



Federal Accounting Standards Advisory Board

**Selected Standards for the Consolidated Financial Report
of the United States Government**

Statement of Federal Financial Accounting Standards

Exposure Draft

Written comments are requested by June 30, 2002

March 2002

A02948

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

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

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

Additional background information is available from the FASAB:

- *"Memorandum of Understanding among the General Accounting Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board," Amended January 11, 2002.*
- *"Mission Statement: Federal Accounting Standards Advisory Board"*

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Federal Accounting Standards Advisory Board

March 19, 2002

**TO: HEADS OF FEDERAL AGENCIES AND ALL OTHERS WHO USE, PREPARE, AND AUDIT
FEDERAL FINANCIAL INFORMATION**

The Federal Accounting Standards Advisory Board (FASAB or the Board) is requesting comments on the exposure draft of a proposed statement of federal accounting standards, *Selected Standards for the Consolidated Financial Report of the United States Government*. Specific questions for your consideration appear on page 3, but you are welcome to comment on any aspect of this proposal. Respondents are encouraged to consider the issues in light of Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*. If you do not agree with the proposed approach, your response would be more helpful to the Board if you explain the reasons for your position and any alternative you propose. Responses are requested by June 30, 2002.

We have experienced delays in mail delivery due to increased screening procedures. Therefore, please provide your comments in electronic form. Responses in electronic form should be sent by e-mail to comesw@fasab.gov. If you are unable to provide electronic delivery, we urge you to fax the comments to (202) 512-7366. Please follow up by mailing your comments to:

Wendy M. Comes, Executive Director
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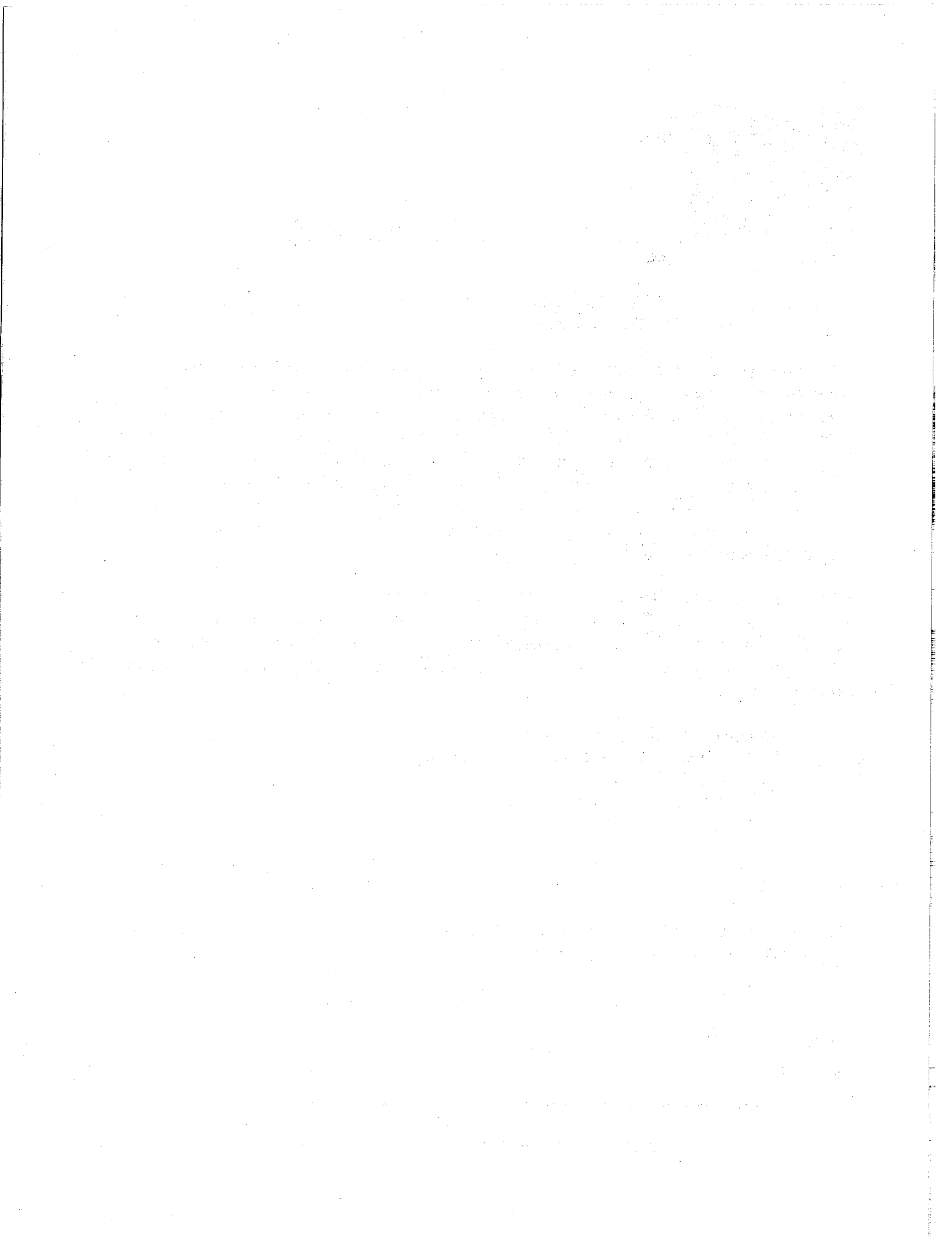
The Board's rules of procedure provide that it may hold one or more public hearings on any exposure draft. No hearing has yet been scheduled for this exposure draft.

Notice of the date and location of any public hearing on this document will be published in the Federal Register and in the FASAB's newsletter.



David Messo

Chairman



Executive Summary

- I. Most Statements of Federal Financial Accounting Standards (SFFAS) do not state whether they apply to the Government as a whole or components thereof, or both. This standard clarifies that SFFAS apply to all federal entities unless the standard specifically provides otherwise.
- II. In addition, certain requirements of SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, are not relevant for the Consolidated Financial Report of the United States Government (CFR). SFFAS 7 requires information on budgetary resources and a reconciliation of obligations and other resources used with the net cost of operations. These requirements, while relevant for agencies executing the budget, are not required for the CFR.
- III. This standard requires that new statements be presented in the CFR regarding net operating revenue (or cost), budget surplus (or deficit), and cash flow.

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Request for Comments

Standards Apply to the Government as a Whole as Well as to Component Entities

1. As explained in paragraphs 14 and 20-22, the Board is proposing to establish that Statements of Federal Financial Accounting Standards (SFFAS) apply to the Government as a whole as well as to component entities, unless otherwise provided in an existing or subsequent standard. The Board asks respondents whether they agree that SFFAS should apply to the Government as a whole as well as to component entities unless otherwise provided.

Consolidated Financial Report Exempt from Requirement to Report Certain Budgetary Information

2. As explained in paragraphs 15 and 23-29 the Board is proposing to exempt the Consolidated Financial Report of the United States Government (CFR) from certain budgetary information required of agencies in the statement of budgetary resources (SBR) and the statement of financing (SOF). (See Appendices D and E for illustrations of the SBR and SOF, respectively.) The Board tentatively concludes that such information is not relevant or meaningful at the level of the CFR. The Board asks respondents whether they agree that the CFR should be exempt from these particular statements.
3. The Board intends to reassess the form in which consolidated budgetary information is presented in the CFR to ensure that such information is relevant and meaningful to users. The Board asks respondents whether they have suggestions for including other information in the CFR that would be relevant and meaningful to users. The Board requests respondents to make suggestions in the context of two potential goals of budgetary information in the CFR: first, the integration of proprietary and budgetary information and, second, improving the quality and integrity of budgetary information.

Government as a Whole Should Provide Information about Net Operating Revenue (or Cost), the Budget Surplus (or Deficit), and Cash Flow

4. As explained in paragraphs 16-19 and 30-35, the Board is proposing that the Government as a whole be required to provide information relating net operating revenue (or cost), the budget surplus (or deficit), and cash flow. Appendix B provides an illustration of how the reconciliation of the net operating revenue (or cost) with the budget surplus (or deficit) could be displayed. Appendix C provides an illustration of how the cash flow data could be displayed. The Board notes that the information is hypothetical and the format is merely illustrative of what would be acceptable.
5. Appendix C presents two versions of the cash flow statement: versions "A" and "B." Both versions contain the same basic financial statement line items but are organized differently. The Board is seeking respondents' views regarding, among other things, the inherent understandability of the line items and format for a range of users, but especially for citizens with a general knowledge of Government financial operations. In that regard, some of those favoring the version "A" illustration suggest the alternative title "Reconciliation of Budget Surplus (Deficit) and Cash Flow," and the Board requests that respondents consider whether that title would enhance understandability.
6. Respondents may also provide other information related to the proposed standard for the Board's consideration.

Introduction

7. Statements of Federal Financial Accounting Standards (SFFAS) usually do not state explicitly whether they apply to the Federal Government as a whole, its component entities¹ (e.g., departments, agencies, etc.), or both. Statement of Federal Financial Accounting Concepts (SFFAC) 1, *Objectives of Federal Financial Reporting*, uses the term “entity” generically to refer, depending on the context, to the U.S. Government as a whole, organizational component units of the Government, e.g., an agency, or to other kinds of potential reporting units such as programs.
8. The applicability of standards to both component entities and the Government as a whole, unless otherwise stated, has been assumed by some. SFFAS 1, *Accounting for Selected Assets and Liabilities of the Federal Government*, states that it applies to the Federal Government and its departments and agencies, as does SFFAS 8, *Supplementary Stewardship Reporting*. SFFAC 2, *Entity and Display*, states that Federal entities aggregate into the Federal Government entity, which encompasses all the resources and responsibilities existing within the component entities.
9. In order to forestall any uncertainty or potential confusion, this standard clarifies that all existing and future standards apply to all federal entities unless a standard specifically provides otherwise.
10. This standard also exempts the CFR from certain provisions of SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, requiring information on budgetary resources and obligations. Such information is relevant and meaningful for entities financed with budgetary resources but not for the Government as a whole.
11. In addition, this standard will require new CFR reporting of information that explains the differences between proprietary, budgetary, and cash accounting.

¹ The term “component entity” is used to distinguish between the U.S. Federal Government and its components. The U.S. Federal Government as a whole is composed of organizations that manage resources and are responsible for operations, i.e., delivering services. These include major departments and independent agencies, which are generally divided into suborganizations, i.e., smaller organizational units with a wide variety of titles, including bureaus, administrations, agencies, and corporations. (SFFAC No. 2, *Entity and Display*, paras. 11-12). Use of “component entity” in this standard is only intended to distinguish between the U.S. Federal Government’s consolidated financial statements and financial statements of its components.

Materiality

12. The provisions of this accounting standard need not be applied to immaterial items.

Effective Date

13. This amendment is effective for periods beginning after September 30, 2001.

Accounting Standard

Standards for the Consolidated Financial Report of the U.S. Government

14. Statements of Federal Financial Accounting Standards (SFFAS) apply to all federal entities, that is, to the Government as a whole and to **component entities**^{*}, unless provision is made for different accounting treatment in a current or subsequent SFFAS.

Budgetary Information Not Required for the Government as a Whole

15. SFFAS 7, paragraphs 77-82, requires certain information about **budgetary resources** and about the relationship between **budget obligations** and proprietary **net cost of operations**. Such information is reported in the statement of budgetary resources and statement of financing, respectively.² This information is not required in the consolidated financial report of the Government as a whole.

Reconciliation Information

16. The financial report of the Government as a whole should provide information reconciling **net operating revenue (or cost)** and the annual **budget surplus (or deficit)**. The reconciliation should highlight:
- The components of net operating revenue (or cost) that are not part of the budget surplus (or deficit), including the accrued and amortized expenses not included in **budget outlays** and the accrued or other revenue not included in **budget receipts**; and
 - The effects of the components of the budget surplus (or deficit) that are not part of net operating revenue (or cost), including budget receipts and outlays that are not included in net operating revenue (or cost).
17. Appendix B provides an illustration of how the reconciliation data could be displayed. The illustration is not intended to be authoritative.

* Terms defined in the glossary appear initially in **boldface**.

² See Appendices D and E for illustrations of the statement of budgetary resources and statement of financing from the Office of Management and Budget's Bulletin 01-09, *Form and Content*.

Budget Surplus or Deficit and Cash Flow Information

18. The Government as a whole should provide a cash flow statement explaining how the annual budget surplus or deficit relates to the change in the Government's cash. The information should highlight:
 - The components of the budget surplus or deficit that are not part of the annual change in cash, including non-cash budget outlays; and
 - The cash flow items that are not included in the budget outlays or receipts, including the prominent display of the cash inflow and outflow related to the changes in debt held by the public.

19. Appendix C provides two illustrations of how the cash flow data could be displayed. The illustrations are not intended to be authoritative.

Appendix A: Basis for Conclusions***Standards for the Consolidated Financial Report***

20. In Statement of Federal Financial Accounting Concepts (SFFAC) 1 *Objectives of Federal Financial Reporting*, the Board uses the term “entity” generically to refer, depending on the context, to the U.S. Government as a whole, organizational component units of the Government, e.g., an agency, or to other kinds of potential reporting units such as programs.³ SFFAC 2 states that Federal entities aggregate into the Federal Government entity, which encompasses all the resources and responsibilities existing within the component entities.⁴
21. Although Statement of Federal Financial Accounting Standards, SFFAS 1, *Accounting for Selected Assets and Liabilities of the Federal Government*, states that it is applicable to both the Government as a whole and component entities⁵, other standards have not explicitly addressed the subject unless different treatment was specified. SFFAS 6, *Accounting for Property, Plant, and Equipment*, refers the reader to SFFAC 2, *Entity and Display*, for guidance on the general applicability of federal accounting standards. SFFAS 8, *Supplementary Stewardship Reporting*,⁶ explicitly states that it applies to the Federal Government and its departments and agencies, but that the effective date for the Consolidated Financial Report of the U.S. Government (CFR) is not being set to afford more time to delineate how the stewardship information would be aggregated. SFFAS 8 also states that a current services assessment is required for the CFR but not for individual reports of its component units. Likewise in SFFAS 17, *Social Insurance*, applicability is addressed because certain requirements for component entities are not applicable to, and summarization of certain data is allowed for, the CFR.
22. This standard clarifies that SFFAS apply to all federal entities unless a current or subsequent standard specifically provides otherwise.

³ SFFAC 1, fn. 2-3, and par. 212.

⁴ SFFAC 2, par. 38.

⁵ SFFAS 1, par. 14.

⁶ SFFAS 8, par. 38-39.

Information on Budgetary Resources and Obligations

23. This standard also exempts the consolidated financial report of the Government as a whole from certain provisions of SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Budgetary and Financial Accounting*. SFFAS 7 (pars. 77-82) requires entities “whose financing comes wholly or partially from the budget” to provide information on budgetary resources and the status of resources, which is presented in the statement of budgetary resources (SBR). It also calls for a reconciliation of budgetary resources obligated by the entity with the net cost of operations, which is presented in the statement of financing (SOF). The Board tentatively concludes that such information is not relevant or meaningful at the level of the CFR. The Board intends to reassess the form in which consolidated budgetary information might be presented in the CFR to determine whether such information, if required, is relevant and meaningful to users.
24. SFFAS 7 (pars. 77-79) requires information, which is presented in the SBR, that includes
- (1) total budgetary resources available,
 - (2) the status of the budgetary resources, including obligations incurred, the available **appropriation, borrowing and contract authority** at the end of the period, any restrictions on the use of unobligated balances of **budget authority**, the amount of any capital infusion during the period, etc.; and
 - (3) **outlays**.

In addition, the entities are required to provide this information for each of their major budget accounts as supplementary information.

25. SFFAS 7 (pars. 80-82) also requires a reconciliation of budgetary obligations and proprietary accounting information, which is presented in the SOF. The reconciliation explains the relationship between (1) budgetary resources obligated by the entity during the period and **other financing sources** such as **imputed financing**, transfers of assets, etc., not included in budget receipts, and (2) the net cost of operations.
26. This and other information that is important for component entity reports is not relevant for the Government as a whole. For example, Federal entities report as an asset their fund balance with Treasury, which is the aggregate amount of funds in the entity’s accounts with Treasury for

which the entity is authorized to make expenditures and pay liabilities. This is an intra-government item. From the perspective of the Government as a whole, it is not an asset. It represents a commitment to make resources available to federal departments, agencies, programs, etc.⁷

27. Similarly, resources differ between the Government as a whole and individual component entities. The main sources of financing for the Government as a whole are exchange and non-exchange revenue and borrowing from the public.⁸ For component reporting entities, however, the sources of financing are provided through the budget process and are largely financing sources other than revenue. Appropriations and other budget authority provide an agency with the authority to incur obligations to acquire goods and services or to provide benefits and grants. Budgetary resources are not earned by an entity's operations⁹ and have a different character than both exchange revenue and non-exchange revenue.¹⁰ They provide resources to the entity but not to the Government as a whole.
28. The budget process provides the principal basis for planning and controlling obligations and outlays by Government entities. Budget execution tracks the flow of budgetary resources from the congressional authorizing and appropriating process, to **apportionment, allotment,** and obligation of the budgetary resources, to the outlay of cash to satisfy those obligations. For the most part, obligations and cash, rather than **accrual accounting,** are the bases for budgeting and reporting on budget execution.¹¹
29. Accrual accounting and **budgetary accounting** are complementary. Accrual accounting provides an understanding of the entity's net position and cost of operations during a period. Government financial statements have not been used for planning and control as much as they might be. In part, this is because general purpose financial reports have not presented budget information with the financial statements in a way that helped users relate these two important, but different, types of financial information.¹² The Board's objective in requiring new statements in the CFR is to address this issue.

⁷ SFFAS 1, par. 31.

⁸ "Exchange revenue" arises when an entity provides goods and services for a price. "Non-exchange revenue" arises primarily from the exercise of the government's sovereign power to demand payment from the public, such as taxes, duties, fines, etc.

⁹ SFFAS 7, par. 23.

¹⁰ SFFAS 7, par. 24.

¹¹ SFFAS 7, par. 25.

Proprietary, Budgetary, and Cash Information

30. Although information about budgetary resources and obligations is not required in the CFR, other information in two new statements is required. The new statements serve the basic objectives of federal accounting. SFFAC 1 presents four objectives of federal financial reporting. Objective 1 provides that federal financial reporting should assist in fulfilling the Government's duty to be publicly accountable for the money raised through taxes and other means, and for their expenditure in accordance with the appropriation laws. Sub-objective 1C provides that federal financial reporting should provide information that helps the reader to determine how information on the use of budgetary resources relates to information on the costs of program operations and whether information on the status of budgetary resources is consistent with other accounting information on assets and liabilities.
31. In a proposed statement of concepts the Board provides that the CFR should be easy for the average citizen to understand. The new statements required in this standard were designed with this objective in mind.
32. Although budgetary and financial accounting information are complementary, both the types of information and the timing of their recognition are different, caused by differences in the basis of accounting.¹³
33. The new statements required by this standard focus on three important elements: the net operating revenue (or cost) from the proprietary accounting system, the budget surplus (or deficit), and the change in the Government's cash during the period, of which the change in debt held by the public is the primary component. The information is present in two parts, a reconciliation of the net operating revenue (or cost) to the budget surplus (or deficit), and a cash flow statement relating the budget to the annual change in cash.
34. The purpose of the reconciliation information is to report how the proprietary net operating revenue (or cost) and the budget surplus (or deficit) relate to each other. The premise of the reconciliation is that the proprietary and budget accounting bases share much data. The

¹² SFFAS 7, par. 26.

¹³ SFFAC 7, par. 80.

reconciliation presents the differences between the two systems as reconciling items while moving from the proprietary amount to the budget surplus or deficit.

35. The primary purpose of the cash flow information is to report how the annual budget surplus/deficit relates to the change in the Government's cash position and debt held by the public. It explains why the budget surplus or deficit did not result in an equivalent change in the Government's cash position. The premise of the statement is that budget and cash accounting share much cash flow data, and the statement presents the differences between them.

(Hypothetical data)
**RECONCILIATION OF NET OPERATING REVENUE (OR COST)
 AND BUDGET SURPLUS (OR DEFICIT)**
 for the period ending Sept. 30, 20X2
 (in billions of dollars)

[Footnotes below would be to notes to the financial statements and are not provided for this illustration.]

	<u>FY 20X2</u>	<u>FY 20X1</u>
Net operating revenue or (cost)	<u>46.0</u>	<u>(50.0)</u>
<i>Components of net operating revenue (or cost) not part of the of the budget surplus:</i>		
Add excess of accrual-basis expenses over budget outlays:		
Civilian & military employee benefits (Note X1)		
Pensions and retired pay	75.5	74.0
Retiree health benefits	14.6	14.7
Other benefits	4.7	4.6
Subtotal -- civilian & military employee benefits	<u>94.8</u>	<u>93.3</u>
Veteran compensation (Note X1)	62.5	59.0
Environmental clean-up (Note X2)	19.6	18.5
Other benefit programs (Note X3)	4.0	4.5
Other	18.5	17.5
Subtotal -- excess of accrual-basis expenses over budget outlays	<u>199.4</u>	<u>192.8</u>
Add amortized expenses not included in budget outlays:		
Depreciation (Note X7)	15.4	15.0
Add other expenses that are not reported as budget outlays:		
Premiums paid on buyback of Treasury debt (Note X10)	5.5	1.6
Subtract excess of accrual-basis revenue over budget receipts:		
Accrued tax revenue (Note X5)	(0.6)	(0.7)
Other accrued revenue (Note X8)	-	1.0
Subtract other revenue and gains that are not budget receipts:		
Other revenue and gains	(2.3)	(2.2)
Subtotal: components of net operating revenue (cost) not part of budget surplus	<u>217.4</u>	<u>207.5</u>
<i>Components of the budget surplus that are not part of net operating revenue (or cost):</i>		
Add budget receipts not included in net operating revenue (or cost):		
Principal repayments on pre-credit reform loans	24.0	24.5
Decrease in accounts receivable (Note X3)	2.7	3.0
Subtract budget outlays not included in net operating revenue (or cost):		
Acquisition of capital assets (Note X7)	(31.6)	(43.0)
Acquisition of inventory (Note X6)	(11.9)	(12.0)
Acquisition of other assets	(5.4)	(7.0)
Subtotal -- components of the budget surplus that are not part of net operating revenue (or cost)	<u>(22.2)</u>	<u>(34.5)</u>
<i>Other:</i>		
Prior period adjustment (Note X17)	(4.2)	-
Budget surplus	<u>237.0</u>	<u>123.0</u>

VERSION A

United States Government
Statement of Cash Flows
for the Years Ended September 30, 20X2 and 20X1

(in billions of dollars)

[Hypothetical Data]

[Footnotes below would be to notes to the financial statements and are not provided for this illustration.]

Results of budgeted activities:	<u>20X2</u>	<u>20X1</u>
Total budgetary receipts	2,025.0	1,827.0
Total budgetary outlays	(1,788.0)	(1,703.0)
Budget surplus (or deficit)	<u>237.0</u>	<u>124.0</u>
Adjustments for non-cash measurement in the budget surplus:		
<i>Add outlays measured on an accrual basis:</i>		
Interest accrued on Treasury debt held by the public	186.0	185.0
Subsidy expense accrued under direct loan & guarantee programs (Note X4)	3.0	4.0
Adjustments for non-cash components	<u>189.0</u>	<u>189.0</u>
Adjustments for cash components not included in the budget:		
<i>Add cash inflows that are not included as budget receipts:</i>		
Borrowing from the public (Note X11)	2,010.8	2,002.0
Repayment of principal on direct loans	19.0	15.0
Decrease in reserve position in the IMF (Note X2)	6.3	1.2
Decrease in loans to the IMF	-	0.5
Decrease/(increase) in miscellaneous assets (Note X3)	1.6	(1.6)
Seignorage	2.3	2.2
<i>Subtract cash outflows that are not included as budget outlays:</i>		
Repayment of debt held by the public (Note X11)	(2,233.5)	(2,090.0)
Interest paid by Treasury on debt held by the public	(184.4)	(187.8)
Direct loan transactions (Note X4):		
New direct loans disbursed	(40.0)	(34.0)
Other direct loan transactions	(0.7)	(1.0)
Premium on buyback of Treasury debt held by the public (Note X5)	(5.5)	-
Guaranteed loan transactions (Note X4):		
Default payments	(4.3)	(5.0)
Other guaranteed loan transactions	(0.5)	(0.3)
Increase in special drawing rights (Note X6)	(4.0)	(2.2)
(Increase)/decrease in other monetary assets (Note X7)	(0.9)	0.4
Increase/(decrease) in deposit fund liability balances (Note X8)	(1.2)	0.1
Increase/(decrease) in miscellaneous liabilities (Note X8)	(0.9)	0.5
Adjustments for cash flow not included in the budget	<u>(435.9)</u>	<u>(300.0)</u>
Increase (decrease) in cash balance	<u>(9.9)</u>	<u>13.0</u>

VERSION B

**United States Government
Statement of Cash Flows
for the Years Ended September 30, 20X2 and 20X1**

(in billions of dollars)

[Hypothetical Data]

[Footnotes below would be to notes to the financial statements and are not provided for this illustration.]

	20X2	20X1
CASH FLOW FROM BUDGETED ACTIVITIES		
Total budgetary receipts	2,025.0	1,827.0
Total budgetary outlays	(1,788.0)	(1,703.0)
Budget surplus (or deficit)	237.0	124.0
Adjustments for non-cash outlays included in the budget:		
Interest accrued on Treasury debt held by the public	186.0	185.0
Subsidy expense accrued under direct loan & guarantee programs (Note X1)	3.0	4.0
Subtotal - adjustment for non-cash transactions in budget	189.0	189.0
CASH FLOW FROM ACTIVITIES NOT INCLUDED IN BUDGET		
<i>Inflows:</i>		
Repayment of principal on direct loans	19.0	15.0
Decrease/(increase) in miscellaneous assets (Note X2)	1.6	(1.6)
Seignorage	2.3	2.2
<i>Outflows:</i>		
Interest paid by Treasury on debt held by the public	(184.4)	(187.8)
New direct loans disbursed	(40.0)	(34.0)
Other direct loan transactions	(0.7)	(1.0)
Premium on buyback of Treasury debt held by the public (Note X3)	(5.5)	-
Default payments on guaranteed loans	(4.3)	(5.0)
Other guaranteed loan transactions	(0.5)	(0.3)
Increase/(decrease) in deposit fund liability balances (Note X4)	(1.2)	0.1
Increase/(decrease) in miscellaneous liabilities (Note X4)	(0.9)	0.5
Cash flow from non-budget activities	(214.6)	(211.9)
Cash Flow from Monetary Transactions		
Decrease in reserve position in the IMF (Note X5)	6.3	1.2
Decrease in loans to the IMF	-	0.5
Increase in special drawing rights (Note X5)	(4.0)	(2.2)
(Increase)/decrease in other monetary assets (Note X5)	(0.9)	0.4
Cash flow from monetary transactions	1.4	(0.1)
Cash Flow from Financing		
Borrowing from the public (Note X6)	2,010.8	2,002.0
Repayment of debt held by the public (Note X6)	(2,233.5)	(2,090.0)
Cash flow from financing	(222.7)	(88.0)
Increase (decrease) in cash balance	(9.9)	13.0

Department/Agency/Reporting Entity				
COMBINED STATEMENT OF BUDGETARY RESOURCES (page 1 of 2)				
For the Years Ended September 30, 20x2 and 20x1				
(in dollars/millions)				
	20x2	20x2	20x1	20x1
	Budgetary	Non-Budgetary Credit Program Financing Accounts	Budgetary	Non-Budgetary Credit Program Financing Accounts
Budgetary Resources:				
1. Budget authority:				
1a. Appropriations received	\$ xxx	\$ xxx	\$ xxx	\$ xxx
1b. Borrowing authority	xxx	xxx	xxx	xxx
1c. Contract authority	xxx	xxx	xxx	xxx
1d. Net transfers (+/-)	xxx	xxx	xxx	xxx
1e. Other	xxx	xxx	xxx	xxx
2. Unobligated balance:				
2a. Beginning of period	xxx	xxx	xxx	xxx
2b. Net transfers, actual (+/-)	xxx	xxx	xxx	xxx
2c. Anticipated Transfers balances	xxx	xxx	xxx	xxx
3. Spending authority from offsetting collections:				
3a. Earned				
1. Collected	xxx	xxx	xxx	xxx
2. Receivable from Federal sources	xxx	xxx	xxx	xxx
3b. Change in unfilled customer orders				
1. Advance received	xxx	xxx	xxx	xxx
2. Without advance from Federal sources	xxx	xxx	xxx	xxx
3c. Anticipated for rest of year, without advances	xxx	xxx	xxx	xxx
3d. Transfers from trust funds	xxx	xxx	xxx	xxx
3e. Subtotal	xxx	xxx	xxx	xxx
4. Recoveries of prior year obligations	xxx	xxx	xxx	xxx
5. Temporarily not available pursuant to Public Law	xxx	xxx	xxx	xxx
6. Permanently not available	xxx	xxx	xxx	xxx
7. Total Budgetary Resources	\$ x,xxx	\$ x,xxx	\$ x,xxx	\$ x,xxx

Department/Agency/Reporting Entity COMBINED STATEMENT OF BUDGETARY RESOURCES (page 2 of 2) For the Years Ended September 30, 20x2 and 20x1 (in dollars /millions)				
	20x2	20x2	20x1	20x1
	<u>Budgetary</u>	Non-Budgetary Credit Program Financing Accounts	<u>Budgetary</u>	Non-Budgetary Credit Program Financing Accounts
Status of Budgetary Resources:				
8. Obligations incurred:				
8a. Direct	\$ xxx	\$ xxx	\$ xxx	\$ xxx
8b. Reimbursable	xxx	xxx	xxx	xxx
8c. Subtotal	xxx	xxx	xxx	xxx
9. Unobligated balance:				
9a. Apportioned	xxx	xxx	xxx	xxx
9b. Exempt from apportionment	xxx	xxx	xxx	xxx
9c. Other available	xxx	xxx	xxx	xxx
10. Unobligated balance not available	xxx	xxx	xxx	xxx
11. Total Status of Budgetary Resources	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>
Relationship of Obligations to Outlays:				
12. Obligated balance, net, beginning of period	xxx	xxx	xxx	xxx
13. Obligated balance transferred, net (+/-)	xxx	xxx	xxx	xxx
14. Obligated balance, net, end of period:				
14a. Accounts receivable	xxx	xxx	xxx	xxx
14b. Unfilled customer orders from Federal sources	xxx	xxx	xxx	xxx
14c. Undelivered orders	xxx	xxx	xxx	xxx
14d. Accounts payable	xxx	xxx	xxx	xxx
15. Outlays:				
15a. Disbursements	xxx	xxx	xxx	xxx
15b. Collections	xxx	xxx	xxx	xxx
15c. Subtotal	xxx	xxx	xxx	xxx
16. Less: Offsetting receipts	xxx	xxx	xxx	xxx
17. Net Outlays	<u>\$ x,xxx</u>	<u>\$ x,xxx</u>	<u>\$ x,xxx</u>	<u>\$ x,xxx</u>

Department/Agency/Reporting Entity CONSOLIDATED STATEMENT OF FINANCING (Page 1 of 2) For the Years Ended September 30, 20x2 and 20x1 (in dollars /millions)		
	20x2	20x1
<i>Resources Used to Finance Activities:</i>		
Budgetary Resources Obligated		
1. Obligations incurred	\$ xxx	\$ xxx
2. Less: Spending authority from offsetting collections and recoveries	xxx	xxx
3. Obligations net of offsetting collections and recoveries	xxx	xxx
4. Less: Offsetting receipts	xxx	xxx
5. Net obligations	xxx	xxx
<i>Other Resources</i>		
6. Donations and forfeitures of property	xxx	xxx
7. Transfers in/out without reimbursement (+/-)	xxx	xxx
8. Imputed financing from costs absorbed by others	xxx	xxx
9. Other (+/-)	xxx	xxx
10. Net other resources used to finance activities	xxx	xxx
11. <i>Total resources used to finance activities</i>	x,xxx	x,xxx
<i>Resources Used to Finance Items not Part of the Net Cost of Operations</i>		
12. Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided (+/-)	xxx	xxx
13. Resources that fund expenses recognized in prior periods	xxx	xxx
14. Budgetary offsetting collections and receipts that do not affect net cost of operations		
14a. Credit program collections which increase liabilities for loan guarantees or allowances for subsidy	xxx	xxx
14b. Other	xxx	xxx
15. Resources that finance the acquisition of assets	xxx	xxx
16. Other resources or adjustments to net obligated resources that do not affect net cost of operations (+/-)	xxx	xxx
17. <i>Total resources used to finance items not part of the net cost of operations</i>	xxx	xxx
18. <i>Total resources used to finance the net cost of operations</i>	x,xxx	x,xxx

Department/Agency/Reporting Entity		
CONSOLIDATED STATEMENT OF FINANCING (Page 2 of 2)		
For the Years Ended September 30, 20x2 and 20x1		
(in dollars /millions)		
	20x2	20x1
<i>Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:</i>		
<i>Components Requiring or Generating Resources in Future Periods:</i>		
19. Increase in annual leave liability	xxx	xxx
20. Increase in environmental and disposal liability	xxx	xxx
21. Upward/Downward reestimates of credit subsidy expense (+/-)	xxx	xxx
22. Increase in exchange revenue receivable from the public	xxx	xxx
23. Other (+/-)	xxx	xxx
24. Total components of Net Cost of Operations that will require or generate resources in future periods	xxx	xxx
<i>Components not Requiring or Generating Resources:</i>		
25. Depreciation and amortization	xxx	xxx
26. Revaluation of assets or liabilities (+/-)	xxx	xxx
27. Other (+/-)	xxx	xxx
28. Total components of Net Cost of Operations that will not require or generate resources	xxx	xxx
29. Total components of net cost of operations that will not require or generate resources in the current period	x.xxx	x.xxx
30. Net Cost of Operations	\$ x.xxx	\$ x.xxx

GLOSSARY

The definitions for the entries below are taken from FASAB's Consolidated Glossary unless otherwise noted.

Accrual Accounting – Records the effects on a reporting entity of transactions and other events and circumstances in the periods in which those transactions, events, and circumstances occur rather than only in the periods in which cash is received or paid by the entity. Accrual accounting is concerned with an entity's acquiring of goods and services and using them to produce and distribute other goods and services. It recognizes that the buying, producing, selling, distributing, and other operations of an entity during a period, as well as other events that affect entity performance, often do not coincide with the cash receipts and payments of the period. Compare with cash accounting. [See Financial Accounting Standards Board Statement of Financial Accounting Concepts (SFAC) No. 4, *Objectives of Financial Reporting by Nonbusiness Organizations*, par. 50, and SFAC No. 6, *Elements of Financial Statements*, pars. 139-141, 144-5; and Congressional Budget Office, *Glossary of Budgetary and Economic Terms*, "Accrual Accounting."]

Allotment – A distribution made within an entity of amounts available for obligation. [See OMB Bulletin A-34, *Instructions on Budget Execution*, Section 11, Terms and Concepts, "Allotment."]

Apportionment -- A distribution made by OMB of amounts available for obligation in an appropriation or fund account into amounts available for specified time periods, programs, activities, projects, objects, or combinations thereof. The apportioned amount limits the obligations that may be incurred. The recipient entity normally allots the apportionment among organizational units.

Appropriation -- See Budget Authority

Budget – The Budget of the United States Government setting forth the President's comprehensive financial plan for allocating resources. The Government uses the budget system to allocate resources among its major functions and individual programs. The budget process has three main phases: formulation, congressional action on the budget, and execution. Some presentations in the budget distinguish between "on-budget" and "off-budget" totals. "On-budget" totals reflect the transactions of all Federal Government entities except those excluded from the budget totals by law. Likewise, "off-budget" totals reflect the transactions of Government entities that are excluded from the budget totals by law. Currently excluded are the social security trust funds and the Postal Service Fund. The on- and off-budget totals are combined to derive unified or consolidated totals for Federal activity. The budget amounts and references in this exposure draft refer to the unified budget. [See *FY 2003 Budget of the United States Government: Analytical Perspectives*, "Budget System and Concepts and Glossary."]

Budget Authority -- Authority provided by Federal law to incur financial obligations that will result in immediate or future outlays. Specific forms of budget authority include:

Appropriations – In most cases, authority provided by law permitting Federal agencies to incur obligations and make payments for specified purposes.

Borrowing Authority – Authority to incur obligations and to borrow, usually from the Treasury Department to liquidate the obligations. Borrowing is repaid in due course by the Federal entity from other resources.

Contract Authority – Authority to incur obligations in conjunction with a contract for goods or services, with subsequent appropriation or collection to liquidate the obligation.

Spending Authority from Offsetting Collections – Authority to incur obligations against collections credited to a specific expenditure account; and to make payments using the collections.

Budget Obligation – See Obligation below.

Budget Outlay – See Outlay below.

Budget Receipt – See Receipt below.

Budget Surplus or Deficit – The budget surplus is the excess of budget receipts over budget outlays during a fiscal year and a deficit is the excess of budget outlays over budget receipts during a fiscal year. [See *FY 2003 Budget of the United States Government: Analytical Perspectives*, "Budget System and Concepts and Glossary."]

Budgetary Accounting – The system that measures and controls the use of resources according to the purposes for which budget authority was enacted; and, that records receipts and other collections by source. It tracks the use of each appropriation for specified purposes through the various stages of budget execution from appropriation to apportionment and allotment to obligation and eventual outlay.

Budgetary Resources – The amount of authority given to an agency allowing it to incur obligations.

Cash Accounting – A system of accounting in which revenues are recorded when received in cash and expenses or expenditures are recorded when cash is disbursed. [See Financial Accounting Standards Board Statement of Financial Accounting Concepts No. 4, *Objectives of Financial Reporting by Nonbusiness Organizations*, par. 50; and Congressional Budget Office, *Glossary of Budgetary and Economic Terms*, “Cash Accounting.”]

Component Entities – The term “component entity” is used to distinguish between the U.S. Federal Government and its components. The U.S. Federal Government as a whole is composed of organizations that manage resources and are responsible for operations, i.e., delivering services. These include major departments and independent agencies, which are generally divided into suborganizations, i.e., smaller organizational units with a wide variety of titles, including bureaus, administrations, agencies, and corporations. (SFFAC No. 2, *Entity and Display*, paras. 11-12). Use of “component entity” in this standard is only intended to distinguish between the U.S. Federal Government’s consolidated financial statements and financial statements of its components. [See *FASAB exposure draft of Technical Bulletin, Assigning Costs and Liabilities to Agencies that Result from Legal Claims against the Federal Government*, fn. 2.]

Financing Sources, Other – Inflows of resources other than exchange and nonexchange revenue, including appropriations used, transfers of assets from other Government entities, and imputed financing. [See SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, par. 70.]

Imputed Financing – Financing provided to the reporting entity by another Government entity covering certain costs incurred by the former. For example, part of Federal employee retirement benefits have been paid by the Government’s central personnel office. A reporting entity would recognize the full accruing cost of the benefits as well as the imputed financing so provided. [See SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, par. 73.]

Net Cost of Operations – Total costs incurred by the reporting entity less exchange revenue earned during the period. This is the “bottom line” of the statement of net costs. [See SFFAC 2, *Entity and Display*, paras. 86-99 and Appendix 1-B; and OMB Bulletin 01-09, *Form and Content*, Section 4.8, “Net Cost of Operations.”]

Net Operating Revenue (or Cost) – At the CFR level, the difference between the net cost of operations and, essentially, all non-exchange revenue. [This term is being introduced in this exposure draft.]

Nonexchange Revenue – Inflows of resources to the Government that the Government demands or that it receives by donations. The inflows that it demands include taxes, duties, fines, and penalties.

Obligation – Following the enactment of budget authority and the completion of required apportionment action, Government agencies incur obligations to make payments. Obligations are binding agreements that will result in outlays immediately or in the future. Obligations include, for example: current liabilities for salaries, wages, and interest; contracts for the purchase of supplies and equipment, construction, and the acquisition of office space, buildings, and land; and other arrangements requiring the payment of money. [See *FY 2003 Budget of the United States Government: Analytical Perspectives*, “Budget System and Concepts and Glossary” (Obligations Incurred).]

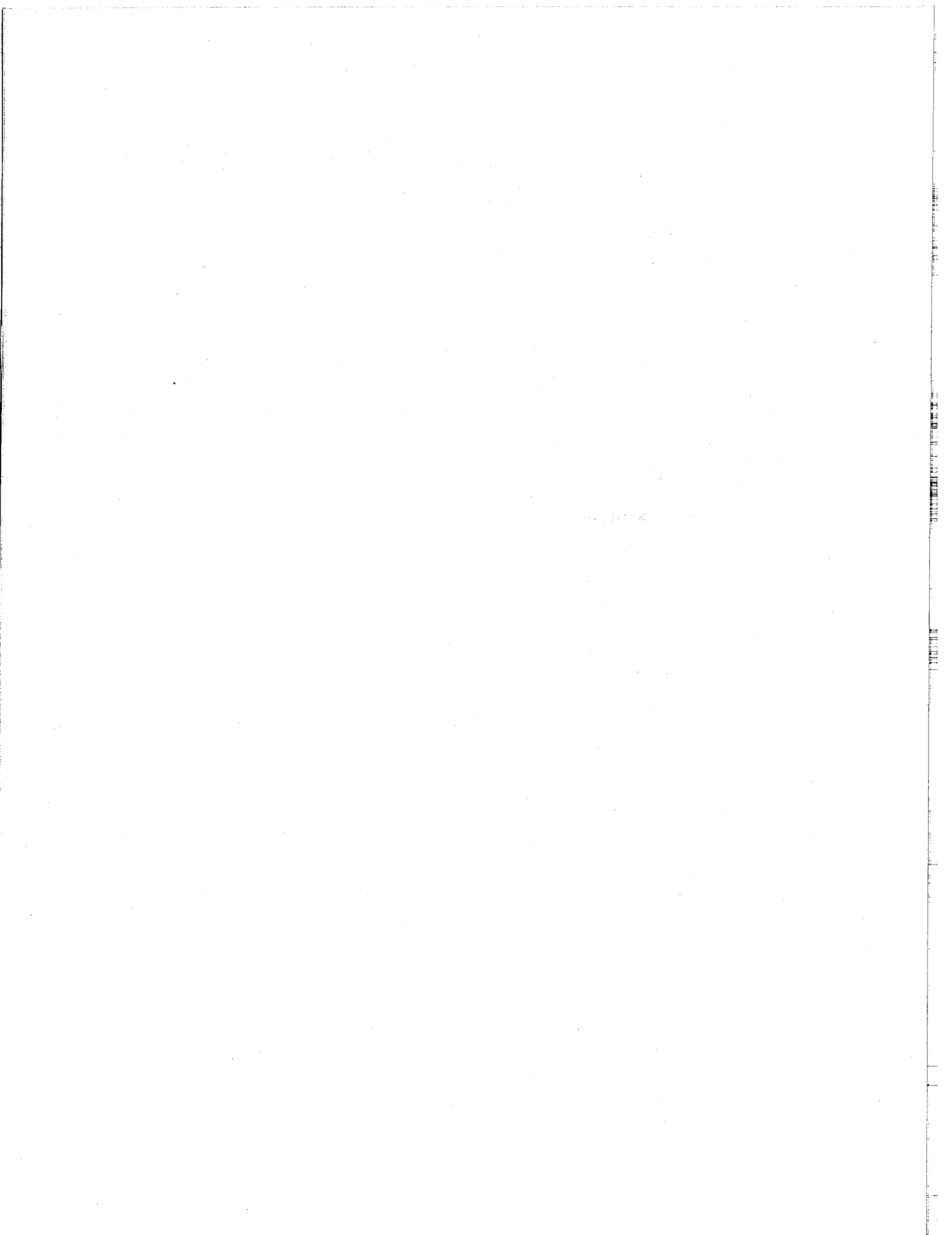
Outlays – Outlays are payments to liquidate obligations and generally are recorded on a cash basis but also include certain non-cash items such as the estimated subsidy cost of direct loans and loan guarantees, and interest accrued on public issues of Treasury debt.

Proprietary Accounting – A process employing accrual accounting (see definition above) and financial reporting to show actual financial position and results of operations by accounting for assets, liabilities, net position, revenues, and expenses.

Receipts – Collections that result from the Government’s exercise of its sovereign power to tax or otherwise compel payment, and gifts of money to the Government.

Revenue, Nonexchange – See Nonexchange Revenue above.





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