



Chapter 3

Statements of Net Cost and Changes in Net Position (Flow Accounts)

A. Statement of Net Cost

The Net Cost of Operations represents the total cost incurred by the reporting entity less any exchange revenue earned from its activities. This amount represents the net cost of an entity that is funded by sources other than exchange revenues. The Statement of Changes in Net Position will report the financing sources for the net cost of operations.

According to OMB Bulletin 01-09, “*Form and Content of Agency Financial Statements*”, the Statement of Net Cost should present responsibility segments that align directly with the major goals and outputs described in the entity's strategic and performance plans, required by the Government Performance and Results Act (GPRA). However, the document states that the organizational structure and operations of some entities are so complex that supporting schedule(s) may be required to fully display their sub-organizations, major programs and activities.

- The supporting schedule(s) should be included in the notes to the financial statements.
- The requirement to report entity and intra-governmental gross cost and earned revenues by budget functional classification is intended to support Treasury government-wide reporting and applies only at the Department level. Bureaus do not need to include these disclosures in their financial reports.
- The costs of stewardship PP&E should be separately reported in the notes to the financial statements, including:
 - The cost of acquiring, constructing, improving, reconstructing, or renovating heritage assets, other than multi-use heritage assets; and
 - The cost of acquiring stewardship land.

B. Statement of Changes in Net Position

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

Check figures, per OMB “*Form and Content*” are presented below. There may be



exceptions to these check figures for activity not envisioned by OMB. These exceptions will be discussed by the FSGT.

- “Budgetary appropriations received” on the SCNP should tie directly to the Statement of Budgetary Resources.
- The Net Cost of Operations line ties directly to the Statement of Net Cost.
- Beginning balances shall agree with the amounts reported as net position on the prior year's balance sheet.
- Appropriations received shall agree with the amount of appropriations received as reported on the Statement of Budgetary Resources, with the exception of appropriated dedicated and earmarked receipts. Dedicated and earmarked receipts, typically in special and non-revolving trust funds, are to be accounted for as either exchange or non-exchange revenue in accordance with SFFAS No.7.
- Appropriations Used presented as a reduction of Unexpended Appropriations should equal Appropriations Used presented as a financing source increasing Cumulative Results of Operations.
- Amounts included as “Other Adjustments” (e.g. rescissions, cancellations) in the Budgetary Financing Sources section should also be included on the Statement of Budgetary Resources line 6 “Permanently not Available”
- The Other Financing Sources section of this statement will tie directly to the Statement of Financing.
- Imputed financing shall equal the amount of imputed costs included in the Statement of Net Cost of Operations. (This amount would not be separately disclosed on the SNC, but may be presented in the Notes to the Financial Statements.)
- Individual line items under the “Other Financing Sources” section should tie to the Statement of Financing:
 - a. Donations and Forfeitures of Property
 - b. Transfers-in/out w/o Reimbursement
 - c. Imputed Financing
 - d. Other Resources
- Ending balances shall agree with the amounts reported as net position on the current year's balance sheet.

**Other preparation considerations:**

The line “Other Adjustments” includes adjustments to either cumulative results of operations or unexpended appropriations. Some examples of adjustments include rescissions of appropriations and cancellations of expired appropriation/expenditure accounts, which would also be included in Line 6, *Permanently not available*, on the Statement of Budgetary Resources.

Appropriations are considered “used” as a financing source when goods and services are received or benefits are provided. This is true whether the goods, services, and benefits are payable or paid as of the reporting date and whether the appropriations are used for items that are expensed or capitalized. Appropriations Used does not include undelivered orders or unobligated appropriations. In order to avoid double counting, Appropriations Used does not include dedicated tax receipts, earmarked receipts, and donations because these financing sources are reported as either exchange or non-exchange revenue.