

**FINAL DRAFT GUIDE FOR BASIC ACCOUNTING AND REPORTING
FOR DIRECT LOAN PROGRAMS
WITHOUT COLLATERAL
IN FEDERAL CREDIT PROGRAM**

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OVERVIEW

This guide is designed for those who:

- Formulate and execute Federal credit program budgets, including accounting for assets, liabilities, net position, income, and expenses, and budgetary resources;
- Prepare agency financial statements;
- Audit the agency financial statements;
- Manage or provide service to participants in loan guarantee programs;
- Design and maintain computer systems for financial programs;
- Instruct others in basic accounting and reporting for loan guarantee programs without collateral.

The guide is illustrative, rather than authoritative, and is categorized as “other accounting literature” in the hierarchy of accounting principles for Federal entities.¹ It supersedes the original and subsequent direct loan scenarios. Users may download the guide from the Financial Management Service (FMS) Web site at www.fms.treas.gov/ussgl/creditreform.

In order to understand and gain the most from the guide, users must have a working knowledge of the following:

- Budgetary and proprietary accounting, reporting, and terminology;
- The United States Government Standard General Ledger (USSGL) accounts for basic annual operating appropriations and revolving funds; AND
- The Credit Reform Act and other requirements established by the Act;
- The concepts of Federal credit program accounting and reporting, fund structures, and terminology.

This guide is a study in accounting and reporting for a discretionary direct loan program under the Federal Credit Reform Act of 1990, as amended, for direct loan obligated after September 30, 1991. Direct loans are disbursements of funds by the Government to a non-federal borrower under a contract that requires repayment of such funds with or without interest.²

Transactions are presented over a 1-year period (fiscal year 1) for a fictitious Federal agency with a single direct loan program with no risk categories. Transactions for fiscal year 2 show the disposition of the re-estimated subsidy accrued in fiscal year 1. Common transactions and reports are covered in addition to transactions

¹See §1.2, p.2, *Form and Content of Agency Financial Statements*, OMB Budget Bulletin 01-09, dated September 2001.

²OMB Circular No. A-11 (2004), Section 185.3(d)

unique to Federal credit program accounting. However, since accounting for accruals and undelivered orders with advances are not unique to credit reform accounting, they are not presented. In addition, transactions involving collateral are excluded, since they are covered in a separate guide. Entries are made in general journal form, using USSGL accounts, and are summarized in trial balances for each year.

The transactions shown are:

- ◆ Formulation, apportionment, and allotment of the budget;
- ◆ Receipt of subsidy and administrative expense appropriations;
- ◆ Transfer of subsidy from the program to the financing fund;
- ◆ Borrowing from Treasury and repayment of loans and interest;
- ◆ Disbursement of loans to program participants and collection of principal and interest from them;
- ◆ Disbursement of administrative expenses;³
- ◆ Modification of loan terms, with resulting adjustment to program levels and return of excess borrowing from Treasury and reduction of borrowing authority;
- ◆ Accrual and receipt or disbursement of subsidy re-estimates and related interest;
- ◆ Accrual of collectible and uncollectible interest from borrowers;
- ◆ Amortization of allowance for subsidy;
- ◆ Write-off of bad debts without receiving collateral; and
- ◆ Closing entries.

³The illustration is for payment of administrative expenses without prior obligation through undelivered orders or accounts payable. Though administrative expenses will usually be obligated before payment, there is nothing about the transactions unique to credit program accounting, and hence, prior obligations are not shown.

The yearend agency reports presented are listed below:

- Balance Sheet;
- Statement of Net Cost;
- Statement of Changes in Net Position;
- Statement of Budgetary Resources;
- Statement of Financing;
- FMS 2108: Yearend Closing Statement;
- Program and Financing Schedule; AND
- Credit Program Footnote (including the Schedule of Changes in the Allowance for Subsidy).

An SF 132: Apportionment and Reapportionment Schedule report is furnished at the beginning of each year.

This guide includes three appendices. Appendix 1 discusses basic differences encountered in mandatory programs. Appendix 2 provides the recording and reporting for downward reestimates of subsidy for both a discretionary and a mandatory program. Appendix 3 provides a listing of key references related to credit program accounting. If the references change, this document will be updated accordingly and published on the FMS Web site at www.fms.treas.gov/ussgl.

Users may send questions to the FMS Web site at www.fms.treas.gov/GL by using the online USSGL Issue Form. This Web site also provides a list of the USSGL representatives and their telephone numbers. Users may contact the Director, USSGL Division, FMS, for information through the Lotus e-mail system.

CONCEPTUAL FRAMEWORK

This guide uses numbers and titles for USSGL accounts. When necessary, titles for USSGL accounts are expanded by using brackets to capture, clarify, or add specific information, for illustrative purposes only. For example, administrative expense, “[Administrative Expense]” is included after the title for USSGL 6100 account, “Operating Expenses/Program Costs.” In the same manner, for interest supplement expense, “[Interest Supplement],” is included after the title for the USSGL 6100 account. The USSGL Supplement, Section II, contains definitions for USSGL accounts.

Entries are in general journal form, using USSGL accounts, and are summarized in trial balances for each year. Note that the financing fund is used only in the transactions for Post-Credit Reform scenarios, and the liquidating fund is used only in the transactions for Pre-Credit Reform scenarios.

USSGL accounts that, by themselves, do not directly provide the reporting that is illustrated, are supplemented with additional detail. The entries made and the method chosen to illustrate the detail provide only one-way of accounting. Agencies may have other ways of structuring their ledgers and making journal entries to accomplish the same result.

ACCOUNT TABLES

The following tables identify the accounts used in the guide to record transactions and prepare reports. Since the transactions are not comprehensive, the tables do not contain all accounts that agencies may use in day-to-day activities.

PROGRAM FUND BUDGETARY ACCOUNTS USED

RESOURCES

Anticipated

4120 Appropriations Anticipated - Indefinite

Realized

4115 Loan Subsidy Appropriation

4117 Loan Administrative Expense Appropriation

4118 Re-estimated Loan Subsidy Appropriation - Indefinite - Permanent

4201 Total Actual Resources - Collected

STATUS OF RESOURCES

Unobligated

4450 Unapportioned Authority

4510 Apportionments

4590 Apportionments Unavailable - Anticipated Resources

4610 Allotments - Realized Resources

4650 Allotments - Expired Authority

Obligated

4801 Undelivered Orders – Obligations Unpaid

4902 Delivered Orders – Obligations, Paid [Re-estimated Subsidy and Interest]

4902 Delivered Orders – Obligations, Paid [Other]

PROGRAM FUND PROPRIETARY ACCOUNTS USED

ASSETS

1010 Fund Balance with Treasury

LIABILITIES

2170 Subsidy Payable to Financing Account

NET POSITION

3100 Unexpended Appropriations - Cumulative

3101 Unexpended Appropriations - Appropriations Received

3107 Unexpended Appropriations - Used

3310 Cumulative Results of Operations

FINANCING SOURCES

5700 Expended Appropriations

EXPENSES

6100 Operating Expenses/Program Costs [Administrative Expense]

6100 Operating Expenses/Program Costs [Basic and Modified Subsidy]

6800 Future Funded Expenses [Subsidy Re-estimate]⁴

⁴This relates to upward re-estimates. The comparable account for downward re-estimates is in the financing fund. This case illustrates use of the accounts for upward re-estimates. Appendix 2 illustrates use of the account for downward re-estimates.

FINANCING FUND BUDGETARY ACCOUNTS USED

RESOURCES

Anticipated

4060 Anticipated Collections from Non-Federal Sources

4070 Anticipated Collections from Federal Sources

Realized

4141 Current-Year Borrowing Authority Realized

4201 Total Actual Resources - Collected

4221 Unfilled Customer Orders Without Advance

4261 Actual Collections of Business-Type Fees

4262 Actual Collections of Loan Principal

4263 Actual Collections of Loan Interest

4271 Actual Program Fund Subsidy Collected

4273 Interest Collected from Treasury

Anticipated Contra Resources

4047 Anticipated Transfers to the General Fund of the Treasury

Realized Contra Resources

4143 Reductions of Borrowing Authority

4146 Actual Repayments of Debt, Current-Year Authority

Other

4145 Borrowing Authority Converted to Cash

4148 Resources Realized from Borrowing Authority

4149 Borrowing Authority Carried Forward

STATUS OF RESOURCES

Unobligated

4450 Unapportioned Authority

4510 Apportionments

4590 Apportionments Unavailable - Anticipated Resources

4610 Allotments - Realized Resources

Obligated

4801 Undelivered Orders – Obligations Unpaid

4902 Delivered Orders – Obligations, Paid [Loans Made]

4902 Delivered Orders – Obligations, Paid [Other]

FINANCING FUND PROPRIETARY ACCOUNTS USED

ASSETS

1010 Fund Balance with Treasury
1310 Accounts Receivable [Subsidy Receivable from Program Account]
1350 Loans Receivable
1399 Allowance for Subsidy

LIABILITIES

2190 Other Accrued Liabilities [Downward Re-estimate Payable to Misc. Receipt Account]
2320 Deferred Credits [Interest Deemed to be Uncollectible]
2510 Principal Payable to the Bureau of the Public Debt

NET POSITION

3310 Cumulative Results of Operations⁵

FINANCING SOURCES

5312 Interest Revenue – Loans Receivable/Uninvested Balances [Borrowers]
5312 Interest Revenue - Loans Receivable/Uninvested Balances [Treasury]
5310 Interest Revenue - Other [Amortization of Subsidy]
5730 Financing Sources Transferred Out Without Reimbursement [Non-Budgetary]

EXPENSES

6310 Interest Expenses on Borrowing from the Bureau of the Public Debt and/or the Federal
Financing Bank
6800 Future Funded Expenses [Subsidy Re-estimate]⁶

⁵This account must be zero after closing. OMB A-11, Section 185, Exhibit E, the financing is designed to break even and thus have a zero results of operations. If the subsidy money is too great, a payable to transfer it to a designated miscellaneous receipt fund is accrued. If it is too little, a receivable from the program fund is accrued for the deficiency. The accounting is such that financing sources must equal expenses, and assets must equal liabilities.

⁶This relates to downward re-estimates. See appendix 2 for illustration of its use.

**FINANCING FUND MEMORANDUM ACCOUNTS USED
 TO REPORT ACTIVITY IN THE ALLOWANCE FOR SUBSIDY⁷**

<u>Beginning and Contra Balances</u>	<u>Normal Balance</u>
9XAA Allowance for Subsidy - Beginning Balance	Dr. (negative) or Cr. (positive)
9XAB Allowance for Subsidy - Contra	Dr. (positive) or Cr. (negative)
 <u>Basic Subsidy</u>	
9XAD Allowance for Subsidy - Basic Subsidy Expense - Interest Differential	Cr.
9XAE Allowance for Subsidy - Basic Subsidy Expense - Defaults	Cr.
9XAF Allowance for Subsidy - Basic Subsidy Expense - Fees and Other Collections	Dr.
 <u>Adjustments</u>	
9XAG Allowance for Subsidy - Adj - Loan Modifications	Dr. (Dwnwd) or Cr. (Upwd)
9XAH Allowance for Subsidy - Adj - Fees Received	Cr.
9XAI Allowance for Subsidy - Adj - Loan Principal Written Off	Dr.
9XAJ Allowance for Subsidy - Adj - Interest Written Off	Dr.
9XAK Allowance for Subsidy - Adj - Amortization to Interest	Dr. (positive) or Cr. (negative)
 <u>Re-estimates</u>	
9XAL Allowance for Subsidy - Subsidy Re-estimates - Int. Rate	Dr. (Dnwd) or Cr. (Upwd)
9XAM Allowance for Subsidy - Subs. Re-est. - Technical - Prin.	Dr. (Dnwd) or Cr. (Upwd)
9XAN Allowance for Subsidy - Subs. Re-est. - Technical - Int.	Dr. (Dnwd) or Cr. (Upwd)

⁷These accounts are for detailing activity in account 1399 Allowance for Subsidy and are used to produce the Schedule for Reconciling Subsidy Cost Allowance Balances per FASAB #18 and for certain items on the statement of financing. Because these accounts are proposed at this writing and are not yet contained in the USSGL, their normal balance—debit (dr.) or credit (cr.)—is given. The list of accounts here is a partial one, containing only those accounts that are used in the case.

DIRECT LOANS

YEAR 1

The Direct Loan Agency has been authorized to make loans beginning in fiscal year 1. The agency has a single, discretionary direct loan program with no risk categories.⁸ The Congress has authorized annual appropriations⁹ for basic subsidy, modified subsidy, and administrative expenses; permanent indefinite appropriations for upward re-estimates of subsidy, with related interest; and permanent indefinite borrowing authority for the unsubsidized portion of loans made. The agency's authorizing legislation makes it subject to the Credit Reform Act of 1990, as amended. An authorized agency official provides blanket allotment authority for all realized resources, as they are realized, up to the amount apportioned by OMB.

The agency borrows the full amount it expects to need at the beginning of the year, and gives back the amount it has not obligated at the end of the year. All collections are used to repay principal and interest on its Treasury loans.

The agency has authority to obligate \$100,000 in loans in fiscal year 1, for which the subsidy model shows a 21.5 percent subsidy rate, comprised of:

• Defaults, 20 percent;	20.0
• Interest differential, ¹⁰ 2 percent; and	2.0
• Fees, (.5) percent.	(.5)

- Administrative expenses for Year 1 have been authorized in the amount of \$5,000, and loans are to be funded with (1) monies received from the appropriation subsidy and (2) borrowing from Treasury for the remainder.
- It is expected that \$11,000 of loan principal and \$500 of loan interest will be received in Year 1, and that Treasury principal of \$11,300 will be repaid, plus interest of \$700 (total \$12,000).
- Current, definite appropriations, permanent indefinite borrowing authority, and authorization for the appropriate collections are authorized in the legislation.

⁸Programs, which have risk categories, must maintain separate financing fund accounting for each risk category.

⁹While annual appropriations for basic and modified subsidy, which are common in discretionary direct loan programs, are illustrated in the case, some programs may have multi-year or permanent indefinite appropriations provided for these purposes in their underlying legislation. Accounting for these types of appropriations is essentially the same as it would be for basic operating appropriations or revolving funds, which had them.

¹⁰This is the difference between interest charged borrowers and interest the agency must pay to Treasury on loans to make the borrowing.

The agency prepared the following request for apportionment (SF 132):

**Direct Loan Agency
 SF 132 Apportionment/Reapportionment Schedule
 Fiscal Year 1**

Program Loan Level Authorized: 100,000

Budgetary Resources	Program Fund	Financing Fund
Budget authority:		
1A. Appropriations	<u>26,500</u>	
1B. Borrowing authority		78,500
3C. Anticipated for rest of year without advance		33,500
6F. Anticipated rest of year		<u>(11,300)</u>
7. Total budgetary resources	<u>26,500</u>	<u>100,700</u>

Application of Budgetary Resources

Budget authority:		
Category B:		
8B1. Direct loan subsidy	21,500	100,000
8B2. Administrative expense	<u>5,000</u>	
8B2. Interest to Treasury		<u>700</u>
12. Total budgetary resources	<u>26,500</u>	<u>100,700</u>

TRANSACTIONS - YEAR 1

1.1 To record the enactment of appropriations. (TC A104, A140, A142, A152)¹¹

Program Fund

4115 Loan Subsidy Appropriation	21,500	
4117 Loan Administrative Expense Appropriation	5,000	
4450 Unapportioned Authority		26,500
1010 Fund Balance with Treasury	26,500	
3101 Unexpended Appropriations - Appropriations Received		26,500

Financing Fund

4060 Anticipated Collections from Non-Federal Sources	12,000	
4070 Anticipated Collections from Federal Sources	21,500	
4141 Current Year Borrowing Authority Realized	78,500	
4047 Anticipated Transfers to Treasury		11,300
4450 Unapportioned Authority		100,700

1-2. The agency's requests for apportionment were approved by OMB without change, and the apportionment was recorded. (TC A116, A118)

Program Fund

4450 Unapportioned Authority	26,500	
4510 Apportionments		26,500

Financing Fund

4450 Unapportioned Authority	100,700	
4510 Apportionments [of realized resources]		78,500
4590 Apportionments Unavailable - Anticipated Resources		22,200

¹¹Annual appropriations are considered realized based on the underlying legislation. Agencies that have multi-year appropriations in other than their final year, or permanent indefinite appropriations, would normally need to anticipate their appropriations prior to realizing them.

1-3 Issued a blanket authorization to allot anticipated resources as they were realized, not to exceed the amount of the apportionment. (TC A120)

Program Fund

4510 Apportionments	26,500	
4610 Allotments - Realized Resources		26,500

Financing Fund

4510 Apportionments [of realized resources]	78,500	
4610 Allotments - Realized Resources		78,500

1-4. Borrowed from the Bureau of the Public Debt (BPD) the full amount required to make the authorized \$100,000 in loans. (TC A156)

Financing Fund

4148 Resources Realized from Borrowing Authority	78,500	
4145 Borrowing Authority Converted to Cash		78,500
1010 Fund Balance with Treasury	78,500	
2510 Principal Payable to the Bureau of the Public Debt		78,500

1-5. Paid administrative expenses of \$4,950. No undelivered orders were placed or accruals made before payment. (TC B106, B134)¹²

Program Fund

4610 Allotments - Realized Resources	4,950	
4902 Delivered Orders Paid [Other]		4,950
6100 Operating Expenses/Program Cost [Administrative Expenses]	4,950	
1010 Fund Balance with Treasury		4,950
3107 Unexpended Appropriations - Appropriations Used	4,950	
5700 Financing Sources from Appropriations		4,950

¹² Typically in standard federal accounting, undelivered orders (4800) would be placed with vendors to acquire the goods, and the invoices would be accrued as payable (4901) before they were paid; however, in credit programs those particular accounting events do not exist. As a result, we will not illustrate those particular transactions in the case study because they are not necessary.

1-6. Agreed to make \$90,000 of loans, subject to the loan applicants meeting conditions placed on them. (TC B204CR, C101, A122, B204)

Program Fund

4610 Allotments - Realized Resources	19,350 ¹³	
4801 Undelivered Orders - Unpaid		19,350

To recognize the subsidy to be transferred from the program fund.

Financing Fund

4221 Unfilled Customer Orders without Advance	19,350 ¹⁴	
4070 Anticipated Collections from Federal Sources		19,350

To record allotment. ¹⁵

4590 Apportionments Unavailable - Anticipated Resources	19,350	
4610 Allotments - Realized Resources		19,350
4610 Allotments - Realized Resources	90,000	
4801 Undelivered Orders - Unpaid		90,000 ¹⁶

¹³\$90,000 in loan commitments x 21.5 percent subsidy = \$19,350.

¹⁴ OMB A-11, Section 185.25, states that for direct loan financing account include the subsidy cost payment obligated in the program account but not yet paid on line 3B2, Spending authority from offsetting collections, Change in unfilled customer orders, Without advance from Federal sources.

¹⁵ Note that the unfilled customer order from the program fund constitutes a realized resource (OMB Bulletin A-11, Section 185.11).

¹⁶The \$90,000 is the amount of the loans agreed upon, but not yet finalized. It represents a combination of the \$19,350 subsidy plus \$70,650

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(\$90,000 x the unsubsidized rate of 78.5 percent) of borrowing authority.

1-7. Applicants for \$87,000 of the \$90,000 of loan commitments met the conditions for making the loans. Subsidy was transferred from the program fund to the financing fund, and the loans were disbursed to the applicants.¹⁷ Applicants for the remaining \$3,000 of loans have not yet met the conditions. (TC A146, B134,new, C206)

Program Fund

4801 Undelivered Orders - Unpaid	18,705 ¹⁸	
4902 Delivered Orders Paid [Other]		18,705 ¹⁹
6100 Operating Expenses/Program Costs [Basic & Modified Subsidy Expense]	18,705	
1010 Fund Balance with Treasury		18,705
3107 Unexpended Appropriations - Appropriations Used	18,705	
5700 Financing Sources from Appropriations		18,705

Financing Fund

To collect the subsidy

4271 Actual Program Fund Subsidy Collected	18,705	
4221 Unfilled Customer Orders Without Advance (New Transaction)		18,705 ²⁰
1010 Fund Balance with Treasury	18,705	
1399 Allowance for Subsidy		18,705 ²¹

To disburse the loans

4801 Undelivered Orders - Unpaid	87,000	
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¹⁷Although separate procedures would be involved to transfer the monies and to disburse the loans, they both should be performed simultaneously.

¹⁸\$87,000 in loans made x 21.5 percent subsidy = \$18,705.

¹⁹ Per OMB A-11, section 185.26, Just before a loan is disbursed from the financing account, pay the financing account and include the subsidy cost payment on line 15A, Disbursements and reduce the amount of loans payable from line 14C, Obligated balance, Undelivered orders, of the SF 133, Report on Budget Execution.

²⁰ Per OMB A-11, section 185.26. When subsidy cost payment is received from the program account, reduce line 3B2, without advance from Federal sources, and increase line 3A1, Collected.

²¹This allowance for "subsidized costs" reduces the gross loans receivable of \$87,000 to its present value of \$68,295 (\$87,000 x the 78.5 percent unsubsidized cost rate).

4902 Delivered Orders - Paid [Loans Made]		87,000
1350 Loans Receivable	87,000	
1010 Fund Balance with Treasury		87,000
<i>Memorandum Accounts - Allowance for Subsidy (A/S)²²</i>		
9XAB A/S - Contra	18,705	
9XAF A/S - Basic Subsidy - Fees & Other Coll.	435	
9XAD A/S - Basic Subsidy - Int. Differential		1,740
9XAE A/S - Basic Subs. - Defaults		17,400

Collections from borrowers during the year were as follows:

- **Application fees, \$480²³**
- **Loan principal, \$10,000**
- **Loan interest, \$500**

1-8. To record the receipt of previously anticipated collections. (C109 and A122)

Financing Fund

4261 Actual Collection of Business-Type Fees	480	
4262 Actual Collection of Loan Principal	10,000	
4263 Actual Collection of Loan Interest	500	
4060 Anticipated Collections from Non-Federal Sources		10,980
1010 Fund Balance with Treasury	10,980	
1399 Allowance for Subsidy		480
1350 Loans Receivable		10,000
5312 Interest Revenue – Loans Receivable/ Uninvested Balances [Borrowers]		500

²²Per the subsidy model discussed in the case agency parameters, the dollar amounts are computed by multiplying the \$87,000 in loans disbursed x 20% for the default component, 2% for the interest differential, .5 percent for the fees, and 21.5% for the total.

²³Though all collections from federal sources are recorded together for purposes of the case, the application fees would probably be collected in conjunction with making the loans. They would normally be one of the conditions that applicants would have to meet. Some programs may collect fees from borrowers each year, in addition to principal and interest.

4590 Apportionments Unavailable - Anticipated Resources	2,850 ²⁴	
4610 Allotments - Realized Resources		2,850
<i>Memorandum Accounts - Allowance for Subsidy (A/S)</i>		
9XAB A/S - Contra	480	
9XAH A/S - Adjustments - Fees Received		480

1-9. The collections received were paid to BPD. \$700 was for interest on the agency loan from BPD, and \$10,280 was for principal.²⁵

1-9a To record principal repayments to Treasury and the Federal Financing Bank. (B-120)

Financing Fund

4047 Anticipated Transfers to the General Fund of the Treasury	10,280	
4146 ²⁶ Actual Repayments of Debt, Current-Year Authority		10,280
2510 Principal Payable to the Bureau of the Public Debt	10,280	
1010 Fund Balance with Treasury		10,280

1-9b To record payment of interest not previously accrued. (B-109)

4610 Allotments - Realized Resources	700	
4902 Delivered Orders - Paid [Other]		700

²⁴Note that balance of account 4590 is \$2,850 just before this transaction. The account cannot go below zero. At the point that it reaches zero, no additional allotments of anticipated resources, which become realized, are made. The \$2,850 shown in the entry brings the account balance to zero.

²⁵In a direct loan financing fund, offsetting collections other than basic subsidy from the program fund, which is used to make loans, is normally paid to BPD for interest and to reduce the loan principal. Exceptions are made when monies are needed for other purposes, such as to repair or maintain foreclosed property on defaulted loans, which is not included in this guide.

Note that it is an OMB requirement that the repayment of principal to Treasury is a non-expenditure transaction (i.e. it does not count as obligations or outlays), whereas payment of interest on debt to Treasury is an expenditure transaction (it does count). Section 20.6, indicates that agencies should not record outlays for the repayment of debt principal, because borrowings and the repayment of debt principal are treated as a means of financing.

²⁶ If prior year authority was available, USSGL account 4147, Actual Repayments of Debt, Prior-Year Balances, would be used.

6310 Interest Expenses on Borrowing From the		
Bureau of Public Debt and/or the Federal Financing Bank	700	
1010 Fund Balance with Treasury		700

1-10 After consultation and agreement with OMB, the agency decided to modify the terms of loans for some borrowers, reducing the present value of those loans by \$1,000.²⁷ Noting that this would require \$1,000 of subsidy to be transferred from the program to the financing fund, and because that \$1,000 had originally been apportioned for use in making new loans rather than modifying existing ones, the agency submitted a revised request for apportionment to allow the monies to be paid to Treasury and to reduce the amount of subsidy apportioned for direct loans. The authorized loan level was reduced from \$100,000 to \$95,349²⁸ In addition, since the new loan level required only \$74,849²⁹ in borrowing authority, and \$78,500 of borrowing authority had been provided for the program, the authority, and OMB’s apportionment of it, was reduced by the difference of \$3,651.

The resulting revised request for apportionment, which OMB approved, is illustrated following the entries below.³⁰ (A148)

Financing Fund

4610 Allotments - Realized Resources	4,651 ³¹	
4047 Anticipated Transfers to the General Fund of the Treasury		1,000
4143 Actual Reductions of Borrowing Authority		3,651 ³²

²⁷Before making the modifications, the agency must be certain that it has sufficient unobligated resources for subsidy in the program fund. In this case, the amount of unobligated resources, as represented by allotments related to the subsidy, amounted to \$2,150 (\$21,500 from transaction 1-3 less \$19,350 from transaction 1-6).

²⁸The subsidy rate for Year 1 is 21.5%. The original subsidy authorized to support \$100,000 in loans was \$21,500. The remaining subsidy, after the modification, was \$20,500. This \$20,500 will support the making of only \$95,349 in new loans (\$20,500/. 215).

²⁹The loan level of \$95,349 is provided via subsidy of 21.5 percent (see previous footnote) and borrowing of 78.5 percent. The borrowing authority required to support \$95,349 of loans is \$74,849 (computed as \$95,349 x .785, or as \$95,349 less the subsidy, computed in the preceding note, of \$20,500).

³⁰Note that the form is also updated for actual transactions, which have occurred, such that actual offsetting collections are shown on line 3a, with line 3c reduced accordingly, and actual payments to the Bureau of the Public Debt are shown on line 6c, with line 6f reduced accordingly.

³¹Note that since the authority had been allotted in transaction 1-3, the reduction is to allotments rather than to apportionments. This excess borrowing is repaid to Treasury in transaction 1-13.

³²\$100,000 originally apportioned, less the new loan level of \$95,349, = \$4,651. Note that if the agency desired to keep the \$100,000 figure and

Direct Loan Agency
SF 132 Apportionment/Reapportionment Schedule
Fiscal Year 1

Program Loan Level: \$95,349

Budgetary Resources	Financing Fund
Budget authority:	
1B. Borrowing authority	78,500
Spending authority from offsetting collections (gross):	
3A1. Earned Collected	29,685
3B2. Change in unfilled Customer Orders w/o advance	645
3C. Anticipated for rest of year without advance	3,170
Permanently not available:	
6C. Capital transfers and redemption of debt (-)	(10,280)
6D. Other authority withdrawn (-)	(3,651)
6F. Anticipated rest of year (-)	<u>(2,020)</u>
7. Total budgetary resources	<u><u>96,049</u></u>

Application of Budgetary Resources	Financing Fund
Budget authority:	
Category B:	
8A2. Direct loan subsidy cost	95,349
8A2. Interest payment to Treasury	<u>700</u>
11. Total status of budgetary resources	<u><u>96,049</u></u>

- *OMB A-11, Section 185.20, Capital transfers and redemption of debt (line 6C) are not obligations and therefore do not need to be apportioned on line 8. However, you do need to plan for repayments and show your estimated debt repayments as a negative on line 6C when you submit your SF 132.*

separately store the \$4,651, it would have to add an account, probably using accounts in the series designated "reserved for agency use." If an account was added, it, instead of 8010, would be credited in the entry.

- *OMB A-11, Section 185.19, for financing accounts, additional interest payment amounts to Treasury (i.e. amounts exceeding your estimate on the most recent approved apportionment) are automatically apportioned.*

1-11 The agency modified the terms of the loans, as discussed in the previous transaction. The present value of these modifications decreased the present value of the loans by \$1,000, requiring additional subsidy from the program fund, which was transferred to the financing fund.

1-11a To record the payment of subsidy to financing fund. (B102 & B134)

Program Fund

4610 Allotments - Realized Resources	1,000	
4902 Delivered Orders – Paid [Other]		1,000
6100 Operating Expenses/Program Costs		
[Basic and Modified Subsidy Expense]	1,000	
1010 Fund Balance with Treasury		1,000
3107 Unexpended Appropriations - Appropriations Used	1,000	
5700 Financing Sources from Appropriations		1,000

1-11b To record the collection of subsidy for loan modification costs in the financing fund. (C104)

Financing Fund

4271 Actual Program Fund Subsidy Collected	1,000	
4070 Anticipated Collections from Federal Sources		1,000
1010 Fund Balance with Treasury	1,000	
1399 Allowance for Subsidy		1,000 ³³
<i>Memorandum Accounts - Allowance for Subsidy (A/S)</i>		
9XAB A/S - Contra	1000	
9XAG A/S - Adjustments - Loan Modifications ³⁴		1,000

³³Note that the effect of this is to decrease the present value of the loans receivable by \$1,000.

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³⁴If agencies wanted to separate upward from downward modifications, they could use an account in the 8120 series reserved for agency use to do so.

The \$1,000 of collections for the subsidy modifications was used to repay principal on the debt to BPD.

1-12 To record principal repayments to Treasury and the Federal Financing Bank via nonexpenditure transfers that was previously anticipated. (B120)

Financing Fund

4047 Anticipated Transfers to the General Fund of the Treasury	1,000	
4146 Actual Repayments of Debt, Current-Year Authority		1,000
2510 Principal Payable to the Bureau of the Public Debt	1,000	
1010 Fund Balance with Treasury		1,000

The agency returned to BPD \$3,651 it had borrowed in transaction 1-4 in excess of the new borrowing authority resulting from the modification in transaction 1-10.

1-13 To record the return of excess borrowing to BPD as a result of the modification. (A156R)

Financing Fund

4145 Borrowing authority Converted to Cash	3,651	
4148 Resources Realized from Borrowing Authority		3,651
2510 Principal Payable to Treasury	3,651	
1010 fund Balance with Treasury		3,651

Note: Although separated for ease of illustration in the case, transactions 1-10 through 1-13 should be occur simultaneously

1-14 Treasury credited \$15 to the financing fund for interest the fund earned on its unused Fund Balance with Treasury during the year.³⁵

To record receipt of previously anticipated collections. (C109)

Financing Fund

4273 Actual Interest Collected from Treasury	15 ³⁶	
4070 Anticipated Collections from Federal Sources		15
1010 Fund Balance with Treasury	15	
5312 Interest Revenue - Loans Receivable/Uninvested Balances [Treasury]		15

1-15 The interest collected from Treasury was used to pay principal on the agency's loan from Treasury.

To record principal repayment to Treasury Federal Financing Bank via nonexpenditure transfers that were previously anticipated. (B-120)

Financing Fund

4047 Anticipated Transfers to the General Fund of the Treasury	15	
4146 Actual Repayments of Debt, Current-Year Authority		15
2510 Principal Payable to the Bureau of the Public Debt	15	
1010 Fund Balance with Treasury		15

³⁵This entry would not be applicable, if an agency does not borrow all of its authority at the beginning of the year. Instead the agency would post a debit tot 4450, Unapportioned Authority and a credit to 4143, Decreases to Indefinite Borrowing Authority. (A148)

³⁶Recall that transaction 1-8 brought account 4590 to zero. Hence, this subsequent collection of anticipated resources is not allotted. It is expected to be used to repay principal on agency borrowing from Treasury.

TRIAL BALANCES

Trial balances for the agency as of this point are shown on the following pages, with each trial balance a single column netting to zero. For all trial balances presented in this guide, “N/A” indicates that the account is not applicable to the fund in which column it appears. The chart of accounts for each trial balance is found in the “conceptual framework” section of this guide.

(TRANSACTIONS 1-1 THROUGH 1-15 ONLY)

Accounts	Program Fund	Financing Fund
<u>Budgetary</u>	<u>Dr./Cr.)</u>	<u>Dr./Cr.)</u>
4047	N/A	\$(1,005)
4060	N/A	1,020
4070	N/A	1,135
4115	21,500	N/A
4117	5,000	N/A
4141	N/A	78,500
4143	N/A	(3,651)
4145	N/A	(74,849)
4146	N/A	(11,295)
4148	N/A	74,849
4221	N/A	645
4261	N/A	480
4262	N/A	10,000
4263	N/A	500
4271	N/A	19,705
4273	N/A	15
4450	0	0
4510	0	0
4590	N/A	0
4610	(1,200)	(5,349)
4801	(645)	(3,000)
4902 [Loans Made]	N/A	(87,000)
4902 [Other]	<u>(24,655)</u>	<u>(700)</u>
	<u>\$ 0</u>	<u>\$ 0</u>

TRIAL BALANCE (Continued)
 (TRANSACTIONS 1-1 THROUGH 1-15 ONLY)

Accounts	Program Fund	Financing Fund
<i>Proprietary</i>	<i>Dr./(Cr.)</i>	<i>Dr./(Cr.)</i>
1010	1,845	6,554
1350	N/A	77,000
1399	N/A	(20,185)
2510	N/A	(63,554)
3101	(26,500)	N/A
3107	24,655	N/A
5312 [Borrowers]	N/A	(500)
5312 [Treasury]	N/A	(15)
5700	(24,655)	N/A
6100 [Admin.]	4,950	N/A
6100 [Basic and Mod. Sub.]	19,705	N/A
6310	N/A	700
	<u>\$ 0</u>	<u>\$ 0</u>

Allowance for Subsidy (Financing Fund Only)

Memorandum Accounts— Dr./(Cr.)

9XAA	0
9XAB	20,185
9XAD	(1,740)
9XAE	(17,400)
9XAF	435
9XAG	(1,000)
9XAH	(480)
	<u>\$ 0</u>

**TRANSACTIONS
 YEAR 1 (CONTINUED)**

1-16. Interest of \$55 was accrued as receivable on the loans. Of that, \$50 was related to loans, which were still performing, and \$5 to loans, which were not performing. (C216)³⁷

*Financing Fund*³⁸

1340 Interest Receivable: Accrued	55	
5312 Interest Revenue – Loans Receivable/ Uninvested Funds [Borrowers]		50
2320 Deferred Credits: Interest [Deemed to be Uncollectible]		5

1-17. The allowance for subsidy was amortized. (D512)

Financing Fund

1399 Allowance for Subsidy	135 ³⁹
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37Agencies establish their own criteria for when notes are not “performing”-i.e., when borrowers are considered to no longer be paying on their loan principal and interest, at which point the loans may be sent to Treasury or the Justice Department for collection.

38Note that there is no budgetary entry here. This is because receivables from the public are generally not recognized in the Federal Budget until they are collected.

39Interest expense, \$700, less interest income, \$565, = amount to amortize, \$135. This entry can be either debited or credited based upon the interest income or interest expense.

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5310 Interest Revenue – Other [Amortization of Subsidy]		135
<i>Memorandum Accounts - Allowance for Subsidy (A/S)</i>		
9XAK A/S - Adjustments - Amortization to Interest	135	
9XAB A/S - Contra		135

1-18. As no further loans were disbursed during the year, the unneeded monies borrowed from Treasury were returned. (A148, A156R)⁴⁰

Financing Fund

4610 Allotments - Realized Resources ⁴¹	4199 ⁴²	
4143 Actual Reductions of Borrowing Authority		4199
4145 Borrowing Authority Converted to Cash	4,199	
4148 Resources Realized from Borrowing Authority		4,199
2510 Principal Payable to the Bureau of the Public Debt	4,199	
1010 Fund Balance with Treasury		4,199

1-19. The agency determined that \$10 of loan principal and \$20 of loan interest could not be collected, and wrote the receivables off. (D210)⁴³

Financing Fund

1399 Allowance for Subsidy	30	
1340 Interest Receivable		20
1350 Loans Receivable		10

Memorandum Accounts - Allowance for Subsidy (A/S)

9XAI A/S - Adjustments - Loan Principal Written Off	10
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⁴⁰ As noted in footnote #35, this entry would not be applicable, if an agency does not borrow all of its authority at the beginning of the year. Instead the agency would post a debit tot 4450, Unapportioned Authority and a credit to 4143, Decreases to Indefinite Borrowing Authority. (A148)

⁴¹ Note that the full amount of borrowing authority was allotted in transaction 1-3. Accordingly, this entry reduces those allotments, as well as the borrowing authority.

⁴² The amount of borrowing authority just before this transaction is \$74,849, as calculated by subtracting account 4143, \$3,651, from account 4141, \$78,500. Note that this is also the amount reflected in both accounts 4145 and 4148. The amount of borrowing authority required is based on the \$90,000 of direct loans obligated. Multiplying \$90,000 by the percentage of loans that are not subsidized, 78.5 percent (100 percent minus the subsidized portion of 21.5 percent), yields the amount of borrowing authority required for the program for Year 1- \$70,650. The difference between borrowing authority before this transaction, \$74,849, and the amount required, \$70,650, is \$4,199. Borrowing authority must be reduced by that amount and, since borrowing from Treasury was made, the monies must be returned.

⁴³ This determination of uncollectibility would be made only after attempting to collect the receivables under provisions of the Federal Debt Collection Act.

9XAJ A/S - Adjustments - Loan Interest Written Off	20	
9XAB A/S - Contra		30

1-20. Subsidy analysis at year-end indicated that an additional subsidy of \$440 was needed. This included \$15 of interest. The “technical” re-estimate (including interest) was \$445, and the interest re-estimate was -\$5. (B324, C228)⁴⁴

Program Fund

6800 Future Funded Expenses [Re-estimated Subsidy Expense]	440	
2170 Subsidy Payable to Financing Account		440

Financing Fund

1310 Accounts Receivable [Subsidy Receivable from Program Account]	440	
1399 Allowance for Subsidy		440

Memorandum Accounts - Allowance for Subsidy (A/S)⁴⁵

9XAB A/S - Contra	440	
9XAL A/S - Subs Re-est. Interest Rate	5	
9XAM A/S - SubsRe-estTechnical - Principal		430
9XAN A/S - SubsRe-estTechnical - Interest		15

⁴⁴The concepts underlying these re-estimates are discussed in SFFAS No. 18, *Amendments to Accounting Standards for Direct Loans and Loan Guarantees in SFFAS No. 2*. Note that there are no budgetary entries made, because, in accordance with the Federal Credit Reform Act, the budget will not recognize this transaction until Year 2.

⁴⁵If agencies wished to break these out between upward and downward re-estimate, they could do so using accounts in the 8130 series reserved for agency use.

PRE-CLOSING TRIAL BALANCES
 (All Transactions)

Accounts	Program Fund	Financing Fund
<u>Budgetary</u>	<u>Dr./Cr.</u>	<u>Dr./Cr.</u>
4047	N/A	(1,005)
4060	N/A	1,020
4070	N/A	1,135
4115	21,500	N/A
4117	5,000	N/A
4141	N/A	78,500
4143	N/A	(7,850)
4145	N/A	(70,650)
4146	N/A	(11,295)
4148	N/A	70,650
4221	N/A	645
4261	N/A	480
4262	N/A	10,000
4263	N/A	500
4271	N/A	19,705
4273	N/A	15
4450	0	0
4510	0	0
4590	N/A	0
4610	(1,200)	(1,150)
4650	0	N/A
4801	(645)	(3,000)
4902[Loans Made]	N/A	(87,000)
4902 [Re-est. Sub and Int]	0	0
4902 [Other]	(24,655)	(700)
	<u>\$ 0</u>	<u>\$ 0</u>

PRE-CLOSING TRIAL BALANCE (Continued)

Accounts	Program Fund	Financing Fund
<i>Proprietary</i>	<i>Dr./(Cr.)</i>	<i>Dr./(Cr.)</i>
1010	1,845	2,355
1310	N/A	440
1340	N/A	35
1350	N/A	76,990
1399	N/A	(20,460)
2170	(440)	N/A
2190	N/A	0
2320	N/A	(5)
2510	N/A	(59,355)
3100	0	N/A
3101	(26,500)	N/A
3107	24,655	N/A
3310	0	0
5312 [Borrowers]	N/A	(550)
5312 [Treasury]	N/A	(15)
5310 [Amort. Sub.]	N/A	(135)
5700	(24,655)	N/A
6100 [Admin.]	4,950	N/A
6100 [Basic and Mod. Sub.]	19,705	N/A
6310	N/A	700
6800[Sub. Rest.]	<u>440</u>	<u>0</u>
	<u>\$ 0</u>	<u>\$ 0</u>

PRE-CLOSING TRIAL BALANCE (Continued)

Allowance for Subsidy (Financing Fund Only)

Memorandum Accounts— Dr./(Cr.)

9XAB	20,460
9XAD	(1,740)
9XAE	(17,400)
9XAF	435
9XAG	(1,000)

9XAH	(480)
9XAI	10
9XAJ	20
9XAK	135
9XAL	5
9XAM	(430)
9XAN	(15)
	<u>\$ 0</u>

CLOSING ENTRIES

1-21 Closing entries were made. (F204, F214, F212, F228, F233, F112, F114, F208, F210)

Program Fund Budgetary

To consolidate net cash resources

4902 Delivered Orders Paid [Other]	24,655	
4201 Total Actual Resources – Collected	1,845	
4115 Loan Subsidy Appropriation		21,500
4117 Loan Administrative Expense Appropriation		5,000

To close unobligated authority

4610 Allotments - Realized Resources	1,200	
4650 Allotments - Expired Authority		1,200

Program Fund - Proprietary

To close financing sources and expenses

5700 Financing Sources from Appropriations Used	24,655	
3310 Cumulative Results of Operations	440	
6100 Operating Expense/Program Costs		
[Administrative Expenses]		4,950
6100 Operating Expense/Program Costs		
[Basic and Modified Subsidy Expense]		19,705
6800 Future Funded Expenses		
[Re-estimated Subsidy Expense]		440

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To consolidate unexpended appropriations

3101 Unexpended Appropriations - Appropriations Received	26,500	
3100 Unexpended Appropriations - Cumulative		1,845
3107 Unexpended Appropriations - Appropriations Used		24,655

Financing Fund - Budgetary

To close anticipated resources⁴⁶

4047 Anticipated Transfers to the General Fund of the Treasury	1,005	
4450 Unapportioned Authority	1,150	
4060 Anticipated Collections from Non-Federal Sources		1,020
4070 Anticipated Collections from Federal Sources		1,135

To consolidate obligated borrowing authority carried forward⁴⁷

4143 Actual Reductions to Borrowing Authority	7,850	
4145 Borrowing Authority Converted to Cash	70,650	
4141 Current-Year Borrowing Authority Realized		78,500

To consolidate net cash resources

4902 Delivered Orders - Paid [Loans Made]	87,000	
4902 Delivered Orders - Paid [Other]	700	
4146 Actual Repayments of Debt, Current-Year Authority	11,295	
4201 Total Actual Resources - Collected	2,355	
4148 Resources Realized from Borrowing Authority		70,650
4261 Actual Collection of Fees		480
4262 Actual Collection of Loan Principal		10,000
4263 Actual Collection of Loan Interest		500
4271 Actual Program Fund Subsidy Collected		19,705
4273 Actual Interest Collected from Treasury		15

To close unobligated authority

4610 Allotments - Realized Resources	1,150	
4450 Unapportioned Authority		1,150

⁴⁶Account 4590 is zero before closing, and hence is not in this closing entry. Note, however, that if it had a balance, it would also be debited for that balance in the entry.

⁴⁷Note that there is no borrowing authority carried forward, because the entire amount of net borrowing authority (account 4141, \$78,000, less account 4143, \$7,850, or \$70,650) was used to borrow money from Treasury, as shown by account 4145, which is \$70,650.

Financing Fund Proprietary

To close financing sources and expenses⁴⁸

5312 Interest Revenue –		
Loans Receivable/Uninvested Balances [Borrowers]	550	
5312 Interest Revenue –		
Loans Receivable/Uninvested Balances [Treasury]	15	
5310 Interest Revenue - Other [Amortization of Subsidy]	135	
6310 Interest Expenses on Borrowing from Treasury		700

Memorandum Accounts—Allowance for Subsidy (A/S) (Financing Fund Only)

To close allowance for subsidy accounts.

9XAD A/S - Basic Subsidy Expense - Interest Differential	1,740	
9XAE A/S - Basic Subsidy Expense - Defaults	17,400	
9XAG A/S - Adjustments - Loan Modifications	1,000	
9XAH A/S - Adjustments - Fees Received	480	
9XAM A/S - Subsidy Re-estimates - Technical - Principal	430	
9XAN A/S - Subsidy re-estimates - Technical - Interest	15	
9XAA A/S - Cumulative		20,460
9XAF A/S - Basic Subsidy Expense - Fees and Other Collections		435
9XAI A/S - Adjustments - Loan Principal Written Off		10
9XAJ A/S - Adjustments - Loan Interest Written Off		20
9XAK A/S - Adjustments - Amortization to Interest		135
9XAL A/S - Subsidy Re-estimates - Interest Rate		5

POST-CLOSING TRIAL BALANCE

Accounts	Program Fund	Financing Fund
<u>Budgetary</u>	<u>Dr./ (Cr.)</u>	<u>Dr./ (Cr.)</u>
4047	N/A	0
4060	N/A	0
4070	N/A	0
4115	0	N/A
4117	0	N/A

⁴⁸Note that cumulative results of operations from this activity are zero. The financing fund cannot have a net position after closing. Assets must equal liabilities.

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4118	0	N/A
4120	0	N/A
4141	N/A	0
4143	N/A	0
4145	N/A	0
4146	N/A	0
4148	N/A	0
4201	1,845	2,355
4221	N/A	645
4261	N/A	0
4262	N/A	0
4263	N/A	0
4271	N/A	0
4273	N/A	0
4450	0	0
4510	0	0
4590	N/A	0
4610	0	0
4650	(1,200)	N/A
4801	(645)	(3,000)
4902[Loans Made]	N/A	0
4902[Re-est. Sub and Int]	0	0
4902[Other]	0	0
	<u>\$ 0</u>	<u>\$ 0</u>

POST-CLOSING TRIAL BALANCE (Continued)

Accounts	Program Fund	Financing Fund
<i>Proprietary</i>	<i>Dr./Cr.</i>	<i>Dr./Cr.</i>
1010	\$ 1,845	\$ 2,355
1310	N/A	440
1340	N/A	35
1350	N/A	76,990
1399	N/A	(20,460)
2170	(440)	N/A
2190	N/A	0
2320	N/A	(5)
2510	N/A	(59,355)
3100	(1,845)	N/A
3101	0	N/A
3107	0	N/A
3310	440	0
5312 [Borrowers]	N/A	0
5312 [Treasury]	N/A	0
5310 [Amort. Sub.]	N/A	0
5700	0	N/A
6100 [Admin.]	0	N/A
6100 [Basic and Mod. Sub.]	0	N/A
6310	N/A	0
6800 [Sub. Reest.]	<u>0</u>	<u>0</u>
	<u>\$ 0</u>	<u>\$ 0</u>

POST-CLOSING TRIAL BALANCE (Continued)

Allowance for Subsidy (Financing Fund Only)

Memorandum Accounts— Dr./Cr.

9XAA	\$(20,460)
9XAB	20,460
9XAD	0
9XAE	0
9XAF	0
9XAG	0
9XAH	0
9XAI	0
9XAJ	0
9XAK	0
9XAL	0
9XAM	0
9XAN	<u>0</u>
	<u>\$ 0</u>

FINANCIAL STATEMENTS

Direct Loan Agency Balance Sheet September 30, FY-1

	Program Fund	Financing Fund	Total
Assets			
Intragovernmental			
1. Fund Balance with Treasury (1010)	1,845	2,355	4,200
6. Total intragovernmental	1,845	2,355	4,200
9. Accounts Receivables (1310)		440	
11. Loans Receivable and Related Foreclosed Property (1340, 1350, 1399)		<u>57,005</u>	<u>57,005</u>
15. Total Assets	<u>1,845</u>	<u>59,360</u>	<u>61,205</u>
Liabilities			
Intragovernmental			
16. Accounts Payable (2170)	440		
17. Debt (2510)		59,355	59,355
19. Total intragovernmental		59,355	59,355
26. Other (2320)	<u> </u>	<u> 5</u>	<u> 445</u>
27. Total Liabilities	440	59,360	59,800
Net Position			
29. Unexpended Appropriations (3100)	1,845		1,845
30. Cumulative results of operations (3310)	<u>(440)</u>		<u>(440)</u>
31. Total net position	<u>1,405</u>		<u>1,405</u>
32. Total liabilities and net position	<u>1,845</u>	<u>59,360</u>	<u>61,205</u>

**Direct Loan Agency
 Statement of Net Cost
 For Fiscal Year Ended September 30, FY-1**

	Program Fund	Financing Fund	Total
Program Costs			
1. Intragovernmental Gross Costs Interest on loans from Treasury(6310)		700	700
2. Less: Intragovernmental earned revenue (5312[Treasury])		15	15
3. Intragovernmental net costs		685	685
4. Gross Costs with the Public Administrative Fees \$4,950 (6100) Subsidy \$20,145 (6100 and 6800)	25,095		25,095
5. Less: Earned revenues from the public (5312 [Borrowers] and 5310)		685	685
6. Net cost with the public	25,095	(685)	24,410
7. Total Net Cost	25,095	0-	25,095
10. Net Cost of Operations	25,095	0	25,095

**Direct Loan Agency
 Statement of Changes in Net Position
 For Fiscal Year Ended September 30, FY-1**

	<u>Program Fund</u>		<u>Financing Fund</u>		<u>Total</u>	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
1. Beginning balances						
4. Appropriations Received (3101)		26,500				26,500
7. Appropriations Used (3107,5700)	24,655	(24,655)			24,655	(24,655)
17. Net Cost of Operations	<u>25,095</u>	<u>-</u>			<u>25,095</u>	<u>-</u>
18. Ending Balances	<u>(440)</u>	<u>1,845</u>			<u>(440)</u>	<u>1,845</u>

**Direct Loan Agency
 Statement of Budgetary Resources
 For Fiscal Year Ended September 30, FY-1**

	<u>Budgetary</u>	<u>Non-budgetary Financing Account</u>	<u>Total</u>
Resources			
1A. Appropriations (4115E, 4117E)	26,500	0	26,500
1B. Borrowing Authority (4141E)	0	78,500	78,500
3A1. Collected (4261E – 4263, 4271E, 4273E)		30,700	30,700
3B. Change in Unfilled Customer Orders (4221E)		645	645
3C. Anticipated For Rest of Yet, Without Advance (4060, 4070)		2,155	2,155
6C. Capital Transfers and Redempt. of Debt (-) (4146E)		(11,295)	(11,295)
6D. Other Authority Withdrawn (4143)		(7,850)	(7,850)
6F. Anticipated For the Rest of Year (4047)		<u>(1,005)</u>	<u>(1,005)</u>
Total Resources	<u>\$26,500</u>	<u>\$ 91,850</u>	<u>\$118,350</u>
Status of Resources			
8. Obligation Incurred (4801, 4902)	\$25,300	\$90,700	\$116,000
9A1. Apportioned, Balance Currently Available (4610E;)	<u>1,200</u>	<u>1,150</u>	<u>2,350</u>
11. Total Status of Resources	<u>\$26,500</u>	<u>\$91,850</u>	<u>\$118,350</u>
Relationship of Obligations to Outlays:			
14B. Unfilled Cust. Orders From. Federal Sources (4221E)	0	645	645
14C. Undelivered Orders (4801).	645	3,000	3,645
15A. Disbursements (-) (4902E)	\$24,655	\$ 87,700	\$112,355
15B. Collections (+) (4261E to 4263E, 4271E and 4272E)	0	(30,700)	(30,700)

**Direct Loan Agency
 Statement of Financing
 For Fiscal Year Ended September 30, FY-1**

	Program Fund	Financing Fund	Total
Resources Used to Finance Activities:			
Budgetary Resources Obligated			
1. Obligations incurred (4801 E-B, 4902E)	25,300	90,700	116,000
2. Less Spending Authority from Offsetting Collections and Recoveries (4221E, 4261E, 4262E, 4263E, 4271E, 4273E)		(31,345)	(31,345)
3. Obligations Net of Offsetting Collections and Recoveries (1..2)	25,300	59,355	84,655
5. Net Obligations (3..4)	25,300	59,355	84,655
11. Total Resources Used to Finance Activities	25,300	59,355	84,655
Resources Used to Finance Items not a Part of Net Cost of Operations:			
12. Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered But Not Yet Provided (4801 E-B, 4221E)	645	2,355	3,000
14. Budgetary Offsetting Collections and Receipts That Do Not Effect the Net Cost of Operations			
14A. Credit Program Collections That Increase Liabilities for Loan Guarantees or Allowances for Subsidy (4261E, 4262E, 4271E)		(30,185)	(30,185)
15. Resources that Finance the Acquisition of Assets or Liquidations of Liabilities (4902(Loan Portion))		87,000	87,000
17. Total Resources Used to Finance Items Not a Part of Net Cost of Operations (12..16)	645	59,170	59,815
18. Total Resources Used to Finance the Net Cost of Operations (11-17)	24,655	185	24,840
Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:			
21. Upward/Downward Re-estimates of Credit Expenses (6800E)	440		440
22. Increase in Exchange Revenue Receivable from Public (1340 accrued amount)		(50)	(50)
24. Total Components of Net Cost of Operations That Will or Generate Resources in the Future Period	440	(50)	390
25. Depreciation and Amortization (1399 accrued amount)		(135)	(135)
28. Total Components of Net of Cost of Operation That Will Not Require or Generate Resources in the Current Period (25..27)		(135)	(135)

29. Total Components of Net Cost of Operations That Will Require or Generate Resources in the Current Period (24 + 28)	440	(185)	255
30. Net Cost of Operation (18 + 29)	<u>25,095</u>	<u>0</u>	<u>25,095</u>

**Direct Loan Agency
 Year End Closing Statement (2108)
 September 30, FY-1**

Indefinite Borrowing Authority – Financing Account

Column 3 Increases (4141)	78,500
Column 4 Borrowings (4145)	70,650
Column 5 Adjustments (4143)	7,850
Column 6 (Calc 2+3-4-5)	0

Program Account

Column 4 Unobligated and Obligated Balance Withdrawn/Canceled	0
Column 5 Postclosing Unexpended Balance (1010 E)	1,845
Column 6 Other Authorization	0
Column 7 Reimbursements Earned and Refunds	0
Column 8 Unfilled Customer Orders	0
Column 9 Undelivered Orders and Contracts (4801 E)	645
Column 10 Accounts Payable and Other Liabilities	0
Column 11 Unobligated Balance (CALC 5+6+7+8-9-10)	1,200
Also equals (4610 E)	1,200

BUDGET PROGRAM AND FINANCING SCHEDULE PRIOR-YEAR ACTUAL COLUMN FOR YEAR 1
 REPORTING

	Program	Financing
OBLIGATIONS BY PROGRAM ACTIVITY		
1000 Total New Obligations (4801 E-B, 4902E)	25,300	90,700
BUDGETARY RESOURCES AVAILABLE FOR OBLIGATION		
2200 New Budget Authority, (gross)	26,500	90,055
2395 Total new obligations	(25,300)	(90,700)
2398 Unobligated balance expiring or withdrawn (4610E)	(1,200)	(1,150)
NEW BUDGET AUTHORITY (GROSS), DETAIL		
4000 Appropriation (4115E & 4117)	26,500	
4047 Portion applied to repay debt (4146)		(11,295)
4300 Appropriation (total)	26,500	(11,295)
4700 Authority to Borrow (+)		70,650
6800 Offsetting collections (gross)		30,700
6810 Change in uncollected customer payments from Federal Sources		645
7000 Total New Budget Authority (Gross)	26,500	90,700
CHANGE IN OBLIGATED BALANCES		
7310 Total new obligations	25,300	90,700
7320 Total Outlays (gross) (4902E)	24,655	87,700
7410 Change in uncollected customer payments from Federal Sources		645
7440 Obligated Balance, end of year (4221E)	645	3,000
OUTLAYS (GROSS), DETAIL		
8690 Outlays from new discretionary authority (4902E)	24,655	87,700
OFFSETS		
8800 Federal Sources		(19,705)
8825 Interest on uninvested funds		(15)
8840 Non-Federal sources		(10,980)
8890 Total offsetting collections		(30,700)
NET BUDGET AUTHORITY AND OUTLAYS		
8900 Budget Authority (net)	26,500	59,355
9000 Outlays (net)	24,655	57,000

**Direct Loan Agency
 Credit Program Note (Form and Content Note 8)⁴⁹
 September 30, FY-1**

2C. Composition of Credit Program Assets

Loans Receivable (1350)	\$76,990
Interest Receivable (1340)	<u>35</u>
Gross Credit Program Assets	\$77,025
Less Allowance for Subsidy (1399)	<u>(20,460)</u>
Value of Assets Related to Direct Loans	<u>\$56,565</u>

D. Loans disbursed, (4902) \$87,000

E Composition of Subsidy Expense (direct loans disbursed in Year 1)

Basic Subsidy:

Defaults (9XAE)	\$17,400
Interest Differential (9XAD)	1,740
Fees (9XAF)	<u>(435)</u>
Total	\$18,705

Subsidy Modifications (9XAG) 1,000

Subsidy Re-estimates:

Technical (9XAM & (9XAN)	\$445
Interest Rate (9XAL)	<u>(5)</u>
	<u>440</u>

Total Subsidy Expense \$20,145

F. Composition of Subsidy Rate⁵⁰

<i>Component</i>	<i>Percent</i>
Defaults	20.0
Interest differential	2.0

⁴⁹The information presented here is for the applicable sections of note 8 in OMB's Bulletin 01-09, *Form and Content of Agency Financial Statements* for direct loan programs, which can be quantified. Narrative information, which is also required, is not presented. The information is displayed as simple as possible for ease of reading. Agencies can format the information with more elaborate template if they wish

⁵⁰This information would be obtained from the subsidy model rather than from account balances.

Fees	<u>(0.5)</u>
Total	<u>21.5</u>

Interest differential, 2%; defaults, 20%; fees -.5%; total 21.5% (all from budget model).

G. Reconciliation of Beginning and Ending Balances of Allowance for Subsidized Costs⁵¹

Balance October 1	\$ 0
Basic Subsidy Expense (Section E)	18,705
Adjustments:	
Subsidy for Loan Modifications (Section E)	\$1,000
Fees Received (9XAH)]	480
Loans and Interest Written Off (9XAI & 9XAJ)	(30)
Amortization to Interest (9XAK)	<u>(135)</u>
Total	<u>1,315</u>
Balance September 30 Before Re-estimate	20,020
Subsidy Re-estimate (Section E)	<u>440</u>
Balance September 30 After Re-estimate	<u>\$20,460</u>
O. Admin. Exp., Direct Loan Programs, (6100Admin.)]	<u><u>\$4,950</u></u> ⁵²

⁵¹The information called for contains a repeat of the detail in Section E. The illustration provided here summarizes the information rather than repeating the detail. Agencies may repeat the detail if they wish, using the crosswalks for related parts of Section E.

⁵²Since the agency operates only a direct loan program, and the administrative expense is already set forth in the statement of net cost, Section O could be omitted in the case

YEAR 2

In fiscal year 1, an upward adjustment of subsidy expense was accrued, in accordance with the requirements of SFFAS No. 2, *Accounting for Direct Loans and Loan Guarantees*. Although the expense was recognized in fiscal year 1, the year to which it applies, the Credit Reform Act specifies that budgetary resources to fund it are not provided until the following year--fiscal year 2. This section provides journal entries to obtain and apply those budgetary resources in fiscal year 2, and the related reporting at year-end

During fiscal year 2, there would be transactions for a new cohort of loans, and accounting would need to be separated between the two. However, the basic transactions would be the same for the second cohort as was already illustrated for fiscal year 1 for the first cohort. Transactions for cohort 1 would be similar, except that no new loans would be made. Rather, loans obligated, but not disbursed at the end of fiscal year 1 would be disbursed, and transactions subsequent to disbursement would be basically the same as already illustrated for fiscal year 1. The transactions for this year are limited to those relating to the disposition of the upward subsidy re-estimate accrued at the end of the preceding year.

TRANSACTIONS – YEAR 2

2-1. A request for apportionment was prepared for \$440 of appropriations in the program fund to be transferred to the financing fund, which will use it to repay principal on the debt to Treasury. Another request was prepared for the financing fund. The SF-132's constituting the request is shown on the next page.

2-1a To record the enactment of the appropriations. (A104)

Program Fund

4118 Re-est. Loan Subsidy Approp. - Indefinite - Permanent ⁵³	440	
4450 Unapportioned Authority		440
1010 Fund Balance with Treasury	440	

⁵³Note that this is a permanent indefinite appropriation, as opposed to the annual appropriation for basic and modified subsidy that was seen in Year 1. Under OMB budget rules, a permanent indefinite appropriation is anticipated and only realized when OMB authorizes its use, at which time the fund balance with Treasury is also recognized. Hence there is no entry to fund balance with Treasury recorded in the entry to request the apportionment.

3101 Unexpended Appropriations - Appropriations Received 440

2-1b To record anticipated collections and anticipated non-expenditure payments to Treasury. (A140 & A142)

Financing Fund

4070 Anticipated Collections from Federal Sources 440
 4047 Anticipated Transfers to the General Fund of the Treasury 440

**Direct Loan Agency
 SF 132 Apportionment/Reapportionment Schedule
 Fiscal Year 2**

Budgetary Resources

	Program	Financing
Budget authority:		
1A. Appropriations	440	
Spending authority from offsetting collections (gross):		
3C. Anticipated for rest of year without advance		440
Permanently not available:		
6C. Capital transfers and redemption of debt (-)		(440)
7. Total budgetary resources	440	0

Application of Budgetary Resources

Budget authority:		
Category B:		
8B1. Direct loan subsidy	<u>440</u>	
11. Total status of budgetary resources	440	0

2-2. OMB approved both requests for apportionment and authorized recognition of the permanent indefinite appropriation in that amount. (A116)

Program Fund

4450 Unapportioned Authority	440	
4510 Apportionments		440

Financing Fund

No entry⁵⁴

2-3. Agency recorded allotment of authority. (A120)

Program Fund

4510 Apportionments	440	
4610 Allotments - Realized Resources		440

Financing Fund

No entry⁵⁵

2-4. The re-estimated subsidy was transferred from the program fund to the financing fund.

2-4a To record the re-estimated subsidy payable in the program account. (A150)

Program Fund

4610 Allotments – Realized Resources	440	
4801 Undelivered Orders – Obligations, Unpaid		440

2-4b To record the disbursement of subsidy from the program fund to the financing fund when the loan is disbursed. (B105 & B134)

4801 Undelivered Orders – Obligations, Unpaid	440	
4902 Delivered Orders – Obligations, Paid [Re-estimated Subsidy and Interest]		440

⁵⁴Note that there is no apportionment of resources, since the \$440 expected to be collected is going to be returned to Treasury. Hence, there is no apportionment to record. The approved SF-132 will nonetheless be kept to evidence OMB's approval of the collection and payment to Treasury.

⁵⁵Because there is no apportionment of resources (see previous footnote), there is no allotment of them.

2170 Subsidy Payable to the Financing Account	440	
1010 Fund Balance With Treasury		440
3107 Unexpended Appropriations - Appropriations Used	440	
5700 Financing Sources From Appropriations Used		440
<u>To record the reclassification of unfunded expenses.</u>		
6100 Operating Expenses/Program Costs	440	
6800 Future Funded Expenses [Re-estimated Subsidy Expense]		440

2-4c To record collection of subsidy for an upward re-estimate costs in the financing account. (C104)

Financing Fund

4271 Actual Program Fund Subsidy Collected	440	
4070 Anticipated Collections from Federal Sources		440
1010 Fund Balance with Treasury	440	
1310 Accounts Receivable		
[Subsidy Receivable from Program Account]		440

2-5 The financing fund used the subsidy collected to repay principal on its loan from Treasury.

To record principal repayments to Treasury the Federal Financing Bank via non-expenditure transfers that was previously anticipated. (B120)

Financing Fund

4047 Anticipated Transfers to the General Fund of the Treasury	440	
4146 Actual Repayments of Debt, Current-Year Authority		440
2510 Principal Payable to the Bureau of the Public Debt	440	
1010 Fund Balance with Treasury		440

PRE-CLOSING TRIAL BALANCE

Accounts	Program Fund	Financing Fund
<i>Budgetary</i>	<i>Dr./ (Cr.)</i>	<i>Dr./ (Cr.)</i>
4047	N/A	0
4060	N/A	0
4070	N/A	0
4115	0	N/A
4117	0	N/A
4118	440	N/A
4120	0	N/A
4141	N/A	0
4143	N/A	0
4145	N/A	0
4146	N/A	(440)
4148	N/A	0
4201	1,845	2,355
4221	N/A	645
4261	N/A	0
4262	N/A	0
4263	N/A	0
4271	N/A	440
4273	N/A	0
4450	0	0
4510	0	0
4590	N/A	0
4610	0	0
4650	(1,200)	N/A
4801	(645)	(3,000)
4902[Loans]	N/A	0
4902[Re-est. Sub]	(440)	0
4902[Other]	0	0
	<u>\$ 0</u>	<u>\$ 0</u>

PRE-CLOSING TRIAL BALANCE (Continued)

Accounts	Program Fund	Financing Fund
<i>Proprietary</i>	<u><i>Dr./(Cr.)</i></u>	<u><i>Dr./(Cr.)</i></u>
1010	1,845	2,355
1310[Sub. Recv.]	N/A	0
1340	N/A	35
1350	N/A	76,990
1399	N/A	(20,460)
2170	0	N/A
2190	N/A	0
2320	N/A	(5)
2510	N/A	(58,915)
3100	(1,845)	N/A
3101	(440)	N/A
3107	440	N/A
3310	440	0
5312[Borrowers]	N/A	0
5312[Treasury]	N/A	0
5310[Amor. Sub.]	N/A	0
5700	(440)	N/A
6100[Admin]	0	N/A
6100[Basic Sub.]	440	N/A
6310	N/A	0
6800[Sub. Rest.]	(440)	0
	<u>\$ 0</u>	<u>\$ 0</u>

CLOSING ENTRIES

2-6. Closing entries were made. (F204, F214, F212, F228, F233, F112, F114, F208, F210)

To record the closing of expended authority paid and record the consolidation of actual net—funded resources for withdrawn funds. (F214 & F204)

Program Fund

4902 Delivered Orders Paid [Re-est. Subsidy and Interest]	440	
4118 Re-estimated Loan Subsidy Appropri. – Indef. - Permanent		440

To record the closing of revenue, expenses, and other financing sources accounts to cumulative results of operations. (F228)

6800 Future Funded Expenses	440	
5700 Financing Sources from Appropriations	440	
3310 Cumulative Results of Operations		440
6100 Operating Expenses/Program Costs		440

To record closing of fiscal-year activity to unexpended appropriations. (F233)

3101 Unexpended Appropriations - Appropriations Received	440	
3107 Unexpended Appropriations - Appropriations Used		440

*Financing Fund*⁵⁶

4146 Actual Repayments of Debt, Current-Year Authority	440	
4271 Actual Program Fund Subsidy Collected		440

⁵⁶Note that there are no closing entries required for the financing fund, because there were no transactions involving financing sources or expenses.

POST-CLOSING TRIAL BALANCE

Accounts	Program Fund	Financing Fund
<i>Budgetary</i>	<i>Dr./Cr.</i>	<i>Dr./Cr.</i>
4047	N/A	\$ 0
4060	N/A	0
4070	N/A	0
4115	\$ 0	N/A
4117	0	N/A
4118	0	N/A
4120	0	N/A
4141	N/A	0
4143	N/A	0
4145	N/A	0
4146	N/A	0
4148	N/A	0
4201	1,845	2,355
4221	N/A	645
4261	N/A	0
4262	N/A	0
4263	N/A	0
4271	N/A	0
4273	N/A	0
4450	0	0
4510	0	0
4590	N/A	0
4610	0	0
4650	(1,200)	N/A
4801	(645)	(3,000)
4902[Loans Made]	N/A	0
4902[Subsidy]	0	0
4902[Other]	0	0
	<u>\$ 0</u>	<u>\$ 0</u>

POST-CLOSING TRIAL BALANCE (Continued)

Accounts	Program Fund	Financing Fund
<i>Proprietary</i>	<i>Dr./Cr.</i>	<i>Dr./Cr.</i>
1010	\$ 1,845	\$ 2,355
1310[Sub. Recv.]	N/A	0
1340	N/A	35
1350	N/A	76,990
1399	N/A	(20,460)
2170	0	N/A
2190	N/A	0
2320	N/A	(5)
2510	N/A	(58,915)
3100	(1,845)	N/A
3101	0	N/A
3107	0	N/A
3310	0	0
5312[Borrowers]	N/A	0
5312[Treasury]	N/A	0
5310[Amort. Sub.]	N/A	0
5700	0	N/A
6100[Admin.]	0	N/A
6100[Basic Sub.]	0	N/A
6310	N/A	0
6800[Sub. Recv.]	<u>0</u>	<u>0</u>
	<u>\$ 0</u>	<u>\$ 0</u>

FINANCIAL STATEMENTS

Direct Loan Agency Balance Sheet September 30, FY-2

	Program Fund	Financing Fund	Total
Assets			
Intragovernmental			
1. Fund Balance with Treasury (1010)	1,845	2,355	4,200
6. Total intragovernmental	1,845	2,355	4,200
11. Loans Receivable and Related Foreclosed Property (1340, 1350, 1399)		<u>56,565</u>	<u>56,565</u>
15. Total Assets	<u>1,845</u>	<u>58,920</u>	<u>60,765</u>
Liabilities			
Intragovernmental			
17. Debt (2510)		58,915	58,915
19. Total intragovernmental		58,915	58,915
26. Other (2320)		5	5
27. Total Liabilities	0	<u>58,920</u>	<u>58,920</u>
Net Position			
29. Unexpended Appropriations (3100)	1,845		1,845
30. Cumulative results of operations (3310)	0		0
31. Total net position	<u>1,845</u>		<u>1,845</u>
32. Total liabilities and net position	<u>1,845</u>	<u>58,920</u>	<u>60,765</u>

**Direct Loan Agency
 Statement of Net Cost
 For Fiscal Year Ended September 30, FY-2**

	<u>Program Fund</u>	<u>Financing Fund</u>	<u>Total</u>
7. Total Net Cost	0	0	0
10. Net Cost of Operations	0	0	0

**Direct Loan Agency
 Statement of Changes in Net Position
 For Fiscal Year Ended September 30, FY-2**

	<u>Program Fund</u>		<u>Financing Fund</u>		<u>Total</u>	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
1. Beginning balances	(440)	1,845			(440)	1,845
4. Appropriations Received (3101)		440				440
7. Appropriations Used (3107,5700)	440	(440)			440	(440)
17. Net Cost of Operations	<u>0</u>				<u>0</u>	
18. Ending Balances	<u>0</u>	<u>1,845</u>			<u>0</u>	<u>1,845</u>

**Direct Loan Agency
 Statement of Budgetary Resources
 For Fiscal Year Ended September 30, FY2**

	<u>Budgetary</u>	<u>Non-budgetary Financing Account</u>	<u>Total</u>
Resources			
1A. Appropriations (4118E)	440	0	440
2A. Unobligated Balance Forward (4201B, 4221B, 4801B)	1,200		1,200
3. Spending Authority from Offsetting Collection Activity (+):(4271E)		440	440
6. Capital Transfers and Redempt. of Debt (-) (4146E)		<u>(440)</u>	<u>(440)</u>
7. Total Resources	<u>\$ 1,640</u>	<u>0</u>	<u>\$ 1,640</u>
Status of Resources			
8. Obligation Incurred(4801, 4902)	\$440	0	\$440
10D. Unobligated Other (4650)	<u>1,200</u>	<u>0</u>	<u>1,200</u>
11. Status Resources	<u>\$ 1,640</u>	<u>0</u>	<u>\$ 1,640</u>
Relationship of Obligations to Outlays:			
12. Obligated Balance, Net as of Oct.1	(645)	645	-
14B. Unfilled Cust. Orders From. Federal Sources (4221E)	0	645	645
14C. Undelivered Orders (4801E)	645	3,000	3,645
15A. Disbursements (-)(4902E)	440	0	440
15B. Collections (+)(4271E)	0	(440)	(440)

**Direct Loan Agency
 Statement of Financing
 For Fiscal Year Ended September 30, FY-2**

	Program Fund	Financing Fund	Total
Resources Used to Finance Activities:			
Budgetary Resources Obligated			
1. Obligations incurred (4801 E-B, 4902E)	440	0	440
2. Less Spending Authority from Offsetting Collections and Recoveries (4271E)		(440)	(440)
3. Obligations Net of Offsetting Collections and Recoveries (1..2)	440	(440)	0
5. Net Obligations (3..4)	440	(440)	0
11. Total Resources Used to Finance Activities	440	(440)	0
	440		
Resources Used to Finance Items not a Part of Net Cost of Operations:			
13. Resources That Fund Expenses in Prior Periods	440		440
14. Budgetary Offsetting Collections and Receipts That Do Not Effect the Net Cost of Operations			
14A. Credit Program Collections That Increase Liabilities for Loan Guarantees or Allowances for Subsidy (4271E)		(440)	(440)
17. Total Resources Used to Finance Items Not a Part of Net Cost of Operations (12..16)	440	(440)	0
18. Total Resources Used to Finance the Net Cost of Operations (11-17)		0	0
Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:			
29. Total Components of Net Cost of Operations That Will Require or Generate Resources in the Current Period (24 + 28)			
30. Net Cost of Operation (18 + 29)		<u>0</u>	<u>0</u>

**Direct Loan Agency
Year End Closing Statement (2108)
September 30, FY-2**

Indefinite Borrowing Authority – Financing Account

Column 3 Increases (4141)	0
Column 4 Borrowings (4145)	0
Column 5 Adjustments (4143)	0
Column 6 (Calc 2+3-4-5)	0

Program Account

Column 4 Unobligated and Obligated Balance Withdrawn/Canceled	0
Column 5 Postclosing Unexpended Balance (1010 E)	1,845
Column 6 Other Authorization	0
Column 7 Reimbursements Earned and Refunds	0
Column 8 Unfilled Customer Orders	0
Column 9 Undelivered Orders and Contracts (4801 E)	645
Column 10 Accounts Payable and Other Liabilities	0
Column 11 Unobligated Balance (CALC 5+6+7+8-9-10)	1,200
Also equals (4650 E)	1,200

**BUDGET PROGRAM AND FINANCING (P&F) SCHEDULE PRIOR-YEAR ACTUAL COLUMN
 FOR YEAR 2 REPORTING**

	Program	Financing
OBLIGATIONS BY PROGRAM ACTIVITY		
1000 Total New Obligations (4801 E-B, 4902E)	440	
BUDGETARY RESOURCES AVAILABLE FOR OBLIGATION		
2140 Unobligated balance carried forward, start of year	1,200	
2200 New Budget Authority, (gross)	440	
2390 Total budgetary resources available for obligation		
2395 Total new obligations	(440)	
NEW BUDGET AUTHORITY (GROSS), DETAIL		
4000 Appropriation (4118)	440	
4047 Portion applied to repay debt (-)		(440)
6800 Spending Authority from offsetting collections		440
7000 Total New Budget Authority (Gross)	440	
CHANGE IN OBLIGATED BALANCES		
7240 Obligated balance, start of year	645	2,355
7310 Total new obligations	440	
7320 Total Outlays (gross) (4902E)	440	
7440 Obligated Balance, end of year (4221E, 4801E)	645	2,355
OUTLAYS (GROSS), DETAIL		
8693 Outlays from discretionary balances (4902E)	440	
8700 Total Outlays (gross) (-) (4902E)	440	
OFFSETS		
8800 Federal Sources		(440)
NET BUDGET AUTHORITY AND OUTLAYS		
8900 Budget Authority (net)	440	(440)
9000 Outlays (net)	440	(440)

APPENDIX 1: ACCOUNTING FOR MANDATORY DIRECT LOAN PROGRAMS

INTRODUCTION

The case presented in the body of this document was for common transactions undertaken by a discretionary direct loan program. This appendix discusses basic differences between discretionary and mandatory direct loan programs, and shows how the prior entries in this guide would differ for a mandatory program with typical funding characteristics.

BASIC DIFFERENCES BETWEEN DISCRETIONARY AND MANDATORY PROGRAMS

In a discretionary program, Congress sets a funding level, and program agencies make loans up to the amount that can be supported from subsidy in their program fund. Program fund subsidy is usually provided by annual or multi-year appropriations, although no-year (permanent indefinite) appropriations can be given by the Congress should they choose to do so.

Annual appropriation authority expires at the end of the fiscal year that it funds, and multi-year appropriations expire at the end of the last year of their period of availability. For example, appropriations good for three years expire at the end of the third year funded. No new obligations may be placed against expired authority, and agencies generally have five years after the date of expiration to fill obligations and pay liabilities before both the obligated and unobligated authority is canceled and cannot be used for any purposes. Congress sometimes provides for different periods of expiration.⁵⁷

The government also operates mandatory (entitlement) direct loan programs, in which Congress usually authorizes permanent indefinite appropriations for subsidy. If there are a sufficient number of applicants who meet criteria established by Congress for the program that the subsidy is insufficient to support the loans, additional subsidy monies are normally provided by drawing additional appropriations. The Congress may set rules in which it must concur with the additional funding, or it may place a cap on the total funding. These no-year appropriations do not have a date of expiration, and unobligated subsidy appropriation authority may be used as long as the programs they fund remain authorized by the Congress.

⁵⁷The legislation providing for this is P.L. 101-510, which is a separate part of the Defense Appropriation Act of 1990, applying more broadly to most federal agencies. The U.S. USSGL Board has published a document entitled *Budgetary Accounting in the Federal Government* which is available through its website at www.fms.gov/ussgl.

Congress may provide appropriations for administrative expenses that have annual, multi-year, or no-year expiration. It is probably most common for both discretionary and mandatory direct loan programs to have annual administrative expense appropriations. Thus, no differences in accounting for administrative expenses will be presented. However, multi-year administrative expense appropriations in other than the last year covered, and no-year administrative expense appropriations, would be accounted for in the same manner as will be shown for no-year appropriations of subsidy authority.

Another difference between discretionary and mandatory direct loan programs is that when downward adjustments to subsidy are called for during the subsidy re-estimation process to properly value direct loans at the estimated value of their cash flows, discretionary programs must generally return the excess money in their financing fund to the Treasury by transferring it to a designated miscellaneous receipt account. Mandatory programs generally may recycle this excess by transferring it back to their program account. While these are the typical situations, Congress may provide for recycling of downward re-estimates for a discretionary program, or may provide that downward re-estimates in a mandatory program cannot be recycled, and must be returned to Treasury. Recording and reporting downward re-estimates of subsidy for both a discretionary and a mandatory program is discussed in Appendix 2 to this document (recall that the agency in the body of this document illustrated accrual and disposition of an upward adjustment).

Both discretionary and mandatory direct loan programs generally have the same transactions. Budgetary resources must be formulated, apportioned by OMB, and allotted by the agency; loans are made based on a combination of program fund subsidy and financing fund borrowing from Treasury; collections from federal and non-federal sources are made and used to repay principal and interest on the loan from Treasury; re-estimates to determine the present value of the loans and interest receivable and adjust the accounts to reflect it must be made; the books must be closed at year-end; and so forth. Where there are differences in the type of subsidy appropriations provided and disposition of downward re-estimates, the journal entries to record the same transaction will usually differ as well. The next section discusses those differences.

DIFFERENCES IN JOURNAL ENTRIES FOR MANDATORY PROGRAMS

The transactions illustrated for the discretionary direct loan program in the body of this document are virtually the same as those that would be undertaken in a mandatory program. However, four of the journal entries would be different. The transactions involved, and the budgetary and proprietary entries a mandatory program with no-year subsidy authority, but with the same amount of funding and other parameters as the discretionary program, would make, are set forth below.⁵⁸ Note that only certain entries in fiscal year 1 are affected. There would be no change from the discretionary program entries in fiscal year 2.

Changes from entries illustrated for the discretionary program are highlighted in bold type. For each transaction presented, only the fund entities (including memorandum accounts) for which there is a change are presented. If a fund entity (including memorandum accounts) present for a transaction in the discretionary program guide were not present in the transactions illustrated below, a mandatory program would make the same entries for those fund entities. A discussion of changes follows the revised entries for each transaction.

1-1. The budget formulation was prepared. (A102, A104)

Program Fund

4120 Appropriations Anticipated - Indefinite	21,500	
4117 Loan Administrative Expense Appropriation		
- Definite - Current	5,000	
4450 Unapportioned Authority		26,500
1010 Fund Balance with Treasury	5,000	
3101 Unexpended Appropriations - Appropriations Received		5,000

Explanation of difference

Because the program fund has permanent indefinite authority for its subsidy, formulation of the budget calls for the amount of the appropriations to be received to first be anticipated. The appropriations will normally not be realized until OMB has approved the amount. Accordingly, two changes must be made in the program fund entry. First, the account for anticipated appropriations, 4120, is used instead of the account for realized subsidy appropriations, 4115. Second, because the subsidy money is not realized at this point, the amount of Fund Balance with Treasury recorded is only the amount of the administrative expense appropriation, which is an annual appropriation. Note that there is no change for the financing fund or memorandum account entries.

⁵⁸It is important to note that these assumptions, because they form the basis for changes to be discussed. It is possible that variations, even within the assumptions, could exist, and that entries could differ still further. For example, OMB might decide on a lesser amount of subsidy funding than the agency anticipated in its request, and, if needed, increase the amount later (see transactions 1-1 and 1-2). The more specific assumption in this appendix is that the nature of transactions and amounts between the discretionary and mandatory programs is the same.

1-2. The agency's requests for apportionment were approved by OMB without change, and the apportionment was recorded. (A102, A104)

Program Fund

4115 Loan subsidy Appropriation	21,500	
4120 Appropriations Anticipated - Indefinite		21,500
4450 Unapportioned Authority	26,500	
4510 Apportionments		26,500
1010 Fund Balance with Treasury	21,500	
3101 Unexpended Appropriations - Appropriations Received		21,500

Explanation of Difference

There are two differences here. First, because the subsidy appropriation was first anticipated and not realized until OMB concurred in the amount, an entry to realize the appropriation is made. Second, along with the realization, the related fund balance with Treasury must be recorded. Note that the combination of entries 1-1 and 1-2 yields the same account balances for both the discretionary and mandatory programs.

1-10. After consultation and agreement with OMB, the agency decided to modify the terms of loans for some borrowers, reducing the present value of those loans by \$1,000. (A148)

Financing Fund

4610 Allotments - Realized Resources	1,000	
4047 Anticipated Transfers to the General Fund of the Treasury		1,000

Explanation of Difference

The basic transaction is the same, the agency is making modifications to loan terms which cost the government \$1,000. However, some of the related procedures are different. In the discretionary program, the loan level had to be reduced, and the related borrowing authority had to be reduced as well. This was because since the subsidy appropriation was annual, having to use subsidy to modify loans meant that the subsidy was not available to use in making loans (recall that an agency can only make the amount of loans which its subsidy monies can support).

In a mandatory program, in which additional monies can, with OMB approval, be drawn from a permanent indefinite appropriation, there is no need to reduce the program level. The \$1,000 of subsidy could be recovered by drawing an additional \$1,000 from the appropriation subsidy. The drawing of it is not made here, because in this case, we know from the discretionary program case that the full amount of subsidy, even reduced by the \$1,000 used for modifications, was not used to make loans.

Note that the \$1,000 of additional subsidy to be collected would need to be paid on the Treasury loan, and hence the allotments, which would otherwise have been used to make loans, must be decreased, and the amount of anticipated payments on the loan must be increased, by the amount.

If the mandatory agency were to replenish its subsidy, it would first make the request of OMB and, if OMB concurred, would realize additional appropriation authority and receive monies from Treasury⁵⁹. Such request would probably be made later in the year if the demand for loans was greater than the subsidy would support, which is not the situation in the case.

Explanation of Difference

In conjunction with the change to entry 1-10, this entry would not be made—indeed; the transaction would not be undertaken—because there would be no need to reduce borrowing authority. If, later in the year, the demand for loans was such that more subsidy was needed to make loans than was available in the program fund, the program fund would obtain additional subsidy from its permanent indefinite appropriation and use it, in conjunction with the existing borrowing authority, to make additional loans. If the borrowing authority was also insufficient, additional authority would be realized, since it, too, is permanent indefinite authority.⁶⁰

1-18. As no further loans were disbursed during the year, the unneeded monies borrowed from Treasury were returned. (A148, A156)

⁵⁹To make the request to replenish the subsidy now of OMB, the agency would prepare this entry in its program fund and submit an SF-132 to OMB:

4120 Appropriations Anticipated - Indefinite	1,000	
4450 Unapportioned Authority		1,000

Then, when OMB approved the request, the agency would make these entries to record the apportionment:

4115 Loan Subsidy Appropriation	1,000	
4120 Appropriations Anticipated - Indefinite		1,000
1010 Fund Balance with Treasury	1,000	
3101 Unexpended Appropriations - Appropriations Received		1,000

A related SF-132 would be prepared for the financing fund to increase its anticipated federal collections by \$1,000. The financing fund entries relating to anticipated federal collections in entries 1-1 and 1-2 would be made to request and receive the apportionment, respectively.

⁶⁰The borrowing authority in a discretionary direct loan program is also permanent indefinite, but if the subsidy money was annual authority, which could not be augmented without additional action by the Congress, borrowing authority could not be increased to make more loans. Even if a discretionary program had unobligated borrowing authority, if the amount of unobligated subsidy money was (say) zero, none of the borrowing authority could be used to fund new loans unless Congress authorized additional subsidy appropriations.

Financing Fund

4610 Allotments - Realized Resources	7,850	
4143 Actual Reductions of Borrowing Authority		7,850
4145 Borrowing Authority Converted to Cash	7,850	
4148 Resources Realized from Borrowing Authority		7,850
2510 Principal Payable to the Bureau of the Public Debt	7,850	
1010 Fund Balance with Treasury		7,850

Explanation of Differences

At the end of the year, the agency had obligated \$90,000 for loans receivable, consisting of \$19,350 (21.5 percent) to be funded by subsidy, and \$78,750 to be funded by borrowing from Treasury. The remaining \$10,000, which was not obligated, would have been funded by \$2,150 from subsidy and \$7,850 from borrowing authority. The subsidy money can be reused, but budget rules call for unobligated monies borrowed to be returned to Treasury, and borrowing authority to be reduced accordingly. The borrowing authority will be reauthorized in the next year in the amount necessary to fund the direct loans to be made.⁶¹

Trial Balances and Financial Statements

Pre- and post-closing trial balances, financial statements, and the quantitative portion of the credit program note for the mandatory program would be the same as for the discretionary program for both fiscal years. Narrative descriptions about funding and about loan levels authorized would be different, but are not illustrated for either

⁶¹Borrowing authority may also be authorized for situations in which the financing fund does not have enough money for its non-lending functions, even considering federal and non-federal collections. These other functions could include such things as repayment of interest to Treasury and expenses related to the repair, maintenance, rental, and sale of collateral property. In the case presented, the financing fund had collections sufficient to repay interest on its debt to Treasury, and collateral property transactions, which are the subject of a separate case, are not part of the scope of this case. Financing fund entries related to borrowing authority and actual borrowing from Treasury in a subsequent year would be the same as in year 1, except for the amounts, which would be different.

program. (The narrative about program level and nature of subsidy funding would be different, because the program loan level was reduced in the discretionary program but not in the mandatory program, and the subsidy appropriation in the mandatory program was no-year authority, as opposed to annual authority in the discretionary case).

APPENDIX 2: ACCOUNTING FOR DOWNWARD RE-ESTIMATES IN DISCRETIONARY AND MANDATORY DIRECT LOAN PROGRAMS

INTRODUCTION

The nature of downward subsidy re-estimates for loans and interest receivable is the same for both discretionary and mandatory direct loan programs. In both cases, the present value of the receivables is understated at year-end, meaning that more subsidy money was collected than is necessary to fund future net cash outflows; the value of the receivables must be adjusted accordingly; and the financing fund must relinquish the excess subsidy amount. A SF-132 Apportionment and Reapportionment Schedule has to be done.⁶² And like the upward subsidy re-estimates, an accrual for the adjustment to subsidy expense must be made at year-end, with the actual transfer of cash to be made in the following year.

The difference in the accounting between the two types of programs is that normally, the discretionary program's financing fund must transfer the excess subsidy monies, with interest, to a designated miscellaneous receipt fund in the Treasury general fund. The mandatory program usually can recycle the excess, and transfer it to the program fund.

The following sections illustrate accounting and reporting for a downward subsidy re-estimate. For purposes of the illustration, the same figures are used as were used for the upward re-estimate in the case, except that the re-estimate will be considered to be downward. Hence, the re-estimate components will be: downward technical re-estimate (principal portion), re-estimate of \$430; downward technical re-estimate (interest portion), \$15; and upward interest re-estimate, \$5.⁶³ The first section following will cover handling of the downward re-estimate for a discretionary program, and the second will cover it for a mandatory program.

62 OMB Circular A-11, Section 185.18 Do amounts for a downward reestimate (and the interest on the reestimate) need to be apportioned?

63.OMB Circular A-11, Section 185.6 (f) Reestimate increases/decreases. All increases or decreases in subsidy cost for different risk categories within the same cohort will be netted against each other; that is, risk categories which require increased subsidies may first draw on the excess from any risk categories within the cohort where the reestimate shows a subsidy decreases. No such netting may occur between cohorts.

DISCRETIONARY PROGRAM

The entries to accrue the downward re-estimate described in the preceding section in a discretionary program is shown below. Note that, unlike for an upward re-estimate, the program fund is not involved.

Fiscal Year 1

Financing Fund

1399 Allowance for Subsidy	440	
6800 Future Funded Expenses [Subsidy Re-estimate]		440
5730 Financing Sources Transf. Out Without Reimbursement	440	
2190 Other Accrued Liabilities]		
Downward Re-estimate Payable to Misc. Rec. Fund]		440

The first entry increases the present value of the receivables, and the second entry accrues the transfer-out to the miscellaneous receipt fund. As with upward adjustments, the budget rules are that the actual cash transfer will not take place until the following year.

Memorandum Accounts—Allowance for Subsidy (A/S)

9XAM A/S - Subsidy Re-estimates - Technical - Principal	430	
9XAN A/S - Subsidy Re-estimates - Technical - Interest	15	
9XAL A/S - Subsidy Re-estimates - Interest Rate		5
9XAB Allowance for Subsidy - Contra		440

Financial Statement Effects

The effect of the proprietary entries on the financial statements and credit program note is as follows:

- The debit to account 1399 would reduce that account in the credit program note, and would reduce the value of credit program assets on the balance sheet.
- The credit to account 6800 [subsidy Re-estimate] would reduce subsidy expense and the net cost of operations, yielding, solely for this transaction, a net cost of operations of -\$440.
- The statement of budgetary resources would not be affected, because there are no budgetary entries made for the accrual of downward re-estimates.

The statements of changes in net position and of financing, solely for the downward re-estimate transactions in year 1, are shown below. Note that on the statement of financing, the handling of accrued downward re-estimates is not symmetrical to the handling of accrued upward re-estimates in a discretionary program.

**CUMULATIVE RESULTS OF OPERATIONS COLUMN
 FOR THE STATEMENT OF CHANGES IN NET POSITION
 DISCRETIONARY PROGRAM
 (Resulting from Downward Re-estimate Transactions in Year 1)**

	Cumulative Results of Operations⁶⁴		
	Program Fund	Financing Fund	Total
1. Beginning Balance October 1 (3310B)	0 ⁶⁵	0 ⁶⁶	0
13. Transfers In/Out Without Reimbursements (5720/5730)	440	<u>440</u>	0
17. Net Cost of Operations	<u>0</u>	<u>440</u> ⁶⁷	<u>440</u>
18. Ending Balance September 30	<u>\$ 440</u>	<u>\$ 0</u>	<u>\$440</u>

⁶⁴Note that the column for unexpended appropriations would not be applicable, because the financing fund does not have appropriations. Of course, in an actual agency situation, the statement would reflect both the program and financing fund transactions for the year, and hence, both columns would appear.

⁶⁵Remember that the financing fund cannot have a balance in cumulative results of operations after closing. Hence, the beginning balance of cumulative results of operations must be zero. SFFAS No. 2, paragraph 24 'The amount of the subsidy expense equals the present value of estimated cash outflows over the life of the loans minus the present value of estimated cash inflows, discounted at the interest rate of marketable Treasury securities with a similar maturity term, applicable to the period during which the loans are disbursed.

⁶⁶Remember that the financing fund cannot have a balance in cumulative results of operations after closing. Hence, the beginning balance of cumulative results of operations must be zero.

⁶⁷Note that the requirement for net position to be zero after closing does not mean that there cannot be a net cost of operations. The requirement is that all accounts, which close to cumulative results of operations, must net to zero. In this case, there is a negative expense account balance, resulting in a net cost of operations of -\$440; and there is a non-budgetary transfer out of that same amount.

**STATEMENT OF FINANCING
 DISCRETIONARY PROGRAM
 (Resulting from Downward Re-estimate Transactions in Year 1)**

Resources Used to Finance Activities	\$ -0-
7. Transfers In/Out Without Reimbursement(5730)	440
Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:	
30. Net Cost of Operations	<u>\$440</u>

The effect of the memorandum account entries would be primarily on the credit program note. The same amounts as for the upward re-estimate would be shown in sections E and G of the note, but the algebraic signs would be reversed.

Caveat–FACTS I

When a credit agency with a downward subsidy re-estimate payable to the miscellaneous receipt fund reports its trial balance of proprietary accounts to Treasury via the Federal Agency Centralized Trial Balance System (FACTS–FACTS I for the proprietary accounts), it will of course include account 2190A, representing that liability. The miscellaneous receipt fund does not belong to the agency, however, it is maintained by the agency. The agency will perform the elimination between the credit agency payable and the miscellaneous receipt account receivable for purposes of compiling their agency-wide financial statements and for the government-wide financial statements. The agency will reflect the miscellaneous receipt fund as non-entity.

Accordingly, agencies will include in their FACTS I transmission the following two accounts for a downward re-estimate (the amount from the example in this section):

Miscellaneous Receipt Fund		
1310 Accounts Receivable [from Credit Agency Financing Fund] ⁶⁸	\$440	
5720 Financing Sources Transferred in Without Reimbursement		440.

Information on requirements for FACTS I transmissions can be found via the web site www.fms.treas.gov/factsi.

⁶⁸This specific account receivable is not in the USSGL at this writing. Presumably, account 1310, "Accounts Receivable," would be used.

FISCAL YEAR 2

In Year 2, the cash to satisfy the liability to the miscellaneous receipt fund would be transferred to that fund from the credit agency's financing fund. The following entries would be required.

1. To obtain an apportionment. (A116)⁶⁹

Financing Fund

4450 Unapportioned Authority	440	
4510 Apportionments		440

2. To allot the apportionment. (A120)

4510 Apportionments	440	
4610 Allotments - Realized Resources		440

3. To transfer the money. (B106, B134)

4610 Allotments - Realized Resources	440	
4902 Delivered Orders - Paid [Re-est. Subsidy and Interest]		440
2190 Other Accrued Liabilities		
[Downward Re-estimate Payable to Misc. Rec. Fund]	440	
1010 Fund Balance with Treasury		440

To record the reclassification of unfunded expenses.

6800 Future Funded Expenses [Re-estimated Subsidy Expense]	440	
6199 Adjustments to Subsidy Expense		440

Financial Statement Effects

The proprietary entry to transfer the money would of course reduce the liability and the fund balance with Treasury on the balance sheet. There would be no effect on either the statements of net cost or of changes in net position.

⁶⁹Note that the excess monies would already have been collected in Year 1. Hence, they would be part of the unobligated balance of resources forward and would reside as part of the balance of account 4450 at the beginning of Year 2.

The statements of budgetary resources and of financing would appear as shown below (for these transactions only):

**STATEMENT OF BUDGETARY RESOURCES
 DISCRETIONARY PROGRAM
 (Resulting from Downward Re-estimate Transactions in Year 2)**

	Budgetary Resources	Non-Budgetary
Unobligated Balance Forward	<u>\$ -0-</u>	<u>\$440</u>
Status of Budgetary Resources		
8. Obligations Incurred (4902)	<u>\$ -0-</u>	\$440
Relationship of Obligations to Outlays		
Outlays		
15. Disbursements (4902)	\$ 0	\$440
<i>Components of Net Outlays:</i>		
Disbursements (4902)	\$ 0	\$440
Offsetting Collections	<u>0</u>	<u>0</u>
Net Outlays Before Offsetting Receipts	\$ 0	\$440
Deposits to Miscellaneous Receipt Fund	<u>(440)</u>	<u>0</u> ⁷⁰
Net Outlays After Offsetting Receipts	<u>\$(440)</u>	<u>\$440</u>

70Although the deposit is to the miscellaneous receipt fund, the crosswalk is to a financing fund account. This is because the miscellaneous receipt fund is a Treasury entity, even though it is associated with the credit agency in the Federal Budget and the credit agency does not make budgetary entries to the fund. Accordingly, the account crosswalked, which the credit agency would have available in its budgetary trial balance for the financing fund, is 4902 in that fund. Note that this represents the obligation that resulted in the deposit being made to the miscellaneous receipt fund.

**STATEMENT OF FINANCING
 DISCRETIONARY PROGRAM
 (Resulting from Downward Re-estimate Transactions in Year 2)**

Budgetary Resources Obligated

1. Obligations Incurred (4902)	440
4. Less Offsetting Receipts	<u>440</u>
5. Net Obligations	0

Resources Used to Finance Items Not a Part of the Net Cost of Operations

13. Resources that Fund Expenses of Prior Periods (2190)	(440)
15. Resources That Finance the Acquisition of Assets (Receipt of downward subsidy re-estimate) (4902)	<u>440</u> ⁷¹
17. Total Resources Used to Finance Items Not a Part of Net Cost	0
30. Net Cost of Operations	<u>\$ 0</u>

MANDATORY PROGRAM

In both a mandatory and a discretionary program, a downward re-estimate is caused by the present value of receivables on the books being less than the present value of their cash flows. Accordingly, the value on the books must be adjusted upward, and the excess subsidy money collected⁷² must be removed from the financing fund. Unlike a discretionary program, however, the excess subsidy is generally given back to the program fund to be reused rather than being transferred to a miscellaneous receipt fund of the Treasury.

⁷¹Although the deposit is to the miscellaneous receipt fund, the crosswalk is to a financing fund account. This is because the miscellaneous receipt fund is a Treasury entity, even though it is associated with the credit agency in the Federal Budget and the credit agency does not make budgetary entries to the fund. Accordingly, the account crosswalked, which the credit agency would have available in its budgetary trial balance for the financing fund, is 4902[Re-estimated Subsidy and Interest] in that fund. Note that this represents the obligation that resulted in the deposit being made to the miscellaneous receipt fund.

⁷²If the present value of the cash flows is greater than expected, less subsidy is needed.

As in a discretionary program, the adjustment of the present value of the receivables and the accrual of the payable to transfer the funds is made at the end of the year to which the re-estimate applies, with no effect on the budgetary accounts. Then, in the next year, the monies are transferred out of the financing fund, and are recognized in the budgetary accounts. The entries to accomplish this in a mandatory program are set forth below, using the same parameters as for the discretionary program discussed in the preceding section.

Fiscal Year 1

Program Fund

1310 Accounts Receivable		
[Re-estimated Subsidy Receivable from Financing Fund]	440	
5720 Financing Sources Trans. In Without Reimb. (Non-budgetary)		440

This entry accrues the receivable as a non-budgetary transfer-in from the financing fund.

Financing Fund

1399 Allowance for Subsidy	440	
6800 Future Funded Expenses		
[Re-estimated Subsidy Expense]		440
5730 Financing Sources Trans. Out Without Reimb. (Non-budgetary)	440	
2190 Other Accrued Liabilites		
[Re-estimated Subsidy Payable to Program Fund]		440

The first entry increases the present value of the receivables and decreases the subsidy expense. The second entry accrues the payable as a non-budgetary transfer-out to the program fund.

Memorandum Accounts—Allowance for Subsidy (A/S)

9XAM A/S - Subsidy Re-estimates - Technical - Principal	430	
9XAN A/S - Subsidy Re-estimates - Technical - Interest	15	
9XAL A/S - Subsidy Re-estimates - Interest Rate		5
9XAB Allowance for Subsidy - Contra		440

Note that this is the same entry as for the discretionary program. It merely details the composition of the \$440 debit to account 1399 in the financing fund.

Financial Statement Effects

The effects of the proprietary entries on the year 1 financial statements are as follows:

- The debit to account 1399 would reduce that account in the credit program note, and would reduce the value of credit program assets on the balance sheet. Note that the program fund's receivable from the financing fund and the financing fund's payable to the program fund would be eliminated in the financial statement consolidation process.
- The credit to account 6800[Subsidy Re-estimate] would reduce subsidy expense and the net cost of operations, yielding, solely for this transaction, a net cost of operations of -\$440.
- The statement of budgetary resources would not be affected, because there are no budgetary entries made for the accrual of downward re-estimates.
- The statement of changes in net position for the downward subsidy re-estimate transactions, which relate only to cumulative results of operations, is the consolidated column shown for that statement immediately after this list. Note that the program fund's accrued transfer-in from the financing fund would be eliminated against the financing fund's accrued transfer-out in the consolidation process, and neither a transfer-in nor a transfer-out would appear. The illustration shows the program fund and financing fund components of the statement so that the reader can more easily see how the consolidated statement is derived.
- The statement of financing is illustrated following the statement of changes in net position.

**INFORMATION FOR CONSOLIDATING THE
 CUMULATIVE RESULTS OF OPERATIONS COLUMN
 FOR THE STATEMENT OF CHANGES IN NET POSITION
 MANDATORY PROGRAM
 (Resulting from Downward Re-estimate Transactions in Year 1)**

	<u>Cumulative Results of Operations</u>		
	<u>Program Fund</u>	<u>Financing Fund</u>	<u>Total</u>
1. Beginning Balance October 1 (3310B)	0 ⁷³	0 ⁷⁴	0

73A balance of zero is assumed for purposes of illustrations. In an actual situation, the beginning balance of account 3310 in the program fund would

13. Transfers In/Out Without Reimbursements (5720/5730)	440	(440) ^{75,}	0
17. Net Cost of Operations	<u>0</u>	<u>440</u>	<u>440</u>
18. Ending Balance September 30	<u>\$ 440</u>	<u>\$ 0</u>	<u>\$440</u>

The effect of the memorandum account entries would be primarily on the credit program note. The same amounts as for the upward re-estimate in the case would be shown in sections E and G of the note, but the algebraic signs would be reversed.

Fiscal Year 2

Program Fund

1. To anticipate the collection from the financing fund

4070 Anticipated Collections from Federal Sources	440	
4450 Unapportioned Authority		440

2. To receive an apportionment for the collection

4450 Unapportioned Authority	440	
4590 Apportionments Unavailable - Anticipated Resources		440

3. To collect the receivable from the financing fund⁷⁶

4271 Actual Collection of Subsidy	440	
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be used.

⁷⁴Remember that the financing fund cannot have a balance in cumulative results of operations after closing. Hence, the beginning balance of cumulative results of operations must be zero.

⁷⁵Note that because the net cost of operations is negative, meaning that there is, in essence, a “profit” generated by the negative subsidy expense, the amount *increases* cumulative results of operations. Note that the requirement for net position to be zero after closing does not mean that there cannot be a net cost of operations. The requirement is that all accounts, which close to cumulative results of operations, must net to zero. In this case, there is a negative expense account balance, resulting in a net cost of operations of -\$440; and there is a non-budgetary transfer out of that same amount.

⁷⁶The collection could also be allotted at this time by making the entry:

4590 Apportionments Unavailable - Anticipated Resources	440	
4610 Allotments - Realized Resources		440

4070 Anticipated Collections from Federal Sources		440
1010 Fund Balance with Treasury	440	
1310 Accounts Receivable		
[Re-estimated Subsidy Receivable from Financing Fund]		440
<i>Financing Fund</i>		
4. To receive the apportionment of the beginning unobligated balance of resources⁷⁷		
4450 Unapportioned Authority	440	
4510 Apportionments		440
5. To allot the apportionment		
4510 Apportionments	440	
4610 Allotments - Realized Resources		440
6. To transfer the money to the program fund		
4610 Allotments - Realized Resources	440	
4902 Delivered Orders – Paid [Subsidy Re-estimates and Interest]		440
2190 Other Accrued Liabilities		
[Re-estimated Subsidy Payable to Program Fund]	440	
1010 Fund Balance with Treasury		440

Effect on Financial Statements

The proprietary entries to transfer the money would have no effect on the consolidated balance sheet, but would increase fund balance with Treasury and reduce the receivable from the financing fund in the program fund, and would reduce both fund balance with Treasury and the payable to the program fund in the financing fund. There would be no effect on either the statements of net cost or of changes in net position.

The statements of budgetary resources and of financing would appear as shown below (for these transactions only):

⁷⁷Note that the excess subsidy monies would already have been collected in Year 1. Hence, they would be part of the unobligated balance of resources forward and would reside as part of the balance of account 4450 at the beginning of Year 2.

**STATEMENT OF BUDGETARY RESOURCES
 MANDATORY PROGRAM
 (Resulting from Downward Re-estimate Transactions in Year 2)**

	Budgetary Resources	Non-Budgetary
Unobligated Balance Forward	<u>\$ -0-</u>	<u>\$440</u>
Status of Budgetary Resources		
8. Obligations Incurred (4902)	<u>\$ -0-</u>	\$440
Relationship of Obligations to Outlays		
Outlays		
15. Disbursements (4902)	\$ 0	\$440
<i>Components of Net Outlays:</i>		
Disbursements (4902)	\$ 0	\$440
Offsetting Collections	<u>0</u>	<u>0</u>
Net Outlays Before Offsetting Receipts	\$ 0	\$440
Deposits to Miscellaneous Receipt Fund	<u>(440)</u>	<u>0</u> ⁷⁸
Net Outlays After Offsetting Receipts	<u>\$ (440)</u>	<u>\$440</u>

⁷⁸Although the deposit is to the miscellaneous receipt fund, the crosswalk is to a financing fund account. This is because the miscellaneous receipt fund is a Treasury entity, even though it is associated with the credit agency in the Federal Budget and the credit agency does not make budgetary entries to the fund. Accordingly, the account crosswalked, which the credit agency would have available in its budgetary trial balance for the financing fund, is 4902[Other] in that fund. Note that this represents the obligation that resulted in the deposit being made to the miscellaneous receipt fund.

FINAL DRAFT GUIDE FOR BASIC ACCOUNTING AND REPORTING
FOR DIRECT LOAN PROGRAMS
WITHOUT COLLATERAL
IN FEDERAL CREDIT PROGRAM

October 2004

Appendix 2

APPENDIX 3: REFERENCES

This appendix lists some key references and web sites for readers who want to obtain additional information.

OFFICE OF MANAGEMENT AND BUDGET

- OMB Bulletin 01-09, *Form and Content of Agency Financial Statements for Audit*
- OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*
- OMB Credit Model
 - OMB Publications Office at (202) 395-7332
 - Office of Federal Financial Management (202) 395-3993
 - Website: www.whitehouse.gov/omb

FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

Statement of Federal Financial Accounting Standards (SFFAS) No. 1, *Selected Assets and Liabilities*

- SFFAS No. 2, *Accounting for Direct Loans and Loan Guarantees*
- SFFAS No. 3, *Inventory and Related Property*
- SFFAS No. 7, *Accounting for Revenue and Other Financing Sources* (including related implementation guide)
- SFFAS No. 18, *Amendments to Accounting Standards for Direct Loans and Loan Guarantees*
- SFFAS No. 19, *Technical Amendments to Accounting Standards for Direct Loans and Loan Guarantees*
- Statement of Federal Financial Accounting Concepts No. 2, *Entity and Display* (as amended by SFFAS No. 7)

Accounting and Auditing Policy Committee, Technical Release No. 3: *Preparing and Auditing Direct Loan and Loan Guarantee Subsidies Under the Federal Credit Reform Act*

- FASAB Staff at (202) 512-7350
- Website: www.fasab.gov

TREASURY FINANCIAL MANAGEMENT SERVICE

- *U.S. Government Standard General Ledger* (codified in *Treasury Financial Manual*)
- *Budgetary Accounting in the Federal Government*
- Illustrative Cases in Accounting for Credit Programs (USSGL Staff)
- TFM Chapter 2-4600 Treasury Reporting Instructions for Credit Reform Legislation
- Present Value Monograph
 - USSGL Staff (Office of Financial Management, Treasury) at (202) 874-9980