

OMB Bulletin No. 01-09

**Form and Content of
Agency Financial Statements**

TABLE OF CONTENTS

<i>Title</i>	<i>Sec./Ex. No.</i>	<i>Page</i>
Section 1 -- Guide to the Bulletin		
What is the purpose of this Bulletin?	1.1	1
What is the relationship between this Bulletin and the hierarchy of accounting principles for Federal entities?	1.2	2
When is this Bulletin effective?	1.3	3
To which entity does this Bulletin apply?	1.4	3
What should the annual financial statement include?	1.5	4
What elements of the Annual Financial Statements are required to be presented on a comparative basis?	1.6	5
What steps should agencies take to ensure consistency between information presented in the Statement of Budgetary Resources and the Budget of the United States Government?	1.7	5
Why does the Consolidated Statement of Financing present amounts and balances on a consolidated and a combined basis?	1.8	6
Should all of the lines illustrated in the Statement of Budgetary Resources and the Statement of Financing be presented in the agency's statements?	1.9	6
How does the annual financial statement relate to accountability reports and performance and accountability reports?	1.10	6
In Management's Discussion and Analysis, may agencies reference the performance section of the report rather than incorporating key performance measures into the MD&A?	1.11	7
What is the due date for financial statements and accountability reports?	1.12	8
How will the 10-day review period affect my reporting?	1.13	8
How should the reports be distributed under the reporting options?	1.14	8
Where can I get help?	1.15	9
Analysis of Significant Changes	-	10
Section 2 -- General Instructions for the Annual Financial Statements	2.1	13

<i>Title</i>	<i>Sec./Ex. No.</i>	<i>Page</i>
Section 3 -- Balance Sheet		
General	3.1	17
Illustrative Statement - Consolidated Balance Sheet	3.2	18
Assets	3.3	19
Liabilities	3.4	23
Net Position.....	3.5	27
Section 4 -- Statement of Net Cost		
General	4.1	28
Illustrative Statement - Consolidated Statement of Net Cost..	4.2	30
Program Costs	4.3	30
Earned Revenues.....	4.4	32
Net Program Costs	4.5	32
Costs Not Assigned to Programs	4.6	32
Earned Revenues Not Attributed to Programs	4.7	33
Net Cost of Operations.....	4.8	33
Section 5 -- Statement of Changes in Net Position		
General	5.1	34
Illustrative Statement - Consolidated Statement of Changes in Net Position.....	5.2	35
Net Position - Beginning Balances	5.3	35
Budgetary Financing Sources.....	5.4	36
Other Financing Sources	5.5	37
Net Cost of Operations.....	5.6	38
Net Position - Ending Balances.....	5.7	38
Section 6 -- Statement of Budgetary Resources		
General	6.1	39
Combined vs. Consolidated Statement	6.2	39
Changes to Facilitate Reconciliation with the Budget of the United States Government	6.3	40
Illustrative Statement - Combined Statement of Budgetary Resources	6.4	41
Budgetary Resources.....	6.5	42
Status of Budgetary Resources	6.6	43
Relationship of Obligations to Outlays	6.7	43

<i>Title</i>	<i>Sec./Ex. No.</i>	<i>Page</i>
Section 7 -- Statement of Financing		
General	7.1	45
Illustrative Statement - Consolidated Statement of Financing..	7.2	46
Resources Used to Finance Activities.....	7.3	47
Resources Used to Finance Items Not Part of the Net Cost of Operations	7.4	48
Components Requiring or Generating Resources in Future Periods.....	7.5	49
Components Not Requiring or Generating Resources	7.6	50
Net Cost of Operations.....	7.7	51
Section 8 -- Statement of Custodial Activity		
General	8.1	52
Illustrative Statement - Statement of Custodial Activity	8.2	53
Sources of Collections	8.3	53
Disposition of Collections.....	8.4	54
Net Custodial Activity.....	8.5	54
Section 9 -- Notes to the Financial Statements (Part 1 of 2)		
Note 1 Significant Accounting Policies	9.1	55
<i>Note Disclosures Related to the Balance Sheet</i>		
Note 2 Non-entity Assets	9.2	56
Note 3 Fund Balance with Treasury.....	9.3	56
Note 4 Cash and Other Monetary Assets	9.4	57
Note 5 Investments.....	9.5	59
Format of Note	Ex. 9A	59
Note 6 Accounts Receivable, Net	9.6	60
Note 7 Taxes Receivable, Net.....	9.7	60
Note 8 Direct Loans and Loan Guarantees, Non-Federal Borrowers.....	9.8	60
Format of Note	Ex. 9B	60
Note 9 Inventory and Related Property, Net	9.9	74
Note 10 General Property, Plant and Equipment, Net	9.10	77
Note 11 Other Assets	9.11	78
Note 12 Liabilities Not Covered by Budgetary Resources	9.12	78
Note 13 Debt	9.13	79
Format of Note	Ex. 9C	79

<i>Title</i>	<i>Sec./Ex. No.</i>	<i>Page</i>
Section 9 – Notes to the Financial Statements (Part 1 of 2 Continued)		
Note 14 Federal Employee and Veterans' Benefits	9.14	80
Note 15 Environmental and Disposal Liabilities	9.15	81
Note 16 Other Liabilities.....	9.16	81
Format of Note	Ex. 9D	81
Note 17 Leases	9.17	83
Note 18 Life Insurance Liabilities.....	9.18	85
Note 19 Commitments and Contingencies.....	9.19	85
Section 9 -- Notes to the Financial Statements (Part 2 of 2)		
<i>Note Disclosures Related to the Statement of Net Cost</i>		
Note 20 Intragovernmental Costs.....	9.20	88
Note 21 Suborganization Program Costs/Program Costs by Segment.....	9.21	88
Format of Note	Ex. 9E	89
Note 22 Cost of Stewardship PP&E	9.22	91
Note 23 Stewardship Assets Through Transfer, Donation or Devise.....	9.23	91
Note 24 Exchange Revenues.....	9.24	91
Note 25 Gross Cost and Earned Revenue by Budget Functional Classification.....	9.25	91
Format of Note	Ex. 9F/9G	92
<i>Note Disclosures Related to the Statement of Changes in Net Position</i>		
Note 26 Cleanup Cost Adjustments.....	9.26	93

<i>Title</i>	<i>Sec./Ex. No.</i>	<i>Page</i>
Section 9 – Notes to the Financial Statements (Part 2 of 2 Continued)		
<i>Note Disclosures Related to the Statement of Budgetary Resources</i>		
Note 27 Apportionment Categories of Obligations Incurred ...	9.27	93
Note 28 Available Borrowing/Contract Authority, End of Period	9.28	93
Note 29 Terms of Borrowing Authority Used	9.29	93
Note 30 Adjustments to Beginning Balance of Budgetary Resources	9.30	93
Note 31 Permanent Indefinite Appropriations	9.31	93
Note 32 Legal Arrangements Affecting Use of Unobligated Balances	9.32	93
Note 33 Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the United Government.....	9.33	94
Note 34 Contributed Capital.....	9.34	94
<i>Note Disclosures Related to the Statement of Financing</i>		
Note 35 Explanation of Relationship Between Liabilities Not Covered by Budgetary Resources on the Balance Sheet and the Change in Components Requiring or Generating Resources in Future Periods.....	9.35	94
Note 36 Description of Transfers that Appear as a Reconciling Item on the Statement of Financing.....	9.36	94
<i>Note Disclosures Related to the Statement of Custodial Activity</i>		
Note 37 Incidental Custodial Collections	9.37	95
Note 38 Nonexchange Revenues.....	9.38	95
<i>Note Disclosures Not Related to a Specific Statement</i>		
Note 39 Dedicated Collections.....	9.39	95

<i>Title</i>	<i>Sec./Ex. No.</i>	<i>Page</i>
Section 10 – Required Supplementary Stewardship Information		
General	10.1	97
Stewardship Property, Plant and Equipment.....	10.2	98
Heritage Assets.....	10.2A	98
National Defense PP&E.....	10.2B	99
Stewardship Land.....	10.2C	99
Summary of Minimum Reporting Requirements.....	10.2D	99
Stewardship Investments.....	10.3	100
Non-Federal Physical Property	10.3A	100
Human Capital	10.3B	101
Research and Development.....	10.3C	101
Summary of Minimum Stewardship Reporting Requirements	10.3D	102
Stewardship Responsibilities	10.4	103
Risk Assumed Information	10.4A	103
Social Insurance	10.4B	103
Section 11 – Required Supplementary Information		
Management's Discussion & Analysis	11.1	105
Minimum Reporting Requirements	11.1A	105
Mission and Organizational Structure.....	11.1B	106
Performance Goals, Objectives and Results	11.1C	106
Analysis of Entity's Financial Statements and Stewardship Information.....	11.1D	107
Analysis of Entity's Systems, Controls and Legal Compliance	11.1E	107
Possible Future Effects of Existing Events and Conditions	11.1F	108
Limitations of the Financial Statements.....	11.1G	108
Deferred Maintenance.....	11.2	108
Intragovernmental Amounts.....	11.3	109
Statement of Budgetary Resources.....	11.4	112
Statement of Custodial Activity.....	11.5	112
Segment Information.....	11.6	113

<i>Title</i>	<i>Sec./Ex. No.</i>	<i>Page</i>
Section 12 -- Other Accompanying Information		
Performance Measures	12.1	114
Revenue Foregone.....	12.2	114
Tax Burden/Tax Gap.....	12.3	114
Tax Expenditures with Directed Flow of Resources.....	12.4	115
APPENDICES		
Executive Departments and Agencies Covered by this Bulletin.....	A	116
List of Statements of Federal Financial Accounting Concepts and Standards, Interpretations, Technical Bulletins, and Technical Releases.....	B	117

Guide to the Bulletin
Table of Contents

- 1.1 What is the purpose of this Bulletin?**
- 1.2 What is the relationship between this Bulletin and the hierarchy of accounting principles for Federal entities?**
- 1.3 When is this Bulletin effective?**
- 1.4 To which entity does this Bulletin apply?**
- 1.5 What should the annual financial statement include?**
- 1.6 What elements of the Annual Financial Statements are required to be presented on a comparative basis?**
- 1.7 What steps should agencies take to ensure consistency between information presented in the Statement of Budgetary Resources and the Budget of the United States Government?**
- 1.8 Why does the Consolidated Statement of Financing present amounts and balances on a consolidated and a combined basis?**
- 1.9 Should all of the lines illustrated in the Statement of Budgetary Resources and the Statement of Financing be presented in the agency's statements?**
- 1.10 How does the annual financial statement relate to accountability reports and performance and accountability reports?**
- 1.11 In Management's Discussion and Analysis, may agencies reference the performance section of the report rather than incorporating key performance measures into the MD&A when an agency issues a performance and accountability report?**
- 1.12 What is the due date for financial statements and accountability reports?**
- 1.13 How will the 10-day review period affect my reporting?**
- 1.14 How should the reports be distributed under the reporting options?**
- 1.15 Where can I get help?**

1.1 What is the purpose of this Bulletin?

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

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

1.2 What is the relationship between this Bulletin and the hierarchy of accounting principles for Federal entities?

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

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

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

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

Bulletins, and Technical Releases addressed in this Bulletin are listed in Appendix B of this Attachment.

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

1.3 When is this Bulletin effective?

The provisions of this Bulletin are effective in their entirety for the preparation of financial statements for the fiscal years (FY) beginning after September 30, 2001 (i.e., FY 2002 and beyond), unless otherwise specified. Earlier implementation is permitted.

1.4 To which entity does this Bulletin apply?

The provisions of this Bulletin apply to the 24 CFO Act agencies and their major components listed in Appendix B of OMB Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*, and in Section 2.1. The provisions of this Bulletin do not address requirements for the *Financial Report of the United States Government*. Form and Content guidance for the Financial Report will be issued separately by OMB.

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

The 24 executive departments and agencies covered by this Bulletin are reporting entities and, as such, are required to prepare organization-wide financial statements. SFFAC No. 2, *Entity and Display*, includes two types of criteria for determining which components of executive departments and agencies shall be included in their organization-wide financial statements. The first is the conclusive criterion, i.e., there is an inherent conclusion that for, financial reporting purposes, any organization meeting this criterion is part of a specified larger entity. Appearance in the *Budget of the United States Government Analytical Perspectives* section currently entitled *Federal Programs by Agency and Account* is a conclusive criterion. Any organization, program or budget account, including off-budget accounts and government corporations, included in that section shall be considered part of the Federal Government, as well as part of the executive

department or agency with which it appears. OMB approval shall be obtained for exemptions to the conclusive criterion.

The second type of criteria is indicative criteria. The indicative criteria described below should be considered in the aggregate when determining what components to include in an executive department or agency=s organization-wide financial statement.

- X It exercises any sovereign power of the government to carry out Federal functions.
- X It is owned by the Federal Government.
- X It is subject to the direct or continuing administrative control of an executive department or agency.
- X It carries out Federal missions and objectives.
- X It determines the outcome or disposition of matters affecting the recipients of services that the Federal Government provides.
- X It has a fiduciary relationship with an executive department or agency.

A detailed explanation of the conclusive and indicative criteria can be found in SFFAC No. 2

1.5 What should the annual financial statement include?

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

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

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

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

The basic statements shall include:

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

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

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

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

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

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

- Agencies should post all known audit adjustments to the Federal Agencies' Centralized Trial-balance System II (FACTS II) during the January window for posting corrections to the budgetary information. Where possible, the audit work should be planned to accommodate this window.

- Agencies should post all known audit adjustments to OMB's MAX A-11 budget preparation system during the timeframes provided by OMB. This effort should be coordinated with the agency's budget office.
- Agencies should disclose and explain in the footnotes to the financial statements, material differences between the Statement of Budgetary Resources and the actual information presented in the Budget of the United States Government.

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

The Statement of Financing demonstrates the relationship between budgetary amounts reported on the Statement of Budgetary Resources (which is prepared on a combined basis) to the proprietary amounts reported on the Statement of Net Cost (which is prepared on a consolidated basis). The focus of this presentation is to reconcile net obligations to the net cost of operations.

Lines number 1, 2, and 4 of the Statement of Financing are reported on a combined basis as presented in the Statement of Budgetary Resources. This allows the user to follow the flow of reported amounts through the financial statements. Line 5 (Net Obligations) of the Statement of Financing, while reported on what appears to be a combined basis, is in fact a consolidated number. This is because the intra-entity obligations reported on Line 1 are reduced by the corresponding intra-entity offsetting collections and recoveries reported on Line 2 and the offsetting receipts reported on Line 4.

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

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

1.10 How does the annual financial statement relate to accountability reports and performance and accountability reports?

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

For FY 2001 reports, agencies have the flexibility to choose one of three reporting options when preparing annual financial statements. These options include (1) an accountability report that presents primarily financial reports, (2) a performance and accountability report that presents both performance and financial reports, or (3) stand-alone financial statements. Beginning with the FY 2002 reporting cycle, performance and accountability reports are required - - stand-alone financial statements or stand-alone accountability reports will no longer be permitted.

Performance and accountability reports combine the Annual Performance Report required by the Government Performance and Results Act (GPRA) with annual financial statements and other reports. For performance and accountability reports, agencies are encouraged to include in a single location a summary discussion of performance that meets both MD&A and GPRA performance report requirements. Agencies should include a statement by the agency head regarding the completeness and reliability of the financial and performance data. The report must also include the Inspector General's assessment of the agency's most serious management and performance challenges.

Accountability reports include annual financial statements, agency assurances on management controls, and other financial management information. The Management Discussion and Analysis (MD&A) section of the financial statements should present an integrated discussion of agency program and financial performance that satisfies the requirement for a summary of performance required by the RCA and SFFAS No. 15. Accountability reports must also include the agency head's statement and the IG's assessment described above. Agencies may also consolidate other reports with the prior approval of OMB and after consultation with Congressional committees.

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

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

1.12 What is the due date for financial statements, accountability reports, and performance and accountability reports?

Stand-alone financial statements, accountability reports, and stand-alone performance reports for the fiscal year ending on September 30, 2001 will be due to OMB and the Congress no later than February 27, 2002. Performance and accountability reports for the fiscal year ending September 30, 2002 (i.e., FY 2002) are due no later than February 1 of the following fiscal year. OMB plans to accelerate further the due dates for subsequent years; we will advise agencies of any changes in future issuances of this bulletin.

OMB Circular A-11, *Preparing and Submitting Budget Estimates*, Section 36.3, requires agencies to submit budget and budget-related documents, including financial management documents, to OMB for clearance prior to transmittal to congressional committees or individual Members of Congress or their staff. For purposes of the financial statements and the accountability reports, OMB is extending this requirement from 5 working days to 10 working days prior to the applicable deadline to allow adequate time for review.

1.13 How will the 10-day review period affect my reporting?

The 10 working day review period is intended to provide for a final review by OMB before the reports are publicly issued. Agencies are encouraged to provide draft copies of the financial statements, including MD&A, or their accountability reports to their respective OMB Resource Management Office prior to this 10 working day period. Agencies are responsible for ensuring that sufficient review time is provided.

1.14 How should the reports be distributed under the reporting options?

Under each reporting option, the reports with a dated transmittal letter must be sent by the agency head directly and concurrently to the President, OMB, and the Congress.

Original Letters. The reports with an original dated transmittal letter are sent to:

- § the President (for accountability reports and performance and accountability reports only);
- § the Director of OMB;
- § the Speaker of the House of Representatives; and
- § the President and the President pro tempore of the Senate.

Additional Congressional Distribution. Copies of the reports are sent to:

- § the chairman and ranking minority member of the budget committees, relevant authorization and oversight committees, appropriation subcommittees, and
- § the chairman and ranking minority member of the Senate Committee on Governmental Affairs and House Committee on Government Reform.

Additional OMB Distribution. Four report copies each are sent to the appropriate Resource Management Office and the Office of Federal Financial Management. For performance and accountability reports only, two copies should be sent to OMB=s Budget Review Division.

1.15 Where can I get help?

Inquiries should be addressed to the Financial Standards Reporting and Management Integrity Branch, Office of Federal Financial Management, OMB, Washington, DC 20503, telephone (202) 395-3993.

The Bulletin is available on the OMB home page on the Internet, which is currently located at <http://www.whitehouse.gov/OMB/>.

Analysis of Significant Changes

The following table summarizes the significant changes reflected in this Bulletin from the requirements contained in OMB Bulletin No. 97-01, *Form and Content of Agency Financial Statements*, dated October 16, 1996, as amended by OMB Memoranda No. 99-03, 00-05, and 00-14, dated November 20, 1998, January 7, 2000, and September 11, 2000, respectively. The following table does not include the technical amendments as prescribed in the aforementioned memoranda.

<i>Section Title</i>	<i>Section Number</i>	<i>Change</i>
Guide to the Bulletin	1.2	Modified the hierarchy of accounting principles for Federal governmental entities to be consistent with Statement on Auditing Standards (SAS) No. 69, as amended by SAS No. 91 (dated April 2000).
General Instructions	2.1 (C)	The changes in this Bulletin are effective for fiscal years beginning after September 30, 2001 (FY 2002) unless specified otherwise. [Earlier implementation is permitted.]
	2.1 (D)	FY 2001 audited financial statements and accountability reports are due to OMB and the Congress no later than February 27, 2002. Performance and accountability reports for FY 2002 and beyond are due to OMB and the Congress by February 1 of the following fiscal year. OMB plans to accelerate further the due date for subsequent years; we will advise agencies of any changes in future issuances of this bulletin. All reports must be submitted to OMB for a 10 working day review period prior to the applicable deadline.
	2.1 (F)	A comparative Balance Sheet, Statement of Net Cost, and Statement of Custodial Activity are required for reporting periods beginning after September 30, 2000 (i.e., FY 2001 and beyond). A comparative Statement of Changes in Net Position, Statement of Budgetary Resources, and Statement of Financing are required for reporting periods beginning after September 30, 2002 (i.e., FY 2003 and beyond).
	2.1 (G)	Interim unaudited financial statements are required in FY 2002 for the six-month reporting period ending March 31, 2002. Interim unaudited year-to-date financial statements are required on a quarterly basis beginning in FY 2003. Interim statements are due to OMB within 60 days from the end of the six-month reporting period in FY 2002 and 45 days from the end of the quarter in FY 2003. Interim financial statements shall be prepared on a comparative basis beginning one year following its initial preparation.

<i>Section Title</i>	<i>Section Number</i>	<i>Change</i>
Financial Statements	Various	Lines on the Balance Sheet, the Statement of Net Cost, the Statement of Changes in Net Position, the Statement of Budgetary Resources, and the Statement of Financing have been added, deleted, renamed, separated or combined as deemed appropriate. These changes were made to more clearly describe the activity reported in the lines, to improve the linkage between the statements, and with the Budget of the United States Government.
Annual Financial Statement Instructions	Various	Modified instructions for preparing the Annual Financial Statements as deemed appropriate to clarify guidance; reduce redundant disclosures; and to ensure consistency with the Statements of Federal Financial Accounting Standards, other OMB circulars, etc.
Balance Sheet	3.5, Related footnote deleted	Deleted the requirement to disclose the amounts of unobligated, available and unavailable, Unexpended Appropriations.
Statement of Net Cost	4.3	Extended the requirement to report imputed costs in financial statements.
	4.4	Added requirement to separately report the sources of earned revenue (i.e., "with the public" and intragovernmental).
Statement of Changes in Net Position	5.2	Replaced <i>Consolidating</i> Statement of Changes in Net Position with <i>Consolidated</i> Statement of Changes in Net Position.
	5.2	Components of net position separately displayed in two columns: <i>Cumulative Results of Operations</i> and <i>Unexpended Appropriations</i> to more clearly identify the components of Net Position.
Statement of Budgetary Resources	6.2	Replaced <i>Combining</i> Statement of Budgetary Resources with <i>Combined</i> Statement of Budgetary Resources to enhance linkage to the Budget of the United States Government.
	6.3	Non-budgetary credit financing accounts displayed in a separate column to more clearly distinguish between budgetary and non-budgetary activity to enhance linkage to the Budget of the United States Government.
Statement of Financing	7.2	Replaced <i>Combined/Consolidated</i> Statement of Financing with <i>Consolidated</i> Statement of Financing.
Notes to the Balance Sheet	9.3	Modified the Fund Balance with Treasury footnote disclosure to include another breakout showing obligated and unobligated amounts, and available and unavailable amounts. This replaces the footnote in the previous bulletin that disclosed these components for unexpended appropriations.

<i>Section Title</i>	<i>Section Number</i>	<i>Change</i>
	9.8	Updated guidance to conform with SFFAS No. 18, <i>Amendments to Accounting Standards for Direct Loans and Loan Guarantees</i> , effective for periods beginning after September 30, 2000 (i.e., FY 2001 and beyond).
	9.9	Added requirement to disclose the difference between the carrying amount of the inventory before identification as excess, obsolete, or unserviceable, and its expected net realizable value.
	9.9	Added requirement to disclose the difference between the carrying amount of the operating materials and supplies before identification as excess, obsolete, or unserviceable, and their net realizable value.
Notes to the Statement of Budgetary Resources	9.27	Added Note for <i>Apportionment categories of obligations incurred</i> . Deleted Note: <i>Net amount of budgetary resources obligated for undelivered orders at the end of the period</i> - included on face of the Statement of Budgetary Resources.
Notes to Statement of Financing	9.36	Added footnote disclosure to describe allocation transfers of appropriations which appears as a reconciling item on the Statement of Financing when budgetary authority is transferred to or from another agency, and the allocation transfer is material.
RSSI	10.4B	Added section on <i>Social Insurance</i> . Updated guidance to conform with SFFAS No. 17 <i>Accounting for Social Insurance</i> , effective for periods beginning after September 30, 1999.
MD&A	11.1	Updated to conform with SFFAS No. 15, <i>Management's Discussion and Analysis</i> , effective for reporting periods beginning after September 30, 1999 (i.e., FY 2000) and beyond).
Intragovernmental Amounts	11.3	Added requirement to reconcile intragovernmental assets, liabilities, and revenue amounts with trading partner semi-annually in FY 2002 and quarterly beginning with FY 2003.

General Instructions**Section 2.1 -- General Instructions for the Annual Financial Statement**

- A. Preparers of financial statements seeking additional guidance on matters involving the recognition and measurement requirements for the transactions and information presented in the Annual Financial Statement, should refer to the specific FASAB standards governing those requirements. These standards are available at <http://www.financenet.gov/financenet/fed/fasab/fasab.htm>. These standards are authoritative guidance for Federal agencies.
- B. Where the accounting standards or the instructions in this Bulletin do not provide guidance, agencies shall follow the hierarchy of accounting principles described in Section 1.2.
- C. The provisions of this Bulletin are effective in their entirety for the preparation of financial statements for the fiscal year beginning after September 30, 2001 (i.e., for FY 2002 and beyond), unless otherwise specified. Earlier implementation is permitted.
- D. Audited stand-alone financial statements and accountability reports for the fiscal year ending September 30, 2001, are due to OMB and the Congress no later than February 27, 2002. After FY 2001, stand-alone financial statements and stand-alone accountability reports are no longer permitted. Performance and accountability reports for the fiscal year ending September 30, 2002 (i.e., for FY 2002) are due to OMB and the Congress no later than February 1 of the following fiscal year. OMB plans to accelerate further the due dates for subsequent years; we will advise agencies of any changes in future issuances of this bulletin. All reports must be submitted to OMB for a 10 working day review period prior to the applicable deadline.
- E. OMB Bulletin 01-02, "Audits of Federal Financial Statements," Appendix B (www.whitehouse.gov/omb/), lists major agency components that are required to prepare financial statements and subject them to annual audits. OMB is reviewing this policy and will advise agencies of any changes in future issuances of this bulletin.
- F. Comparative financial statements are required for periods beginning after September 30, 2000 (i.e., for FY 2001 and beyond). A comparative Balance Sheet, Statement of Net Cost, and Statement of Custodial Activity are required for reporting periods beginning after September 30, 2000 (i.e., for FY 2001 and beyond). Comparative Statements of Changes in Net Position, Budgetary Resources, and Financing are required beginning after September 30, 2002 (i.e., for FY 2003 and beyond). Information for the current and preceding years should be presented regardless of the type of audit opinion rendered by the auditor. Footnotes should contain the information necessary for full disclosure of

both years.

- G. Interim unaudited financial statements, without footnotes, are required in FY 2002 for the six-month period ending March 31, 2002. Interim unaudited financial statements, without footnotes are required in FY 2003 on a quarterly basis beginning with the year-to-date reporting period ending December 31, 2002 (i.e., the three months ended December 31, 2002; the six months ended March 31, 2003; and nine months ended June 30, 2003). Interim statements are due to OMB's Office of Federal Financial Management and the agency's Resource Management Office within 60 days after the end of the interim period in FY 2002 and 45 days after the end of the quarter in FY 2003. Interim financial statements shall be prepared on a comparative basis beginning one year following its initial preparation, i.e., statements shall be comparative for FY 2003 for the year-to-date ending March 31, 2003, and for FY 2004 for the year-to-date ending December 31, 2003, March 31, 2004, and June 30, 2004.

Interim financial statements shall be prepared for the department or agency, and each major component. Statements may be limited to a Balance Sheet, Statement of Net Cost, and Statement of Budgetary Resources. The statements should include full accruals; intra-entity transactions should be eliminated. To the extent that information is not available on a quarterly basis, agencies must develop reliable, alternative means of estimating quarterly amounts and balances. Management Discussion and Analysis, RSSI, and RSI are not required for quarterly reporting.

- H. When agencies present disaggregated information for component organizations, the total column for the entity as a whole shall reflect consolidated totals net of intra-entity transactions, except for the Statement of Budgetary Resources which is presented on a combined basis. When a reporting entity presents its financial statements in a single column format, the statements are referred to as consolidated statements. With the exception of the Statement of Budgetary Resources, financial statements that use a multi-column format to present information on an entity's major components or lines of business as well as the consolidated amounts are referred to as consolidating statements. Intra-entity transactions needed to arrive at the consolidated amounts should also be presented in a column on the face of the consolidating statements.
- I. FASAB has published an *Implementation Guide to SFFAS No. 7, Accounting for Revenue and Other Financing Sources*, which provides additional guidance for the preparation of all the principal statements except the balance sheet. It may be consulted for definitions, explanations, and rationale for statement formats presented in this Bulletin.
- J. Reporting entities should assure that information in the financial statements is presented in accordance with Federal GAAP and the requirements of this Bulletin, and that the underlying records fully support the information.

- K. A reporting entity shall include franchise funds and other intragovernmental support revolving funds among the activities covered by its financial statements. (Franchise funds expire October 1, 2001, without legislation.) If information about the assets, liabilities, costs and revenues of these franchise funds and intragovernmental support revolving funds are not separately reported on the entity's basic financial statements, then condensed information shall be reported as required supplemental information, in accordance with the applicable SFFASs and Section 11.6 of this Attachment. In addition, all franchise funds and intragovernmental support revolving funds shall also report as required supplementary information, the segment information described in Section 11.6.
- L. The format displays in this Bulletin are generally for illustrative guidance only. Agencies may modify the displays to best present the information for their programs. In doing so, they may add or remove lines and may use different words than those provided in the displays. However, agencies must report their assets, liabilities, and net position by the lines displayed in the illustrative Balance Sheet and in the illustrative Statement of Changes in Net Position to support the compilation and audit of *the Financial Report of the United States*. To enhance reporting at the department-level, agencies may combine these illustrated lines in their statements but the composition of these lines must be provided, i.e., either as subcategories on the face of the statements or in a footnote. Conversely, to ensure that reporting at the department-level is meaningful, agencies may also disaggregate the illustrated lines in their statements but the total of these lines must be provided, i.e., either a total on the face of the statement or in a footnote.

The descriptions and displays in the statements must meet the authoritative standards that govern the nature and purpose of the statements, the recognition and measurement of items on the statements, and the required disclosures.

- M. Combine lines using discretion, where balances are related in nature and are not material enough to warrant separate disclosures. Designate discrete balances of an immaterial amount as "other." The "other" category should not aggregate to an amount which is material.
- N. Material balances should be separately reported and designated by name.
- O. Exclude statement line items, footnotes, and lines or columns in footnotes that do not apply or, except as described in L above, are not informative for the reporting entity.
- P. Schedule totals presented in the footnotes, in support of amounts presented in financial statements, should agree with the amounts presented in the body of the financial statements.

- Q. Round dollar amounts to the nearest whole dollar, thousand, or million based upon informative value to the reporting entity. Maintain the chosen rounding level throughout the principal statements and footnotes. Ensure that individual line items add up to the totals by adjusting the line items for differences created by the rounding process rather than adjusting column totals.

- R. Do not use line numbers on illustrative statement formats. They are for reference purposes only.

- S. Sequentially number footnotes without regard to the numbers in this document.

Balance Sheet
Table of Contents

3.1 General
3.2 Illustrative Statement - Consolidated Balance Sheet
3.3 Assets
3.4 Liabilities
3.5 Net Position

3.1 General

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

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

Combine entity and non-entity assets on the face of the balance sheet and disclose non-entity assets in the footnotes. Combine liabilities covered by budgetary resources and liabilities not covered by budgetary resources on the face of the balance sheet. Disclose liabilities not covered by budgetary resources in the footnotes. This streamlined balance sheet format is required for fiscal years beginning after September 30, 2000 (i.e., for FY 2001 and beyond).

3.2 Illustrative Statement - Consolidated Balance Sheet

Department/Agency/Reporting entity CONSOLIDATED BALANCE SHEET As of September 30, 202 and 20x1 (in dollars/thousands/millions)		
	<u>20x2</u>	<u>20x1</u>
Assets (Note 2):		
Intragovernmental:		
1. Fund balance with Treasury (Note 3)	\$ xxx	\$ xxx
2. Investments (Note 5)	xxx	xxx
3. Accounts receivable (Note 6)	xxx	xxx
4. Loans receivable	xxx	xxx
5. Other (Note 11)	<u>xxx</u>	<u>xxx</u>
6. Total intragovernmental	xxx	xxx
7. Cash and other monetary assets (Note 4)	xxx	xxx
8. Investments (Note 5)	xxx	xxx
9. Accounts receivable, net (Note 6)	xxx	xxx
10. Taxes receivable, net (Note 7)	xxx	xxx
11. Loans receivable and related foreclosed property, net (Note 8)	xxx	xxx
12. Inventory and related property, net (Note 9)	xxx	xxx
13. General property, plant and equipment, net (Note 10)	xxx	xxx
14. Other (Note 11)	<u>xxx</u>	<u>xxx</u>
15. Total assets	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>
Liabilities (Note 12):		
Intragovernmental:		
16. Accounts payable	\$ xxx	\$ xxx
17. Debt (Note 13)	xxx	xxx
18. Other (Notes 16, 17 and 18)	xxx	xxx
19. Total intragovernmental	<u>xxx</u>	<u>xxx</u>
20. Accounts payable	xxx	xxx
21. Loan guarantee liability (Note 8)	xxx	xxx
22. Debt held by the public (Note 13)	xxx	xxx
23. Federal employee and veterans' benefits (Note 14)	xxx	xxx
24. Environmental and disposal liabilities (Note 15)	xxx	xxx
25. Benefits due and payable	xxx	xxx
26. Other (Notes 16, 17 and 18)	<u>xxx</u>	<u>xxx</u>
27. Total liabilities	x,xxx	x,xxx
28. Commitments and contingencies (Note 19)		
Net position:		
29. Unexpended appropriations	xxx	xxx
30. Cumulative results of operations	<u>xxx</u>	<u>xxx</u>
31. Total net position	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>
32. Total liabilities and net position	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>

The accompanying notes are an integral part of these statements.

3.3 Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Seized property Monetary instruments, real property, and tangible personal property of others, including illegal drugs, contraband, and counterfeit items seized by authorized law enforcement agencies as a consequence of various laws, in the actual or constructive possession of a custodial agency.

Only seized monetary instruments shall be recognized as seized assets when seized (and a liability shall be reported in an amount equal to the seized asset value). Seized property other than monetary instruments and additional information regarding seized property shall be disclosed.

Forfeited property (i) Monetary instruments, intangible property, real property, and tangible personal property acquired through forfeiture proceedings; (ii) property acquired by the government to satisfy a taxpayer's liability; and (iii) unclaimed and abandoned merchandise.

Goods held under price support and stabilization programs These goods are referred to as commodities. Commodities are items of commerce or trade having an exchange value.

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

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

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

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

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

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

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

National Defense PP&E, heritage assets, and stewardship land are categories of PP&E not reported on the balance sheet with one exception. Multi-use heritage assets are heritage assets that are predominantly used in general government operations (e.g., buildings, such as the main Treasury building which is used as an office building). The cost of acquisition, betterment, or reconstruction of multi-use heritage assets shall be capitalized as general PP&E and depreciated, with an appropriate footnote disclosure explaining that Aphysical quantity@ information for the multi-use heritage assets is included in supplemental stewardship reporting for heritage assets (Section 10.3).

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

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

3.4 Liabilities

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

Liabilities shall be recognized when they are incurred regardless of whether they are covered by available budgetary resources. This includes liabilities related to appropriations canceled under "M" account legislation (P.L. 101-510, Sec.1405).

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

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

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

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

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

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

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

Liabilities for Loan Guarantees. For post-1991 loan guarantees, the present value of the estimated net cash flows to be paid as a result of loan guarantees. For pre-1992 loan guarantees, the amount of known and estimated losses to be payable. Disclose the components of the line in the notes to the financial statement (Note 8; Section 9.8).

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

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

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

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

Benefits Due and Payable. These are amounts owed to program recipients or medical service providers as of the balance sheet date that have not yet been paid. These amounts include payables by the Federal entity for benefits, goods, or services provided under the terms of a benefits program (other than Federal employee and veterans= benefits programs), whether or not such amounts have been reported to the Federal entity (e.g., estimated payments due to health

providers for services that have been rendered and that will be financed by the Federal entity but have not yet been reported to the Federal entity). Benefit programs reported on this line item include, but are not limited to, Federal Old-Age and Survivors Insurance, Federal Hospital Insurance (Medicare Part A), Federal Supplementary Medical Insurance (Medicare Part B), Grants to States for Medicaid, Federal Disability Insurance, Supplemental Security Income, Railroad Retirement, Unemployment Insurance, and Black Lung.

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

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

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

sacrifice of resources is measurable. Life insurance programs shall recognize a liability for future policy benefits in addition to the liability for unpaid claims incurred.

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

3.5 Net Position

The components of net position are classified as follows:

Unexpended Appropriations. This amount includes the portion of the entity's appropriations represented by undelivered orders and unobligated balances.

Cumulative Results of Operations. The net results of operations since inception plus the cumulative amount of prior period adjustments. This includes the cumulative amount of donations and transfers of assets in and out without reimbursement.

Statement of Net Cost
Table of Contents

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

4.1 General

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

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

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

The Statement of Net Cost and related supporting schedules should show the net cost of operations for the reporting entity as a whole and its programs and suborganizations. This can be accomplished by reporting by program: (1) the gross cost of goods and services provided to Federal Government agencies (intragovernmental), (2) the gross cost of goods, services,

transfers, and grants provided to the public, (3) related exchange revenues, (4) the excess of costs over exchange revenues (net program costs), (5) the costs that cannot be assigned to specific programs or outputs, and (6) the exchange revenues that cannot be attributed to specific programs and outputs.

The supporting schedules to the Statement of Net Cost (Note 20; Section 9.20) illustrated in this document provide an example of how information can be displayed for an entity with (a) a complex organizational and program structure, (b) a limited number of programs carried out by more than one suborganization, and (c) the majority of its programs carried out within a specific suborganization or responsibility segment. At a minimum, reporting entities should define and establish responsibility segments for cost accumulation and reporting and report the full cost assigned to each responsibility segment.

Intragovernmental gross costs and earned revenues shall be disclosed in the notes by budget functional classification. This reporting requirement is in addition to the current requirement to disclose in the notes the total entity gross cost and earned revenue by budget functional classification (Note 24; Section 9.24).

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

4.2 Illustrative Statement - Consolidated Statement of Net Cost

Department/Agency/Reporting Entity CONSOLIDATED STATEMENT OF NET COST For the years ended September 30, 20x2 and 20x1 (in dollars/thousands/millions)		
	<u>20x2</u>	<u>20x1</u>
Program Costs:		
Program A:		
1. Intragovernmental gross costs	\$ xxx	\$ xxx
2. Less: Intragovernmental earned revenue	<u>-xxx</u>	<u>-xxx</u>
3. Intragovernmental net costs	xxx	xxx
4. Gross costs with the public	xxx	xxx
5. Less: Earned revenues from the public	<u>-xxx</u>	<u>-xxx</u>
6. Net costs with the public	<u>xxx</u>	<u>xxx</u>
7. Total net cost	x,xxx	x,xxx
Other Programs:		
Program B:	xxx	xxx
Program C:	xxx	xxx
Program D:	xxx	xxx
Program E:	xxx	xxx
Program F:	xxx	xxx
Other programs:	<u>xxx</u>	<u>xxx</u>
Total Other Program Costs:	x,xxx	x,xxx
8. Cost not assigned to programs	x,xxx	x,xxx
9. Less: Earned revenues not attributed to programs	<u>-xxx</u>	<u>-xxx</u>
10. Net Cost of Operations	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>

The accompanying notes are an integral part of these statements.

4.3 Program Costs

The reporting entity should report the full cost of each program=s output, which consists of (a) both direct and indirect costs of the output, and (b) the costs of identifiable supporting services provided by other segments within the reporting entity and by other reporting entities. The reporting entity should accumulate and assign costs in accordance with the costing methodology in SFFAS No. 4. Program costs also include any non-production costs that can be assigned to the

program but not to its outputs. The costs of program outputs shall include the costs of services provided by other entities whether or not the providing entity is fully reimbursed.

The costs of program outputs shall include specific imputed costs that are incurred by the reporting entity but paid in total or in part by other entities to the extent that accounting standards require them to be recognized in financial statements. In the case of employee benefits, the imputed amount is the difference between employer/employee contributions and the total cost of the benefit.

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

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

Costs related to the production of goods and services provided to other programs shall be reported separately from the costs of goods, services, transfers, and grants provided to the public. The former costs are labeled *Aintragovernmental* on the illustrative statement and schedules; the latter are labeled *Apublic*.

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

- X The cost of acquiring, constructing, improving, reconstructing, or renovating National Defense PP&E;
- X The cost of acquiring, constructing, improving, reconstructing, or renovating heritage assets, other than multi-use heritage assets; and
- X The cost of acquiring stewardship land.

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

4.4 Earned Revenues

Earned revenues are exchange revenues, which arise when a Federal entity provides goods and services to the public or to another government entity for a price. The full amount of exchange revenue is to be reported on the Statement of Net Cost or a supplementary schedule, regardless of whether the entity is permitted to retain the revenues in whole or in part. Any portion of exchange revenue that cannot be retained by the entity is reported as a transfer-out on the Statement of Changes in Net Position. (See SFFAS No. 7 for information on exchange revenues.)

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

4.5 Net Program Costs

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

4.6 Costs Not Assigned to Programs

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

4.7 Earned Revenues Not Attributed to Programs

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

4.8 Net Cost of Operations

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

Statement of Changes in Net Position
Table of Contents

5.1 General**5.2 Illustrative Statement - Consolidated Statement of Changes in Net Position****5.3 Net Position - Beginning Balances****5.4 Budgetary Financing Sources****5.5 Other Financing Sources****5.6 Net Cost of Operations****5.7 Net Position - Ending Balances****5.1 General**

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

Both components of net position are also reflected as line items on the Balance Sheet. Budgetary appropriations received in this statement tie directly to the Statement of Budgetary Resources. The Other Financing Sources section of this statement will tie directly to the Statement of Financing. The Net Cost of Operations line ties directly to the Statement of Net cost.

5.2 Illustrative Statement - Consolidated Statement of Changes in Net Position

Department/Agency/Reporting Entity CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION For the years ended September 30, 20x2 and 20x1 (in dollars/thousands/millions)				
	20x2	20x2	20x1	20x1
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
1. Beginning Balances	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2. Prior period adjustments (+/-)	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
3. Beginning balances, as adjusted	xxx	xxx	xxx	xxx
Budgetary Financing Sources:				
4. Appropriations received		xxx		xxx
5. Appropriations transferred-in/out (+/-)		xxx		xxx
6. Other adjustments (rescissions, etc) (+/-)	xxx	xxx	xxx	xxx
7. Appropriations used	xxx	-xxx	xxx	-xxx
8. Nonexchange revenue	xxx		xxx	
9. Donations and forfeitures of cash and cash equivalents	xxx		xxx	
10. Transfers-in/out without reimbursement (+/-)	xxx		xxx	
11. Other budgetary financing sources (+/-)	xxx		xxx	
Other Financing Sources:				
12. Donations and forfeitures of property	xxx		xxx	
13. Transfers-in/out without reimbursement (+/-)	xxx		xxx	
14. Imputed financing from costs absorbed by others	xxx		xxx	
15. Other (+/-)	<u>xxx</u>		<u>xxx</u>	
16. Total Financing Sources	xxx	<u>xxx</u>	xxx	<u>xxx</u>
17. Net Cost of Operations (+/-)	<u>xxx</u>		<u>xxx</u>	
18. Ending Balances	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>

The accompanying notes are an integral part of these statements.

5.3 Net Position - Beginning Balances

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

Prior period adjustments are limited to corrections of errors and accounting changes with retroactive effect that can either increase or decrease net position depending on their nature, including those occasioned by the adoption of new Federal financial accounting standards.

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

5.4 Budgetary Financing Sources

This section displays financing sources and nonexchange revenue that are also budgetary resources, or adjustments to those resources, as reported on the Statement of Budgetary Resources and defined as such by OMB Circular No. A-34 *Instructions on Budget Execution*, as amended.

Appropriations received. This amount includes appropriations received during the current reporting period. This amount 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 nonexchange revenue in accordance with SFFAS No.7.

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

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

In addition, the appropriations used by collecting entities to provide refunds of monies deposited to Treasury and trust funds shall be reported on this line item rather than as an *Appropriations Used*.

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

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 nonexchange revenue.

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

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

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

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

5.5 Other Financing Sources

This section displays financing sources and nonexchange revenue that do not represent budgetary resources as reported on the Statement of Budgetary Resources and defined as such by OMB Circular No. A-34. The items within this section shall directly tie to the Statement of Financing section *Other Resources*.

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

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

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

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

5.6 Net Cost of Operations

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

5.7 Net Position - Ending Balances

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

Statement of Budgetary Resources

Table of Contents

6.1 General**6.2 Combined vs. Consolidated Statement****6.3 Changes to Facilitate Reconciliation with the Budget of the United States Government****6.4 Illustrative Statement - Combined Statement of Budgetary Resources****6.5 Budgetary Resources****6.6 Status of Budgetary Resources****6.7 Relationship of Obligations to Outlays****6.1 General**

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

Information on the SBR should be consistent with budget execution information reported on the Report on Budget Execution and Budgetary Resources (SF 133) and with information reported in the Budget of the United States Government. The SBR is an agency-wide report, which aggregates account-level information reported in the SF 133. Any material differences between comparable information contained in these three documents/reports must be disclosed in the footnotes to this statement (Note 32; Section 9.32). Budget execution information for the entity's major budget accounts will be presented as required supplementary information (Section 11.4).

Recognition and measurement of budgetary information reported on this statement should be based on budget terminology, definitions, and guidance in OMB Circular No. A-34, *Instructions on Budget Execution*. OMB Circular No. A-34 provides definitions and instructions for each line item reported in this statement (www.whitehouse.gov/omb).

6.2 Combined vs. Consolidated Statement

The budgetary information presented in this statement shall be presented on a combined basis, which will be consistent with the aggregate of the account-level information presented on the SFs 133. A line-by-line consolidation of this statement is not permitted.

6.3 Changes to Facilitate Reconciliation with the Budget of the United States Government

Beginning with FY 2002, two additional enhancements are made to the SBR to facilitate the reconciliation of information between the SBR, SFs 133 and actual information reported in the Budget of the United States Government. These two enhancements are:

Separate Column for Non-budgetary Credit Program Financing Accounts. This change allows for a clear distinction between budgetary and non-budgetary credit program financing account information. Non-budgetary credit financing accounts are reported separately from the budgetary totals in the Budget of the United States Government.

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

Line numbers on this statement correlate to the line numbers on the SF 133.

6.4 Illustrative Statement - Combined Statement of Budgetary Resources

Department/Agency/Reporting Entity				
COMBINED STATEMENT OF BUDGETARY RESOURCES (page 1 of 2)				
For the Years Ended September 30, 20x2 and 20x1				
(in dollars/thousands/millions)				
	20x2	20x2	20x1	20x1
	<u>Budgetary</u>	Non-Budgetary Credit Program <u>Financing Accounts</u>	<u>Budgetary</u>	Non-Budgetary Credit Program <u>Financing Accounts</u>
Budgetary Resources:				
1. Budget authority:				
1a. Appropriations received	\$ xxx	\$ xxx	\$ xxx	\$ xxx
1b. Borrowing authority	xxx	xxx	xxx	xxx
1c. Contract authority	xxx	xxx	xxx	xxx
1d. Net transfers (+/-)	xxx	xxx	xxx	xxx
1e. Other	xxx	xxx	xxx	xxx
2. Unobligated balance:				
2a. Beginning of period	xxx	xxx	xxx	xxx
2b. Net transfers, actual (+/-)	xxx	xxx	xxx	xxx
2c. Anticipated Transfers balances	xxx	xxx	xxx	xxx
3. Spending authority from offsetting collections:				
3a. Earned				
1. Collected	xxx	xxx	xxx	xxx
2. Receivable from Federal sources	xxx	xxx	xxx	xxx
3b. Change in unfilled customer orders				
1. Advance received	xxx	xxx	xxx	xxx
2. Without advance from Federal sources	xxx	xxx	xxx	xxx
3c. Anticipated for rest of year, without advances	xxx	xxx	xxx	xxx
3d. Transfers from trust funds	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
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	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
7. Total Budgetary Resources	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>

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

The accompanying notes are an integral part of these statements.

6.5 Budgetary Resources

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

Line 1a *Appropriations received* in this section shall tie directly to Line 4 *Appropriations received* on the Statement of Changes in Net Position, with the exception of appropriated dedicated and earmarked receipts. Dedicated and earmarked receipts shall be reported as exchange or nonexchange revenue in accordance with SFFAS No. 7. Line 6 *Permanently not available* in this section shall include items reported on Line 6 *Other adjustments* on the Statement of Changes in Net Position.

6.6 Status of Budgetary Resources

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

6.7 Relationship of Obligations to Outlays

This section of the statement displays the relationship between obligations incurred and outlays during the reporting period.

Outlays. Outlays consist of disbursements net of offsetting collections. The outlays shall agree with the agency outlay totals reported in the Budget of the United States Government (i.e., with the aggregate of the outlays for accounts within the budget). The outlays shall also agree with the aggregate of outlays reported on the year end SF 133 for all budget accounts, including non-budgetary financing accounts and the disbursements and collections reported to Treasury on a monthly basis (SF 224, *Statement of Transactions*; SF 1219, *Statement of Accountability*; and SF 1220 *Statement of Transactions*) per OMB Circular No. A-34.

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

Offsetting receipts may be distributed or undistributed to agencies. Distributed offsetting receipts offset the outlays of the agency, while undistributed offsetting receipts offset government-wide outlays. Distributed offsetting receipts typically offset the outlays of the agency that conducts the activity generating the receipts and the subfunction to which the activity is

assigned. Offsetting receipts are composed of: proprietary receipts from the public, receipts from intragovernmental transactions, and offsetting governmental receipts.

This line item on the Statement of Budgetary Resources should include all distributed offsetting receipts for the agency. A listing of distributed offsetting receipt accounts can be found in the Treasury Annual Report Appendix Part 4, *Other Information B Receipts by Department* (unpublished; can be found on www.fms.treas.gov/annualreport). Agencies should include in the SBR, the receipt accounts in Part 4 classified as:

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

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

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

Net outlays. The amount on this line shall equal line 15C *Outlays, subtotal* less line 16 *Less: Offsetting receipts*. This amount shall agree with the net outlays (gross outlays less offsetting collections and receipts) as reported in the Budget of the United States Government.

Statement of Financing

Table of Contents

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

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

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

The statement is structured to first identify total resources used by an entity during the period (budgetary and other) and then makes adjustments to the resources based upon how they were used to finance net obligations or net cost. Budgetary resources reported in this statement are those resources as defined in OMB Circular No. A-34 and also reported on the Statement of Budgetary Resources. Other resources reported in this statement are also reflected in the Statement of Changes in Net Position.

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

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

7.2 Illustrative Statement - Consolidated Statement of Financing

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

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

The accompanying notes are an integral part of these statements.

7.3 Resources Used to Finance Activities

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

Budgetary Resources Obligated

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

Less: Spending authority from offsetting collections and recoveries. This line item will agree with the spending authority from offsetting collections (line 3) and recoveries (line 4) as reported on the Statement of Budgetary Resources. This line item will include all budget accounts, including non-budgetary financing accounts.

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

Less: Offsetting receipts. This line item will agree with the offsetting receipts (line 16) as reported on the Statement of Budgetary Resources.

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

Other Resources. The line items in this section will agree with the corresponding line items as reported on the Statement of Changes in Net Position: Donations and forfeitures of property (line 12), Transfers in/out without reimbursement (line 13 only), Imputed financing from costs absorbed by others (line 14) and Other (line 15). These resources increase net position but are not budgetary resources as reported on the Statement of Budgetary Resources or defined as such in the OMB Circular No. A-34.

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

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

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

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

Budgetary offsetting collections and receipts that do not affect net cost of operations. This line item reflects offsetting collections and receipts that are not reported as exchange revenue on

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

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

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

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

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

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

7.5 Components Requiring or Generating Resources in Future Periods

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

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

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

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

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

Increase in exchange revenue receivable from the public. Exchange revenue from the public is reflected as it is earned as a component of the net cost of operations for the period, but will normally not be reflected in net obligations until it is received. Budgetary resources are normally not recognized from the public until collected in accordance with the OMB Circular No. A-34.

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

7.6 Components Not Requiring or Generating Resources

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

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

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

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

7.7 Net Cost of Operations

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

Statement of Custodial Activity
Table of Contents

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

8.1 General

The Statement of Custodial Activity is required for entities that collect nonexchange revenue for the General Fund of the Treasury, a trust fund, or other recipient entities. The collecting entities do not recognize as revenue those collections that have been or should be transferred to others as revenues. Rather, they shall account for sources and disposition of the collections as custodial activities on the Statement of Custodial Activity. If some of the nonexchange revenue is transferred to others and some of the nonexchange revenue is retained as a reimbursement for the costs of collection, they shall be reported on the Statement of Custodial Activity and the amounts retained shall also be reported on the Statement of Net Cost.

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

Custodial collections are usually for nonexchange revenues, such as taxes and duties collected by the Internal Revenue Service and the U.S. Customs Service. Exchange revenue is normally reported on the Statement of Net Cost. It should be reported in a Statement of Custodial Activity only under the exceptional circumstances in which the entity recognizes virtually no costs in connection with earning the revenue that it collects (see § 45 of SFFAS No. 7). Information on the sections of the Statement of Custodial Activity are presented below. Also see SFFAS No. 7 and the related implementation guide.

8.2 Illustrative Statement - Statement of Custodial Activity

Department/Agency/Reporting Entity STATEMENT OF CUSTODIAL ACTIVITY For the Years ended September 30, 20x2 and 20x1 (in dollars/thousands/millions)		
	20x2	20x1
Revenue Activity:		
Sources of Cash Collections:		
1. Individual Income and FICA/SECA Taxes	\$ xxx	\$ xxx
2. Corporate Income Taxes	xxx	xxx
3. Excise Taxes	xxx	xxx
4. Estate and Gift Taxes	xxx	xxx
5. Federal Unemployment Taxes	xxx	xxx
6. Customs Duties	xxx	xxx
7. Miscellaneous	<u>xxx</u>	xxx
8. Total Cash Collections	x,xxx	x,xxx
9. Accrual Adjustments (+/-)	<u>xxx</u>	xxx
10. Total Custodial Revenue	x,xxx	x,xxx
Disposition of Collections:		
11. Transferred to Others (by Recipient):		
Recipient A	xxx	xxx
Recipient B	xxx	xxx
Recipient C	xxx	xxx
12. (Increase)/Decrease in Amounts Yet to be Transferred (+/-)	xxx	xxx
13. Refunds and Other Payments	xxx	xxx
14. Retained by the Reporting Entity	<u>xxx</u>	xxx
15. Net Custodial Activity	\$ <u>0</u>	\$ <u>0</u>

The accompanying notes are an integral part of these statements.

8.3 Sources of Collections

Report in this section of the statement the components of cash collections, such as by type of tax and duty, collection of past-due receivables for others, or other appropriate identifier to describe

the source and nature of the collections. If refunds are material in relation to the gross collections made, consider reporting them by component separately in a footnote.

This section of the report also includes the accrual adjustment, which shall be shown separately and added or subtracted from the net collections to determine the total custodial revenue. Guidance for calculating the accrual adjustment can be found in SFFAS No. 7 and the related implementation guide. If the accrual adjustments are material in relation to the gross collections, consider reporting them separately in a footnote.

8.4 Disposition of Collections

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

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

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

Amounts of Refunds and Other Payments. Report the amounts of refunds and other payments made.

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

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

Notes to the Financial Statements (Part 1 of 2)

Table of Contents

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

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

9.1 Note 1 Significant Accounting Policies

Describe the reporting entity and identify its major components. Summarize the accounting principles and methods of applying those principles that management has concluded are appropriate for presenting fairly the entity's assets, liabilities, net cost of operations, changes in net position, and budgetary resources. Disclosure of accounting policies should identify and describe the accounting principles followed by the reporting entity and the methods of applying those principles. In general, the disclosure should encompass important judgments as to the valuation, recognition, and allocation of assets, liabilities, expenses, revenues and other financing sources. Disclosures of accounting policies should not duplicate details presented elsewhere as part of the notes to the financial statements.

In addition, the summary of significant accounting policies should disclose any significant changes in the composition of the reporting entity or significant changes in the manner in which the reporting entity aggregates information for financial reporting purposes. These changes, in

effect, result in a new reporting entity, and their impact should be reported by restating the financial statements for all prior periods presented in order to show the new reporting entity for all periods presented.

9.2 Note 2 Non-entity Assets

	<u>20x2</u>	<u>20x1</u>
Intragovernmental:		
Fund balance with Treasury	\$ xxx	\$ xxx
Investments	xxx	xxx
Accounts receivable	xxx	xxx
Loans receivable	xxx	xxx
Other	<u>xxx</u>	<u>xxx</u>
Total intragovernmental	xxx	xxx
Cash and other monetary assets	xxx	xxx
Accounts receivable	xxx	xxx
Taxes receivable	xxx	xxx
Loans receivable and related foreclosed property	xxx	xxx
Inventory and related property	xxx	xxx
Other	<u>xxx</u>	<u>xxx</u>
Total non-entity assets	x,xxx	x,xxx
Total entity assets	<u>x,xxx</u>	<u>x,xxx</u>
Total assets	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>

Other information: _____

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

9.3 Note 3 Fund Balance with Treasury

A. Fund Balances:

	<u>20x2</u>	<u>20x1</u>
(1) Trust Funds	\$ xxx	\$ xxx
(2) Revolving Funds	xxx	xxx
(3) Appropriated Funds	xxx	xxx
(4) Other Fund Types	<u>xxx</u>	<u>xxx</u>
Total	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>

B. Status of Fund Balance with Treasury

	<u>20x2</u>	<u>20x1</u>
(1) Unobligated Balance		
(a) Available	xxx	xxx
(b) Unavailable	xxx	xxx
(2) Obligated Balance not yet Disbursed	<u>xxx</u>	<u>xxx</u>
Total	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>

C. Other information: _____

Instructions.

- A. **Fund Balances.** The total of all undisbursed account balances with the U.S. Treasury, as reflected in the entity's records and summarized by fund type. Line (4), other fund types, should include balances in deposit accounts, such as for collections pending litigation, awaiting determination of the proper accounting disposition, or being held by the entity in the capacity of a banker or agent for others. If any of the balances under other fund types are material, list them separately.
- B. **Status of Fund Balance.** The total of the entity's fund balance with Treasury, as reflected in the entity's general ledger and represented by unobligated and obligated balances. Unobligated balances shall be segregated to show available and unavailable amounts. Certain unobligated balances may be restricted to future use and are not apportioned for current use. Explain such restrictions.
- C. **Other Information.** Explain any discrepancies between fund balance with Treasury, as reflected in the entity's general ledger, and the balance in the Treasury accounts. Disclose any other information necessary for understanding the nature of the fund balances.

9.4 Note 4 Cash and Other Monetary Assets

	20x2	20x1
A. Cash	\$ xxx	\$ xxx
B. Foreign Currency	xxx	xxx
C. Other Monetary Assets		
(1) Gold	xxx	xxx
(2) Special Drawing Rights	xxx	xxx
(3) U.S. Reserves in the International Monetary Fund	xxx	xxx
(4) Other	<u>xxx</u>	<u>xxx</u>
(5) Total Other Monetary Assets	<u>xxx</u>	<u>xxx</u>
D. Total Cash and Other Monetary Assets	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>

E. Other information: _____

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

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

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

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

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

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

9.5 Note 5 Investments

Exhibit 9A

Note 5 Investments

-----Amounts for 20x2 Balance Sheet Reporting-----						
	(1)	(2)	(3)	(4)	(5)	(6)
	<u>Cost</u>	<u>Amortization Method</u>	<u>Unamortized (Premium) Discount</u>	<u>Investments, Net</u>	<u>Other Adjustments</u>	<u>Market Value Disclosure</u>
A. Intragovernmental Securities:						
(1) Marketable	xxx	---	xxx	xxx	xxx	xxx
(2) Non-Marketable:						
Par value	xxx	---	xxx	xxx	xxx	xxx
(3) Non-Marketable:						
Market-Based	xxx	---	xxx	xxx	xxx	xxx
Subtotal	xxx	n/a	xxx	xxx	xxx	xxx
(4) Accrued Interest	xxx					xxx
Total	x,xxx					x,xxx
B. Other Securities:						
(1) _____	xxx	---	xxx	xxx	xxx	xxx
(2) _____	xxx	---	xxx	xxx	xxx	xxx
(3) _____	xxx	---	xxx	xxx	xxx	xxx
Subtotal	xxx	n/a	xxx	xxx	xxx	xxx
(4) Accrued Interest	xxx					xxx
Total	x,xxx					x,xxx
-----Amounts for 20x1 Balance Sheet Reporting-----						
	(1)	(2)	(3)	(4)	(5)	(6)
	<u>Cost</u>	<u>Amortization Method</u>	<u>Unamortized (Premium) Discount</u>	<u>Investments, Net</u>	<u>Other Adjustments</u>	<u>Market Value Disclosure</u>
B. Intragovernmental Securities:						
(1) Marketable	xxx	---	xxx	xxx	xxx	xxx
(2) Non-Marketable:						
Par value	xxx	---	xxx	xxx	xxx	xxx
(3) Non-Marketable:						
Market-Based	xxx	---	xxx	xxx	xxx	xxx
Subtotal	xxx	n/a	xxx	xxx	xxx	xxx
(4) Accrued Interest	xxx					xxx
Total	x,xxx					x,xxx
B. Other Securities:						
(1) _____	xxx	---	xxx	xxx	xxx	xxx
(2) _____	xxx	---	xxx	xxx	xxx	xxx
(3) _____	xxx	---	xxx	xxx	xxx	xxx
Subtotal	xxx	n/a	xxx	xxx	xxx	xxx
(4) Accrued Interest	xxx					xxx
Total	x,xxx					x,xxx
C. Other Information:	_____					

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

- A. **Intragovernmental Securities.** Marketable Federal securities can be bought and sold on the open market. Non-marketable par value Treasury securities are issued by the Bureau of the Public Debt to Federal accounts and are purchased and redeemed at par exclusively through Treasury's Federal Investment Branch. Non-marketable market-based Treasury securities are also issued by the Bureau of Public Debt to Federal accounts. They are not traded on any securities exchange but mirror the prices of particular Treasury securities trading in the Government securities market.
- B. **Other Information.** Disclose any other information relative to understanding the nature of reported investments, such as permanent impairments.

9.6 Note 6 Accounts Receivable, Net

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

9.7 Note 7 Taxes Receivable, Net

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

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

A. Direct Loan and Loan Guarantee Programs:

Exhibit 9B

List the direct loan and/or loan guarantee programs administered by the reporting entity:

- (1) _____
 (2) _____
 (3) _____

Sections B through O illustrate the required financial and statistical disclosures. These sections provide an analysis of the reporting entities' direct loans and loan guarantees including: loans

receivable, allowance for subsidy costs, liability for loan guarantees, foreclosed property, modifications, reestimates, and administrative costs. Sections B through O must be supplemented by narrative and discussions, which include the following topics: description of the characteristics of the loan programs; events that have had a significant and measurable effect on subsidy rates, subsidy expense and subsidy reestimates; nature of modifications; and the number of and restrictions on foreclosed property.

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

Direct Loans

B. Direct Loans Obligated Prior to FY 1992:

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

C. Direct Loans Obligated After FY 1991:

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

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

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

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

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

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

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

G. Schedule for Reconciling Subsidy Cost Allowance Balances

(Post-1991 Direct Loans)

In millions of dollars

Beginning Balance, Changes, and Ending Balance	FY 20x2	FY 20x1
Beginning balance of the subsidy cost allowance	\$	\$
Add: subsidy expense for direct loans disbursed during the reporting years by component:		
(a) Interest rate differential costs		
(b) Default costs (net of recoveries)		
(c) Fees and other collections		
(d) Other subsidy costs		
Total of the above subsidy expense components		
Adjustments:		
(a) Loan modifications		
(b) Fees received		
(c) Foreclosed property acquired		
(d) Loans written off		
(e) Subsidy allowance amortization		
(f) Other		
Ending balance of the subsidy cost allowance before reestimates		
Add or subtract subsidy reestimates by component:		
(a) Interest rate reestimate		
(b) Technical/default reestimate		
Total of the above reestimate components		
Ending balance of the subsidy cost allowance		

Defaulted Guaranteed Loans

H. Defaulted Guaranteed Loans from Pre-1992 Guarantees:

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

I. Defaulted Guaranteed Loans from Post-1991 Guarantees:

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

Loan Guarantees

J. Guaranteed Loans Outstanding:

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

K. Liability for Loan Guarantees:

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

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

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

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

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

N. Schedule for Reconciling Loan Guarantee Liability Balances

(Post-1991 Loan Guarantees)

In millions of dollars

Beginning Balance, Changes, and Ending Balance	FY 20x2	FY 20x1
Beginning balance of the loan guarantee liability	\$	\$
Add: subsidy expense for guaranteed loans disbursed during the reporting years by component:		
(a) Interest supplement costs		
(b) Default costs (net of recoveries)		
(c) Fees and other collections		
(d) Other subsidy costs		
Total of the above subsidy expense components		
Adjustments:		
(a) Loan guarantee modifications		
(b) Fees received		
(c) Interest supplements paid		
(d) Foreclosed property and loans acquired		
(e) Claim payments to lenders		
(f) Interest accumulation on the liability balance		
(g) Other		
Ending balance of the loan guarantee liability before reestimates		
Add or subtract subsidy reestimates by component:		
(a) Interest rate reestimate		
(b) Technical/default reestimate		
Total of the above reestimate components		
Ending balance of the loan guarantee liability		

O. Administrative Expense:

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

Instructions.

- A. Direct Loan and Loan Guarantee Programs.** Identify the names of the direct loan and loan guarantee programs operated by the reporting entity. The Federal Credit Reform Act of 1990 divides direct loans and loan guarantees into two groups: (a) Pre-1992 refers to the direct loan obligations or loan guarantee commitments made prior to FY 1992 and the resulting direct loans or loan guarantees, and (b) Post-1991 refers to the direct loan obligations or loan guarantee commitments made after FY 1991 and the resulting direct loans or loan guarantees. The definitions and explanations of terms and concepts in these instructions can be supplemented by referring to OMB Circular No. A-34 (2000), Section 70, and OMB Circular No. A-11 (2000), Section 85, and subsequent issuances of the corresponding Circulars. Additional guidance on accounting and reporting requirements can be found in SFFAS Nos. 2, 18 and 19.

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

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

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

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

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

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

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

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

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

- Changes from prior year's accounting methods, if any.
- Restrictions on the use/disposal of the property.
- Number of properties held and average holding period by type or category.

- Number of properties for which foreclosure proceedings were in process at the end of the period.

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

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

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

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

E1. Subsidy Expense for New Direct Loans Disbursed: Disclose for each program the total subsidy expense for new direct loans disbursed and its components: interest rate differential costs, default costs (net of recoveries), fees and other collections, and other costs. In column 2, disclose the present value of the amount of the subsidy expense

attributable to the interest rate differential between the interest rate charged to the borrowers and the discount rate used to calculate the present value of the direct loans and the subsidy costs; in column 3, the present value of the estimated defaults (net of recoveries); in column 4, the present value of the estimated fees collected (offsetting expense); in column 5, the present value of other cash flows, including prepayments; and in column 6, the total of columns 2 through 5.

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

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

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

The reporting entity should state the following in its disclosure:

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

- G. Schedule for Reconciling Subsidy Cost Allowance Balances for Post-1991 Direct Loans.** Display a reconciliation between the beginning and ending balances of the subsidy cost allowance for outstanding direct loans reported in the entity's balance sheet. The reconciliation is required for direct loans obligated on or after October 1, 1991, the effective date of the Federal Credit Reform Act of 1990. Reporting entities are

encouraged but not required to display reconciliations for direct loans obligated prior to October 1, 1991, in schedules separate from the direct loans obligated after September 30, 1991. Schedules for pre-1992 direct loans would not have all the same reconciling items as for post-1991 direct loans.

H. Defaulted Guaranteed Loans from Pre-1992 Guarantees. For each program with pre-1992 Loan Guarantees, report gross receivables from defaulted guaranteed loans assumed for direct collection in column 2 and the related interest receivable in column 3. If the present value method is used, report the estimated net realizable value of related foreclosed property in column 4, and the present value allowance in column 5. The sum of columns 2 through 4 less column 5 is reported as Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net (column 6). If the allowance for loss method is used, report the allowance for loan losses in column 4 and the estimated net realizable value of related foreclosed property in column 5. The sum of columns 2, 3 and 5 less column 4 is reported as Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net (column 6).

I. Defaulted Guaranteed Loans for Post-1991 Guarantees. For each program with post-1991 Loan Guarantees, report gross receivables from defaulted guaranteed loans assumed for direct collection, related interest receivable, and the estimated value of related foreclosed property in columns 2, 3, and 4, respectively. Report the related allowance for subsidy cost in column 5. Report the sum of columns 2 through 4 less column 5 as the Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net (column 6). For foreclosed property, see the instructions for section C.

The sum of the amounts reported in column 6 of sections B, C, H and I shall equal the amount reported on the Balance Sheet as loans receivables and related foreclosed property, net.

J. Guaranteed Loans Outstanding. For each loan guarantee program, report in column 2 the face value of outstanding principal of guaranteed loans disbursed by a third party. In column 3, report the amount of this outstanding principal that is guaranteed. Also report the amount of new guaranteed loans disbursed for the current and prior reporting years.

K. Liability for Loan Guarantees. For each program with pre-1992 loan guarantees, report in column 2 the liability for losses. If the present value method is used to calculate the liability, report in column 2 the present value of liabilities for losses on pre-1992 loan guarantees. If the estimated future default claims method is used, report in column 2 the estimated future default claims. For each program with post-1991 loan guarantees, report in column 3 the present value of the estimated net cash flows (outflows less inflows) to be paid by the entity as a result of the loan guarantees. Report the total of columns 2 and 3 as total liabilities for loan guarantees (column 4).

- L. Subsidy Expense for Loan Guarantees by Program and Component.** Disclose for each program the total subsidy expense and its components, the subsidy expense for modifications, and the subsidy expense for reestimates during the current and prior reporting years.
- L1. Subsidy Expense for New Loan Guarantees :** Disclose for each program the total subsidy expense for new loan guarantees (i.e., the loan guarantees on new guaranteed loans) and its components: interest supplement costs, default costs (net of recoveries), fees and other collections, and other costs. Disclose in column 2, the present value of the amount of the interest supplements; in column 3, the present value of the estimated payments for defaults on loan guarantees (net of recoveries); in column 4, the present value of the estimated fees collected (offsetting expense); in column 5, the present value of other cash flows; and in column 6, the total of columns 2 through 5.
- L2. Loan Guarantee Modifications and Reestimates:** Disclose in column 2, the subsidy expense for modifications of loan guarantees in guaranteed loans previously disbursed by a third party (whether pre-1992 or post-1991). Disclose in columns 3 and 4, reestimates of the subsidy expense for loan guarantees, previously committed, by component (interest rate and technical/default); and in Column 5, the total of columns 3 and 4.
- L3. Total Loan Guarantee Subsidy Expense:** The total subsidy expense for the current and prior year's loan guarantees, modifications, and reestimates.
- M. Subsidy Rates for Loan Guarantees by Program and Component:** Disclose for each program the subsidy rates for the following components: interest supplement costs, default costs (net of recoveries), fees and other collections, and other costs, estimated for loan guarantees in the current year=s budget for the current year=s cohorts. These rates should be consistent with the rates published in the Budget of the U.S. Government. Each subsidy rate is the dollar amount of the total subsidy or a subsidy component as a percentage of the guaranteed loans obligated in the cohort. Entities may use trend data to display significant fluctuations in subsidy rates. Such trend data, if used, should be accompanied with analysis to explain the underlying causes for the fluctuations.

The reporting entity should state the following in its disclosure:

- AThe subsidy rates disclosed pertain only to the current year=s cohorts. These rates cannot be applied to the guarantees of loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loan guarantees reported in the current year could result from disbursements of loans from both current year cohorts and prior

year(s) cohorts. The subsidy expense reported in the current year also includes modifications and reestimates.@

- N. Schedule for Reconciling Loan Guarantee Liability Balances for Post-1991 Loan Guarantees.** Display a reconciliation between the beginning and ending balances of the liability for outstanding loan guarantees reported in the entity's balance sheet. The reconciliation is required for loan guarantees committed on or after October 1, 1991, the effective date of the Federal Credit Reform Act of 1990. Reporting entities are encouraged but not required to display reconciliations for loan guarantees committed prior to October 1, 1991, in schedules separate from the loan guarantees committed after September 30, 1991. Schedules for pre-1992 loan guarantees would not have all the same reconciling items as for post-1991 loan guarantees.
- O. Administrative Expense.** Report the portions of salaries and other administrative expenses that have been accounted for in support of the direct loan programs and loan guarantee programs. Report the expenses for the individual programs, if material.

9.9 Note 9 Inventory and Related Property, Net

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

Inventories

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

- The decision criteria for identifying the category to which inventory is assigned.
- Changes in the criteria for identifying the category to which inventory is assigned.

Operating materials and supplies

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

Stockpile materials

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

- § Decision criteria for categorizing stockpile materials as held for sale.
- § Changes in the criteria for categorizing stockpile materials as held for sale.

Seized property

- § Explanation of what constitutes a seizure and a general description of the composition of seized property.
- § Method(s) of valuing seized properties.
- § Changes from prior year's accounting methods, if any.
- § Analysis of change in seized property, including the dollar value and number of seized properties that are: (1) on hand at the beginning of the year, (2) seized during the year, (3) disposed of during the year, and (4) on hand at the end of the year, as well as known liens or other claims against the property. This information should be presented by type of seized property and method of disposition where material.

Forfeited property

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

Goods held under price support and stabilization programs

- § Basis for valuing the commodities, including the valuation method and any cost flow assumptions.
- § Changes from prior year's accounting methods, if any.

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

9.10 Note 10 General Property, Plant and Equipment, Net

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

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

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

9.11 Note 11 Other Assets

	20x2	20x1
A. 1. Intragovernmental		
(1) _____	\$ xxx	\$ xxx
(2) _____	xxx	xxx
(3) _____	<u>xxx</u>	<u>xxx</u>
Total Intragovernmental	xxx	xxx
2. _____	xxx	xxx
3. _____	xxx	xxx
4. _____	<u>xxx</u>	<u>xxx</u>
Total Other Assets	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>

B. Other information: _____

Instructions.

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

9.12 Note 12 Liabilities Not Covered by Budgetary Resources

	20x2	20x1
Intragovernmental:		
Accounts payable	\$ xxx	\$ xxx
Debt	xxx	xxx
Other	<u>xxx</u>	<u>xxx</u>
Total intragovernmental	<u>xxx</u>	<u>xxx</u>
Accounts payable	xxx	xxx
Debt held by the public	xxx	xxx
Federal employee and veterans= benefits	xxx	xxx
Environmental and disposal liabilities	xxx	xxx
Benefits due and payable	xxx	xxx
Other	<u>xxx</u>	<u>xxx</u>
Total liabilities not covered by budgetary resources	x,xxx	x,xxx
Total liabilities covered by budgetary resources	<u>x,xxx</u>	<u>x,xxx</u>
Total liabilities	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>

Other information: _____

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

9.13 Note 13 Debt

Exhibit 9C

Note 13 Debt	20x1 Beginning <u>Balance</u>	Net <u>Borrowing</u>	20x1 Ending <u>Balance</u>	Net <u>Borrowing</u>	20x2 Ending <u>Balance</u>
A. Treasury Debt:					
(1) Intragovernmental	\$xx	\$xx	\$xx	\$ xxx	\$ xxx
(2) Held by the Public	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
(3) Total Treasury Debt	xxx	xxx	xxx	xxx	xxx
B. Agency Debt:					
(1) Intragovernmental	xxx	xxx	xxx	xxx	xxx
(2) Held by the Public	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
(3) Total Agency Debt	xxx	xxx	xxx	xxx	xxx
C. Other Debt:					
(1) Debt to the Treasury	xxx	xxx	xxx	xxx	xxx
(2) Debt to the Federal Financing Bank	xxx	xxx	xxx	xxx	xxx
(3) Debt to Other Federal Agencies	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
(4) Total Other Debt	xxx	xxx	xxx	xxx	xxx
D. Total Debt	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>
E. Classification of Debt:				<u>20x2</u>	<u>20x1</u>
Intragovernmental Debt				x,xxx	x,xxx
Debt held by the Public				<u>x,xxx</u>	<u>x,xxx</u>
Total Debt				<u>x,xxx</u>	<u>x,xxx</u>
F. Other Information:	_____				

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

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

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

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

9.14 Note 14 Federal Employee and Veterans= Benefits

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

The following are the minimum disclosures required for pensions and other retirement benefits:

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

9.15 Note 15 Environmental and Disposal Liabilities

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

Exhibit 9D

9.16 Note 16 Other Liabilities

	<u>Non-Current</u>	<u>Current</u>	<u>20x2 Total</u>
A. 1. Intragovernmental			
(1) _____	\$ xxx	\$ xxx	\$ xxx
(2) _____	xxx	xxx	xxx
(3) _____	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Total Intragovernmental	xxx	xxx	xxx
2. _____	xxx	xxx	xxx
3. _____	xxx	xxx	xxx
4. _____	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Total Other Liabilities	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>

	<u>Non-Current</u>	<u>Current</u>	<u>20x1 Total</u>
B. 1. Intragovernmental			
(1) _____	\$ xxx	\$ xxx	\$ xxx
(2) _____	xxx	xxx	xxx
(3) _____	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Total Intragovernmental	xxx	xxx	xxx
2. _____	xxx	xxx	xxx
3. _____	xxx	xxx	xxx
4. _____	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Total Other Liabilities	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>

C. Other Information: _____

Instructions.

- § **Other Liabilities.** Include all liabilities not reported elsewhere. Separately disclose the current portion of other liabilities.

- § **Other Information.** Provide other information necessary for understanding other liabilities.

9.17 Note 17 Leases

Note 17 Leases					
A. Entity as Lessee:					
Capital Leases:		<u>20x2</u>	<u>20x1</u>		
Summary of Assets Under Capital Lease:					
Land and Buildings.....		xxx	xxx	xxx	xxx
Machinery and Equipment.....		xxx	xxx	xxx	xxx
Other.....		xxx	xxx	xxx	xxx
Accumulated Amortization.....		xxx	xxx	xxx	xxx
Description of Lease Arrangements: _____					
Future Payments Due:					
<u>Fiscal Year</u>	<u>(1)</u>	<u>Asset Category</u>		<u>Totals</u>	
		<u>(2)</u>	<u>(3)</u>		
Year 1	xxx	xxx	xxx	xxx	xxx
Year 2	xxx	xxx	xxx	xxx	xxx
Year 3	xxx	xxx	xxx	xxx	xxx
Year 4	xxx	xxx	xxx	xxx	xxx
Year 5	xxx	xxx	xxx	xxx	xxx
After 5 Years	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Total Future Lease Payments	xxx	xxx	xxx	xxx	xxx
Less: Imputed Interest	xxx	xxx	xxx	xxx	xxx
Less: Executory Costs (e.g., taxes)	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Net Capital Lease Liability	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>
Lease liabilities covered by budgetary resources				x,xxx	
Lease liabilities not covered by budgetary resources				x,xxx	
Operating Leases:					
Description of Lease Arrangements: _____					
Future Payments Due:					
<u>Fiscal Year</u>	<u>(1)</u>	<u>Asset Category</u>		<u>Totals</u>	
		<u>(2)</u>	<u>(3)</u>		
Year 1	xxx	xxx	xxx	xxx	xxx
Year 2	xxx	xxx	xxx	xxx	xxx
Year 3	xxx	xxx	xxx	xxx	xxx
Year 4	xxx	xxx	xxx	xxx	xxx
Year 5	xxx	xxx	xxx	xxx	xxx
After 5 Years	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Total Future Lease Payments.....	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>

B. Entity as Lessor:

Capital Leases:

Description of Lease Arrangements: _____

Future Projected Receipts:

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

Operating Leases:

Description of Lease Arrangements: _____

Future Projected Receipts:

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

C. Other Information: _____

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

A. Entity as Lessee.

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

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

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

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

B. Entity as Lessor.

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

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

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

9.18 Note 18 Life Insurance Liabilities

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

9.19 Note 19 Commitments and Contingencies

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

appropriations for which the reporting entity has a contractual commitment for payment and (2) amounts for contractual arrangements which may require future financial obligations.

Notes to the Financial Statements (Part 2 of 2)

Table of Contents

Note Disclosures Related to the Statement of Net Cost

- 9.20 Note 20** Intragovernmental Costs
- 9.21 Note 21** Suborganization Program Costs/Program Costs by Segment
- 9.22 Note 22** Cost of Stewardship PP&E
- 9.23 Note 23** Stewardship Assets Through Transfer, Donation or Devise
- 9.24 Note 24** Exchange Revenues
- 9.25 Note 25** Gross Cost and Earned Revenue by Budget Functional Classification

Note Disclosures Related to the Statement of Changes in Net Position

- 9.26 Note 26** Cleanup Cost Adjustments

Note Disclosures Related to the Statement of Budgetary Resources

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

- 9.34 Note 34** Contributed Capital

Note Disclosures Related to the Statement of Financing

- 9.35 Note 35** Explanation of Differences Between Liabilities Not Covered by Budgetary Resources and Components Requiring or Generating Resources in Future Periods
- 9.36 Note 36** Description of Transfers that Appear as a Reconciling Item on the Statement of Financing

Note Disclosures Related to the Statement of Custodial Activity

- 9.37 Note 37** Incidental Custodial Collections
- 9.38 Note 38** Nonexchange Revenues

Note Disclosures Not Related to a Specific Statement

- 9.39 Note 39** Dedicated Collections

*Note Disclosures Related to the Statement of Net Cost***9.20 Note 20 Intragovernmental Costs**

[The Joint Financial Management Improvement Program (JFMIP) is currently reviewing intragovernmental transactions and working to develop solutions that will ensure that agencies accurately report their activity and balances with other Federal agencies. Additional note disclosure in agency financial statements will be required beginning in FY 2003. After the JFMIP work is completed, OMB will provide separate guidance on this issue area.]

9.21 Note 21 Suborganization Program Costs/Program Costs by Segment

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

Exhibit 9E

9.21 Note 21 Suborganization Program Costs/Program Costs by Segment

	Reporting Entity Supporting Schedule by Suborganization For the year ended September 30, 20x2 (in dollars/thousands/millions)					
	Suborgani- Zation A	Suborgani- zation B	Suborgani- zation C	Combined Total	Intra-entity Eliminations	Consolidated Total
Crosscutting Programs						
Program A:						
Intragovernmental With the public	xxx	--	xxx	xxx	xxx	xxx
Transfer payments	xxx	--	--	xxx	xxx	xxx
Administrative	xxx	--	xxx	xxx	xxx	xxx
Other	xxx	--	--	xxx	xxx	xxx
Total	xxx	--	xxx	xxx	xxx	xxx
Less: Earned revenues	- xx	--	- xx	- xx	- xx	-xxx
Net program costs	x, xxx	--	x,xxx	x,xxx	x,xxx	x,xxx
Other Programs						
Program B:	--	xxx	--	xxx	xxx	xxx
Program C:	--	xxx	--	xxx	xxx	xxx
Program D:	xxx	xxx	--	xxx	xxx	xxx
Program E:	--	--	xxx	xxx	xxx	xxx
Program F:	--	--	xxx	xxx	xxx	xxx
Other programs	--	--	xxx	xxx	xxx	xxx
Total Other Program Costs	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
Cost not assigned to programs	xxx	xxx	xxx	--	xxx	xxx
Less: Earned revenues not Attributed to programs	- xx	- xx	--	- xx	- xx	-xx
Net Cost of Operations	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>

9.21 Note 21 Suborganization Program Costs/Program Costs by Segment (continued)

	Reporting Entity Supporting Schedule by Suborganization For the year ended September 30, 20x1 (in dollars/thousands/millions)					
	Suborgani- zation A	Suborgani- zation B	Suborgani- zation C	Combined Total	Intra-entity Eliminations	Consolidated Total
Crosscutting Programs						
Program A:						
Intragovernmental	xxx	--	xxx	xxx	xxx	xxx
With the public						
Transfer payments	xxx	--	--	xxx	xxx	xxx
Administrative	xxx	--	xxx	xxx	xxx	xxx
Other	<u>xxx</u>	--	<u>--</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Total	xxx	--	xxx	xxx	xxx	xxx
Less: Earned revenues	<u>- xx</u>	--	<u>- xx</u>	<u>- xx</u>	<u>- xx</u>	<u>-xxx</u>
Net program costs	x, xxx	--	x,xxx	x,xxx	x,xxx	x,xxx
Other Programs						
Program B:	--	xxx	--	xxx	xxx	xxx
Program C:	--	xxx	--	xxx	xxx	xxx
Program D:	xxx	xxx	--	xxx	xxx	xxx
Program E:	--	--	xxx	xxx	xxx	xxx
Program F:	--	--	xxx	xxx	xxx	xxx
Other programs	<u>--</u>	<u>--</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Total Other Program Costs	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
Cost not assigned to programs	xxx	xxx	xxx	--	xxx	xxx
Less: Earned revenues not						
Attributed to programs	<u>- xx</u>	<u>- xx</u>	<u>--</u>	<u>- xx</u>	<u>- xx</u>	<u>-xx</u>
Net Cost of Operations	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>

Note 9.22 Note 22 Cost of Stewardship PP&E

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

9.23 Note 23 Stewardship Assets Acquired Through Transfer, Donation or Devise

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

9.24 Note 24 Exchange Revenues

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

9.25 Note 25 Gross Cost and Earned Revenue by Budget Functional Classification

Disclose gross cost and earned revenue, by budget functional classification, for (1) the reporting entity and (2) transactions with intragovernmental entities. Gross cost and earned revenue should be net of intra-entity transactions (consolidated). Disclosure of gross cost and earned revenue by budget functional classification may be limited to the consolidated agency-wide financial statements. That is, only the 24 executive departments and agencies covered by this Bulletin (see Appendix A of this Attachment) are required to disclose gross cost and earned revenue by budget functional classification in a note. (See the Treasury Financial Manual or the *Financial Report of the U.S. Government* (Statement of Net Cost) for budget function classifications.)

Exhibit 9F

Gross Cost and Earned Revenue by Budget Functional Classification			
Budget Functional Classification	<u>Gross Cost</u>	<u>Earned Revenue</u>	<u>Net Cost</u>
<u>20x2</u>			
Classification A	\$ xxx	\$ xxx	\$ xxx
Classification B	xxx	xxx	xxx
Classification C	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Total	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>
<u>20x1</u>			
Classification A	\$ xxx	\$ xxx	\$ xxx
Classification B	xxx	xxx	xxx
Classification C	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Total	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>

Exhibit 9G

Intragovernmental Gross Cost and Earned Revenue by Budget Functional Classification			
Budget Functional Classification	<u>Gross Cost</u>	<u>Earned Revenue</u>	<u>Net Cost</u>
<u>20x2</u>			
Classification A	\$ xxx	\$ xxx	\$ xxx
Classification B	xxx	xxx	xxx
Classification C	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Total	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>
<u>20x1</u>			
Classification A	\$ xxx	\$ xxx	\$ xxx
Classification B	xxx	xxx	xxx
Classification C	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Total	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>

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

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

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

Disclose the amount of direct and reimbursable obligations incurred against amounts apportioned under Category A, B and Exempt from apportionment. This disclosure shall agree with the aggregate of the related information as reported on the agency's year-end SFs 133, *Report on Budget Execution*, and lines 8A and 8B in the Statement of Budgetary Resources.

Apportionment categories shall be determined in accordance with the guidance provided in OMB Circular A-34, *Instructions on Budget Execution*.

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

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

9.29 Note 29 Terms of Borrowing Authority Used

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

9.30 Note 30 Adjustments to Beginning Balance of Budgetary Resources

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

9.31 Note 31 Permanent Indefinite Appropriations

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

9.32 Note 32 Legal Arrangements Affecting Use of Unobligated Balances

Disclose the information about legal arrangements affecting the use of unobligated balances of budget authority, such as time limits, purpose, and obligation limitations. For example, the portion of trust fund receipts collected in the current fiscal year that (1) exceed the amount needed to pay benefits or other valid obligations and (2) the excess of receipts temporarily

precluded from obligation by law due to a benefit formula or other limitation. The receipts; however, are assets of the trust fund and available for obligation as needed in the future.

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

Identify and explain differences between amounts reported in the Statement of Budgetary Resources and the actual amounts reported in the Budget of the United States Government as required by SFFAS No. 7. Differences, in and of themselves, may or may not indicate a reporting error. Legitimate reasons for differences could exist. For example, expired unobligated balances are reported in the Statement of Budgetary Resources and SF 133 but not in the President=s Budget. This disclosure should be provided when comparable line items differ between the SF 133, the President=s Budget and the Statement of Budgetary Resources.

9.34 Note 34 Contributed Capital

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

Note Disclosures Related to the Statement of Financing

9.35 Note 35 Explanation of the Relationship Between Liabilities Not Covered by Budgetary Resources on the Balance Sheet and the Change in Components Requiring or Generating Resources in Future Periods

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

9.36 Note 36 Description of Transfers that Appear as a Reconciling Item on the Statement of Financing

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

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

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

Note Disclosures Related to the Statement of Custodial Activity

9.37 Note 37 Incidental Custodial Collections

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

9.38 Note 38 Nonexchange Revenues

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

Note Disclosures Not Related to a Specific Statement

9.39 Note 39 Dedicated Collections

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

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

- § A description of each fund's purpose, how the administrative entity accounts for and reports the fund, and its authority to use those collections.

- § The sources of revenue or other financing for the period and an explanation of the extent to which they are inflows of resources to the government or the result of intragovernmental flows.
- § Condensed information about assets and liabilities showing investments in Treasury securities, other assets, liabilities due and payable to beneficiaries, other liabilities, and fund balance.
- § Condensed information on net cost and changes to fund balance showing revenues by type (exchange/nonexchange), program expenses, other expenses, other financing sources, and other changes in fund balance.
- § Any revenues, other financing sources, or costs attributable to the fund under accounting standards, but not legally allowable as credits or charges to the fund. Preparers are encouraged to refer to SFFAS No. 7 & 83-87 for further guidance on the reporting and disclosure requirements for dedicated collections

Required Supplementary Stewardship Information

Table of Contents

10.1 General
10.2 Stewardship Property, Plant and Equipment
10.2A Heritage Assets
10.2B National Defense PP&E
10.2C Stewardship Land
10.2D Summary of Minimum Reporting Requirements
10.3 Stewardship Investments
10.3A Non-Federal Physical Property
10.3B Human Capital
10.3C Research and Development
10.3D Summary of Minimum Reporting Requirements
10.4 Stewardship Responsibilities
10.4A Risk Assumed Information
10.4B Social Insurance

10.1 General

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

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

To achieve the objectives of required supplementary stewardship information (RSSI) reporting, resources and responsibilities for which the Federal Government is accountable have been categorized into three distinct groups and measures of accountability established for each. The three major groups are as follows:

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

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

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

10.2 Stewardship Property, Plant and Equipment

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

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

10.2A Heritage Assets

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

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

10.2B National Defense PP&E

National Defense PP&E are (1) the PP&E components of weapons systems and related PP&E owned by the Department of Defense or its component entities for use in the performance of military missions, and (2) vessels held in a preservation status by the Maritime Administration=s National Defense Reserve Fleet. These assets should be valued and reported using either the total cost or the latest acquisition cost valuation method. Once values are established, consistent application is required and any change shall be justified. No amount shall be shown on the balance sheet for National Defense PP&E. The acquisition cost of National Defense PP&E shall be considered an expense in determining the net cost of operations in the period acquired.

10.2C Stewardship Land

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

10.2D Summary of Minimum Stewardship Reporting Requirements

The following table summarizes the minimum stewardship reporting required for heritage assets, National Defense PP&E, and stewardship land.

INFORMATION REPORTED	HERITAGE ASSETS	NATIONAL DEFENSE PP&E	STEWARDSHIP LAND
1. Description of Assets	Describe each major category: 1. Collectible 2. Noncollectible	Describe major types and values assigned by valuation method.	Describe, by principal organization, significant holdings by category of major use.
2. Description of acquisitions and withdrawals	Describe methods of acquisition and withdrawal.	Describe methods of acquisition and withdrawal.	Describe methods of acquisition and withdrawal.

3. Accounting for physical items or dollars	Account for physical units by major category: Beginning Balance Additions Withdrawals Ending Balance	Account for value by major type: Beginning Value, Value added (shall agree with amount on the Statement of Net Cost) Value withdrawn Change in value from revaluations Ending Value	Account for physical units by major category: Beginning Balance Additions Withdrawals Ending Balance
4. Condition description	Describe overall condition.	Describe overall condition.	Describe overall condition.
5. Deferred Maintenance	Reference information on deferred maintenance included elsewhere in the report, if required.	Reference information on deferred maintenance included elsewhere in the report, if required.	Reference information on deferred maintenance included elsewhere in the report, if required.
6. Presentation of financial information	Reference principal statements for financial information on multi-use heritage assets.	Not applicable.	Not applicable.

10.3 Stewardship Investments

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

10.3A Non-Federal Physical Property

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

10.3B Human Capital

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

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

10.3C Research and Development

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

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

10.3D Summary of Minimum Reporting Requirements

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

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

* In some cases, the information is not available because entities have maintained records on the basis of outlays rather than expenses. Agencies in this situation should continue to report historical data on an outlay basis for any years in which reporting is required and for which expense data is not available. If neither historical expense or outlay data are available for each of the five years, entities need report expense data for only the current reporting year and such other years as available. At the end of five years, however, the agency will be able to report the expenses, to be categorized as investments, for each of the preceding five years.

10.4 Stewardship Responsibilities

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

- § Risk assumed information, and
- § Social insurance.

10.4A Risk Assumed Information

All Federal insurance and guarantee programs (except social insurance, life insurance, and loan guarantee programs) shall report, as required supplementary stewardship information, risk- assumed information. In other words, in addition to the liability for unpaid claims from insured events that have already occurred (including any contingent liability that meets criteria for recognition), such reporting entities should also report as RSSI risk assumed information.

Risk assumed is generally measured by the present value of unpaid expected losses net of associated premiums, based on the risk inherent in the insurance or guarantee coverage in force. The reporting entity shall report the amounts and periodic change in those amounts that would be reported under the risk assumed approach of the Financial Accounting Standards Board's (FASB) standards on Federal insurance and guarantee programs.

10.4B Social Insurance

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

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

Programs defined as social insurance include:

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

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

- § Long-range cashflow projections
- § Long-range projections of the ratio of contributors to beneficiaries (Adependency ratio@)
- § Actuarial present value of future benefits, and future contributions and tax income for/from current and future beneficiaries
- § Sensitivity analysis illustrating the effect of the changes in the most significant assumptions on the projections and present values
- § State-by-state solvency analysis for the UI program

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

Required Supplementary Information

Table of Contents

11.1 Management=s Discussion & Analysis**11.1A Minimum Reporting Requirements****11.1B Mission and Organizational Structure****11.1C Performance Goals, Objectives and Results****11.1D Analysis of Entity=s Financial Statements and Stewardship Information****11.1E Analysis of Entity=s Systems, Controls and Legal Compliance****11.1F Possible Future Effects of Existing Events and Conditions****11.1G Limitations of the Financial Statements****11.2 Deferred Maintenance****11.3 Intragovernmental Amounts****11.4 Statement of Budgetary Resources****11.5 Statement of Custodial Activity****11.6 Segment Information****11.1 Management=s Discussion & Analysis**

Each Annual Financial Statement shall include a section devoted to management=s discussion and analysis (MD&A) of the financial statements and related information. This is management's opportunity to convey information about performance, opportunities, and challenges, much like an annual shareholder's report. To be useful, the MD&A must be concise and readable to a non-technical audience. Not all material items in the basic statements, notes and other sections of the annual financial report need to be discussed in MD&A. The MD&A is an integral part of the annual financial statement and should be regarded as required supplementary information (RSI).

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

The section below summarizes the requirements for the MD&A. Financial statement preparers and auditors should refer to SFFAC No. 3 and SFFAS No. 15 for further detail.

11.1A Minimum Reporting Requirements

Pursuant to SFFAS No. 15, the MD&A may reference information in other discrete sections of the financial statement or it may be based on information contained in reports

separate from the financial statement (e.g., a stand-alone Performance Report prepared under GPRA). At a minimum, the MD&A should address:

- § the entity=s mission and organizational structure;
- § the entity=s performance goals, objectives, and results;
- § the entity=s financial statements;
- § the entity=s systems, controls, and legal compliance; and
- § possible future effects on the entity of the most important existing, currently-known demands, risks, uncertainties, events, conditions and trends.

The MD&A may also include forward-looking information about the possible effects of *anticipated* future demands, events, conditions, and trends.

Management should discuss important problems that need to be addressed, and actions that have been planned or taken to address those problems. Actions needed, planned, and taken may be discussed within the sections listed above or in a separate section of the MD&A.

11.1B Mission and Organizational Structure

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

11.1C Performance Goals, Objectives and Results

MD&A should objectively discuss the entity=s program results, and indicate the extent to which its programs are achieving their intended goals and objectives. The discussion of performance should relate to major goals and objectives in the agency's strategic and performance plans and should be clearly linked to cost categories (responsibility segments) featured in the Statement of Net Cost. The MD&A should:

- 1) discuss the strategies and resources the agency uses to achieve its performance goals;
- 2) provide a clear picture of planned and actual performance;
- 3) explain the procedures management has designed and followed to provide reasonable assurance that reported performance information is relevant and reliable;
- 4) explain performance trends; and
- 5) evaluate the significance of underlying factors that may have affected the reported performance.

Efficiency and effectiveness are important elements of performance measurement, and measuring costs is an integral part of measuring the efficiency and effectiveness of programs. Efficiency is measured by relating outputs (the quantity of services provided)

to inputs (the costs incurred to provide the services). Effectiveness is measured by the outcome or the degree to which a predetermined objective is met, and it is commonly combined with cost information to show "cost effectiveness." Entities should strive to develop and report objective measures that, to the extent possible, provide information about the efficiency and cost effectiveness of programs.

The performance measures presented in the MD&A should be consistent with measures previously included in budget and planning documents (related to implementation of the GPRA). The measures in the MD&A should be limited to the entity's most significant program and financial measures.

Explanatory information may include information about factors that are substantially outside the entity's control as well as information about factors over which the entity has significant control. Important limitations and difficulties associated with performance measurement and reporting should be noted to the extent relevant. To further enhance the usefulness of the information, agencies should include an explanation of what needs to be done and what is planned to be done to improve financial or program performance.

11.1D Analysis of the Entity's Financial Statements and Stewardship Information

The MD&A should help users understand the entity's financial results, position and condition conveyed in the principal financial statements. It should give users the benefit of management's understanding of:

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

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

11.1E Analysis of the Entity's Systems, Controls and Legal Compliance

In reporting on the status of systems and internal controls that support preparation of the financial statements, performance information, and compliance with applicable laws, management should describe material problems revealed by audits or otherwise known to management and the corrective actions taken or planned.

11.1F Possible Future Effects of Existing Events and Conditions

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

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

11.1G Limitations of the Financial Statements

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

- The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515 (b).
- While the statements have been prepared from the books and records of the entity in accordance with generally accepted accounting principles (GAAP) for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.
- The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

11.2 Deferred Maintenance

Deferred maintenance is maintenance that was not performed when it should have been or was scheduled to be and which, therefore, is put off or delayed for a future period. SFFAS No. 14 requires that deferred maintenance information be included as RSI.

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

- X The identification of each major class of asset for which maintenance was deferred.

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

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

11.3 Intragovernmental Amounts

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

Report, as required supplementary information, intragovernmental amounts for: (1) assets, (2) liabilities, (3) non-exchange revenue, and, (4) for certain reporting entities, earned revenue from trade (buy/sell) transactions along with the gross cost to generate such revenue. Report these amounts by trading partner (reciprocal Federal entity). Report intragovernmental gross cost to generate earned revenue from trade transactions by budget functional classification. Intragovernmental asset and liability categories reported as RSI should agree with the intragovernmental asset and liability line items reported on the balance sheet.

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

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

Reporting entities shall reconcile intragovernmental asset, liability and revenue amounts reported in the RSI with their trading partners at least annually as of the fiscal year end (September 30).

Reporting entities shall reconcile intragovernmental asset, liability and revenue amounts with their trading partner semi-annually, beginning with the six-month period ending March 31, 2002. Reporting entities shall reconcile intragovernmental asset, liability and revenue amounts with their trading partner quarterly, beginning with the three-month period ending December 31, 2002.

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

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

Intragovernmental assets:

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

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

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

Intragovernmental Earned Revenues and Related Costs: Agencies with total intragovernmental earned revenues from trade transactions (net of intra-entity activity) greater than \$500 million shall report such revenues by trading partner. Agencies reporting intragovernmental earned revenues should also report, by budget functional classification, the gross cost of goods, services, and other transactions that generated the intragovernmental earned revenues. The costs that generate intragovernmental earned revenues may not be intragovernmental in and of themselves. For example, if GSA sells pencils to Agency A, GSA should report the revenue earned by selling the pencils to Agency A (intragovernmental) and report the cost of purchasing those pencils from Vendor B (public) by budget functional classification.

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

<u>Budget Functional Classification</u>	<u>Gross Cost to Generate Revenue</u>
Classification A	\$ xxx
Classification B	xxx
Classification C	xxx
Classification D	<u>xxx</u>
Total	\$ <u>x,xxx</u>

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

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

11.4 Statement of Budgetary Resources

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

11.5 Statement of Custodial Activity

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

- X A discussion of the factors affecting the collectibility of compliance assessments recognized as taxes receivable,
- X If reasonably estimable, claims for refunds that are not yet accrued but are likely to be paid when administrative action is complete,
- X The amount of assessments that the entity still has statutory authority to collect at the end of the period, but has no future collection potential and are therefore defined as write-offs, and

- X If reasonably estimable, the amounts by which trust funds may be over or underfunded in comparison with requirements of law. This information should also be presented by recipient entities that are trust funds.

11.6 Segment Information

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

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

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

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

Other Accompanying Information

Table of Contents

12.1 Performance Measures**12.2 Revenue Foregone****12.3 Tax Burden/Tax Gap****12.4 Tax Expenditures with Directed Flows of Resources****12.1 Performance Measures**

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

12.2 Revenue Foregone

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

12.3 Tax Burden/Tax Gap

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

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

12.4 Tax Expenditures with Directed Flows of Resources

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

- X **Tax expenditures related to entity programs.** Information on tax expenditures relevant to entity performance may be presented but it should be appropriately described, explained and qualified.

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

APPENDIX A -- Executive Departments and Agencies Covered by this Bulletin

This is a list of the Executive departments and agencies covered by this Bulletin.

**EXECUTIVE DEPARTMENTS AND AGENCIES
COVERED BY THIS BULLETIN**

1. Department of Agriculture
2. Department of Commerce
3. Department of Defense
4. Department of Education
5. Department of Energy
6. Department of Health and Human Services
7. Department of Housing and Urban Development
8. Department of the Interior
9. Department of Justice
10. Department of Labor
11. Department of State
12. Department of Transportation
13. Department of the Treasury
14. Department of Veterans Affairs
15. Agency for International Development
16. Environmental Protection Agency
17. Federal Emergency Management Agency
18. General Services Administration
19. National Aeronautics and Space Administration
20. National Science Foundation
21. Nuclear Regulatory Commission
22. Office of Personnel Management
23. Small Business Administration
24. Social Security Administration

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

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

Statements of Federal Financial Accounting Concepts

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

Statements of Federal Financial Accounting Standards

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

- SFFAS No. 10 Accounting for Internal Use Software (amends SFFAS No. 6) -- For fiscal years beginning after September 30, 2000
- SFFAS No. 11 Amendments to Accounting for PP&E: Definitions (amends SFFAS Nos. 6 and 8) -- For fiscal years beginning after September 30, 1998
- SFFAS No. 12 Recognition of Contingent Liabilities from Litigation (amends SFFAS No. 5) -- For fiscal years beginning after September 30, 1997
- SFFAS No. 13 Deferral of Paragraph 65.2 - Material Revenue-Related Transactions (amends SFFAS No. 7) -- For fiscal years beginning after September 30, 1998
- SFFAS No. 14 Amendments to Deferred Maintenance Reporting (amends SFFAS Nos. 6 and 8) -- For fiscal years beginning after September 30, 1998
- SFFAS No. 15 Management's Discussion and Analysis - Standards -- For fiscal years beginning after September 30, 1999
- SFFAS No. 16 Amendments to Accounting for PP&E: Multi-Use Heritage Assets (amends SFFAS Nos. 6 and 8) -- For fiscal years beginning after September 30, 1999
- SFFAS No. 17 Accounting for Social Insurance -- For fiscal years beginning after September 30, 1999
- SFFAS No. 18 Amendments to Accounting Standards for Direct Loans and Loan Guarantees -- For fiscal years beginning after September 30, 2000
- SFFAS No. 19 Technical Amendments to Accounting Standards for Direct Loans and Loan Guarantees in SFFAS No. 2 -- For fiscal years beginning after September 30, 2002

Interpretations

- Interpretation No. 1 Reporting on Indian Trust Funds in General Purpose Financial Reports of the Department of Interior and in the Consolidated Financial Statements of the United States Government: An Interpretation of SFFAS 7
- Interpretation No. 2 Accounting for Treasury Judgment Fund Transactions: An Interpretation of SFFAS No. 4 and SFFAS No. 5
- Interpretation No. 3 Measurement Date for Pension and Retirement Health Care Liabilities
- Interpretation No. 4 Accounting for Pension Payments in Excess of Pension Expense
- Interpretation No. 5 Recognition by Recipient Entities of Receivable Nonexchange Revenue: An Interpretation of SFFAS 7

Technical Bulletins

- Technical Bulletin 2000-1 Federal Accounting Standards Advisory Board

Technical Releases

- Technical Release No. 1 Audit Legal Representation Letter Guidance
- Technical Release No. 2 Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government
- Technical Release No. 3 Preparing and Auditing Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act
- Technical Release No. 4 Reporting on Non-Valued Seized and Forfeited Property