Foreclosed Property</u>     | <u>Value of Assets Related to Direct Loans, Net</u> |
| (1) _____   | xxx                            | xxx                        | -xxx                             | xxx                            | xxx   |
| (2) _____   | <u>xxx</u>                     | <u>xxx</u>                 | <u>-xxx</u>                      | <u>xxx</u>                     | <u>xxx</u>  |
| Total   | <u>xxx</u>                     | <u>xxx</u>                 | <u>-xxx</u>                      | <u>xxx</u>                     | <u>xxx</u>  |

**C. Direct Loans Obligated After FY 1991:**

| (1)<br><u>Direct Loan Programs</u> | (2)<br><u>Loans Receivable, Gross</u> | (3)<br><u>Interest Receivable</u> | (4)<br><u>Foreclosed Property</u> | (5)<br><u>Allowance for Subsidy Cost (Present Value)</u> | (6)<br><u>Value of Assets Related to Direct Loans</u> |
|------------------------------------|---------------------------------------|-----------------------------------|-----------------------------------|--|---|
| (1)_____                           | xxx                                   | xxx                               | xxx                               | -xxx   | xxx   |
| (2)_____                           | <u>xxx</u>                            | <u>xxx</u>                        | <u>xxx</u>                        | <u>-xxx</u>  | <u>xxx</u>  |
| Total                              | <u>xxx</u>                            | <u>xxx</u>                        | <u>xxx</u>                        | <u>-xxx</u>  | <u>xxx</u>  |

**D. Total Amount of Direct Loans Disbursed (Post-1991):**

| Direct Loan Programs | <u>Current Year</u> | <u>Prior Year</u> |
|----------------------|---------------------|-------------------|
| (1) _____            | xxx                 | xxx               |
| (2) _____            | <u>xxx</u>          | <u>xxx</u>        |
| Total                | <u>xxx</u>          | <u>xxx</u>        |

**E. Subsidy Expense for Direct Loans by Program and Component:**

|   |                       |                           |                            |                   |            |
|---|-----------------------|---------------------------|----------------------------|-------------------|------------|
| <b>E1. Subsidy Expense for New Direct Loans Disbursed (Current reporting year):</b> |                       |                           |                            |                   |            |
| (1) _____   | (2) _____             | (3) _____                 | (4) _____                  | (5) _____         | (6) _____  |
| Direct Loan Programs  | Interest Differential | Defaults                  | Fees and Other Collections | Other             | Total      |
| (1) _____   | xxx                   | xxx                       | -xxx                       | xxx               | xxx        |
| (2) _____   | <u>xxx</u>            | <u>xxx</u>                | <u>-xxx</u>                | <u>xxx</u>        | <u>xxx</u> |
| Total   | <u>xxx</u>            | <u>xxx</u>                | <u>-xxx</u>                | <u>xxx</u>        | <u>xxx</u> |
| <b>Subsidy Expense for New Direct Loans Disbursed (Prior reporting year):</b>       |                       |                           |                            |                   |            |
| Direct Loan Programs  | Interest Differential | Defaults                  | Fees and Other Collections | Other             | Total      |
| (1) _____   | xxx                   | xxx                       | -xxx                       | xxx               | xxx        |
| (2) _____   | <u>xxx</u>            | <u>xxx</u>                | <u>-xxx</u>                | <u>xxx</u>        | <u>xxx</u> |
| Total   | <u>xxx</u>            | <u>xxx</u>                | <u>-xxx</u>                | <u>xxx</u>        | <u>xxx</u> |
| <b>E2. Modifications and Reestimates (Current reporting year):</b>                  |                       |                           |                            |                   |            |
| (1) _____   | (2) _____             | (3) _____                 | (4) _____                  | (5) _____         |            |
| Direct Loan Programs  | Total Modifications   | Interest Rate Reestimates | Technical Reestimates      | Total Reestimates |            |
| (1) _____   | xxx                   | xxx                       | xxx                        | xxx               |            |
| (2) _____   | <u>xxx</u>            | <u>xxx</u>                | <u>xxx</u>                 | <u>xxx</u>        |            |
| Total   | <u>xxx</u>            | <u>xxx</u>                | <u>xxx</u>                 | <u>xxx</u>        |            |
| <b>Modifications and Reestimates (Prior reporting year):</b>                        |                       |                           |                            |                   |            |
| Direct Loan Programs  | Total Modifications   | Interest Rate Reestimates | Technical Reestimates      | Total Reestimates |            |
| (1) _____   | xxx                   | xxx                       | xxx                        | xxx               |            |
| (2) _____   | <u>xxx</u>            | <u>xxx</u>                | <u>xxx</u>                 | <u>xxx</u>        |            |
| Total   | <u>xxx</u>            | <u>xxx</u>                | <u>xxx</u>                 | <u>xxx</u>        |            |
| <b>E3. Total Direct Loan Subsidy Expense:</b>                                       |                       |                           |                            |                   |            |
| Direct Loan Programs  | <u>Current Year</u>   | <u>Prior Year</u>         |                            |                   |            |
| (1) _____   | xxx                   | xxx                       |                            |                   |            |
| (2) _____   | <u>xxx</u>            | <u>xxx</u>                |                            |                   |            |
| Total   | <u>xxx</u>            | <u>xxx</u>                |                            |                   |            |

**F. Subsidy Rates for Direct Loans by Program and Component:**

| <b>Budget Subsidy Rates for Direct Loans for the Current Year's Cohorts:</b> |                              |                 |                                   |              |              |
|--|------------------------------|-----------------|-----------------------------------|--------------|--------------|
| <u>Direct Loan Programs</u>  | <u>Interest Differential</u> | <u>Defaults</u> | <u>Fees and Other Collections</u> | <u>Other</u> | <u>Total</u> |
| (1) _____  | xx%                          | xx%             | -xx%                              | xx%          | xx%          |
| (2) _____  | xxx                          | xxx             | -xxx                              | xxx          | xxx          |

**G. Schedule for Reconciling Subsidy Cost Allowance Balances**

(Post-1991 Direct Loans)

In millions of

dollars

| Beginning Balance, Changes, and Ending Balance   | FY 2xxx (CY) | FY 2xxx (PY) |
|--|--------------|--------------|
| Beginning balance of the subsidy cost allowance  | \$           | \$           |
| Add: subsidy expense for direct loans disbursed during the reporting years by component: |              |              |
| (a) Interest rate differential costs   |              |              |
| (b) Default costs (net of recoveries)  |              |              |
| (c) Fees and other collections   |              |              |
| (d) Other subsidy costs  |              |              |
| Total of the above subsidy expense components  |              |              |
| Adjustments:   |              |              |
| (a) Loan modifications   |              |              |
| (b) Fees received  |              |              |
| (c) Foreclosed property acquired   |              |              |
| (d) Loans written off  |              |              |
| (e) Subsidy allowance amortization   |              |              |
| (f) Other  |              |              |
| Ending balance of the subsidy cost allowance before reestimates                          |              |              |
| Add or subtract subsidy reestimates by component:  |              |              |
| (a) Interest rate reestimate   |              |              |
| (b) Technical/default reestimate   |              |              |
| Total of the above reestimate components   |              |              |
| Ending balance of the subsidy cost allowance   |              |              |

**Defaulted Guaranteed Loans**

**H. Defaulted Guaranteed Loans from Pre-1992 Guarantees:**

| <b>H1. Defaulted Guaranteed Loans from Pre-1992 Guarantees (Present Value Method):</b>      |  |                     |                           |                         |   |
|---|--|---------------------|---------------------------|-------------------------|---|
| (1)   | (2)  | (3)                 | (4)                       | (5)                     | (6)   |
| Loan Guarantee Programs   | Defaulted Guaranteed Loans Receivable, Gross | Interest Receivable | Foreclosed Property       | Present Value Allowance | Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net |
| (1) _____   | xxx  | xxx                 | xxx                       | -xxx                    | xxx   |
| (2) _____   | <u>xxx</u>                                   | <u>xxx</u>          | <u>xxx</u>                | <u>-xxx</u>             | <u>xxx</u>  |
| Total   | <u>xxx</u>                                   | <u>xxx</u>          | <u>xxx</u>                | <u>-xxx</u>             | <u>xxx</u>  |
| <b>H2. Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method):</b> |  |                     |                           |                         |   |
| (1)   | (2)  | (3)                 | (4)                       | (5)                     | (6)   |
| Loan Guarantee Programs   | Defaulted Guaranteed Loans Receivable, Gross | Interest Receivable | Allowance For Loan Losses | Foreclosed Property     | Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net |
| (1) _____   | xxx  | xxx                 | -xxx                      | xxx                     | xxx   |
| (2) _____   | <u>xxx</u>                                   | <u>xxx</u>          | <u>-xxx</u>               | <u>xxx</u>              | <u>xxx</u>  |
| Total   | <u>xxx</u>                                   | <u>xxx</u>          | <u>-xxx</u>               | <u>xxx</u>              | <u>xxx</u>  |

**I. Defaulted Guaranteed Loans from Post-1991 Guarantees:**

| (1)                     | (2)  | (3)                 | (4)                 | (5)  | (6)   |
|-------------------------|--|---------------------|---------------------|--|---|
| Loan Guarantee Programs | Defaulted Guaranteed Loans Receivable, Gross | Interest Receivable | Foreclosed Property | Allowance for Subsidy Cost (Present Value) | Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net |
| (1) _____               | xxx  | xxx                 | xxx                 | -xxx                                       | xxx   |
| (2) _____               | <u>xxx</u>                                   | <u>xxx</u>          | <u>xxx</u>          | <u>-xxx</u>                                | <u>xxx</u>  |
| Total                   | <u>xxx</u>                                   | <u>xxx</u>          | <u>xxx</u>          | <u>-xxx</u>                                | <u>xxx</u>  |

**Loan Guarantees**

**J. Guaranteed Loans Outstanding:**

|   |   |  |  |
|---|---|--|--|
| <b>J1. Guaranteed Loans Outstanding:</b>                            |   |  |  |
| (1)   | (2)   | (3)  |  |
| Loan Guarantee Programs   | Outstanding Principal of Guaranteed Loans, Face Value | Amount of Outstanding Principal Guaranteed |  |
| (1)_____  | xxx   | xxx  |  |
| (2)_____  | xxx   | xxx  |  |
| Total   | xxx   | xxx  |  |
| <b>J2. New Guaranteed Loans Disbursed (Current reporting year):</b> |   |  |  |
| Loan Guarantee Programs   | Outstanding Principal of Guaranteed Loans, Face Value | Amount of Outstanding Principal Guaranteed |  |
| (1)_____  | xxx   | xxx  |  |
| (2)_____  | xxx   | xxx  |  |
| Total   | xxx   | xxx  |  |
| <b>J3. New Guaranteed Loans Disbursed (Prior reporting year):</b>   |   |  |  |
| Loan Guarantee Programs   | Outstanding Principal of Guaranteed Loans, Face Value | Amount of Outstanding Principal Guaranteed |  |
| (1)_____  | xxx   | xxx  |  |
| (2)_____  | xxx   | xxx  |  |
| Total   | xxx   | xxx  |  |

**K. Liability for Loan Guarantees:**

|   |  |   |                                       |
|---|--|---|---------------------------------------|
| <b>K1. Liability for Loan Guarantees (Present Value Method for pre-1992 guarantees):</b>            |  |   |                                       |
| (1)   | (2)  | (3)   | (4)                                   |
| Loan Guarantee Programs   | Liabilities for Losses on Pre-1992 Guarantees, Present Value                   | Liabilities for Loan Guarantees for Post-1991 Guarantees, Present Value | Total Liabilities for Loan Guarantees |
| (1)_____  | xxx  | xxx   | xxx                                   |
| (2)_____  | xxx  | xxx   | xxx                                   |
| Total   | xxx  | xxx   | xxx                                   |
| <b>K2. Liability for Loan Guarantees (Estimated Future Default Claims for pre-1992 guarantees):</b> |  |   |                                       |
| Loan Guarantee Programs   | Liabilities for Losses on Pre-1992 Guarantees, Estimated Future Default Claims | Liabilities for Loan Guarantees for Post-1991 Guarantees, Present Value | Total Liabilities for Loan Guarantees |
| (1)_____  | xxx  | xxx   | xxx                                   |
| (2)_____  | xxx  | xxx   | xxx                                   |
| Total   | xxx  | xxx   | xxx                                   |

**L. Subsidy Expense for Loan Guarantees by Program and Component:**

|  |                      |                           |                            |                   |           |
|--|----------------------|---------------------------|----------------------------|-------------------|-----------|
| <b>L1. Subsidy Expense for New Loan Guarantees (Current reporting year):</b> |                      |                           |                            |                   |           |
| (1) _____  | (2) _____            | (3) _____                 | (4) _____                  | (5) _____         | (6) _____ |
| Loan Guarantee Programs  | Interest Supplements | Defaults                  | Fees and Other Collections | Other             | Total     |
| (1) _____  | xxx                  | xxx                       | -xxx                       | xxx               | xxx       |
| (2) _____  | xxx                  | xxx                       | -xxx                       | xxx               | xxx       |
| Total  | xxx                  | xxx                       | -xxx                       | xxx               | xxx       |
| <b>Subsidy Expense for New Loan Guarantees (Prior reporting year):</b>       |                      |                           |                            |                   |           |
| (1) _____  | (2) _____            | (3) _____                 | (4) _____                  | (5) _____         | (6) _____ |
| Loan Guarantee Programs  | Interest Supplements | Defaults                  | Fees and Other Collections | Other             | Total     |
| (1) _____  | xxx                  | xxx                       | -xxx                       | xxx               | xxx       |
| (2) _____  | xxx                  | xxx                       | -xxx                       | xxx               | xxx       |
| Total  | xxx                  | xxx                       | -xxx                       | xxx               | xxx       |
| <b>L2. Modifications and Reestimates (Current reporting year):</b>           |                      |                           |                            |                   |           |
| (1) _____  | (2) _____            | (3) _____                 | (4) _____                  | (5) _____         |           |
| Loan Guarantee Programs  | Total Modifications  | Interest Rate Reestimates | Technical Reestimates      | Total Reestimates |           |
| (1) _____  | xxx                  | xxx                       | xxx                        | xxx               |           |
| (2) _____  | xxx                  | xxx                       | xxx                        | xxx               |           |
| Total  | xxx                  | xxx                       | xxx                        | xxx               |           |
| <b>Modifications and Reestimates (Prior reporting year):</b>                 |                      |                           |                            |                   |           |
| (1) _____  | (2) _____            | (3) _____                 | (4) _____                  | (5) _____         |           |
| Loan Guarantee Programs  | Total Modifications  | Interest Rate Reestimates | Technical Reestimates      | Total Reestimates |           |
| (1) _____  | xxx                  | xxx                       | xxx                        | xxx               |           |
| (2) _____  | xxx                  | xxx                       | xxx                        | xxx               |           |
| Total  | xxx                  | xxx                       | xxx                        | xxx               |           |
| <b>L3. Total Loan Guarantee Subsidy Expense:</b>                             |                      |                           |                            |                   |           |
| (1) _____  | (2) _____            |                           |                            |                   |           |
| Loan Guarantee Programs  | Current Year         | Prior Year                |                            |                   |           |
| (1) _____  | xxx                  | xxx                       |                            |                   |           |
| (2) _____  | xxx                  | xxx                       |                            |                   |           |
| Total  | xxx                  | xxx                       |                            |                   |           |

**M. Subsidy Rates for Loan Guarantees by Program and Component:**

|   |                      |          |                            |       |       |
|---|----------------------|----------|----------------------------|-------|-------|
| <b>Budget Subsidy Rates for Loan Guarantees for the Current Year's Cohorts:</b> |                      |          |                            |       |       |
| (1) _____   | (2) _____            |          |                            |       |       |
| Loan Guarantee Programs   | Interest Supplements | Defaults | Fees and Other Collections | Other | Total |
| (1) _____   | xx%                  | xx%      | -xx%                       | xx%   | xx%   |
| (2) _____   | xxx                  | xxx      | -xxx                       | xxx   | xxx   |

**N. Schedule for Reconciling Loan Guarantee Liability Balances**  
(Post-1991 Loan Guarantees)

In millions of dollars

| Beginning Balance, Changes, and Ending Balance   | FY 2xxx (CY) | FY 2xxx (PY) |
|--|--------------|--------------|
| Beginning balance of the loan guarantee liability  | \$           | \$           |
| Add: subsidy expense for guaranteed loans disbursed during the reporting years by component: |              |              |
| (a) Interest supplement costs  |              |              |
| (b) Default costs (net of recoveries)  |              |              |
| (c) Fees and other collections   |              |              |
| (d) Other subsidy costs  |              |              |
| Total of the above subsidy expense components  |              |              |
| Adjustments:   |              |              |
| (a) Loan guarantee modifications   |              |              |
| (b) Fees received  |              |              |
| (c) Interest supplements paid  |              |              |
| (d) Foreclosed property and loans acquired   |              |              |
| (e) Claim payments to lenders  |              |              |
| (f) Interest accumulation on the liability balance   |              |              |
| (g) Other  |              |              |
| Ending balance of the loan guarantee liability before reestimates                            |              |              |
| Add or subtract subsidy reestimates by component:  |              |              |
| (a) Interest rate reestimate   |              |              |
| (b) Technical/default reestimate   |              |              |
| Total of the above reestimate components   |              |              |
| Ending balance of the loan guarantee liability   |              |              |

**O. Administrative Expense:**

| Direct Loan Programs |      | Loan Guarantee Programs |      |
|----------------------|------|-------------------------|------|
| (1) _____            | \$xx | (1) _____               | \$xx |
| (2) _____            | xxx  | (2) _____               | xxx  |
| Total                | xxx  | Total                   | xxx  |

**Instructions.**

- A. Direct Loan and Loan Guarantee Programs.** Identify the names of the direct loan and loan guarantee programs operated by the reporting entity. The Federal Credit Reform Act of 1990 divides direct loans and loan guarantees into two groups: (a) Pre-1992 refers to the direct loan obligations or loan guarantee commitments made prior to FY 1992 and the resulting direct loans or loan guarantees, and (b) Post-1991 refers to the direct loan obligations or loan guarantee commitments made after FY 1991 and the resulting direct loans or loan guarantees. The definitions and explanations of terms and concepts in these instructions can be supplemented by referring to OMB Circular No. A-11, Section 185, and subsequent issuances of the corresponding Circulars. Additional guidance on accounting and reporting requirements can be found in SFFAS Nos. 2, 18 and 19.

Section 506(a)(1) of the Federal Credit Reform Act exempts the credit activities of certain agencies, such as FDIC and TVA. These agencies can report in accordance with other requirements.

Agencies should disclose that direct loan obligations and loan guarantee commitments made after FY 1991, and the resulting direct loans or loan guarantees, are governed by the Federal Credit Reform Act of 1990, as amended. SFFAS No. 2 provides that the present value of the subsidy costs (which arises from interest rate differentials, interest supplements, defaults (net of recoveries), fee offsets, and other cash flows) associated with direct loans and loan guarantees be recognized as a cost in the year the direct or guaranteed loan is disbursed. Direct loans are reported net of an allowance for subsidy at present value, and loan guarantee liabilities are reported at present value.

Agencies should also disclose whether pre-1992 direct loans and loan guarantees are reported on a present value basis or are reported under the allowance for loss method. (Under the allowance for loss method, the nominal amount of the direct loans is reduced by an allowance for uncollectible amounts, and the liability for loan guarantees is the amount the agency estimates will more likely than not require a future cash outflow to pay default claims. Under the present value method, the nominal amount of direct loans is reduced by an allowance equal to the difference between the nominal amount and the present value of the expected net cash flows from the loans, and the liability for loan guarantees is the present value of expected net cash outflows due to the loan guarantees.) Depending on the reporting method selected by management for pre-1992 direct loans and loan guarantees, agencies should choose the appropriate format from the alternatives shown in sections B, H and K above. (Note: Agencies should follow either the net present value method or the allowance for loss method, but not both. They may not change from one method to the other without the advance approval of OMB.)

Agencies should disclose that their loans receivable, net, or their value of assets related to direct loans, is not the same as the proceeds that they would expect to receive from selling their loans.

When the reporting entity has made payments on behalf of borrowers which should be collected from the borrowers, the resulting receivables shall be reported in the same column as loans receivable for either direct loans or defaulted guaranteed loans. Receivables related to administrative costs of operating these programs shall be reported as accounts receivable in Note 6 and not as credit program receivables in this note.

**Narrative and Discussion.** Provide other information related to direct loan and loan guarantee programs, as appropriate, including a description of the characteristics of the loan programs, any commitments to guarantee, management's method for accruing interest revenue and recording interest receivable, and management's policy for accruing interest on non-performing loans.

Disclose a discussion and explanation of events and changes in economic conditions, other risk factors, legislation, credit policies, and subsidy estimation methodologies and assumptions that have had a significant and measurable effect on subsidy rates, subsidy expense, and subsidy reestimates. The discussion should also include events and changes that have occurred and are more likely than not to have a significant impact but the effects of which are not measurable at the reporting date. Changes in legislation or credit policies include, for example, changes in borrowers' eligibility, the levels of fees or interest rates charged to borrowers, the maturity terms of loans, and the percentage of a private loan that is guaranteed.

If modifications were made, explain the nature of the modifications, the discount rate used in calculating the expense, and the basis for recognizing a gain or loss related to the modification. Also, if appropriate, disclose that the subsidy expense resulting from reestimates, that is included in the financial statements, but not reported in the budget until the following year.

With respect to the foreclosed property reported in sections B, C, H and I the following information should be disclosed:

- Changes from prior year's accounting methods, if any.
- Restrictions on the use/disposal of the property.
- Number of properties held and average holding period by type or category.
- Number of properties for which foreclosure proceedings were in process at the end of the period.

- B. Direct Loans Obligated Prior to FY 1992.** For each program with pre-1992 Direct Loans, report Loans Receivable Gross and Interest Receivable in columns 2 and 3 respectively. If the present value method is used, report in column 4 the estimated net realizable value of related foreclosed property and report in column 5 the present value allowance. The sum of columns 2 through 4 less column 5 is reported as Value of Assets Related to Direct Loans (column 6). If the allowance for loss method is used, report in column 4 the allowance for loan losses and in column 5 the estimated net realizable value of related foreclosed property. The sum of columns 2, 3, and 5 less column 4 is reported as Value of Assets Related to Direct Loans (column 6).
- C. Direct Loans Obligated After FY 1991.** For each program with post-1991 Direct Loans, report Loans Receivable, Gross, Interest Receivable and the estimated value of related foreclosed property in columns 2, 3, and 4, respectively.

Foreclosed property associated with post-1991 direct and acquired defaulted guaranteed loans shall be valued at the net present value of the projected cash flows associated with the property. To practicably accomplish this requirement, foreclosed property may be recorded at the estimated net realizable value at the time of foreclosure if the differences are not material. A portion of the related allowance for subsidy account should apply to the foreclosed property, but that amount need not be separately determined. Rather, the allowance account is subtracted from the sum of the credit program assets to determine the net present value of the assets. For additional guidance related to foreclosures, refer to SFFAS No. 2 ¶ 57-60 and SFFAS No. 3 ¶ 79-91.

Report the related allowance for subsidy cost in column 5. Report the sum of columns 2 through 4 less column 5 as the Value of Assets Related to Direct Loans (column 6).

- D. Total Amount of Direct Loans Disbursed.** Report the total amount of direct loans disbursed for the current reporting year and the prior reporting year for each program.
- E. Subsidy Expense for Direct Loans by Program and Component.** Disclose for each program the total subsidy expense and its components, the subsidy expense for modifications, and the total subsidy expense and its components for reestimates during the current and prior reporting years.

**E1. Subsidy Expense for New Direct Loans Disbursed:** Disclose for each program the total subsidy expense for new direct loans disbursed and its components: interest rate differential costs, default costs (net of recoveries), fees and other collections, and other costs. In column 2, disclose the present value of the amount of the subsidy expense attributable to the interest rate differential between the interest rate charged to the borrowers and the discount rate used to calculate the present value of the direct loans and the subsidy costs; in column 3, the present value of the estimated defaults (net of recoveries); in column 4, the present value of the estimated fees collected (offsetting

expense); in column 5, the present value of other cash flows, including prepayments; and in column 6, the total of columns 2 through 5.

**E2. Direct Loan Modifications and Reestimates:** In column 2, disclose the subsidy expense for modifications of direct loans previously disbursed (whether pre-1992 or post-1991). In columns 3 and 4, disclose reestimates of the subsidy expense for direct loans, previously disbursed, by component (interest rate and technical/default); and in Column 5, the total of columns 3 and 4.

**E3. Total Direct Loan Subsidy Expense:** The total subsidy expense for the current and prior year's direct loans, modifications, and reestimates.

- F. Subsidy Rates for Direct Loans by Program and Component:** Disclose for each program the budget subsidy rates estimated for the cohorts of the current reporting year. Also disclose the subsidy rate for the following components: interest rate differential costs, default costs (net of recoveries), fees and other collections, and other costs, estimated for direct loans in the current year's budget for the current year's cohorts. These rates should be consistent with the rates published in the Federal Credit Supplement to the Budget of the U.S. Government. Each subsidy rate is the dollar amount of the total subsidy or a subsidy component as a percentage of the direct loans obligated in the cohort. Entities are encouraged to use trend data to display significant fluctuations in subsidy rates. Such trend data, if used, should be accompanied with analysis to explain the underlying causes for the fluctuations.

The reporting entity should state the following in its disclosure:

The subsidy rates disclosed pertain only to the current year's cohorts. These rates cannot be applied to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes modifications and re-estimates.

- G. Schedule for Reconciling Subsidy Cost Allowance Balances for Post-1991 Direct Loans.** Display a reconciliation between the beginning and ending balances of the subsidy cost allowance for outstanding direct loans reported in the entity's balance sheet. The reconciliation is required for direct loans obligated on or after October 1, 1991, the effective date of the Federal Credit Reform Act of 1990. Reporting entities are encouraged but not required to display reconciliations for direct loans obligated prior to October 1, 1991, in schedules separate from the direct loans obligated after September 30, 1991. Schedules for pre-1992 direct loans would not have all the same reconciling items as for post-1991 direct loans.

- H. Defaulted Guaranteed Loans from Pre-1992 Guarantees.** For each program with pre-1992 Loan Guarantees, report gross receivables from defaulted guaranteed loans assumed for direct collection in column 2 and the related interest receivable in column 3. If the present value method is used, report the estimated net realizable value of related foreclosed property in column 4, and the present value allowance in column 5. The sum of columns 2 through 4 less column 5 is reported as Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net (column 6). If the allowance for loss method is used, report the allowance for loan losses in column 4 and the estimated net realizable value of related foreclosed property in column 5. The sum of columns 2, 3 and 5 less column 4 is reported as Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net (column 6).
- I. Defaulted Guaranteed Loans for Post-1991 Guarantees.** For each program with post-1991 Loan Guarantees, report gross receivables from defaulted guaranteed loans assumed for direct collection, related interest receivable, and the estimated value of related foreclosed property in columns 2, 3, and 4, respectively. Report the related allowance for subsidy cost in column 5. Report the sum of columns 2 through 4 less column 5 as the Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net (column 6). For foreclosed property, see the instructions for section C.
- The sum of the amounts reported in column 6 of sections B, C, H and I shall equal the amount reported on the Balance Sheet as loans receivables and related foreclosed property, net.
- J. Guaranteed Loans Outstanding.** For each loan guarantee program, report in column 2 the face value of outstanding principal of guaranteed loans disbursed by a third party. In column 3, report the amount of this outstanding principal that is guaranteed. Also report the amount of new guaranteed loans disbursed for the current and prior reporting years.
- K. Liability for Loan Guarantees.** For each program with pre-1992 loan guarantees, report in column 2 the liability for losses. If the present value method is used to calculate the liability, report in column 2 the present value of liabilities for losses on pre-1992 loan guarantees. If the estimated future default claims method is used, report in column 2 the estimated future default claims. For each program with post-1991 loan guarantees, report in column 3 the present value of the estimated net cash flows (outflows less inflows) to be paid by the entity as a result of the loan guarantees. Report the total of columns 2 and 3 as total liabilities for loan guarantees (column 4).
- L. Subsidy Expense for Loan Guarantees by Program and Component.** Disclose for each program the total subsidy expense and its components, the subsidy expense for modifications, and the subsidy expense for reestimates during the current and prior reporting years.

**L1. Subsidy Expense for New Loan Guarantees :** Disclose for each program the total subsidy expense for new loan guarantees (i.e., the loan guarantees on new guaranteed loans) and its components: interest supplement costs, default costs (net of recoveries), fees and other collections, and other costs. Disclose in column 2, the present value of the amount of the interest supplements; in column 3, the present value of the estimated payments for defaults on loan guarantees (net of recoveries); in column 4, the present value of the estimated fees collected (offsetting expense); in column 5, the present value of other cash flows; and in column 6, the total of columns 2 through 5.

**L2. Loan Guarantee Modifications and Reestimates:** Disclose in column 2, the subsidy expense for modifications of loan guarantees in guaranteed loans previously disbursed by a third party (whether pre-1992 or post-1991). Disclose in columns 3 and 4, reestimates of the subsidy expense for loan guarantees, previously committed, by component (interest rate and technical/default); and in Column 5, the total of columns 3 and 4.

**L3. Total Loan Guarantee Subsidy Expense:** The total subsidy expense for the current and prior year's loan guarantees, modifications, and reestimates.

**M. Subsidy Rates for Loan Guarantees by Program and Component:** Disclose for each program the subsidy rates for the following components: interest supplement costs, default costs (net of recoveries), fees and other collections, and other costs, estimated for loan guarantees in the current year's budget for the current year's cohorts. These rates should be consistent with the rates published in the Budget of the U.S. Government. Each subsidy rate is the dollar amount of the total subsidy or a subsidy component as a percentage of the guaranteed loans obligated in the cohort. Entities may use trend data to display significant fluctuations in subsidy rates. Such trend data, if used, should be accompanied with analysis to explain the underlying causes for the fluctuations.

The reporting entity should state the following in its disclosure:

The subsidy rates disclosed pertain only to the current year's cohorts. These rates cannot be applied to the guarantees of loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loan guarantees reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes modifications and reestimates.

**N. Schedule for Reconciling Loan Guarantee Liability Balances for Post-1991 Loan Guarantees.** Display a reconciliation between the beginning and ending balances of the liability for outstanding loan guarantees reported in the entity's balance sheet. The reconciliation is required for loan guarantees committed on or after October 1, 1991, the effective date of the Federal Credit Reform Act of 1990. Reporting entities are encouraged but not required to display reconciliations

for loan guarantees committed prior to October 1, 1991, in schedules separate from the loan guarantees committed after September 30, 1991. Schedules for pre-1992 loan guarantees would not have all the same reconciling items as for post-1991 loan guarantees.

- O. Administrative Expense.** Report the portions of salaries and other administrative expenses that have been accounted for in support of the direct loan programs and loan guarantee programs. Report the expenses for the individual programs, if material.

### **9.9 Note 9 Inventory and Related Property, Net**

The following describes the information that shall be disclosed for each category of inventory and related property. Seized and forfeited property that cannot be sold due to legal restrictions, but which may be either donated or destroyed, shall be subject to the disclosure requirements described below. However, no financial value shall be recognized for these items.

#### **Inventories**

- General composition of inventory.
- Basis for determining inventory values, including the valuation method and any cost flow assumptions.
- Changes from prior year's accounting methods, if any.
- Balances for each of the following categories of inventory: (1) inventory held for current sale, (2) inventory held in reserve for future sale, (3) excess, obsolete, and unserviceable inventory, and (4) inventory held for repair, unless otherwise presented on the financial statements.
- The difference between the carrying amount of the inventory before identification as excess, obsolete, or unserviceable inventory, and its expected net realizable value.
- Restriction on the sale of inventory.
- The decision criteria for identifying the category to which inventory is assigned.
- Changes in the criteria for identifying the category to which inventory is assigned.

#### **Operating materials and supplies**

- General composition of operating materials and supplies.
- Basis for determining operating materials and supplies values, including the valuation method and any cost flow assumptions.

- Changes from prior year's accounting methods, if any.
- Balances for each of the following categories of operating materials and supplies: (1) items held for use, (2) items held in reserve for future use, and (3) excess, obsolete and unserviceable items.
- The difference between the carrying amount of the operating materials and supplies before identification as excess, obsolete or unserviceable and their estimated net realizable value.
- Restriction on the use of operating materials and supplies.
- The decision criteria for identifying the category to which operating materials and supplies are assigned.
- Changes in the criteria for identifying the category to which operating materials and supplies are assigned.

**Stockpile materials**

- General composition of stockpile materials.
- Basis for valuing stockpile materials, including valuation method and any cost flow assumptions.
- Changes from prior year's accounting methods, if any.
- Restriction on the use of material.
- Balances of stockpile materials in each of the following categories: (1) stockpile materials, and (2) stockpile materials held for sale.
- Decision criteria for categorizing stockpile materials as held for sale.
- Changes in the criteria for categorizing stockpile materials as held for sale.

**Seized property**

- Explanation of what constitutes a seizure and a general description of the composition of seized property.
- Method(s) of valuing seized properties.
- Changes from prior year's accounting methods, if any.

- Analysis of change in seized property, including the dollar value and number of seized properties that are: (1) on hand at the beginning of the year, (2) seized during the year, (3) disposed of during the year, and (4) on hand at the end of the year, as well as known liens or other claims against the property. This information should be presented by type of seized property and method of disposition where material.
- For seized monetary instruments a liability shall be reported in "Other Liabilities" in an amount equal to the seized asset value.

**Forfeited property**

- Composition of forfeited property.
- Method(s) of valuing forfeited property.
- Restrictions on the use or disposition of forfeited property.
- Changes from prior year's accounting methods, if any.
- Analysis of change in forfeited property, providing the dollar value and number of forfeited properties that: (1) are on hand at the beginning of the year, (2) are made during the year, (3) are disposed of during the year by method of disposition, and (4) are on hand at the end of the year. This information should be presented by type of property forfeited where material.
- If available, an estimate of the value of property or funds to be distributed to Federal, State and local agencies in future reporting periods.

**Goods held under price support and stabilization programs**

- Basis for valuing the commodities, including the valuation method and any cost flow assumptions.
- Changes from prior year's accounting methods, if any.
- Restrictions on the use, disposal, or sale of commodities.
- Analysis of change in the dollar value and volume of commodities, including those: (1) on hand at the beginning of the year, (2) acquired during the year, (3) disposed of during the year by method of disposition, (4) on hand at the end of the year, (5) on hand at year's end and estimated to be donated or transferred during the coming period, and (6) that may be received as a result of collateral related to nonrecourse loans outstanding. The analysis should also show the dollar value and volume of purchase agreement commitments.

### **9.10 Note 10 General Property, Plant and Equipment, Net**

The major classes of general PP&E should be determined by the reporting entity. Examples of major classes of general PP&E may include, but are not limited to, buildings and structures, furniture and fixtures, equipment, vehicles, and land. The following are the minimum disclosures required for each major class of general PP&E:

- Cost, associated accumulated depreciation, and book value.
- Estimated useful life.
- Method(s) of depreciation.
- Capitalization threshold(s), including any changes in threshold(s) during the period.
- Restrictions on the use or convertibility of general PP&E.

Recognition and measurement criteria for general PP&E are in SFFAS No. 6, as amended by SFFAS Nos. 11, 16 and 23. If adjustments are required to existing PP&E in the period that the standards are implemented, in order to comply with the recognition and measurement criteria, the adjustments should be made and disclosed by major class in accordance with the standard.

**9.11 Note 11 Other Assets**

|                         | 2xxx<br>(CY)    | 2xxx<br>(PY)    |
|-------------------------|-----------------|-----------------|
| A. 1. Intragovernmental |                 |                 |
| (1) _____               | \$ xxx          | \$ xxx          |
| (2) _____               | xxx             | xxx             |
| (3) _____               | <u>xxx</u>      | <u>xxx</u>      |
| Total Intragovernmental | xxx             | xxx             |
| 2. _____                | xxx             | xxx             |
| 3. _____                | xxx             | xxx             |
| 4. _____                | <u>xxx</u>      | <u>xxx</u>      |
| Total Other Assets      | \$ <u>x,xxx</u> | \$ <u>x,xxx</u> |

B. Other information: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**Instructions.**

1. List and describe the major homogenous components of other assets.
2. Provide other information needed to understand the nature of other assets.

**9.12 Note 12 Liabilities Not Covered by Budgetary Resources**

|  | 2xxx<br>(CY)    | 2xxx<br>(PY)    |
|--|-----------------|-----------------|
| Intragovernmental:                                   |                 |                 |
| Accounts payable                                     | \$ xxx          | \$ xxx          |
| Debt   | xxx             | xxx             |
| Other  | <u>xxx</u>      | <u>xxx</u>      |
| Total intragovernmental                              | <u>xxx</u>      | <u>xxx</u>      |
| Accounts payable                                     | xxx             | xxx             |
| Debt held by the public                              | xxx             | xxx             |
| Federal employee and veteran benefits                | xxx             | xxx             |
| Environmental and disposal liabilities               | xxx             | xxx             |
| Benefits due and payable                             | xxx             | xxx             |
| Other  | <u>xxx</u>      | <u>xxx</u>      |
| Total liabilities not covered by budgetary resources | \$ <u>x,xxx</u> | \$ <u>x,xxx</u> |

Other information: \_\_\_\_\_

Disclose intragovernmental liabilities not covered by budgetary resources separately from other liabilities not covered by budgetary resources. Provide other information needed to understand the nature of liabilities not covered by budgetary resources. Liabilities not covered by budgetary resources are liabilities for which Congressional action is needed before budgetary resources can be provided. See section 3.4 for additional definitions of liabilities covered and not covered by budgetary resources.

9.13 Note 13 Debt

Exhibit 9C

| Note 13 Debt                              | 2xxx<br>(PY)         |                  | 2xxx<br>(PY)      |                  | 2xxx<br>(CY)      |
|---|----------------------|------------------|-------------------|------------------|-------------------|
|   | Beginning<br>Balance | Net<br>Borrowing | Ending<br>Balance | Net<br>Borrowing | Ending<br>Balance |
| A. Treasury Debt:                         |                      |                  |                   |                  |                   |
| (1) Intragovernmental                     | \$xx                 | \$xx             | \$xx              | \$ xxx           | \$ xxx            |
| (2) Held by the Public                    | <u>xxx</u>           | <u>xxx</u>       | <u>xxx</u>        | <u>xxx</u>       | <u>xxx</u>        |
| (3) Total Treasury Debt                   | xxx                  | xxx              | xxx               | xxx              | xxx               |
| B. Agency Debt:                           |                      |                  |                   |                  |                   |
| (1) Intragovernmental                     | xxx                  | xxx              | xxx               | xxx              | xxx               |
| (2) Held by the Public                    | <u>xxx</u>           | <u>xxx</u>       | <u>xxx</u>        | <u>xxx</u>       | <u>xxx</u>        |
| (3) Total Agency Debt                     | xxx                  | xxx              | xxx               | xxx              | xxx               |
| C. Other Debt:                            |                      |                  |                   |                  |                   |
| (1) Debt to the Treasury                  | xxx                  | xxx              | xxx               | xxx              | xxx               |
| (2) Debt to the Federal<br>Financing Bank | xxx                  | xxx              | xxx               | xxx              | xxx               |
| (3) Debt to Other Federal<br>Agencies     | <u>xxx</u>           | <u>xxx</u>       | <u>xxx</u>        | <u>xxx</u>       | <u>xxx</u>        |
| (4) Total Other Debt                      | xxx                  | xxx              | xxx               | xxx              | xxx               |
| D. Total Debt                             | <u>x,xxx</u>         | <u>x,xxx</u>     | <u>x,xxx</u>      | <u>x,xxx</u>     | <u>x,xxx</u>      |
| E. Classification of Debt:                |                      |                  |                   | <u>2xxx</u>      | <u>2xxx</u>       |
|   |                      |                  |                   | (CY)             | (PY)              |
| Intragovernmental Debt                    |                      |                  |                   | x,xxx            | x,xxx             |
| Debt held by the Public                   |                      |                  |                   | <u>x,xxx</u>     | <u>x,xxx</u>      |
| Total Debt                                |                      |                  |                   | <u>x,xxx</u>     | <u>x,xxx</u>      |
| F. Other Information:                     | _____                |                  |                   |                  |                   |
|   | _____                |                  |                   |                  |                   |

**Instructions.** All debt is classified as not covered by budgetary resources, except for (a) direct loan and guaranteed loan financing account debt to Treasury and (b) that portion of other debt which is covered by budgetary resources at the balance sheet date. Lines A (1) and (2), Treasury Debt, should be reported by the Treasury Department only and should distinguish between debt held by government agencies and debt held by the public. On line

**Form and Content of the PAR**                      **Section 9 -- Notes to the Financial Statements (Part 1 of 2)**

B, enter the amounts of agency debt issued under special financing authorities (e.g., Federal Housing Administration (FHA) debentures and Tennessee Valley Authority bonds). Report separately agency debt held by government agencies and agency debt held by the public. On line C, enter the amounts of debt owed to Federal agencies as follows: on line C(1), debt owed to the Treasury, which includes direct loan and guaranteed loan financing account debt to Treasury as well as other debt owed to Treasury; on line C(2), debt owed to the Federal Financing Bank; and on line C(3), debt owed to other Federal agencies. Net borrowing and repayment is not to include amounts that result from refinancing.

**Classification of Debt.** Report as intragovernmental debt all debt owed to Treasury, the Federal Financing Bank or other Federal agencies or accounts (line A(1), B(1), and C(4) ). This amount shall equal the intragovernmental debt amount reported on the balance sheet. Report all debt held by the public on lines A(2) and B(2). This amount shall equal debt held by the public on the balance sheet.

**Other Information.** Provide the names of the agencies, other than Treasury or the Federal Financing Bank, to which intragovernmental debt is owed and the amounts. Provide other information relative to debt (for example, redemption or call of debts owed to the public before maturity dates, write-offs of debts owed Treasury or the Federal Financing Bank, etc.).

#### **9.14 Note 14 Federal Employee and Veteran Benefits**

Entities that are responsible for administering pensions, other retirement benefits, and other post-employment benefits should calculate and report these liabilities and related expenses in accordance with SFFAS No. 5.

For entities that are responsible for administering pensions, other retirement benefits, and other post-employment benefits, the following are the minimum disclosures required for pensions and other retirement benefits:

- The assumptions used to calculate the liability. (In the case of a pension plan that uses assumptions that differ from those used by the primary plans, the Civil Service Retirement System (CSRS), the Federal Employees' Retirement System (FERS), and the Military Retirement System (MRS), the pension plan using the different assumptions should disclose how and why the assumptions used differ from those of the primary plans.)
- Separate disclosure of the individual components of expense for the period (the normal cost, interest on the liability for the period, prior and past service cost from plan amendments during the period, if any, any gains/losses due to a change in the medical inflation rate assumption, and other actuarial gains or losses during the period, if any).

**9.15 Note 15 Environmental and Disposal Liabilities**

Disclose environmental and disposal liabilities in accordance with SFFAS No. 5 and SFFAS No. 6. For environmental hazards resulting from ongoing operations, include the: (1) sources of cleanup requirements, (2) method for assigning estimated total cleanup costs to current operating periods, (3) unrecognized portion of estimated total cleanup cost associated with general PP&E, (4) material changes in total estimated cleanup costs due to changes in laws, technology, or plans, and the portion of the change in estimate that relates to prior period operations, and (5) nature of estimates and the disclosure of information regarding possible changes due to inflation, deflation, technology, or applicable laws and regulations.

**Exhibit 9D**

**9.16 Note 16 Other Liabilities**

|                         | <u>Non-Current</u> | <u>Current</u>  | 2xxx<br>(CY)<br><u>Total</u> |
|-------------------------|--------------------|-----------------|------------------------------|
| A. 1. Intragovernmental |                    |                 |                              |
| (1) _____               | \$ xxx             | \$ xxx          | \$ xxx                       |
| (2) _____               | xxx                | xxx             | xxx                          |
| (3) _____               | <u>xxx</u>         | <u>xxx</u>      | <u>xxx</u>                   |
| Total Intragovernmental | xxx                | xxx             | xxx                          |
| 2. _____                | xxx                | xxx             | xxx                          |
| 3. _____                | xxx                | xxx             | xxx                          |
| 4. _____                | <u>xxx</u>         | <u>xxx</u>      | <u>xxx</u>                   |
| Total Other Liabilities | \$ <u>x,xxx</u>    | \$ <u>x,xxx</u> | \$ <u>x,xxx</u>              |

|                         | <u>Non-Current</u> | <u>Current</u>  | 2xxx<br>(PY)<br><u>Total</u> |
|-------------------------|--------------------|-----------------|------------------------------|
| B. 1. Intragovernmental |                    |                 |                              |
| (1) _____               | \$ xxx             | \$ xxx          | \$ xxx                       |
| (2) _____               | xxx                | xxx             | xxx                          |
| (3) _____               | <u>xxx</u>         | <u>xxx</u>      | <u>xxx</u>                   |
| Total Intragovernmental | xxx                | xxx             | xxx                          |
| 2. _____                | xxx                | xxx             | xxx                          |
| 3. _____                | xxx                | xxx             | xxx                          |
| 4. _____                | <u>xxx</u>         | <u>xxx</u>      | <u>xxx</u>                   |
| Total Other Liabilities | \$ <u>x,xxx</u>    | \$ <u>x,xxx</u> | \$ <u>x,xxx</u>              |

C. Other Information: \_\_\_\_\_

**Instructions.**

- **Other Liabilities.** Include all liabilities not reported elsewhere. Separately disclose the current portion of other liabilities.
- **Other Information.** Provide other information necessary for understanding other liabilities.

9.17 Note 17 Leases

**Note 17 Leases**

**A. Entity as Lessee:**

|  |             |             |
|--|-------------|-------------|
| <b><u>Capital Leases:</u></b>          | <u>2xxx</u> | <u>2xxx</u> |
|  | (CY)        | (PY)        |
| Summary of Assets Under Capital Lease: |             |             |
| Land and Buildings.....                | xxx         | xxx         |
| Machinery and Equipment.....           | xxx         | xxx         |
| Other.....                             | xxx         | xxx         |
| Accumulated Amortization.....          | xxx         | xxx         |

Description of Lease Arrangements: \_\_\_\_\_

Future Payments Due:

| <u>Fiscal Year</u>                  | <u>Asset Category</u> |              |              | <u>Totals</u> |
|-------------------------------------|-----------------------|--------------|--------------|---------------|
|                                     | <u>(1)</u>            | <u>(2)</u>   | <u>(3)</u>   |               |
| Year 1                              | xxx                   | xxx          | xxx          | xxx           |
| Year 2                              | xxx                   | xxx          | xxx          | xxx           |
| Year 3                              | xxx                   | xxx          | xxx          | xxx           |
| Year 4                              | xxx                   | xxx          | xxx          | xxx           |
| Year 5                              | xxx                   | xxx          | xxx          | xxx           |
| After 5 Years                       | <u>xxx</u>            | <u>xxx</u>   | <u>xxx</u>   | <u>xxx</u>    |
| Total Future Lease Payments         | xxx                   | xxx          | xxx          | xxx           |
| Less: Imputed Interest              | xxx                   | xxx          | xxx          | xxx           |
| Less: Executory Costs (e.g., taxes) | <u>xxx</u>            | <u>xxx</u>   | <u>xxx</u>   | <u>xxx</u>    |
| Net Capital Lease Liability         | <u>x,xxx</u>          | <u>x,xxx</u> | <u>x,xxx</u> | <u>x,xxx</u>  |

Lease liabilities covered by budgetary resources x,xxx

Lease liabilities not covered by budgetary resources x,xxx

**Operating Leases:**

Description of Lease Arrangements: \_\_\_\_\_

Future Payments Due:

| <u>Fiscal Year</u>               | <u>Asset Category</u> |              |              | <u>Totals</u> |
|----------------------------------|-----------------------|--------------|--------------|---------------|
|                                  | <u>(1)</u>            | <u>(2)</u>   | <u>(3)</u>   |               |
| Year 1                           | xxx                   | xxx          | xxx          | xxx           |
| Year 2                           | xxx                   | xxx          | xxx          | xxx           |
| Year 3                           | xxx                   | xxx          | xxx          | xxx           |
| Year 4                           | xxx                   | xxx          | xxx          | xxx           |
| Year 5                           | xxx                   | xxx          | xxx          | xxx           |
| After 5 Years                    | <u>xxx</u>            | <u>xxx</u>   | <u>xxx</u>   | <u>xxx</u>    |
| Total Future Lease Payments..... | <u>x,xxx</u>          | <u>x,xxx</u> | <u>x,xxx</u> | <u>x,xxx</u>  |

**B. Entity as Lessor:**

**Capital Leases:**

Description of Lease Arrangements: \_\_\_\_\_  
 \_\_\_\_\_

Future Projected Receipts:

| <u>Fiscal Year</u>     | <u>Asset Category</u> |              |              | <u>Totals</u> |
|------------------------|-----------------------|--------------|--------------|---------------|
|                        | <u>(1)</u>            | <u>(2)</u>   | <u>(3)</u>   |               |
| Year 1                 | xxx                   | xxx          | xxx          | xxx           |
| Year 2                 | xxx                   | xxx          | xxx          | xxx           |
| Year 3                 | xxx                   | xxx          | xxx          | xxx           |
| Year 4                 | xxx                   | xxx          | xxx          | xxx           |
| Year 5                 | xxx                   | xxx          | xxx          | xxx           |
| After 5 Years          | <u>xxx</u>            | <u>xxx</u>   | <u>xxx</u>   | <u>xxx</u>    |
| Total Future Capital   |                       |              |              |               |
| Lease Receivables..... | <u>x,xxx</u>          | <u>x,xxx</u> | <u>x,xxx</u> | <u>x,xxx</u>  |

**Operating Leases:**

Description of Lease Arrangements: \_\_\_\_\_  
 \_\_\_\_\_

Future Projected Receipts:

| <u>Fiscal Year</u>     | <u>Asset Category</u> |              |              | <u>Totals</u> |
|------------------------|-----------------------|--------------|--------------|---------------|
|                        | <u>(1)</u>            | <u>(2)</u>   | <u>(3)</u>   |               |
| Year 1                 | xxx                   | xxx          | xxx          | xxx           |
| Year 2                 | xxx                   | xxx          | xxx          | xxx           |
| Year 3                 | xxx                   | xxx          | xxx          | xxx           |
| Year 4                 | xxx                   | xxx          | xxx          | xxx           |
| Year 5                 | xxx                   | xxx          | xxx          | xxx           |
| After 5 Years          | <u>xxx</u>            | <u>xxx</u>   | <u>xxx</u>   | <u>xxx</u>    |
| Total Future Operating |                       |              |              |               |
| Lease Receivables..... | <u>x,xxx</u>          | <u>x,xxx</u> | <u>x,xxx</u> | <u>x,xxx</u>  |

**C. Other Information:** \_\_\_\_\_  
 \_\_\_\_\_

**Instructions.** SFFAS Nos. 5 and 6 provide the criteria for liability and asset recognition with respect to capital leases.

**A. Entity as Lessee.**

**Summary of Assets Under Capital Lease:** Enter the gross assets under capital lease, by major asset category, and the related total accumulated amortization.

**Description of Lease Arrangements:** Provide information that discloses the agency's funding commitments including, but not limited to, the major asset categories and associated lease terms, including renewal options, escalation clauses, contingent rentals restrictions imposed by lease agreements, and the amortization period.

**Future Payments Due:** Enter future lease payments, by major asset category, for all noncancellable leases with terms longer than one year.

For capital leases, show deductions for imputed interest and executory costs. Separately disclose the portions of the capital lease liability covered by budgetary resources and not covered by budgetary resources (see Appendix B of OMB Circular No. A-11 for additional guidance but observe a difference in terminology: that the term capital leases as used in this note includes capital leases and lease purchases as the terms are used in OMB Circular No. A-11). According to the OMB Circular No. A-11, capital leases entered into during FY 1992 and thereafter are required to be fully funded in the first year of the lease.

**B. Entity as Lessor.**

**Description of Lease Arrangements:** Provide the information necessary to disclose the commitment of the entity's assets including but not limited to the major asset category and lease terms.

**Future Projected Receipts:** Enter future lease revenues, by major asset category, for all noncancellable leases with terms longer than one year.

**C. Other Information.** Provide other information necessary for understanding leases that is not disclosed in the above categories.

### 9.18 Note 18 Life Insurance Liabilities

Federal entities providing whole life insurance should provide all disclosures required by private sector standards. They should also separately disclose all components of the liability for future policy benefits with a description of each amount and an explanation of its projected use and any other potential uses (e.g., reducing premiums, determining and declaring dividends available, and/or reducing Federal support in the form of appropriations related to administrative costs or subsidies). See SFFAS No. 5 for further guidance.

### 9.19 Note 19 Commitments and Contingencies

A loss contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible loss to an entity. The uncertainty should ultimately be resolved when one or more future events occur or fail to occur. The likelihood that the future event or events will confirm the loss or the incurrence of a liability can range from probable to remote. SFFAS No. 5, as amended by SFFAS No.12, contains the criteria for recognition and disclosure of contingent liabilities. In addition to the contingent liabilities required by SFFAS No. 5, the following shall also be disclosed: (1) an estimate of obligations related to canceled appropriations for which the reporting entity has a contractual commitment for payment and (2) amounts for contractual arrangements which may require future financial obligations.

**9.20 Note 20 Earmarked Funds (Effective FY 2006)**

Earmarked funds are financed by specifically identified revenues and are required by statute to be used for designated activities or purposes, and must be accounted for separately from the Government's general revenues. See SFFAS 27, *Identifying and Reporting Earmarked Funds* for the required criteria for an earmarked fund.

SFFAS 27 requires disclosure of all earmarked funds for which the reporting entity has program management responsibility. See the standard for information and details on disclosing information on selected individual earmarked funds and for all remaining earmarked funds shown in aggregate. Also, see SFFAS 27 for guidance on selecting earmarked funds to be presented individually or in aggregate.

The following information should be disclosed for each individually reported earmarked fund, or portion thereof, for which a component entity has program management responsibility.

- A description of each fund's purpose, how the entity accounts for and reports the fund, and its authority to use those revenues and other financing sources.
- The sources of revenue or other financing for the period and an explanation of the extent to which they are inflows of resources to the Government or the result of intragovernmental flows.
- Any change in legislation during or subsequent to the reporting period and before the issuance of the financial statements that significantly changes the purpose of the fund or that redirects a material portion of the accumulated balance.

The total cumulative results of operations of all earmarked funds shown in the note disclosure should agree with the cumulative results of operations of earmarked funds shown on the face of the component entity's Balance Sheet and the Statement of Changes in Net Position. SFFAS 27 contains specific guidance if more than one component entity is responsible for carrying out a program financed with earmarked revenues and other financing sources. Also see SFFAS 27 for restatement rules on an entity reporting a different portion of an earmarked fund than it reported in prior years, or does not report an earmarked fund that it reported in the previous year, or does report an earmarked fund that it did not report in the previous year. Refer to SFFAS 27 for additional disclosure requirements.

**Section 9 - Notes to the Financial Statements (Part 2 of 2)**

## Table of Contents

*Note Disclosures Related to the Statement of Net Cost*

- 9.21 Note 21** Intragovernmental Costs and Exchange Revenue
- 9.22 Note 22** Suborganization Program Costs/Program Costs by Segment
- 9.23 Note 23** Cost of Stewardship PP&E
- 9.24 Note 24** Stewardship Assets Through Transfer, Donation or Devise
- 9.25 Note 25** Exchange Revenues

*Note Disclosures Related to the Statement of Changes in Net Position*

- 9.26 Note 26** Cleanup Cost Adjustments

*Note Disclosures Related to the Statement of Budgetary Resources*

- 9.27 Note 27** Apportionment Categories of Obligations Incurred
- 9.28 Note 28** Available Borrowing/Contract Authority, End of Period
- 9.29 Note 29** Terms of Borrowing Authority Used
- 9.30 Note 30** Adjustments to Beginning Balance of Budgetary Resources
- 9.31 Note 31** Permanent Indefinite Appropriations
- 9.32 Note 32** Legal Arrangements Affecting Use of Unobligated Balances
- 9.33 Note 33** Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the United States Government
  
- 9.34 Note 34** Undelivered orders at the end of the period
- 9.35 Note 35** Contributed Capital

*Note Disclosures Related to the Statement of Financing*

- 9.36 Note 36** Explanation of Differences Between Liabilities Not Covered by Budgetary Resources and Components Requiring or Generating Resources in Future Periods
- 9.37 Note 37** Description of Transfers that Appear as a Reconciling Item on the Statement of Financing

*Note Disclosures Related to the Statement of Custodial Activity*

- 9.38 Note 38** Incidental Custodial Collections
- 9.39 Note 39** Nonexchange Revenues

*Note Disclosures Not Related to a Specific Statement*

- 9.40 Note 40** Dedicated Collections
- 9.41 Note 41** Restatements

**9.21 Note 21 Intragovernmental Costs and Exchange Revenue**

| Exhibit 9E                                       | Suborganization<br>A | Suborganization<br>B | Total<br>2xxx<br>(PY) | Total<br>2xxx<br>(CY) |
|--|----------------------|----------------------|-----------------------|-----------------------|
| Program A  |                      |                      |                       |                       |
| Intragovernmental costs                          |                      |                      |                       |                       |
| Public costs                                     |                      |                      |                       |                       |
| Total Program A costs [agrees with SNC]          |                      |                      |                       |                       |
| Intragovernmental earned revenue                 |                      |                      |                       |                       |
| Public earned revenue                            |                      |                      |                       |                       |
| Total Program A earned revenue [agrees with SNC] |                      |                      |                       |                       |
| Program B  |                      |                      |                       |                       |
| Intragovernmental costs                          |                      |                      |                       |                       |
| Total Program B costs [agrees with SNC]          |                      |                      |                       |                       |
| Intragovernmental earned revenue                 |                      |                      |                       |                       |
| Total Program B earned revenue [agrees with SNC] |                      |                      |                       |                       |
| Program C  |                      |                      |                       |                       |
| Public costs                                     |                      |                      |                       |                       |
| Total Program C costs [agrees with SNC]          |                      |                      |                       |                       |
| Public Program C earned revenue                  |                      |                      |                       |                       |
| Total earned revenue [agrees with SNC]           |                      |                      |                       |                       |

**Instructions.**

Disclose intragovernmental costs (exchange transactions made between two reporting entities within the Federal government) separately from costs with the public (exchange transactions made between the reporting entity and a non-Federal entity). Disclose intragovernmental exchanges revenue (exchange transactions made between two reporting entities within the Federal government) separately from exchange revenue with the public (exchange transactions made between the reporting entity and a non-Federal entity).

Describe the definition criteria used for this classification, and include an explanation that makes it clear to the reader that the intragovernmental expenses relate to the source of goods and services purchased by the reporting entity, and not to the classification of related revenue. If necessary, provide an example: “For ‘exchange revenue with the public,’ the buyer of the goods or services is a non-Federal entity. For ‘intragovernmental costs,’ the buyer and seller are both Federal entities. If a Federal entity purchases goods or services from another Federal entity and sells them to the public, the exchange revenue would be classified as ‘with the public,’ but the related costs would be classified as ‘intragovernmental.’ The purpose of this classification is to enable the Federal government to provide consolidated financial statements, and not to match public and intragovernmental revenue with costs that are incurred to produce public and intragovernmental revenue.”

**9.22 Note 22 Suborganization Program Costs/Program Costs by Segment**

For some entities, the organizational structure and operations are so complex that supporting schedules should be used to fully display their suborganizations' major programs and activities. In addition, an agency's Statement of Net Cost may display highly aggregated program information, and the programs may have clearly distinguishable segments. Information on the net cost of the segments should be disclosed in the footnotes. Supporting schedules similar to the illustration in Exhibit 9F should be included in the notes to the financial statements and present detailed cost and revenue information supporting the summary information presented in the Statement of Net Cost.

**Exhibit 9F****9.22 Note 22 Suborganization Program Costs/Program Costs by Segment**

|   | Reporting Entity<br>Supporting Schedule by Suborganization<br>For the year ended September 30, 2xxx (CY)<br>(in dollars/thousands/millions) |                        |                        | Combined<br>Total | Intra-entity<br>Eliminations | Consolidated<br>Total |
|---|---|------------------------|------------------------|-------------------|------------------------------|-----------------------|
|   | Suborgani-<br>Zation A  | Suborgani-<br>zation B | Suborgani-<br>zation C |                   |                              |                       |
| Crosscutting Programs                               |   |                        |                        |                   |                              |                       |
| Program A:  |   |                        |                        |                   |                              |                       |
| Gross Costs   | xxx   | --                     | xxx                    | xxx               | xxx                          | xxx                   |
| Less: Earned revenues                               | <u>- xx</u>   | --                     | <u>- xx</u>            | <u>- xx</u>       | <u>- xx</u>                  | <u>-xxx</u>           |
| Net program costs                                   | x, xxx  | --                     | x,xxx                  | x,xxx             | x,xxx                        | x,xxx                 |
| Other Programs                                      |   |                        |                        |                   |                              |                       |
| Program B:  | --  | xxx                    | --                     | xxx               | xxx                          | xxx                   |
| Program C:  | --  | xxx                    | --                     | xxx               | xxx                          | xxx                   |
| Program D:  | xxx   | xxx                    | --                     | xxx               | xxx                          | xxx                   |
| Program E:  | --  | --                     | xxx                    | xxx               | xxx                          | xxx                   |
| Program F:  | --  | --                     | xxx                    | xxx               | xxx                          | xxx                   |
| Other programs                                      | <u>--</u>   | <u>--</u>              | <u>xxx</u>             | <u>xxx</u>        | <u>xxx</u>                   | <u>xxx</u>            |
| Total Other Program Costs                           | x,xxx   | x,xxx                  | x,xxx                  | x,xxx             | x,xxx                        | x,xxx                 |
| Cost not assigned to programs                       | xxx   | xxx                    | xxx                    | --                | xxx                          | xxx                   |
| Less: Earned revenues not<br>Attributed to programs | <u>- xx</u>   | <u>- xx</u>            | <u>--</u>              | <u>- xx</u>       | <u>- xx</u>                  | <u>-xx</u>            |
| Net Cost of Operations                              | <u>x,xxx</u>  | <u>x,xxx</u>           | <u>x,xxx</u>           | <u>x,xxx</u>      | <u>x,xxx</u>                 | <u>x,xxx</u>          |

9.22 Note 22 Suborganization Program Costs/Program Costs by Segment (continued)

|   | Reporting Entity<br>Supporting Schedule by Suborganization<br>For the year ended September 30, 2xxx<br>(in dollars/thousands/millions) |                        |                        |                   |                              |                       |
|---|--|------------------------|------------------------|-------------------|------------------------------|-----------------------|
|   | Suborgani-<br>Zation A   | Suborgani-<br>zation B | Suborgani-<br>zation C | Combined<br>Total | Intra-entity<br>Eliminations | Consolidated<br>Total |
| Crosscutting Programs                               |  |                        |                        |                   |                              |                       |
| Program A:  |  |                        |                        |                   |                              |                       |
| Gross Costs   | xxx  | --                     | xxx                    | xxx               |                              |                       |
| Less: Earned revenues                               | <u>- xx</u>  | --                     | <u>- xx</u>            | <u>- xx</u>       | <u>- xx</u>                  | <u>-xxx</u>           |
| Net program costs                                   | x, xxx   | --                     | x,xxx                  | x,xxx             | x,xxx                        | x,xxx                 |
| Other Programs                                      |  |                        |                        |                   |                              |                       |
| Program B:  | --   | xxx                    | --                     | xxx               | xxx                          | xxx                   |
| Program C:  | --   | xxx                    | --                     | xxx               | xxx                          | xxx                   |
| Program D:  | xxx  | xxx                    | --                     | xxx               | xxx                          | xxx                   |
| Program E:  | --   | --                     | xxx                    | xxx               | xxx                          | xxx                   |
| Program F:  | --   | --                     | xxx                    | xxx               | xxx                          | xxx                   |
| Other programs                                      | <u>--</u>  | <u>--</u>              | <u>xxx</u>             | <u>xxx</u>        | <u>xxx</u>                   | <u>xxx</u>            |
| Total Other Program Costs                           | x,xxx  | x,xxx                  | x,xxx                  | x,xxx             | x,xxx                        | x,xxx                 |
| Cost not assigned to programs                       | xxx  | xxx                    | xxx                    | --                | xxx                          | xxx                   |
| Less: Earned revenues not<br>Attributed to programs | <u>- xx</u>  | <u>- xx</u>            | <u>--</u>              | <u>- xx</u>       | <u>- xx</u>                  | <u>-xx</u>            |
| Net Cost of Operations                              | <u>x,xxx</u>   | <u>x,xxx</u>           | <u>x,xxx</u>           | <u>x,xxx</u>      | <u>x,xxx</u>                 | <u>x,xxx</u>          |

**Note 9.23 Note 23 Cost of Stewardship PP&E**

The cost of acquiring, constructing, improving, reconstructing, or renovating heritage assets (other than multi-use heritage assets), and the cost of acquiring stewardship land and any costs to prepare stewardship land for its intended use, shall be recognized as a cost in the Statement of Net Cost in the period when it is incurred. These costs shall be separately reported on the face of the Statement of Net Cost or disclosed in the footnotes, depending on the materiality of the amounts and the need to distinguish such amounts from other costs relating to measures of outputs or outcomes of the reporting entity (see SFFAS No. 8).

**9.24 Note 24 Stewardship Assets Acquired Through Transfer, Donation or Devise**

If the cost of heritage assets and stewardship land transferred from other Federal entities is not known, then the receiving entity shall disclose their fair value. Heritage assets and stewardship land acquired through donation or devise shall not be recognized as a cost in calculating net cost, but the fair value of the property shall be disclosed. If the fair value is not known or reasonably estimable, information related to the type and quantity of assets received shall be disclosed (see SFFAS Nos. 6 and 8).

**9.25 Note 25 Exchange Revenues**

Reporting entities that provide goods and services to the public or another government entity should disclose specific information related to their pricing policies and any expected losses under goods made to order. These disclosures are described in SFFAS No. 7.

***Note Disclosure Related to the Statement of Changes in Net Position*****9.26 Note 26 Cleanup Cost Adjustments**

The cost for any cleanup cost liability recognized upon implementation of the standard requiring such recognition shall be shown on the Statement of Changes in Net Position as a prior period adjustment. The amounts involved shall be disclosed in a note, and to the extent possible, amounts associated with current and prior periods should be identified. See SFFAS No. 6.

***Note Disclosures Related to the Statement of Budgetary Resources*****9.27 Note 27 Apportionment Categories of Obligations Incurred**

Disclose the amount of direct and reimbursable obligations incurred against amounts apportioned under Category A, B and Exempt from apportionment. This disclosure shall agree with the aggregate of the related information as reported on the agency's year-end SF 133s, *Report on Budget Execution and Budgetary Resources*, and lines 8A and 8B in the Statement of Budgetary Resources. Apportionment categories shall be determined in accordance with the guidance provided in OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget (as amended)*.

**9.28 Note 28 Available Borrowing/Contract Authority, End of Period**

Disclose the amount of available borrowing and contract authority at the end of the period.

**9.29 Note 29 Terms of Borrowing Authority Used**

Disclose the repayment requirements, financing sources for repayment, and other terms of borrowing authority used.

**9.30 Note 30 Adjustments to Beginning Balance of Budgetary Resources**

Disclose and explain the amounts adjusted, during the reporting period, of the budgetary resources available at the beginning of the year.

**9.31 Note 31 Permanent Indefinite Appropriations**

Disclose the existence, purpose, and availability of permanent indefinite appropriations.

**9.32 Note 32 Legal Arrangements Affecting Use of Unobligated Balances**

Disclose the information about legal arrangements affecting the use of unobligated balances of budget authority, such as time limits, purpose, and obligation limitations. For example, the portion of trust fund receipts collected in the current fiscal year that (1) exceed the amount needed to pay benefits or other valid obligations and (2) the excess of receipts temporarily precluded from obligation by law due to a benefit formula or other limitation. The receipts; however, are assets of the trust fund and available for obligation as needed in the future.

**9.33 Note 33 Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the United States Government**

Identify and explain material differences between amounts reported in the Statement of Budgetary Resources and the actual amounts reported in the Budget of the United States Government as required by SFFAS No. 7. Agencies can find comparable information reported in the SBR to the President's Budget (i.e., net outlays) in a Table entitled "Federal Program by Agency and Account" on the CD-ROM located in the pocket of the Analytical Perspective Volume of the Budget of the United States Government. Differences, in and of themselves, may or may not indicate a reporting error. Legitimate reasons for differences could exist. For example, expired unobligated balances are reported in the Statement of Budgetary Resources and SF 133 but not in the Budget of the United States Government. This disclosure should be provided when comparable line items differ between the President's Budget and the Statement of Budgetary Resources.

The reporting entity should disclose that the President's Budget with actual numbers for the fiscal year has not yet been published, explain when it is expected to be published, and indicate where it will be available.

### **9.34 Note 34 Undelivered orders at the end of the period (Effective FY 2006)**

Disclose the amount of budgetary resources obligated for undelivered orders at the end of the period.

Beginning with FY 2006, the format of the SBR will change and the amount of undelivered orders at the end of the period will no longer be reported on the face of the statement. Due to the change in the statement format, this note disclosure will be required to comply with SFFAS 7 paragraph 79 (a).

### **9.35 Note 35 Contributed Capital**

The amount of any contributed capital received during the reporting period.

### ***Note Disclosures Related to the Statement of Financing***

### **9.36 Note 36 Explanation of Differences Between Liabilities Not Covered by Budgetary Resources and Components Requiring or Generating Resources in Future Periods**

Identify and explain the relationship between amounts reported as *Liabilities not covered by budgetary resources* on the Balance Sheet and amounts reported as *Components requiring or generating resources in future periods* on the Statement of Financing.

### **9.37 Note 37 Description of Transfers that Appear as a Reconciling Item on the Statement of Financing**

When budget authority and other resources are allocated to another agency or bureau (allocation transfer of appropriation - see OMB Circular A-11, sections 20.4 (l) and 71.5), the following guidance applies.

The parent (transferor of the appropriation) should report the activity in its financial statements, unless the allocation transfer is material to the child's (recipient of the transfer) financial statements. If the allocation transfer is material to the child's financial statements, the child should report the activity relating to the allocation in all of its financial statements, except the Statement of Budgetary Resources. In this case, the parent should continue to report the appropriation and the related budgetary activity in its Statement of Budgetary Resources. It is the responsibility of the parent to ensure that the reporting to Treasury, through FACTS I, is consistent with the presentation in the financial statements.

When the child reports material allocation transfers in its Statement of Net Cost, both the parent and the child should report a reconciling item on their respective Statements of Financing. In their footnotes, the parent and child should provide a general description of the funds transferred to or the funds received from another entity, including the nature and purpose of the transfer. Agencies are encouraged to add more detail (e.g., their trading partner/agency, bureau, and account title for each parent appropriation) as they deem necessary.

### *Note Disclosures Related to the Statement of Custodial Activity*

#### **9.38 Note 38 Incidental Custodial Collections**

Organizations that collect immaterial custodial revenues that are incidental to their primary mission may disclose the sources and amounts of the collections and the amounts distributed to others in accompanying footnotes rather than on the face of the statement.

#### **9.39 Note 39 Nonexchange Revenues**

Entities preparing a statement of custodial activity for nonexchange revenue should disclose the: (1) basis of accounting, (2) factors affecting the collectability and timing of taxes and other nonexchange revenues, and (3) cash collections and refunds by tax year and type of tax for the reporting period. These disclosures are described in SFFAS No. 7.

### *Note Disclosures Not Related to a Specific Statement*

#### **9.40 Note 40 Dedicated Collections**

Effective FY 2006, for funds meeting the definition of earmarked funds (see SFFAS 27, paragraphs 11-18), follow the instructions for new Note 20 instead of this note.

Effective FY 2006, the following instructions apply only to dedicated collections that do not meet the definition of earmarked funds.

A reporting entity may be responsible for funds financed with dedicated collections that are held for later use to accomplish the fund's purpose. Such funds include all funds within the Budget classified as "trust funds," those funds within the budget that are classified as "special funds" but that are similar in nature to trust funds, and those funds within and outside the budget that are fiduciary in nature.

Financial information about dedicated collections (i.e., collections material to the reporting entity, beneficiaries, or contributors) should be separately presented on the face of the principal statements or disclosed in the notes to those statements. Immaterial amounts may be presented separately in special reports to the beneficiaries and contributors. Most dedicated collections are included in the financial statements of the entity carrying out the program and responsible for administration of the fund. The minimum requirements to be reported or disclosed include the following:

- A description of each fund's purpose, how the administrative entity accounts for and reports the fund, and its authority to use those collections.
- The sources of revenue or other financing for the period and an explanation of the extent to which they are inflows of resources to the government or the result of intragovernmental flows.
- Condensed information about assets and liabilities showing investments in Treasury securities, other assets, liabilities due and payable to beneficiaries, other liabilities, and fund balance.
- Condensed information on net cost and changes to fund balance showing revenues by type (exchange/nonexchange), program expenses, other expenses, other financing sources, and other changes in fund balance.
- Any revenues, other financing sources, or costs attributable to the fund under accounting standards, but not legally allowable as credits or charges to the fund. Preparers are encouraged to refer to SFFAS No. 7 paragraphs 83-87 for further guidance on the reporting and disclosure requirements for dedicated collections. **Effective FY 2006, preparers should refer to SFFAS 27 for reporting and disclosure requirements for funds meeting the definition of earmarked funds.**

#### 9.41 Note 41 Restatements

Agencies shall provide information to address the restatement of financial statements due to material errors in a separate note entitled "Restatements". The following information should be addressed in the note: the nature of the error and the reason for the restatement, the year (s) being restated, which financial statements are impacted, the amounts being restated, and the effect of the restatement on the financial statements as a whole (i.e., change in overall net position, change in audit opinion, etc.). In addition, agencies should further discuss the actions management took after discovering the error.

**Section 10 - Required Supplementary Stewardship Information**  
Table of Contents

- 10.1 General**
- 10.2 Stewardship Property, Plant and Equipment**
  - 10.2A Heritage Assets**
  - 10.2B Stewardship Land**
  - 10.2C Summary of Minimum Reporting Requirements**
- 10.3 Stewardship Investments**
  - 10.3A Non-Federal Physical Property**
  - 10.3B Human Capital**
  - 10.3C Research and Development**
  - 10.3D Summary of Minimum Reporting Requirements**
- 10.4 Stewardship Responsibilities**
  - 10.4A Social Insurance**

**10.1 General<sup>6</sup>**

The stewardship objective of Federal financial reporting requires the Federal Government to report on its stewardship over certain resources entrusted to it and certain responsibilities assumed by it that cannot be measured in traditional financial reports. These resources and responsibilities do not meet the criteria for assets and liabilities that are required to be reported in the financial statements but are important to understanding the operations and financial condition of the Federal Government at the date of the financial statements and in subsequent periods.

Stewardship resources involve substantial investment by the Federal Government for the benefit of the Nation. Costs of stewardship-type resources are treated as expenses in the financial statements in the year the costs are incurred. However, these costs and resultant resources are intended to provide long-term benefits to the public and are included as required supplementary stewardship reporting to highlight for the user their long-term-benefit nature and to demonstrate accountability over them. Depending on the nature of the resources, stewardship reporting could consist of financial or non-financial data.

To achieve the objectives of required supplementary stewardship information (RSSI) reporting, resources and responsibilities for which the Federal Government is accountable have been

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<sup>6</sup> The Board eliminated the use of RSSI to report information about weapons systems when it issued SFFAS 23, “Eliminating the Category National Defense Property, Plant, and Equipment.” Additionally, SFFAS 25, *Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment*, eliminated the use of RSSI for reporting stewardship responsibilities. Classification of other items of information currently designated RSSI may be dealt with in one or more future standards.

categorized into three distinct groups and measures of accountability established for each. The three major groups are as follows:

- Stewardship Property, Plant and Equipment (PP&E)
- Stewardship Investments
- Stewardship Responsibilities

Reporting requirements for financial and non-financial data have been defined so that the unique characteristics of stewardship can be displayed. Entities should make the determination of how best to apply the stewardship standards based on a thorough analysis of their individual entity, including its mission, financial practices, and the impact of its mission and operations on financial report users and on the Nation. All entity determinations of the applicability of stewardship standards should be thoroughly documented.

Information on stewardship definitions, measurement, minimum reporting and implementation guidance can be found in SFFAS Nos. 5, 6, 8, 11, 14, 16, and 17.

## **10.2 Stewardship Property, Plant and Equipment**

Stewardship PP&E consists of assets whose physical properties resemble those of general PP&E that are traditionally capitalized in financial statements. However, due to the nature of these assets, (1) valuation would be difficult and (2) matching costs with specific periods would not be meaningful. Yet, the Federal Government should be able to demonstrate accountability over these assets by reporting on their existence and condition. Stewardship PP&E includes:

- Heritage assets, such as Federal monuments and memorials and historically or culturally significant property.
- Stewardship land, e.g., land not acquired for or in connection with general PP&E.

### **10.2A Heritage Assets**

Heritage assets are unique and are generally expected to be preserved indefinitely. Heritage assets may be unique because they have historical or natural significance, are of cultural, educational or artistic importance, or have significant architectural characteristics. These assets shall be reported in terms of physical units rather than cost, fair value, or other monetary values. No amount shall be shown on the balance sheet of Federal financial statements for heritage assets, except for multi-use heritage assets in which the predominant use of the asset is in general government operations. The costs of acquisition, betterment, or reconstruction of multi-use heritage assets shall be capitalized as general PP&E and depreciated, with required supplementary stewardship information providing the physical quantity information for the multi-use heritage assets. The costs of acquiring, constructing, improving, reconstructing, or

OMB Circular A-136

renovating heritage assets, other than multi-use, shall be considered an expense in the period incurred when determining the net cost of operations.

**10.2B Stewardship Land**

Stewardship land is land [and land rights] not acquired for or in connection with items of general PP&E. Land is defined as the solid surface of the earth, excluding natural resources. These assets shall be reported in terms of physical units rather than cost, fair value, or other monetary values. No asset amount shall be shown on the balance sheet of Federal financial statements for stewardship land. The acquisition cost of stewardship land shall be considered an expense in the period acquired when determining the net cost of operations.

**10.2C Summary of Minimum Stewardship Reporting Requirements**

The following table summarizes the minimum stewardship reporting required for heritage assets, and stewardship land.

| INFORMATION REPORTED                           | HERITAGE ASSETS  | STEWARDSHIP LAND   |
|--|--|--|
| 1. Description of Assets                       | Describe each major category:<br>1. Collectible<br>2. Noncollectible   | Describe, by principal organization, significant holdings by category of major use.                                  |
| 2. Description of acquisitions and withdrawals | Describe methods of acquisition and withdrawal.  | Describe methods of acquisition and withdrawal.  |
| 3. Accounting for physical items or dollars    | Account for physical units by major category:<br><br>Beginning Balance<br>Additions<br>Withdrawals<br>Ending Balance | Account for physical units by major category:<br><br>Beginning Balance<br>Additions<br>Withdrawals<br>Ending Balance |
| 4. Condition description <sup>7</sup>          | Describe overall condition. <sup>8</sup>   | Describe overall condition.  |

<sup>7</sup> See SFFAS 6, paragraph 78 (footnote 58) for guidance on Management’s authority in determining the level of condition.

<sup>8</sup> Condition information may be reported with the deferred maintenance information in RSI. Entities should reference the condition and deferred maintenance information if reported elsewhere in the report.

|  |  |  |
|--|--|--|
| 5. Deferred Maintenance                  | Reference information on deferred maintenance included elsewhere in the report, if required. | Reference information on deferred maintenance included elsewhere in the report, if required. |
| 6. Presentation of financial information | Reference principal statements for financial information on multi-use heritage assets.       | Not applicable.  |

### **10.3 Stewardship Investments**

Stewardship investments are substantial investments made by the Federal Government for the benefit of the nation but are not physical assets owned by the Federal Government. When incurred, they are treated as expenses in determining the net cost of operations. However, these items merit special treatment so that users of Federal financial reports know the extent of investments that are made for long-term benefit. Such investments should be measured in terms of expenses incurred for: (1) federally-financed but not federally-owned physical property (Non-federal Physical Property); (2) certain education and training programs (Human Capital); and (3) federally-financed research and development (Research and Development).

#### **10.3A Non-Federal Physical Property**

Non-Federal physical property investments are expenses included in the calculation of net cost incurred by the reporting entity for the purchase, construction or major renovation of physical property owned by state and local governments. Reporting will include data, in nominal dollars, on investment for the year being reported upon and the preceding four years. Additional years' data may also be reported if such data would provide a better indication of the nature of the investment.

#### **10.3B Human Capital**

Human capital investments are expenses included in net cost for education and training programs that are intended to: (1) increase or maintain national economic productive capacity, and that (2) produce outputs and outcomes that provide evidence of maintaining or increasing national productive capacity. The definition excludes education and training expenses for Federal civilian and military personnel. Reporting will include data, in nominal dollars, on investment for the year being reported upon and the preceding four years. Additional years' data may also be reported if such data would provide a better indication of the investment.

Continued categorization of human capital expenses as investment for stewardship purposes is predicated on demonstrated outputs and outcomes consistent with the intent of the program. SFFAS No. 8 describes the criteria which shall be met for these expenses to continue to be categorized as stewardship investments. Outcome and output measures that are used to justify continued treatment of expenses as stewardship investments should be clearly identified in the agency's financial statement, and the relationship of the outcomes and outputs to the stewardship investments should be readily apparent.

### **10.3C Research and Development**

Research and development investments are expenses included in the calculation of net costs to support the search for new or refined knowledge and ideas and for the application or use of such knowledge and ideas for the development of new or improved products and processes, with the expectation of maintaining or increasing national economic productive capacity or yielding other future benefits. Reporting will include data, in nominal dollars, on investment for the year being reported upon and the preceding four years. Additional years' data may also be reported if such data would provide a better indication of the investment.

Continued categorization of research and development expenses as investment for stewardship purposes is predicated on demonstrated outputs and outcomes consistent with the intent of the program. SFFAS No. 8 describes the criteria which shall be met for these expenses to continue to be categorized as stewardship investments. Outcome and output measures that are used to justify continued treatment of expenses as stewardship investments should be clearly identified in the agency's financial statement, and the relationship of the outcomes and outputs to the stewardship investments should be readily apparent.

### 10.3D Summary of Minimum Reporting Requirements

The following table summarizes the minimum reporting required for non-Federal property, human capital, and research and development.

| INFORMATION REPORTED                       | NON-FEDERAL PROPERTY  | HUMAN CAPITAL  | RESEARCH AND DEVELOPMENT   |
|--|---|--|--|
| 1. Annual investment by category or level* | Include full cost of the investment made for the current year, including description of Federal property transferred to state and local governments, and the preceding 4 years. Report additional years of data if it provides a better indication of investment. | Include full cost of the investment made for the current year and the preceding 4 years. Report additional years of data if it provides a better indication of investment. | Include full cost of the investment made for The current year and The preceding 4 years. Report additional years of data if it provides a better indication of investment. |
| 2. Description of major programs           | Describe major programs involving Federal investments, including description of programs or policies under which non-cash assets are transferred to state and local governments.  | Describe major education and training programs considered Federal investments.   | Describe major research and development programs.  |

\* In some cases, the information is not available because entities have maintained records on the basis of outlays rather than expenses. Agencies in this situation should continue to report historical data on an outlay basis for any years in which reporting is required and for which expense data is not available. If neither historical expense nor outlay data are available for each of the five years, entities need report expense data for only the current reporting year and such other years as available. At the end of five years, however, the agency will be able to report the expenses, to be categorized as investments, for each of the preceding five years.

## **10.4 Stewardship Responsibilities<sup>9</sup>**

Reporting on stewardship responsibilities aids in assessing the Federal Government’s financial condition and the sufficiency of future budgetary resources to sustain public services and meet obligations as they become due. Stewardship responsibilities at the entity-level have been identified, and reporting requirements are addressed below, for Social insurance.

Supplementary stewardship information for social insurance programs is to be reported to address fundamental questions about the current and future financial condition of these programs. These fundamental questions include whether the programs are sustainable as currently constructed and what effect these programs have on the overall financial condition of the government. Information required to be disclosed for social insurance programs is intended to facilitate an assessment of the long-term sustainability of the program as well as the ability of the program to raise resources from future program participants to pay for benefits to present participants.

Disclosure requirements for social insurance programs are discussed in summary below. Financial statement preparers and auditors should refer to SFFAS No. 17 for a more detailed discussion.

Programs defined as social insurance consist of:

- Old-Age, Survivors, and Disability Insurance (OASDI or Social Security);
- Hospital Insurance (HI) and Supplementary Medical Insurance (SMI), collectively known as Medicare;
- Railroad Retirement benefits;
- Black Lung benefits; and
- Unemployment Insurance (UI).

The RSSI information provided for each of these programs should include the following financial and actuarial disclosures:

- Long-range cashflow projections
- Long-range projections of the ratio of contributors to beneficiaries (dependency ratio)

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<sup>9</sup> Under SFFAS 25 *Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment*, as amended by SFFAS 26, *Presentation of Significant Assumptions for the Statement of Social Insurance*, the Statement of Social Insurance (SOSI), including accompanying notes and significant assumptions will become basic information, while the remaining information about Social Insurance required by SFFAS 17 will be reported as RSI. SFFAS 28 defers for one year the effective dates of SFFAS 25 and SFFAS 26. The provisions of this standard will be effective for periods beginning after September 30, 2005.

**Form and Content of the PAR**      **Section 10 – Required Supplementary Stewardship Information**

- Actuarial present value of future benefits, and future contributions and tax income for/from current and future beneficiaries
- Sensitivity analysis illustrating the effect of the changes in the most significant assumptions on the projections and present values
- State-by-state solvency analysis for the UI program

The actuarial present value of future benefit payments, contributions and tax income for current and future participants should be summarized in a Statement of Social Insurance. The Statement of Social Insurance should cover a five-year period beginning with the current period covered in the financial statements. Financial and actuarial disclosures should be accompanied by a narrative describing the program, how it is financed, how benefits are calculated, and an interpretive analysis of trends revealed by the data. Management may provide any additional information pertaining to the financial conditions of its program that it believes may be useful and appropriate. Additional information on definitions, measurement, minimum reporting and implementation guidance, as well as illustrative disclosure formats, can be found in SFFAS No. 17.

**Section 11 - Required Supplementary Information**  
Table of Contents

**11.1 Management’s Discussion & Analysis****11.1A Purpose****11.1B Responsibility****11.1C Scope****11.1D Mission and Organizational Structure****11.1E Performance Goals, Objectives, and Results****11.1F Analysis of Entity’s Financial Statements and Stewardship Information****11.1G Analysis of Entity’s Systems, Controls and Legal Compliance****11.1H Possible Future Effects of Existing Events and Conditions****11.1I Other Management Information, Initiatives, and Issues****11.1J Limitations of the Financial Statements****11.2 Deferred Maintenance****11.3 Intragovernmental Amounts****11.4 Statement of Budgetary Resources****11.5 Statement of Custodial Activity****11.6 Segment Information****11.7 Risk Assumed Information****11.1 Management’s Discussion & Analysis**

Annual Performance and Accountability Reports (PAR) must contain a section entitled Management’s Discussion and Analysis (MD&A). The MD&A is Section 1 of the PAR and should follow the entity head letter (Secretary’s message). To be useful, the MD&A must be concise and readable to a non-technical audience. Not all material items in the basic statements, notes and other sections of the annual financial report need to be discussed in MD&A.

**11.1A Purpose**

The MD&A should serve as a brief overview of the entire PAR. It includes most important matters that could:

- lead to significant actions or proposals by top management of the reporting unit;
- be significant to the managing, budgeting, and oversight functions of Congress and the Administration; or
- significantly affect the judgment of citizens about the efficiency and effectiveness of their Federal Government.

Furthermore, conformance to U.S. generally accepted accounting principles for Federal entities

requires the inclusion of an MD&A of the financial statements and related information.

### **11.1B Responsibility**

The content of MD&A is the responsibility of management. Its preparation should be a joint effort of both the Chief Financial Officer (CFO) office and program offices. The MD&A should provide a balanced analytical assessment of performance that includes both positive and negative information.

### **11.1C Scope**

The MD&A is an integral part of the annual financial statement and should be regarded as required supplementary information (RSI). The following summarizes the requirements for the MD&A as stated in SFFAC No. 3 and SFFAS No. 15.

Pursuant to SFFAS No. 15, the MD&A may reference information in other discrete sections of the financial statement or it may be based on information contained in reports separate from the financial statement. At a minimum, the MD&A should address the entity's:

- mission and organizational structure;
- performance goals, objectives, and results;
- financial statements;
- systems, controls, and legal compliance; and

The MD&A should also include forward-looking information about the possible effects of anticipated future demands, events, conditions, and trends. Management should discuss important problems that need to be addressed, and actions that have been planned or taken to address those problems. Actions needed, planned, and taken may be discussed within the sections listed above or in a separate section of the MD&A.

### **11.1D Mission and Organizational Structure**

The MD&A should contain a brief description of the mission(s) of the entity and describe its related organizational structure, consistent with the entity's strategic plan.

### **11.1E Performance Goals, Objectives, and Results**

This section should summarize the more detailed performance information reported in the Performance Section of the PAR. The MD&A should include (in no specific order):

- Highlights of “most important” performance goals and results (positive and negative) for the applicable year related to and consistent with major goals and objectives in the entity’s strategic and performance plans, including trend data where available (this applies to goals being evaluated by quantitative and descriptive criteria). These highlights should:
  - Provide a clear, objective picture of the entity’s program results compared to its goals and objectives.
  - Indicate the extent to which its programs are achieving their intended goals and objectives, and explain performance trends.
  - Discuss the strategies and resources the entity uses to achieve its performance goals.
  - Evaluate the significance of underlying factors that may have affected the reported performance. These may include information about factors that are substantially outside the entity’s control as well as information about factors over which the entity has significant control; and
  - Include an explanation of plans and timelines to improve performance where targets were not met.
- A summary of the procedures management has designed and followed to provide reasonable assurance that reported performance information is relevant and reliable;
- A discussion of important limitations and difficulties associated with performance measurement and reporting should be noted to the extent relevant.

Entities are encouraged to describe in the PAR how they are currently integrating performance and financial information to help the reader assess the relative efficiency and effectiveness of entity programs/operations. Efficiency is measured by relating outputs (the quantity of services provided) to inputs (the costs incurred to provide the services). Effectiveness is measured by the outcome or the degree to which a predetermined objective is met, and is commonly combined with cost information to show “cost effectiveness.” Entities should strive to articulate efficiency and effectiveness by developing and reporting objective measures that, to the extent possible, address efficiency and effectiveness, and by relating major goals and objectives in their strategic plan to cost categories (i.e., responsibility segments) presented in the Statement of Net Cost. Further, entities should include a strategic vision for enhancing the integration of financial and performance information in future PARs.

### **11.1F Analysis of the Entity’s Financial Statements and Stewardship Information**

The MD&A should help users understand the entity’s financial results, position and condition conveyed in the principal financial statements. The MD&A should include comparisons of the

current year to the prior year and should provide an analysis of the agency's overall financial position and results of operations to assist users in assessing whether that financial position has improved or deteriorated as a result of the year's activities. It should give users the benefit of management's understanding of:

- major changes in types or amounts of assets, liabilities, costs, revenues, obligations, and outlays;
- the relevance of particular balances and amounts shown in the principal financial statements, particularly if relevant to important financial management issues; and
- the entity's stewardship information.

This section should also include a discussion of key financial-related measures that emphasize financial trends and assess financial operations.

### **11.1G Analysis of the Entity's Systems, Controls, and Legal Compliance**

In reporting on the status of systems and internal controls that support preparation of the financial statements, performance information, and compliance with applicable laws, management should provide a brief summary of material weaknesses revealed by management or through audits or otherwise known to management in accordance with the Federal Managers' Financial Integrity Act (Integrity Act).

**Beginning with FY 2006**, the assurance statement that was previously included as part of the Agency Head message will now be separately identified in this section and combined with the new separate assurance statement on the effectiveness of internal control over financial reporting required by OMB Circular A-123, *Management's Responsibility for Internal Control*. Management Assurances shall include the annual assurance statements<sup>10</sup> (signed by the head of the agency), summary of material weaknesses and non-conformances, and summary of corrective action plans. This assurance statement shall also include an annual statement on whether the agency's financial management systems conform to government-wide requirements (as required by Section 4 of the FMFIA).

The financial systems requirements are mandated by the Federal Financial Management Improvement Act (FFMIA) and OMB Circular No. A-127, *Financial Management Systems*, section 7. OMB A-11, Section 52 *Information on Financial Management* outlines requirements for agency's plans for bringing its systems into substantial compliance. Financial management systems include both financial and financially-related (or mixed) systems.

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<sup>10</sup> The annual assurance statements consist of: (1) management's overall statement of assurance (as required by Section 2 and Section 4 of the FMFIA) and (2) management's assurance over the effectiveness of the internal controls over financial reporting, as a subset of the overall statement of assurance.

To satisfy the reporting requirements of the Improper Payments Information Act (IPIA) for fiscal year 2005, a brief summary of what agencies have accomplished, and plan to accomplish, must be included in the MD&A. All other required information, should be included as an item in OAI of the report.

### **11.1H Possible Future Effects of Existing Events and Conditions**

The discussion of current demands, risks, uncertainties, events, conditions and trends goes beyond a mere description of existing conditions. Management should address the possible future effect of those factors that may include, but not necessarily be limited to, demographic characteristics, claims, contingencies, deferred maintenance, commitments, or major unfunded liabilities.

Information about the possible effects of anticipated future demands, events, conditions and trends should be labeled "projected" or "projection" and the key underlying assumptions explained. Forward-looking information may comprise a separate section of MD&A or may be incorporated with the sections listed in Section 11.1C.

### **11.1I Other Management Information, Initiatives, and Issues**

Management has the discretion to include a summary in the MD&A of other information, initiatives, and issues it identifies. This could include summarizing entity progress in implementing key administration management initiatives.

### **11.1J Limitations of the Financial Statements**

The MD&A should include a section articulating the limitations of the principal financial statements. This section should state the following:

1. The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515 (b).
2. While the statements have been prepared from the books and records of the entity in accordance with U.S. generally accepted accounting principles (GAAP) for Federal entities and the formats prescribed by OMB, the statements are in addition to the

financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

3. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

### **11.2 Deferred Maintenance**

Deferred maintenance is maintenance that was not performed when it should have been or was scheduled to be and which, therefore, is put off or delayed for a future period. SFFAS 6 as amended by SFFAS No. 14 requires that deferred maintenance information be included as RSI. It is important to note that footnote 58 cited in par. 78 of SFFAS 6 provides that “Acceptable services and condition may vary both between entities and among sites within the same entity. Management shall determine what level of service and condition is acceptable.” Determination of acceptable condition, therefore, affects the amount of deferred maintenance. In some cases, such as heritage assets and stewardship land, management may determine that maintenance is not needed. In that case, deferred maintenance would not exist.

For general property, plant, and equipment (PP&E), heritage assets, and stewardship land, the following information related to deferred maintenance shall be reported as RSI:

- The identification of each major class of asset for which maintenance was deferred.
- The method of measuring deferred maintenance for each major class of asset. See SFFAS Nos. 6 and 14 for detailed guidance on the extent of the disclosures for the condition assessment survey or the total life-cycle cost method. Either method may be used for measuring deferred maintenance.

Management may elect to present stratification of critical and non critical amounts of maintenance needed to return each major class of asset to its acceptable operating condition. If management elects to make this disclosure, the disclosure should include management's definition of critical and non critical maintenance. Financial statement preparers are encouraged to refer to SFFASs No. 6 and 14 for additional information.

### **11.3 Intragovernmental Amounts**

Intragovernmental amounts include transactions between Federal entities included in the *Financial Report of the United States Government*. These transactions include activities with Federal CFO Act and non-CFO Act entities as identified in the Treasury Financial Manual.

Report, as required supplementary information, intragovernmental amounts for: (1) assets, (2) liabilities, (3) non-exchange revenue, and, (4) for certain reporting entities, earned revenue from trade (buy/sell) transactions along with the gross cost to generate such revenue. Report these

amounts by trading partner (reciprocal Federal entity). Report intragovernmental gross cost to generate earned revenue from trade transactions by budget functional classification.

Intragovernmental asset and liability categories reported as RSI should agree with the intragovernmental asset and liability line items reported on the balance sheet.

The intragovernmental RSI may be limited to the consolidated agency-wide financial statements. That is, only the 24 executive departments and agencies covered by this Circular are required to report intragovernmental RSI in their annual financial statement. The intragovernmental RSI reporting requirement does not extend to Federal components that are required to prepare financial statements. All amounts should be net of intra-entity transactions (consolidated).

Transactions with components of Federal departments or agencies should not be reported separately but should be included in the activity reported for the Federal department or agency. For example, Food and Nutrition Service, Forest Service, and Rural Development Mission Area are not separate Federal departments or agencies but are components of the U.S. Department of Agriculture (USDA), which is a Federal department. Transactions with Food and Nutrition Service, Forest Service, and Rural Development Mission Areas would be included in the RSI reported for USDA.

**Intragovernmental Assets:** Intragovernmental assets reported as RSI should agree with the intragovernmental asset line items and totals on the reporting entity's consolidated agency-wide balance sheet. For each intragovernmental asset line item on the consolidated agency-wide balance sheet, a corresponding column heading should be reported in the intragovernmental assets supplementary information that identifies the trading partner balances that make up the line item. Reporting entities may aggregate trading partners whose individual totals for a particular asset category collectively comprise less than 20 percent of the total asset line item category. If intragovernmental transactions with a trading partner are material in one asset line item category but immaterial in another asset line item category, report transactions with the trading partner for each asset line item category.

For example, assume a reporting agency has the following intragovernmental assets: Fund Balance with the U.S. Treasury-\$200; Accounts Receivable-\$100 (Agency A-\$82, Agency B-\$9, Agency C-\$4, Agency D - \$5); Loans receivable-\$100 (Agency A - \$5, Agency B-\$90, Agency C-\$5); Investments-\$100 (Agency A-\$32, Agency B-\$50, Agency C-\$18); and Other-\$20 (Agency A-\$2, Agency B-\$15, Agency C-\$2, Agency D - \$1). In this case, the reporting entity's intragovernmental assets may be presented in the supplementary information as follows (this example is for illustrative purposes only):

## Intragovernmental assets:

| <u>Trading Partner</u> | <u>Fund balance with Treasury</u> | <u>Accounts receivable</u> | <u>Loans receivable</u> | <u>Investments</u> | <u>Other</u> |
|------------------------|-----------------------------------|----------------------------|-------------------------|--------------------|--------------|
| U.S. Treasury          | \$ 200                            | \$ --                      | \$ --                   | \$ --              | \$ --        |
| Agency A               | --                                | 82                         | 5                       | 32                 | 2            |
| Agency B               | --                                | 9                          | 90                      | 50                 | 15           |
| Other                  | --                                | 9                          | 5                       | 18                 | 3            |
| Total                  | <u>\$ 200</u>                     | <u>\$ 100</u>              | <u>\$ 100</u>           | <u>\$ 100</u>      | <u>\$ 20</u> |

**Intragovernmental Liabilities:** Intragovernmental liabilities reported as RSI should agree with the intragovernmental liability line items and totals on the reporting entity's consolidated agency-wide balance sheet. For each intragovernmental liability line item on the consolidated agency-wide balance sheet, a corresponding column heading should be reported in the intragovernmental liabilities supplementary information that identifies the trading partner balances that make up the line item. If intragovernmental transactions with a trading partner are material in one liability line item category but immaterial in another liability line item category, report transactions with the trading partner for each liability line item category.

| <u>Trading Partner</u> | <u>Accounts payable</u> | <u>Debt/borrowings from other agencies</u> | <u>Other</u>    |
|------------------------|-------------------------|--|-----------------|
| Agency A               | \$ xxx                  | \$ xxx                                     | \$ xxx          |
| Agency B               | xxx                     | xxx  | xxx             |
| Agency C               | xxx                     | xxx  | xxx             |
| Other                  | <u>xxx</u>              | <u>xxx</u>                                 | <u>xxx</u>      |
| Total                  | <u>\$ x,xxx</u>         | <u>\$ x,xxx</u>                            | <u>\$ x,xxx</u> |

**Intragovernmental Earned Revenues:** Agencies with total intragovernmental earned revenues from trade transactions (net of intra-entity activity) greater than \$500 million shall report such revenues by trading partner.

| <u>Trading Partner</u> | <u>Earned revenue</u> |
|------------------------|-----------------------|
| Agency A               | \$ xxx                |
| Agency B               | xxx                   |
| Agency C               | xxx                   |
| Agency D               | <u>xxx</u>            |
| Total                  | <u>\$ x,xxx</u>       |

**Intragovernmental Nonexchange Revenue:** Agencies shall report, by trading partner, intragovernmental nonexchange revenues transferred in and out.

| Trading Partner | Nonexchange Revenue |                 |
|-----------------|---------------------|-----------------|
|                 | Transfers-In        | Transfers-Out   |
| Agency A        | \$ xxx              | \$ xxx          |
| Agency B        | xxx                 | xxx             |
| Agency C        | <u>xxx</u>          | <u>xxx</u>      |
| Total           | \$ <u>x,xxx</u>     | \$ <u>x,xxx</u> |

#### 11.4 Statement of Budgetary Resources

It is important to monitor budget execution at the individual account level. Accordingly, budgetary information aggregated for purposes of the Statement of Budgetary Resources should be disaggregated for each of the reporting entity's major budget accounts and presented as RSI. For purposes of this presentation, small budget accounts may be aggregated. The major accounts and the aggregate of small budget accounts should, in total, agree with the amounts reported on the face of the Statement of Budgetary Resources.

#### 11.5 Statement of Custodial Activity

Entities that collect taxes and duties should provide the following required supplementary information relating to their potential collections and custodial responsibilities (see SFFAS No. 7):

- A discussion of the factors affecting the collectibility of compliance assessments recognized as taxes receivable,
- If reasonably estimable, claims for refunds that are not yet accrued but are likely to be paid when administrative action is complete,
- The amount of assessments that the entity still has statutory authority to collect at the end of the period, but has no future collection potential and are therefore defined as write-offs, and
- If reasonably estimable, the amounts by which trust funds may be over or underfunded in comparison with requirements of law. This information should also be presented by recipient entities that are trust funds.

These disclosures are not applicable to exchange revenue presented on the Statement of Custodial Activity.

### 11.6 Segment Information

Each franchise fund and other intragovernmental support revolving fund that is not separately reported on the entity's principal statements shall report the following required supplementary information:

- Condensed information about assets, liabilities, and net position, as of the reporting date: (1) fund balance, (2) accounts receivable, (3) PP&E, (4) other assets, (5) liabilities due and payable for goods and services received, (6) deferred revenues, (7) other liabilities, and (8) cumulative results of operations.

All franchise funds and other intragovernmental support revolving funds shall report the following required supplementary information:

- A brief description of the services provided by the fund and the identity of the fund's major customers (major customers are organizations that account for more than 15 percent of the fund's revenues), and
- A summary, for the reporting period, by product or line of business of: (1) the full cost of goods and services provided, (2) the related exchange revenues, and (3) the excess of full costs over exchange revenues.

### 11.7 Risk Assumed Information

All Federal insurance and guarantee programs, other than social insurance, life insurance, and loan guarantee programs, shall report risk- assumed information. These disclosures are in addition to the liability for unpaid claims from insured events that have already occurred and any contingent liability that meets criteria for recognition.

Risk assumed is generally measured by the present value of unpaid expected losses net of associated premiums, based on the risk inherent in the insurance or guarantee coverage in force. The specific requirements for risk assumed information are presented in SFFAS No. 5, Accounting for Liabilities of the Federal Government, as part of the discussion of insurance and guarantee liabilities (see paragraphs 105 to 114). Note: amendments to SFFAS No. 5 have moved these disclosures from RSSI to RSI.

**Section 12 - Other Accompanying Information**

## Table of Contents

**12.1 Performance Measures****12.2 Revenue Foregone****12.3 Tax Burden/Tax Gap****12.4 Tax Expenditures with Directed Flows of Resources****12.5 Management Challenges****12.6 IPJA Reporting Details****12.7 Other Agency-specific Statutorily Required Reports****12.1 Performance Measures**

Additional performance measures, beyond key measures included in the MD&A, may be presented as Other Accompanying Information. Management has broad discretion in the manner in which performance information is displayed. Among the options available to management is a statement format similar to the Statement of Program Performance Measures illustrated in SFFAC No. 2. Management's display of performance information should include sufficient explanatory information that would help users understand the significance of the measures, the results, and any deviations from goals or plans.

**12.2 Revenue Foregone**

If the entity discloses differences between the prices it charges in exchange transactions and full cost or market price, it should consider providing an estimate of the amount of revenue foregone and should explain whether, and to what extent, the quantity demanded was assumed to change as a result of a difference in price.

**12.3 Tax Burden/Tax Gap**

Preparers of statements of entities that collect taxes may consider presenting the information described below, if the information is readily available and the preparers believe the information will enhance the usefulness of the statements. Refer to SFFAS No. 7 for further guidance.

- **A perspective on the income tax burden.** This could take the form of a summary of the latest available information on the income tax and on related income, deductions, exemptions, and credits for individuals by income level and for corporations by value of assets.
- **Available information on the size of the tax gap.** Collecting entities should provide any relevant estimates of the annual tax gap that become available as a result of Federal surveys or studies.

## 12.4 Tax Expenditures with Directed Flows of Resources

Preparers of statements may consider presenting the information described below, if the information is readily available and the preparers believe that the information will enhance the usefulness of the statements. See SFFAS No. 7 for further guidance.

- **Tax expenditures related to entity programs.** Information on tax expenditures relevant to entity performance may be presented but it should be appropriately described, explained and qualified.
- **Directed flows of resources related to entity programs.** Information on directed flows of resources related to an entity's programs may be presented but it should be appropriately described, explained, and qualified.

## 12.5 Management Challenges

The PAR shall include a statement prepared by the agency's Inspector General (IG) that summarizes what the IG considers to be the most serious management and performance challenges facing the agency and briefly assesses the agency's progress in addressing those challenges. This statement must be provided to the agency head at least 30 days before the PAR due date. Comments by the agency head may be appended to the IG's statement. The agency head may comment on, but not modify the IG statement. The IG's management challenges statement and the agency head's response should be included as an OAI item in the agency PAR.

## 12.6 IPIA Reporting Details

- I. Describe your agency's risk assessment(s), performed subsequent to compiling your full program inventory. List the risk-susceptible programs (i.e., programs that have a significant risk of improper payments based on OMB guidance thresholds) identified through your risk assessments. Be sure to include the programs previously identified in the former Section 57 of OMB Circular A-11.
- II. Describe the statistical sampling process conducted to estimate the improper payment rate for each program identified.
- III. Describe the Corrective Action Plans for:
  - A. Reducing the estimated rate of improper payments. Include in this discussion what is seen as the cause(s) of errors and the corresponding steps necessary to prevent future occurrences. If efforts are already underway, and/or have been ongoing for some

length of time, it is appropriate to include that information in this section.

- B. Grant-making agencies with risk susceptible grant programs, discuss what your agency has accomplished in the area of funds stewardship past the primary recipient. Include the status on projects and results of any reviews.

- IV. The table below is required for each reporting agency. Please note the following changes from prior year reporting: (1) all risk susceptible programs must be listed in this chart whether or not an error measurement is being reported; (2) where no measurement is provided, agency should indicate the date by which a measurement is expected; (3) if the Current Year (CY) is the baseline measurement year, indicate by either footnote or by “n/a” in the Prior Year (PY) column; (4) if any of the dollar amount(s) included in the estimate correspond to newly established measurement components in addition to previously established measurement components, separate the two amounts to the extent possible; (5) include outlay estimates for CY +1, +2, and +3; and (5) agencies are expected to report on CY activity, and if not feasible, then PY activity is acceptable.

\* Future year outlay estimates (CY+1, +2 and +3) should match the outlay estimates for those years as reported in the most recent President’s Budget.

**Improper Payment Reduction Outlook**  
 (\$ in millions)

| Program | PY<br>Outlays | PY % | PY \$ | CY<br>Outlays | CY<br>IP % | CY<br>IP \$ | CY+1<br>Est.<br>Outlays | CY+1<br>IP % | CY+1<br>IP \$ | CY +2<br>Est.<br>Outlays | CY+2<br>IP % | CY+2<br>IP \$ | CY+3<br>Est.<br>Outlays | CY+3<br>IP % | CY+3<br>\$ |
|---------|---------------|------|-------|---------------|------------|-------------|-------------------------|--------------|---------------|--------------------------|--------------|---------------|-------------------------|--------------|------------|
|         |               |      |       |               |            |             |                         |              |               |                          |              |               |                         |              |            |
|         |               |      |       |               |            |             |                         |              |               |                          |              |               |                         |              |            |
|         |               |      |       |               |            |             |                         |              |               |                          |              |               |                         |              |            |
|         |               |      |       |               |            |             |                         |              |               |                          |              |               |                         |              |            |
|         |               |      |       |               |            |             |                         |              |               |                          |              |               |                         |              |            |
|         |               |      |       |               |            |             |                         |              |               |                          |              |               |                         |              |            |
|         |               |      |       |               |            |             |                         |              |               |                          |              |               |                         |              |            |
|         |               |      |       |               |            |             |                         |              |               |                          |              |               |                         |              |            |
|         |               |      |       |               |            |             |                         |              |               |                          |              |               |                         |              |            |

**NOTE: Over- and under-payments should be indicated if this information is available. The absolute value of the dollars and the rates should be shown—do not net the figures.**

- V. Discuss your agency’s recovery auditing effort, if applicable, including any contract types excluded from review and the justification for doing so; actions taken to recoup improper payments, and the business process changes and internal controls instituted and/or strengthened to prevent further occurrences. In addition, complete the table below.

| Agency Component (if applicable) | Amount subject to Review for CY Reporting | Actual Amount Reviewed and Reported | Amounts Identified for Recovery | Amounts Identified / Actual Amount Reviewed | Amounts recovered CY | Amounts recovered PY(s) |
|----------------------------------|---|-------------------------------------|---------------------------------|---|----------------------|-------------------------|
|                                  |   |                                     |                                 |   |                      |                         |
|                                  |   |                                     |                                 |   |                      |                         |
|                                  |   |                                     |                                 |   |                      |                         |

- VI. Describe the steps the agency has taken and plans to take (including time line) to ensure that agency managers (including the agency head) are held accountable for reducing and recovering improper payments.

- VII.
  - A. Describe whether the agency has the information systems and other infrastructure it needs to reduce improper payments to the levels the agency has targeted.
  - B. If the agency does not have such systems and infrastructure, describe the resources the agency requested in its FY 2006 budget submission to Congress to obtain the necessary information systems and infrastructure.

- VIII. Describe any statutory or regulatory barriers which may limit the agencies’ corrective actions in reducing improper payments and actions taken by the agency to mitigate the barriers’ effects.

- IX. Additional comments, if any, on overall agency efforts, specific programs, best practices, or common challenges identified, as a result of IPIA implementation.

### **12.7 Other Agency-specific Statutorily Required Reports**

Other agency-specific statutorily required reports pertaining to an agency's financial or performance management may be included in the performance and Accountability Report after consultation with OMB and Congress. The head of the agency must determine if inclusion of an agency-specific report will make the reported information more useful to decision makers. Consultation with Congress includes the Committee on Governmental Affairs of the Senate, the Committee on Government reform of the House of Representatives, and any other committee of Congress having jurisdiction with respect to the report being proposed for consolidation.

**APPENDIX A -- Statements of Federal Financial Accounting Concepts and Standards, Interpretations, Technical Bulletins, and Technical Releases**

This is a listing of the Statements of Federal Financial Accounting Concepts (SFFAC) and Standards (SFFAS), Interpretations, Technical Bulletins, and Technical Releases set and promulgated by the Federal Accounting Standards Advisory Board (FASAB).

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**Statements of Federal Financial Accounting Concepts**

- SFFAC No. 1 Objectives of Federal Financial Reporting
- SFFAC No. 2 Entity and Display
- SFFAC No. 3 Management's Discussion and Analysis - Concepts

**Statements of Federal Financial Accounting Standards**

- SFFAS No. 1 Accounting for Selected Assets and Liabilities -- For fiscal years ending on and after September 30, 1994
- SFFAS No. 2 Accounting for Direct Loans and Loan Guarantees -- For fiscal years ending on and after September 30, 1994
- SFFAS No. 3 Accounting for Inventory and Related Property -- For fiscal years ending on and after September 30, 1994
- SFFAS No. 4 Managerial Cost Accounting Concepts and Standards -- For fiscal years beginning after September 30, 1996
- SFFAS No. 5 Accounting for Liabilities of the Federal Government -- For fiscal years beginning after September 30, 1996
- SFFAS No. 6 Accounting for Property, Plant, and Equipment -- For fiscal years beginning after September 30, 1997
- SFFAS No. 7 Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting -- For fiscal years beginning after September 30, 1997
- SFFAS No. 8 Supplementary Stewardship Reporting -- For fiscal years beginning after September 30, 1997
- SFFAS No. 9 Deferral of SFFAS 4 - Managerial Cost Accounting -- For fiscal years beginning after September 30, 1997

**Form and Content of the PAR****Appendix A**

|              |   |
|--------------|---|
| SFFAS No. 10 | Accounting for Internal Use Software (amends SFFAS No. 6) -- For fiscal years beginning after September 30, 2000  |
| SFFAS No. 11 | Amendments to Accounting for PP&E: Definitions (amends SFFAS Nos. 6 and 8) -- For fiscal years beginning after September 30, 1998. Rescinded by SFFAS 23. |
| SFFAS No. 12 | Recognition of Contingent Liabilities from Litigation (amends SFFAS No. 5) -- For fiscal years beginning after September 30, 1997                         |
| SFFAS No. 13 | Deferral of Paragraph 65.2 - Material Revenue-Related Transactions (amends SFFAS No. 7) -- For fiscal years beginning after September 30, 1998            |
| SFFAS No. 14 | Amendments to Deferred Maintenance Reporting (amends SFFAS Nos. 6 and 8) -- For fiscal years beginning after September 30, 1998                           |
| SFFAS No. 15 | Management's Discussion and Analysis - Standards -- For fiscal years beginning after September 30, 1999   |
| SFFAS No. 16 | Amendments to Accounting for PP&E: Multi-Use Heritage Assets (amends SFFAS Nos. 6 and 8) -- For fiscal years beginning after September 30, 1999           |
| SFFAS No. 17 | Accounting for Social Insurance -- For fiscal years beginning after September 30, 1999  |
| SFFAS No. 18 | Amendments to Accounting Standards for Direct Loans and Loan Guarantees -- For fiscal years beginning after September 30, 2000                            |
| SFFAS No. 19 | Technical Amendments to Accounting Standards for Direct Loans and Loan Guarantees in SFFAS No. 2 -- For fiscal years beginning after September 30, 2002   |
| SFFAS No. 20 | Elimination of Certain Disclosures -- For fiscal years beginning after September 30, 2000   |
| SFFAS No. 21 | Reporting Corrections of Errors and Changes in Accounting Principles -- For fiscal years beginning after September 30, 2001                               |
| SFFAS No. 22 | Change in Certain Requirements for Reconciling Obligations and Net Cost of Operations -- For fiscal years beginning after September 30, 2000              |
| SFFAS No. 23 | Eliminating the Category National Defense Property, Plant and Equipment -- For fiscal years beginning after September 30, 2002                            |
| SFFAS No. 24 | Selected Standards for the Consolidated Financial Report of the United States Government -- For fiscal years beginning after September 30, 2001           |
| SFFAS No. 25 | Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment -- For fiscal years beginning after September 30, 2004   |
| SFFAS No. 26 | Presentation of Significant Assumptions for the Statement of Social Insurance -- For fiscal years beginning after September 30, 2004                      |
| SFFAS No. 27 | Identifying and Reporting Earmarked Funds -- For fiscal years beginning after   |

September 30, 2005

SFFAS No. 28 Deferral of the Effective Date of Reclassification of the Statement of Social Insurance: Amending SFFAS 25 and 26 -- For fiscal years beginning after September 30, 2005

**Interpretations**

Interpretation No. 1 Reporting on Indian Trust Funds in General Purpose Financial Reports of the Department of Interior and in the Consolidated Financial Statements of the United States Government: An Interpretation of SFFAS 7

Interpretation No. 2 Accounting for Treasury Judgment Fund Transactions: An Interpretation of SFFAS No. 4 and SFFAS No. 5

Interpretation No. 3 Measurement Date for Pension and Retirement Health Care Liabilities

Interpretation No. 4 Accounting for Pension Payments in Excess of Pension Expense

Interpretation No. 5 Recognition by Recipient Entities of Receivable Nonexchange Revenue: An Interpretation of SFFAS 7

Interpretation No. 6 Accounting for Imputed Intra-departmental Costs: An Interpretation of SFFAS 4

**Technical Bulletins**

Technical Bulletin 2000-1 Purpose and Scope of FASAB Technical Bulletins and Procedures for Issuance

Technical Bulletin 2002-1 Assigning to Component Entities Costs and Liabilities That Result From Legal Claims Against the Federal Government

Technical Bulletin 2002-2 Disclosures Required By Paragraph 79(g) of SFFAS 7

Technical Bulletin 2003-1 Certain Questions and Answers Related to the Homeland Security Act of 2002

**Technical Releases**

Technical Release No. 1 Audit Legal Representation Letter Guidance

Technical Release No. 2 Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government

**Form and Content of the PAR**

**Appendix A**

- Technical Release No. 3 Auditing Estimates for Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act. Amendments to Technical Release 3: Preparing and Auditing Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act.
- Technical Release No. 4 Reporting on Non-Valued Seized and Forfeited Property
- Technical Release No. 5 Implementation Guidance on Statement of Federal Financial Accounting Standards 10: Accounting for Internal Use Software
- Technical Release No. 6 Preparing Estimates for Direct Loan and Loan Guaranty Subsidies under the Federal Credit Reform Act Amendments to Technical Release 3: Preparing and Auditing Direct Loan and Loan Guaranty Subsidies under the Federal Credit Reform Act.

**Preparing the *Financial Report (FR) of the  
United States Government***

**PART B**  
**TABLE OF CONTENTS**

| <i>Title</i>   | <i>Sec./Ex.<br/>No.</i> | <i>Page</i> |
|--|-------------------------|-------------|
| <b>Section 1 -- Scope and Background</b> .....   | 1                       | 137         |
| <b>Section 2 -- Legal Representation Letter</b> .....  | 2                       | 138         |
| <b>Section 3 -- Management Representation Letter</b> .....                                     | 3                       | 139         |
| <b>Section 4 - Adherence to Due Dates</b> .....  | 4                       | 141         |
| <br><b>APPENDICES</b>  |                         |             |
| <b>Agencies Required to Prepare Closing Package and to Submit Representation Letters</b> ..... | A                       | 142         |
| <br><b>Key Dates for the Financial Report of the United State Government</b> .....             | <br>B                   | <br>143     |
| <b>Contact Information</b> .....   | C                       | 145         |

## 1. Scope and Background

As required under the Government Management Reform Act, the Secretary of the Treasury, in coordination with the Director of the Office of Management and Budget (OMB) annually prepares and submits to the President and the Congress, an audited financial statement for the preceding fiscal year. The Comptroller General of the United States audits these financial statements. As required by this circular, the *Financial Report of the United States Government* (Financial Report) is due no later than December 15, following the end of the fiscal year.

The Department of the Treasury (Treasury) prepares the Financial Report from data provided by Federal entities. Entities that have some activity that is material to at least one financial statement line or footnote disclosure must provide their data to Treasury by preparing a Closing Package, including special-purpose financial statements, and submitting it through the Government-wide Financial Report System (GFRS). In addition, these entities must also submit intragovernmental balance information by trading partner. The reporting requirements for these processes are provided in the Treasury Financial Manual (TFM), Volume 1, Part 2, Chapter 4700. A list of applicable entities is also provided in the TFM and Appendix A below, respectively. The TFM is available on the web at [www.fms.treas.gov](http://www.fms.treas.gov).

The special-purpose financial statements directly link the entities' audited consolidated department-level financial statements to the Financial Report. The agencies' auditors will opine on the special-purpose financial statements, including the reclassified balance sheets, the statements of net cost, the statements of changes in net position, and the accompanying notes. (See OMB Bulletin No. 01-02, as amended, for additional guidance on auditing the special-purpose financial statements. See Treasury's TFM for a listing of documents that must accompany the audit opinion on the special-purpose financial statements.) The intragovernmental balance information by trading partner, which is required to be reconciled quarterly, is subject to agreed upon procedures as defined by Treasury in the TFM. In addition, the Office of the Chief Financial Officer and the Office of Inspector General must provide a copy of the management representation letters and the legal representation letter, respectively. (See below for additional guidance on preparing and submitting these letters.)

All other executive agencies must submit their pre-closing adjusted trial balances (ATBs) through the Federal Agencies' Centralized Trial Balance System (FACTS I) to be used in the compilation of the Financial Report. Reporting entities from the legislative and judicial branches of the United States Government are also encouraged to submit their ATBs. The reporting requirements for these processes are provided in the TFM.

The Financial Report is prepared from Federal entities audited financial statements and trial balances in accordance with generally accepted accounting principles promulgated by the Federal Accounting Standards Advisory Board (FASAB). Entities that are required by law or policy to prepare and issue financial statements in accordance with

accounting standards other than those recommended by FASAB should continue to do so. These reporting entities must identify, to Treasury, differences resulting from applying different accounting standards that could be material to the users of the reporting entity's financial statements. If these differences are material to the Financial Report, the standards promulgated by FASAB should be applied to those material items and subsequently sent to Treasury for consolidation into the Financial Report. The reporting entities also need to provide, to Treasury, any additional disclosures required by FASAB, and Treasury's TFM, that would not be required by other standards.

## **2. Legal Representation Letter**

When preparing the legal representation letters, the General Counsel should reference the guidance found in OMB Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*, Appendix H-2 (see [www.whitehouse.gov/omb/bulletins](http://www.whitehouse.gov/omb/bulletins)). Cases and claims should be reported using the format found at [www.usdoj.gov/civil/forms/forms.htm](http://www.usdoj.gov/civil/forms/forms.htm). In addition to reporting the status of pending contingent liabilities, the interim legal representation letters should also include the cases reported in the previous year's legal representation letters that are no longer pending. The final representation letter should be limited to new information (i.e., cases that arise subsequent to the interim letter or changes in the status of cases that were reported in the interim letter). The final letter should not repeat information from the interim letter that has not changed. Any subsequent changes in cases that arise after the final representation letter but before the end of the audit fieldwork on the Financial Report, must be emailed to Treasury FMS (see Appendix C for email address).

When preparing the management schedule which shows how the information contained in the legal counsel's response was considered in preparing the financial statements, the Chief Financial Officer should follow the format provided in OMB Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*, Appendix H-3. The schedule should be consistent with information presented in the legal representation letters and the footnotes to the financial statements. An assessment as to whether pending, threatened litigation or unasserted claims should be reported or disclosed in the financial statements must be made by management. This determination extends to cases in which legal counsel has classified the likelihood of loss as "unknown." The name and telephone number of the individual who is able to answer questions regarding the presentation of legal claims and assessments in the financial statements should also be provided.

**The Office of Inspector General should submit the interim and final (updates only) legal representation letters and management schedule no later than August 29, and November 15, respectively. The documents should be submitted electronically in PDF format, including signatures, to the Department of Justice, FMS, and GAO at their electronic addresses provided in Appendix C.**

**The Office of Inspector General should inform FMS, via email, of any subsequent changes in cases after the final legal representation letter but prior to November 30. On November 30, the email update should be sent to FMS indicating "changes" or**

**“no changes” at their electronic address provided in Appendix C.**

### **3. Management Representation Letter**

OMB and the Department of the Treasury rely on the written representations obtained from agency management as part of their financial statement audit. Therefore, it is important that management representations include all representations that are required by generally accepted auditing standards and OMB Bulletin No. 01-02, Appendix E. General representations must, however, be modified to be consistent with findings reported by the auditor.

In accordance with the Statement on Auditing Standards (SAS) No. 85, *Management Representations*, management’s representations may be limited to matters that are considered either individually or collectively material to the financial statements, provided management and the auditor have reached an understanding on materiality for this purpose. Materiality may be different for different representations. A discussion of materiality may be included explicitly in the representation letter, in either qualitative or quantitative terms. Materiality considerations would not apply to those representations that are not directly related to amounts included in the financial statements. In addition, because of the possible effects of fraud on other aspects of the audit, materiality would not apply to management or those employees who have significant roles in internal control.

Also in accordance with SAS No. 85, the management representation letter should be signed by those members of management with overall responsibility for financial and operating matters that the auditor believes are responsible for and knowledgeable about, directly or through others in the organization, the matters covered by the representations. Such members of management normally include the agency head and the Chief Financial Officer.

As required by SAS No. 89, *Audit Adjustments*, the management letter should include a representation regarding the materiality of unrecorded financial statement adjustments aggregated by the auditors. A list of any uncorrected misstatements, including those audit adjustments waived by the component-level, should be attached to the management representation letter.

Management is required to include a representation that addresses the consistency of budgetary data reported on the Statement of Budgetary Resources and the budgetary data submitted through FACTS II to prepare the year-end SF 133s, *Reports on Budget Execution and Budgetary Resources*. OMB plans to amend OMB Bulletin No. 01-02 to include this representation in the future. Management may consider using the following sample representation:

*The information presented on the Department’s Statement of Budgetary Resources agrees with the information submitted on the Department’s year-end Reports on Budget Execution and Budgetary Resources (SF*

Preparing the FR of the United States Government

*133s). This information will be used as input for the fiscal year 20xx actual column of the Program and Financing Schedules reported in the fiscal year 20xz Budget of the U.S. Government. Such information is supported by the related financial records and related data.*

Similar to legal representation letters, an email must be sent to OMB/OFFM and the Department of the Treasury (Main) (see Appendix C for email address) whether there are “no changes” or “changes” due to subsequent changes to the management representation letter or agency financial statements that have arisen after the management representation letter and financial statements have been submitted but before the end of the audit fieldwork on the Financial Report. Management may consider using the following sample email:

*The purpose of this email is to inform you that nothing has come to our attention that would require modification to the management representation letter furnished to our auditors, and sent to you, dated [insert date].*

*Additionally, nothing has come to our attention that would materially affect amounts reported in [insert agency’s name]’s financial statements for the fiscal years ended September 30, 20xy and 20xx or require additional disclosures to these financial statements.*

*We understand that these representations will be relied upon by the Government Accountability Office as part of their efforts in auditing the United States Government consolidated financial statements for the fiscal years ended September 30, 20xy and 20xx.*

Additional representations are required in relation to the audit of the special-purpose financial statements (closing package) and can be found in OMB Bulletin No. 01-02, as amended, Appendix K. These representations may be combined with the representations required for the audit of the general-purpose financial statements (financial statements included in Part A of A-136) in one management representation letter rather than two separate letters.

The Office of the Chief Financial Officer should submit the management representation letters electronically in PDF format, including signatures, to OMB/OFFM, the Department of the Treasury (Main), and GAO at the addresses provided in Appendix C. **The management representation letters should be submitted as soon as they are available but no later than November 15 (general-purpose financial statements) and November 18 (special-purpose financial statements) following the end of the fiscal year.**

**The Office of the Chief Financial Officer should inform OMB/OFFM and the Department of the Treasury (Main), via email, of any updates to the management representation letters and updates to financial statements due to subsequent events,**

**up through November 30. On November 30, the email update should be sent to OMB/OFFM and the Department of the Treasury (Main) indicating “changes” or “no changes” at their electronic addresses provided in Appendix C.**

#### **4. Adherence to Due Dates**

The Financial Report is issued 30 days after agencies submit their Performance and Accountability Reports to OMB and the Congress. Therefore, it is essential that agencies adhere to the dates published in the TFM, Chapter 4700 and Appendix B of Part B of Circular A-136. These are “no later than dates;” earlier submissions are encouraged.

**Agencies Required to Prepare Closing Package and to Submit Representation Letters**

Department of Agriculture  
Department of Commerce  
Department of Defense  
Department of Education  
Department of Energy  
Department of Health and Human Services  
Department of Homeland Security  
Department of Housing and Urban Development  
Department of Interior  
Department of Justice  
Department of Labor  
Department of State  
Department of Transportation  
Department of the Treasury  
Department of Veterans Affairs  
U.S. Agency for International Development  
Environmental Protection Agency  
General Services Administration  
National Aeronautics and Space Administration  
Nuclear Regulatory Commission  
National Science Foundation  
Office of Personnel Management  
Small Business Administration  
Social Security Administration  
Export-Import Bank of the United States  
Farm Credit System Insurance Corporation  
Federal Communications Commission  
Federal Deposit Insurance Corporation  
National Credit Union Administration  
Pension Benefit Guaranty Corporation  
Railroad Retirement Board  
Securities and Exchange Commission  
Smithsonian Institution  
Tennessee Valley Authority  
U.S. Postal Service

**Appendix B**

**Key Dates for the Financial Report of the United States Government**

| <b>Key Due Date</b>               | <b>Who Should Submit</b>          | <b>Requirement</b>   | <b>Recipient</b>                          |
|-----------------------------------|-----------------------------------|--|---|
| 7/21/2005                         | CFO Act and ATDA agencies* (All)  | CFO submits 3 <sup>rd</sup> quarter financial statements   | OMB OFFM and RMO                          |
| When available but NLT 8/29/2005  | Agencies in Appendix A            | IG submits interim Legal Representation Letter and Management Schedule   | DOJ, FMS, GAO                             |
| 10/1/2005                         | Payroll Providers                 | IG submits Retirement, Health Benefits, and Life Insurance Withholdings/Contributions and Supplemental Semiannual Headcount Report | OPM                                       |
| 10/19/2005                        | Agencies in Appendix A            | CFO submits intragovernmental fourth quarter 2005 data files   | FMS                                       |
| 10/19/2005                        | All                               | IFCS closes for 4 <sup>th</sup> quarter 2005 (final)   | FMS                                       |
| 10/27/2005                        | Agencies in Appendix A            | CFO submits 4 <sup>th</sup> quarter Status of Disposition Certification  | FMS                                       |
| 11/1/2005                         | All                               | CFO submits draft Performance and Accountability Report  | OMB OFFM and RMO                          |
| 11/15/2005                        | All                               | CFO submits 2005 Performance and Accountability Report   | OMB OFFM and RMO, Main Treasury, FMS, GAO |
| When available but NLT 11/15/2005 | Agencies in Appendix A            | CFO submits Management Representation Letter   | OMB OFFM, Main Treasury, GAO              |
| When available but NLT 11/15/2005 | Agencies in Appendix A            | IG submits final Legal Representation Letter and Management Schedule   | DOJ, FMS, GAO                             |
| 11/16/2005 (midnight EST.)        | Agencies in Appendix A            | Preparers submit Closing Package data through GFRS (refer to TFM, Part 2, Chapter 4700 for further details)                        | FMS                                       |
| 11/16/2005 (midnight EST.)        | Agencies excluded from Appendix A | Non-verifying agencies submit Adjusted Trial Balances through FACTS I and Notes through GFRS                                       | FMS                                       |
| 11/18/2005 (noon EST.)            | Agencies in Appendix A            | CFO submits Approval of Closing Package (refer to TFM, Part 2, Chapter 4700 for further details)                                   | FMS                                       |

**Preparing the FR of the United States Government**

| <b>Key Due Date</b>       | <b>Who Should Submit</b> | <b>Requirement</b>   | <b>Recipient</b>             |
|---------------------------|--------------------------|--|------------------------------|
| 11/18/2005<br>(noon EST.) | Agencies in Appendix A   | CFO submits Management Representation Letter for the special-purpose financial statements  | OMB OFFM, Main Treasury, GAO |
| 11/18/2005<br>(noon EST.) | Agencies in Appendix A   | IG submits Opinion on Closing Package<br>(refer to TFM, Part 2, Chapter 4700 for documents to attach to the opinion)                           | OMB OFFM, FMS and GAO        |
| 11/23/2005                | Agencies in Appendix A   | CFO submits Representation on Intragovernmental Activity and Balances  | FMS and GAO                  |
| 11/30/2005                | Agencies in Appendix A   | CFO submits Adjusted Trial Balances through FACTS I  | FMS                          |
| 11/30/2005                | Agencies in Appendix A   | IG sends email on subsequent changes or no changes to cases after the final legal representation letter (changes occurring)                    | FMS                          |
| 11/30/2005                | Agencies in Appendix A   | CFO sends email on subsequent changes or no changes to the management representation letter and financial statements, due to subsequent events | OMB OFFM and Main Treasury   |
| 12/2/2005                 | Agencies in Appendix A   | IG submits Agreed-upon Procedures Report on the Closing Package Intragovernmental Activity and Balances  | FMS and GAO                  |
|                           |                          |  |                              |

\* - See OMB's Amendments to OMB Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*, dated July 2004, for agencies subject to the Accountability of Tax Dollars Act.

**Contact Information for Legal and Management Representation Letters**

Office of Management and Budget  
New Executive Office Building  
Office of Federal Financial  
Management  
725 17<sup>th</sup> Street, NW, Suite 6025  
Washington, DC 20503  
Attn: Dana James  
E-mail:  
[David.Zavada.Statements@omb.eop.gov](mailto:David.Zavada.Statements@omb.eop.gov)

Telephone: (202) 395-3993  
Fax: (202) 395-3952  
Department of the Treasury(Main)  
1500 Pennsylvania Avenue, NW  
Room 2064  
Washington, DC 20220  
Attn: Ann Davis  
E-mail: [ann.davis@do.treas.gov](mailto:ann.davis@do.treas.gov)  
Telephone: (202) 622-1028  
Fax: (202) 622-1511

Government Accountability Office  
441 G Street, NW, Room 5V09  
Washington, DC 20548  
Attn: Lynda Downing  
E-mail: [USCFSS@gao.gov](mailto:USCFSS@gao.gov)  
Telephone: (202) 512-9168  
Fax: (202) 512-9596

Department of Justice  
Office of the Assistant Attorney  
General  
950 Pennsylvania Avenue, NW  
Room 3138  
Washington, DC 20530  
Attn: COL Sharon Riley  
E-mail: [Legal.letters@usdoj.gov](mailto:Legal.letters@usdoj.gov)  
Telephone: (202) 514-3886  
Fax: (202) 514-8071  
(Beginning August 15)

Office of Management and Budget  
New Executive Office Building  
Resource Management Office  
725 17<sup>th</sup> Street, NW  
Washington, DC 20503

(Office number, e-mail, telephone, and  
fax should be obtained from the  
respective RMO.)

Department of the Treasury  
Financial Management Services  
Room 509B  
3700 East-West Highway  
Hyattsville, MD 20782  
Attn: Faye McCreary  
E-mail:  
[Financial.Reports@fms.treas.gov](mailto:Financial.Reports@fms.treas.gov)  
Telephone: (202) 874-9910  
Fax: (202) 874-9907

Department of Justice  
1100 L Street, NW, Room 9048  
Washington, DC 20005  
Attn: Barbara Clatterbos  
E-mail: [Legal.letters@usdoj.gov](mailto:Legal.letters@usdoj.gov)  
Telephone: (202) 616-7922  
Fax: (202) 514-1908