

Memoranda 00-14 -- Technical Amendments to OMB Bulletin 97-01, Form and Content of Agency Financial Statements

September 11, 2000

M-00-14

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS, CHIEF FINANCIAL OFFICERS, AND INSPECTORS GENERAL

FROM: Joshua Gotbaum
Executive Associate Director and Controller

SUBJECT: Technical Amendments to OMB Bulletin 97-01, *Form and Content of Agency Financial Statements*

1. **Purpose.** This memorandum amends Office of Management and Budget (OMB) Bulletin No. 97-01, *Form and Content of Agency Financial Statements*, dated October 16, 1996, as amended by OMB Memoranda No. 99-03 and 00-05, dated November 20, 1998, and January 7, 2000, respectively. The amendments include the following:

- a.) The requirement to prepare comparative financial statements beginning in Fiscal Year 2000 is waived. The presentation of comparative financial statements is permitted, but not required.
- b.) The requirement to recognize specific inter-entity imputed costs is extended to FY 2000 financial statements. The specific inter-entity costs addressed in this amendment are those incurred by a reporting entity but paid by other entities. In the case of employee benefits, the imputed amount is the difference between employer/employee contributions and the total cost of the benefit. The requirement to recognize specific inter-entity costs, as directed in OMB's Memorandum "Technical Guidance for the Implementation of Managerial Cost Accounting Standards for the Federal Government," dated April 6, 1998, is incorporated into OMB Bulletin No. 97-01, as amended, and applies to Fiscal Year 2000 financial statements. 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, postretirement health and life insurance benefits, (2) other post-employment benefits for

retired, terminated, and inactive employees, which include severance payments, training and counseling, continued health care, and unemployment and workers compensation under the Federal Employees' Compensation Act, and (3) losses in litigation proceedings (see Federal Accounting Standards Advisory Board Interpretation No. 2, *Accounting for Treasury Judgment Fund Transactions*). Moreover, 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 Statements of Federal Financial Accounting Standards (SFFAS) and Interpretations, such as SFFAS Nos. 4 and 5 and Interpretation No. 2, OMB Bulletin No. 97-01, as amended, the Standard General Ledger, and the 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.

c.) Three new SFFASs are effective for reporting periods that begin after September 30, 1999 (i.e., FY 2000).

- SFFAS No. 15, *Management's Discussion and Analysis (MD&A)*, requires MD&A to be included in each general purpose federal financial report as required supplementary information and identifies subjects that should be addressed in MD&A.
- SFFAS No. 16, *Amendments to Accounting for Property, Plant, and Equipment*, amends accounting and reporting standards in SFFAS Nos. 6 and 8 for heritage assets that serve a dual purpose.
- SFFAS No. 17, *Accounting for Social Insurance*, requires benefits due and payable to be reported separately and requires the reporting of supplementary stewardship information that facilitates assessing the program's long-term sustainability and the ability of the program to raise resources from future program participants to pay for benefits proposed to present participants.

The form and content of agencies' financial statements must conform to these standards. See SFFAS Nos. 15, 16, and 17 for reporting requirements.

2. **Policy.** Financial statements shall be prepared in accordance with the formats and instructions presented in OMB Bulletin No. 97-01, as amended by OMB Memoranda Nos. 99-03 and 00-05 and this Memorandum. Financial statements shall be submitted to the Director of OMB no later than the statutory due date of March 1 following the end of the fiscal year.

3. **Applicability.** OMB Bulletin No. 97-01, as amended, applies to those entities listed in Appendices A and B of OMB Bulletin No. 98-08, *Audit Requirements for Federal Financial Statements*, and subsequent issuances.

4. **Effective Date.** The technical amendments described in paragraph 1 are effective for financial statements prepared for fiscal years beginning after September 30, 1999 (i.e., FY 2000).

5. **Inquiries.** Further information concerning this Memorandum may be obtained by contacting the Office of Management and Budget, Office of Federal Financial Management, Washington, DC 20503, telephone (202) 395-3993.

6. **Copies.** Individual copies of this memorandum may be obtained from the OMB home page.