



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

THE DIRECTOR

July 30, 2018

CIRCULAR A-136  
Revised

TO THE HEADS OF EXECUTIVE DEPARTMENTS, AGENCIES, AND  
OTHER ENTITIES SUBJECT TO THE CHIEF FINANCIAL OFFICERS  
ACT AND THE ACCOUNTABILITY OF TAX DOLLARS ACT AND TO  
GOVERNMENT ENTITIES SUBJECT TO THE GOVERNMENT  
CORPORATIONS CONTROL ACT

SUBJECT: Financial Reporting Requirements

The Office of Management and Budget (OMB), with input from the financial management community, has updated OMB Circular A-136, Financial Reporting Requirements. This update streamlines reporting requirements and reflects current Federal generally accepted accounting principles.

This revision of Circular A-136 is effective upon issuance, unless otherwise specified in the Circular. Questions about the Circular A-136 should be directed to the Office of Federal Financial Management's Financial Integrity and Risk Management Branch at (202) 395-3993.

A handwritten signature in blue ink that reads "Mick" over "oms".

Mick Mulvaney  
Director

Enclosure

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## **I. GENERAL INFORMATION**

### **I.1. Guide to the Circular**

This Circular provides guidance for Executive Branch entities required to submit audited financial statements, interim financial statements, and Performance and Accountability Reports (PARs) or Agency Financial Reports (AFRs) under the Chief Financial Officers Act of 1990, as amended (CFO Act), the Government Management Reform Act of 1994 (GMRA), and the Accountability of Tax Dollars Act of 2002 (ATDA). This Circular also provides general guidance to Government corporations required to submit Annual Management Reports (AMRs) under the Government Corporations Control Act.

Throughout the Circular, the terms “must,” “shall,” and “will” denote a requirement that management must comply with in all cases; the term “should” denotes a presumptively mandatory requirement that applies except in circumstances where the requirement is not relevant for the agency; and “may” and “could” denote best practices that may be adopted at the discretion of management. In addition, “Government” refers to the United States Federal Government.

The words “disclose” and “disclosure” refer to information in the notes to the financial statements and “recognize” and “recognition” refer to information in the financial statements.

A term or statute is generally referred to in its full form the first time it is used in this Circular; after that it is referred to by its acronym or short form. Similarly, standards and concepts statements promulgated by the Federal Accounting Standards Advisory Board (FASAB) are generally cited in full the first time they are used; after that they are cited by number.

FASAB documents cited in this Circular may be found at <http://www.fasab.gov/document-by-chapter/> and Office of Management and Budget (OMB) documents cited in this Circular may be found at <https://www.whitehouse.gov/omb/information-for-agencies>. OMB’s audit bulletin, *Audit Requirements for Federal Financial Statements*, may be found at: <https://www.whitehouse.gov/omb/bulletins/>.

**Section I** gives an overview of this Circular.

**Section II** specifies the form and content for PARs and AFRs.

**Section III** gives guidance for the optional Summary of Performance and Financial Information.

**Section IV** gives guidance on the interim unaudited financial statements and variance analysis.

**Section V** gives guidance on data required by the U.S. Department of the Treasury (Treasury) for preparing the *Financial Report of the United States Government* (FR or Government-wide Financial Report), which Treasury prepares in coordination with OMB.

### **I.2. Superseded Guidance**

This Circular supersedes OMB Circular A-136, “Financial Reporting Requirements,” dated August 15, 2017.

### **I.3. Entities Subject to this Circular**

Each Executive Branch entity that is required to prepare audited financial statements under the CFO Act, GMRA, or the ATDA must comply with Sections I, II, and IV of this Circular. In addition, each Executive Branch entity that prepares a Summary of Performance and Financial Information must comply with Section III. Also, all CFO Act agencies and ATDA agencies listed in Appendix A must comply with Section V.

Government corporations not required to register with the Securities and Exchange Commission (SEC) must comply with Section I.5, Submission Deadlines; Government corporations listed in Appendix A must comply with Section V; and all Government corporations are encouraged to comply with Sections I, II, III, IV, and V.

Components of Executive Branch Departments or agencies required by law to issue financial statements prepared in accordance with accounting standards other than those promulgated by FASAB will continue to comply with those standards. For further information, see Statement of Federal Financial Accounting Standard (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles (GAAP), Including the Application of Standards Issued by the Financial Accounting Standards Board*.

The entities covered by this Circular are “reporting entities” and “component reporting entities” under Statement of Federal Financial Accounting Standards (SFFAS) 47, *Reporting Entity*. Reporting entities must prepare organization-wide financial reports (PAR or AFR). Entities that must be included in the Government-wide Financial Report are referred to as component reporting entities. In addition, reporting entities may be made up of component reporting entities

Under SFFAS 47, inclusion in a reporting entity’s financial statements may take the form of consolidation or disclosure. Each reporting entity is responsible for all entities “administratively assigned” to it under SFFAS 47, paragraphs 58-65. Agencies should review SFFAS 47 and consult with OMB and Treasury’s Bureau of the Fiscal Service (Fiscal Service) if they have questions regarding which agencies to include in their PAR or AFR.

### **I.4. Circular Effective Date**

This Circular is effective in its entirety upon issuance unless otherwise specified.

### **I.5. Submission Deadlines**

Final PARs, AFRs, and AMRs are due to **OMB, the Government Accountability Office (GAO), and the Congress** by 6 p.m. EST on November 15<sup>th</sup> of the fiscal year following the fiscal year that is being reported. When November 15<sup>th</sup> falls on a weekend or holiday, the due date is the next business day. Preparers and auditors are expected to meet the November 15<sup>th</sup> deadline.

A **complete draft** of the PAR, AFR, or AMR is due to OMB’s Office of Federal Financial Management (OFFM) and the appropriate OMB Resource Management Office 10 business days before the final PAR, AFR, or AMR is due. If the audit report is not available when the draft is submitted to OFFM, agencies should provide their draft audit report to OMB as soon as it is available or a summary of the audit results including the type of opinion (or disclaimer) anticipated and names and descriptions of material weaknesses and significant deficiencies, if any.

The final reports should be posted to the agencies' website the same day the report is submitted to OMB, GAO, and the Congress. If on this day a report is not compliant with Section 508 of the Rehabilitation Act of 1973, as amended (29 U.S.C. § 794d), the agency must post the 508-compliant version of the final report to its website no later than 15 calendar days after issuance. The final report's website location must be clearly identified on the agency's homepage.

**Summary of Performance and Financial Information.** Agencies may publish a Summary of Performance and Financial Information, as discussed in Section III.

**Interim Financial Statements.** Agencies must submit unaudited interim financial statements 21 business days after the end of the third quarter of the fiscal year and unaudited interim notes 45 business days after the end of the third quarter. See Section IV.

## **I.6. Submission Format**

**Interim Statements and Draft Reports.** Agencies are required to use the MAX Federal Community to submit their interim financial statements and Draft AFRs, PARs, or AMRs to OMB. OMB's OFFM will submit comments on Draft Reports using a comment log in MAX. Agencies are encouraged to work directly with their Resource Management Offices to establish the format in which those comments will be given to agencies.

**Final Reports.** Agencies should submit their final reports (i.e., PARs, AFRs, AMRs) to **OMB** using the MAX Federal Community and to **Treasury (Main), Fiscal Service, and GAO** using the contact information provided in Appendix B.

Agencies must also submit their final reports to Congress. Copies must be provided to the Speaker of the House of Representatives, the President and President pro tempore of the Senate, the chairmen and ranking minority members of the Senate Committee on Homeland Security and Government Affairs and the House Committee on Oversight and Government Reform, the chairmen and ranking minority members of the Budget committees, and relevant authorization and oversight committees and appropriations subcommittees. Agencies should consult with their legislative or congressional affairs staff to determine whether electronic files are adequate.

## **I.7. Inquiries**

For information concerning this Circular, contact the OFFM at 202-395-3993.

## **I.8. Copies of Circular**

This Circular is available at: <https://www.whitehouse.gov/omb/circulars/#financial>.

## **I.9. Summary of Significant Changes**

The following table summarizes significant changes that have occurred since the last revision of Circular A-136 on August 15, 2017.

<b>Section Number</b>	<b>Section Title</b>	<b>Change</b>
I.3	Entities Subject to this Circular	Updated to reflect SFFAS 47, <i>Reporting Entity</i> , which takes effect for FY 2018.
II.1.1	What must an Agency's PAR or AFR contain?	Agency head letter has been reinstated for the AFR. CFO letter remains optional.
II.2.5	Performance Goals, Objectives, and Results	Streamlined text and clarified requirements in light of SFFAS 15, <i>Management's Discussion and Analysis</i> .
II.2.7	Analysis of Systems, Controls, and Legal Compliance	Streamlined text.
Former II.3	Performance Section	Section deleted and consolidated with Section II.2.5.
II.3.1	Instructions for the Annual Financial Statements	Clarified the treatment of accounts with the Agency Identification code of 11 assigned to other agencies.
II.3.2	Questions and Answers, Question 3	Clarified that prior year information need not be reported the first year in which the information is required.
II.3.3.1	Balance Sheet Introduction	Clarified to state that if consolidated net position is reported on the Balance Sheet, then a crosswalk from consolidated to combined amounts may be reported in the Funds from Dedicated Collections Note.
II.3.3.3	Assets	Updated to reflect the September 15, 2017, Treasury policy prohibiting allowances for losses on intragovernmental accounts receivable.
II.3.3.4	Liabilities	Updated to reflect SFFAS 51, <i>Insurance Programs</i> , which takes effect for FY 2019. Also updated to include liabilities not requiring budgetary resources, such as liabilities for clearing accounts and liabilities for non-fiduciary deposit funds.
II.3.4.1	Statement of Net Cost Introduction	Updated to reflect SFFAS 55, <i>Amending Inter-Entity Cost Provisions</i> , which takes effect for FY 2019, but may be implemented early.
II.3.4.4	Earned Revenue	Updated to reflect SFFAS 51, <i>Insurance Programs</i> , which takes effect for FY 2019.
II.3.5.2	SCNP Illustrations	Reformatted to show unexpended appropriations before cumulative results of operations.
II.3.6	Statement of Budgetary Resources	Streamlined to reflect requirements of FASAB Standards.
II.3.9.1	Note 1: Summary of Significant Accounting Policies	Deleted requirement for description of reporting entity and major components as duplicative of MD&A requirements.
II.3.9.3	Note 3: Fund Balance with Treasury	Deleted requirement for disclosure of Fund Balance with Treasury by type of budget account.
II.3.9.6	Note 6: Accounts Receivable, Net	Updated to reflect September 15, 2017, Treasury policy prohibiting allowances for losses on intragovernmental accounts receivable and updated to reflect the separate disclosure of criminal restitution amounts resulting from criminal restitution orders monitored by the agency.
II.3.9.9	Note 9: Inventory and Related Property, Net	Clarified requirements for seized property.

II.3.9.13	Note 13: Liabilities Not Covered by Budgetary Resources	Updated to include a separate line for liabilities not requiring budgetary resources.
II.3.9.18	Note 18: Leases	Updated to state the Federal and non-Federal leases must be disclosed separately.
II.3.9.19	Note 19: Life Insurance	Updated to reflect SFFAS 51, <i>Insurance Programs</i> , which takes effect for FY 2019.
II.3.9.20	Note 20: Commitments and Contingencies	Added text addressing treaties and international agreements.
II.3.9.21	Note 21: Funds from Dedicated Collections	Clarified to state that if consolidated net position is reported on the Balance Sheet, then a crosswalk from consolidated to combined amounts may be reported in the Note.
II.3.9.30	Note 31: Undelivered Orders at the End of the Period	Updated to state that Federal and non-Federal undelivered orders must be disclosed separately.
II.3.9.33	Note 33: Explanation of Differences between the SBR and the Budget	Streamlined text.
II.3.9.40	Note 40: Reconciliation of Net Cost of Operations to Budget	Added reference to SFFAS 53, <i>Budget and Accrual Reconciliation</i> .
II.3.9.41	Note 41: Public-Private Partnerships	Expanded to reflect requirements under SFFAS 49, <i>Public-Private Partnerships: Disclosure Requirements</i> , which will take full effect for FY 2019.
II.3.9.42	Note 42: Disclosure Entities and Related Parties	Added new note to reflect disclosure requirements under SFFAS 47, <i>Reporting Entity</i> , which takes effect for FY 2018.
II.3.9.43	Note 43: Insurance Programs	Added new note to reflect disclosure requirements under SFFAS 51, <i>Insurance Programs</i> , which takes effect for FY 2019.
II.3.10.4	RSSI: Research & Development	Updated to reflect the new definition adopted in A-11 Section 84 in July 2016.
II.4.5	Payment Integrity, Former IPIA (as amended by IPERA and IPERIA) Reporting Details	Updated reporting requirements.
Former II.4.9.22	Note 22: Costs and Exchange Revenue	Deleted; not required by FASAB Standards and not needed by Fiscal Service.
III.	Summary of Performance and Financial Information	Modified to provide a video option and to allow the financial sections of PARs and AFRs to be written without graphics and photos if a citizen-centric Summary is produced.
Former IV.2	Submission Schedule [for Interim Financial Statements]	Deleted; included in TFM 2-4700.
Current IV.2	Statements and Variances Required to be Submitted [for Interim Financial Statements]	Added SCNP, which is required by Fiscal Service, and deleted SBR.

Former V.2.5	Agency Points of Contact [for Government-wide Financial Report]	Deleted; included in TFM 2-4700.
V.5	Written Representation from Management	Streamlined to remove reference to representation regarding the SBR, which is included in the OMB audit bulletin.

## I.10. Abbreviations

AFR	Agency Financial Report
AICPA	American Institute of Certified Public Accountants
AMR	Annual Management Report
APR	Annual Performance Report
ATA	Allocation Transfer Account
ATB	Adjusted Trial Balance
ATDA	Accountability of Tax Dollars Act of 2002 (Pub. L. No. 107-289)
AU-C	U.S. Auditing Standards (Clarified), as codified by the AICPA
CARS	Central Accounting Reporting System
CFO	Chief Financial Officer
CFO Act	Chief Financial Officers Act of 1990 (Pub. L. No. 101-576)
CY	Current Year
DATA Act	Digital Accountability and Transparency Act of 2014 (Pub. L. No. 113-101)
DCIA	Debt Collection Improvement Act (Pub. L. No. 104-134)
FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance with Treasury
FCRA	Federal Credit Reform Act (Pub. L. No. 101-508)
FFATA	Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282)
FFMIA	Federal Financial Management Improvement Act (Pub. L. No. 104-208)
Fiscal Service	Department of the Treasury Bureau of the Fiscal Service
FMFIA	Federal Managers' Financial Integrity Act (Pub. L. No. 97-255)
FR	Financial Report of the United States Government
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GFRS	Government-wide Financial Report System
GONE Act	Grants Oversight and New Efficiency Act (Pub. L. No.114-117)
GMRA	Government Management Reform Act (Pub. L. No. 103-356)
GPRA	Government Performance and Results Act (Pub. L. No. 103-62)
GTAS	Government-wide Treasury Account Symbol Adjusted Trial Balance System
HI	Hospital Insurance
IG	Inspector General
IP	Improper Payment
IPAC	Intragovernmental Payment and Collection
IPERA	Improper Payments Elimination and Recovery Act of 2010 (Pub. L. No. 111-204)
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012 (Pub. L. No. 112-248)
IPIA	Improper Payments Information Act of 2002 (Pub. L. No. 107-300)
MD&A	Management's Discussion and Analysis
OI	Other Information
OASDI	Old-Age, Survivors, and Disability Insurance
OFFM	OMB Office of Federal Financial Management
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPEB	Other Post-employment Benefits
OPM	U.S. Office of Personnel Management
ORB	Other Retirement Benefits
PAR	Performance and Accountability Report
PIO	Performance Improvement Officer
PP&E	Property, Plant & Equipment
PY	Prior Year
Q&A	Questions & Answers
RSI	Required Supplementary Information
RSSI	Required Supplementary Stewardship Information
SBR	Statement of Budgetary Resources
SCA	Statement of Custodial Activity
SCNP	Statement of Changes in Net Position

SCSIA	Statement of Changes in Social Insurance Amounts
SF	Standard Form
SFFAC	Statement of Federal Financial Accounting Concepts
SFFAS	Statement of Federal Financial Accounting Standards
SMI	Supplementary Medical Insurance
SNC	Statement of Net Cost
SOSI	Statement of Social Insurance
TFM	Treasury Financial Manual
TR	Technical Release
Treasury	U.S. Department of the Treasury
UI	Unemployment Insurance
USSGL	U.S. Standard General Ledger

## **II. PERFORMANCE AND ACCOUNTABILITY REPORT OR AGENCY FINANCIAL REPORT**

### **II.1. General**

The CFO Act, as amended, and the ATDA require Executive Departments and agencies to prepare audited financial statements and the Government Corporations Control Act requires Government Corporations to prepare AMRs.

Under the Reports Consolidation Act of 2000, with the concurrence of the OMB Director, agencies are permitted to submit combined reports in implementing statutory requirements for financial, performance management, and other reporting where the inclusion of the report will enhance the usefulness of the reported information. The PAR consists of the Annual Performance Report (APR) required by the Government Performance and Results Act (GPRA), as amended by the GPRA Modernization Act of 2010; annual financial statements; and other reports such as agencies' assurances on internal control, accountability reports by agency heads, and Inspectors General's assessments of agencies' most serious management and performance challenges. The AFR consists of annual financial statement and other reports.

OMB Circular A-11, Part 6 requires CFO Act agencies to publish results of performance in an APR. Concurrent with the release of the fiscal year (FY) 2020 President's Budget, CFO Act agencies will publish select content from the Strategic Plan, APR, and Annual Performance Plan on Performance.gov and an Annual Performance Plan (APP) and APR on their agency website with a hyperlink to the published report on Performance.gov. See OMB Circular A-11, Section 210. Regardless of whether an agency produces a PAR or an AFR, agencies are encouraged to streamline all text.

#### **II.1.1. Required Contents of the AFR or PAR**

**Agency Head Transmittal Letter.** Pursuant to the Reports Consolidation Act of 2000, a transmittal letter from the Agency Head must be included. The letter must contain an assessment by the Agency Head of the reliability and completeness of financial and performance data in the report and describe any material internal control weaknesses and actions the agency is taking to resolve the weaknesses.

**Management's Discussion and Analysis (MD&A) (Section 1).** The MD&A must give an overview of the agency's financial and performance results and provide Management Assurances required under the Federal Managers' Financial Integrity Act (FMFIA) and OMB Circular A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control." See Section II.2 for more information about MD&A requirements.

**Performance Section (PAR Section 2).** For agencies producing a PAR, a Performance Section must be included. Performance requirements for the PAR are provided in Circular A-11, Part 6. In addition, for agencies producing a PAR, the performance information discussed in Section II.2.5 below must be included in the MD&A.

For agencies producing an AFR, a Performance Section need not be included, but performance information must be included in the MD&A, as discussed in Section II.2.5 below. Performance requirements for the APR are provided in Circular A-11, Part 6.

**Financial Section (PAR Section 3 or AFR Section 2).** The Financial Section of the PAR or AFR must contain:

- Auditor’s Report. Reporting guidance for the Auditor’s Report is located in OMB’s audit bulletin, *Audit Requirements for Federal Financial Statements*, which may be found at the link provided in Section I.1. The final report must be **signed** by the auditor.
- Financial Statements and Notes. See Section II.3 for information on the financial statements, notes, Required Supplementary Information (RSI), and Required Supplementary Stewardship Information (RSSI).

**Other Information (OI) (PAR Section 4 or AFR Section 3).** See Section II.4 for OI requirements.

**CFO Letter:** The Financial Section of the PAR or AFR may, but is not required to, contain a CFO Letter, which may summarize planned time frames for and major impediments (if any) to correcting audit weaknesses and instances of non-compliance and the progress made in addressing previously reported audit weaknesses and instances of non-compliance.

## **II.2. Management’s Discussion and Analysis (MD&A) – PAR/AFR Section I**

### **II.2.1. Purpose**

A PAR or an AFR must contain an MD&A section in accordance with Statement of Federal Financial Accounting Standards (SFFAS) 15, *Management’s Discussion and Analysis*. The MD&A should serve as a **brief** overview of the PAR or AFR and include the most important matters that could:

- Lead to significant actions or proposals by top management of the reporting entity;
- Be significant to the management, budgeting, and oversight functions of Congress and the Administration; or
- Significantly affect the judgment of citizens about the efficiency and effectiveness of the Government.

Certain MD&A text (e.g., text pertaining to the agency mission, organizational structure, and long-term performance goals) might not vary significantly from year to year, but other text (e.g., text summarizing financial results) may vary significantly.

### **II.2.2. Responsibility**

The MD&A is the responsibility of management and should be a joint effort of the CFO office, the Performance Improvement Officer (PIO) office, program offices, and offices responsible for performance reporting. Management has discretion with respect to the presentation, subject to the required components and the requirement that the MD&A not be misleading.

### **II.2.3. Scope**

The MD&A is RSI and, pursuant to SFFAS 15, should contain sections that address the entity’s:

- Mission and organizational structure;
- Performance goals, objectives, and results;
- Financial statements; and
- Systems, controls, and legal compliance.

In addition, the MD&A should contain forward-looking information, as discussed in Section II.2.8.

For agencies producing an AFR and APR, the MD&A should state when and where the APR and the Summary of Performance and Financial Information (if produced) will be available. The agency may include information similar to the following paragraph in its MD&A.

[Entity] has chosen to produce an Agency Financial Report (AFR) and an Annual Performance Report (APR) and will include its FY 20xx APR with its Congressional Budget Justification and will also post it on the [Entity's] website at www.xxx.xxx by [date].

Although SFFAS 15 requires sections, the sections should be integrated to the extent possible. For example, performance information and financial statement information should be organized in the same manner, such as by major program. Also, to the extent possible, both financial and non-financial performance information should be included in the section on performance goals, objectives, and results.

#### **II.2.4. Mission and Organizational Structure**

The MD&A should contain a **brief** description of the reporting entity (including any consolidated or disclosure entities under SFFAS 47, *Reporting Entity*. See Sections II.3.9.1 and II.3.9.42.) The reporting entity should **briefly** discuss its mission(s), major programs (as defined by management and reflected on the Statement of Net Cost (SNC)), and organizational structure.

The MD&A may discuss each major program identified on the SNC and could include for each major program a summary of key risks, mitigation strategies, and any significant changes in financial and non-financial performance.

#### **II.2.5. Performance Goals, Objectives, and Results**

The MD&A should include a **brief** description of key performance goals and results for the year and should:

- Provide a concise assessment of the entity's overall progress toward major program goals, linking goals to cost categories or responsibility segments in the SNC or related notes, if possible;
- Summarize overall (e.g., reporting entity) performance in the context of historical trends;
- Summarize the strategies and resources the entity used to achieve its goals;
- Summarize any significant underlying factors that may have affected the reported performance, including factors that are substantially outside the entity's control, factors over which the entity has significant control, and any anticipated or unanticipated risks;
- Summarize plans to improve performance; and
- Summarize the procedures management has designed and followed to provide reasonable assurance that reported performance information is relevant and reliable.

The discussion should reflect results of services performed through allocation transfers if material to the mission. (See Section II.3.2 for further information on reporting requirements for allocation transfers.) The performance and financial discussion should help the reader assess the relative efficiency and effectiveness of programs.

See OMB Circular A-11, Part 6, for detailed performance reporting requirements for the PAR and APR.

## II.2.6. Analysis of Financial Statements and Stewardship Information

The MD&A should summarize the entity's financial results, position, and condition and explain:

- The relevance of particular balances and amounts shown in the principal financial statements, especially if relevant to important financial management issues;
- Major changes (i.e., typically in excess of 10 percent) in types or amounts of assets, liabilities, net costs, revenues, obligations, and outlays (explaining the reasons for the changes); and
- Overall financial condition and financial management issues arising since the previous reporting period and any anticipated or unanticipated financial risks occurring during the reporting period.

Entities with a Statement of Social Insurance (SOSI) should explain key costs, assets, liabilities, social insurance responsibilities, budget flows, and long-term fiscal projections and major changes in those amounts in one section of the MD&A pursuant to SFFAS 37, *Social Insurance: Additional Requirements for Management's Discussion and Analysis and Basic Financial Statements*. These entities must also present a table or other singular presentation of the key measures in the MD&A.

Below is an illustrative table of key measures, which may be disaggregated (*e.g.*, liabilities may be disaggregated into Federal debt held by the public, employee pension liabilities, and other liabilities).

The MD&A should explain the most significant changes in the open group measure from the end of the previous reporting period as presented in the SCSIA. See Section II.3.8. The closed group measure is not required to be presented in the following table or other singular presentation, but should be discussed in the MD&A.

## Illustrative Table of Key Measures

XYZ Agency Table of Key Measures					
Dollars in Billions	Current FY	Prior FY	Increase/(Decrease)		
			\$	%	
<b>COSTS</b>					
Total Financing Sources	\$ XXX	\$ XXX	\$ (XXX)	XX.X%	
Less: Net Cost	\$ (XXX)	\$ (XXX)	\$ (XXX)	XX.X%	
<b>Net Change of Cumulative Results of Operations</b>	<b>\$ (XXX)</b>	<b>\$ (XXX)</b>	<b>\$ (XXX)</b>	<b>XX.X%</b>	
<b>NET POSITION</b>					
<b>Assets:</b>					
Cash & Other Monetary Assets	\$ XXX	\$ XXX	\$ (XXX)	XX.X%	
Loans Receivable and Investments, Net	\$ XXX	\$ XXX	\$ (XXX)	XX.X%	
Property, Plant & Equipment, Net	\$ XXX	\$ XXX	\$ (XXX)	XX.X%	
Other	\$ XXX	\$ XXX	\$ (XXX)	XX.X%	
<b>Total Assets</b>	<b>\$ X,XXX</b>	<b>\$ X,XXX</b>	<b>\$ (XXX)</b>	<b>XX.X%</b>	
<b>Liabilities:</b>					
Accounts Payable	\$ (XXX)	\$ XXX	\$ (XXX)	XX.X%	
Federal Employee & Veterans Benefits	\$ (XXX)	\$ XXX	\$ (XXX)	XX.X%	
Other	\$ (XXX)	\$ XXX	\$ (XXX)	XX.X%	
<b>Total Liabilities</b>	<b>\$ (X,XXX)</b>	<b>\$ (X,XXX)</b>	<b>\$ (XXX)</b>	<b>XX.X%</b>	
<b>Net Position (Assets minus Liabilities)</b>	<b>\$ (X,XXX)</b>	<b>\$ (X,XXX)</b>	<b>\$ (XXX)</b>	<b>XX.X%</b>	
<b>SOCIAL INSURANCE</b>					
<b>Social Insurance Net Expenditures (Open Group):</b>					
Program A	\$ (XXX)	\$ (XXX)	\$ (XXX)	XX.X%	
Program B	\$ (XXX)	\$ (XXX)	\$ (XXX)	XX.X%	
Other	\$ (XXX)	\$ (XXX)	\$ (XXX)	XX.X%	
<b>Total Social Insurance Net Expenditures</b>	<b>\$ (XXX)</b>	<b>\$ (XXX)</b>	<b>\$ (XXX)</b>	<b>XX.X%</b>	

## II.2.7. Analysis of Systems, Controls and Legal Compliance

Agencies are required to provide assurances related to the FMFIA and the Federal Financial Management Improvement Act (FFMIA) in a separate section titled “Management Assurances.” Unless otherwise required by law, agencies may submit a single statement signed by the agency head for internal controls over reporting, operations, financial management system requirements, and FFMIA. Internal control is a process effected by an entity’s oversight body, management, and other personnel that provides reasonable assurance that the objectives of the entity will be met.

Under OMB Circular A-123, management must ensure that the agency process for assessing internal control is integrated with the agency risk profile.

In the **FMFIA assurance** statement management should:

- Provide (1) an assessment of the effectiveness of the organization’s internal controls to support reliable financial reporting, effective and efficient programmatic operations, and compliance with applicable laws and regulations (FMFIA § 2) and (2) an assessment of whether financial management systems comply with Federal financial management systems requirements (FMFIA § 4). A finding should be listed as either an FMFIA § 2 or § 4 finding, but not both.
- Identify the material weakness(es) (FMFIA § 2) and instance(s) of non-compliance (FMFIA § 4), include a statement of the assurance (unmodified, modified, or no assurance), and a summary of corrective actions to resolve the material weakness(es) and instance(s) of non-compliance. Illustrative assurance statements and further guidance on corrective action plans can be found in OMB Circular A-123 and Appendix A of Circular A-123.

Additional best practices can be found in the Chief Financial Officers Council Implementation Guide for Appendix A.

The Management Assurances section's analysis of legal compliance could include a summary of efforts to maintain compliance with applicable laws, such as:

- the Anti-Deficiency Act (31 U.S.C. §§ 1341, 1342, 1350, 1351, 1517);
- provisions governing claims of the United States Government as provided in 31 U.S.C. §§ 3711-3720E (including provisions of the Debt Collection Improvement Act of 1996, (DCIA), as amended); and
- the Digital Accountability and Transparency Act of 2014 (DATA Act) (31 U.S.C. § 6101 note).

Because FY 2018 is the first full year of DATA Act implementation, agencies are reminded to consider internal controls over DATA Act reporting in their assurance statement.

Management should review its FMFIA assurance statements for consistency with the findings specified in the annual financial statement audit report(s). The Office of Inspector General (OIG) or auditor must compare material weaknesses disclosed during the audit with those material weaknesses reported in the agency's FMFIA report and report any material weaknesses disclosed by audit that were not reported by the agency. Management should perform the same due diligence when preparing its final assurance statements. The agency FMFIA and the audit reports could be different, but should not be in direct conflict. When management does not agree with the auditor, management can explain why it does not agree, but it must describe how the disagreement will be addressed.

For material weaknesses related to an error requiring a restatement where the agency previously asserted that it received an unmodified opinion, management should discuss the events that caused the restatement (including the error). The discussion may include the amount(s) of the material misstatement(s), the effect on the previously issued financial statements, and actions management took after discovering the misstatement. For further disclosure requirements, see Section II.3.9.39.

Management should include its **FFMIA compliance assessment** in this section, which must include its assessment of the organization's financial management systems compliance with Federal financial management systems requirements, applicable Federal accounting standards promulgated by FASAB, and the U.S. Standard General Ledger (USSGL) at the transaction level. Financial management systems include both financial and financially related (or mixed) systems. Further guidance on the financial systems requirements is in OMB Circular A-123 Appendix D, "Compliance with the Federal Financial Management Improvement Act of 1996," which can be found in OMB Memorandum 13-23.

As with the FMFIA assurance statements, management should review its compliance determination under FFMIA for consistency with the findings in the annual financial statement audit report(s).

An agency must:

- Summarize the agency's financial management systems strategy and how it will achieve the goals of improving financial and budget management agency-wide;

- Present an overview of the agency's current and future financial management systems framework and describe financial management systems critical to effective agency-wide financial management, financial reporting, or financial control; and

The agency head must sign the assurance statement providing reasonable assurance about whether the agency's financial management systems comply with:

- Federal financial management system requirements;
- Applicable Federal accounting standards; and
- The USSGL at the transaction level.

For areas of FFMIA non-compliance, the agency must identify remediation activities that are planned or underway, describing target dates and offices responsible for bringing systems into compliance.

### **II.2.8. Forward-Looking Information**

The discussion of forward-looking information should be a **concise** review of possible effects of the most important existing, currently known demands, risks, uncertainties, 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.

### **II.2.9. Other Management Information, Initiatives, and Issues**

Management has the discretion to include a **summary** in the MD&A of other information, initiatives, and issues. This could include entity progress in implementing key administration management initiatives.

### **II.2.10. Limitations of the Financial Statements**

The MD&A should state the limitations of the principal financial statements as follows:

The principal financial statements are prepared to report the financial position and results of operations of the reporting entity, pursuant to the requirements of 31 U.S.C. § 3515(b). The statements are prepared from the books and records Federal entities in accordance with Federal GAAP and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same books and records. The financial statements should be read with the realization that they are for a component of the U.S. Government.

## **II.3. Financial Section – PAR Section 3/AFR Section 2**

### **II.3.1. Instructions for the Annual Financial Statements**

Reporting entities should ensure that information is presented in accordance with GAAP for Federal entities and the requirements of this Circular. Preparers seeking additional guidance on matters involving recognition, measurement, and disclosure requirements should refer to the specific FASAB standards governing those requirements found at <http://www.fasab.gov>. Where the FASAB standards and interpretations or the instructions in this Circular do not provide guidance, agencies must follow the hierarchy of accounting principles described in SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.

Comparative financial statements are required. Information for the current and prior years should be presented regardless of the type of audit opinion rendered by the auditor. Notes should contain information necessary for full disclosure of the current year and information necessary to understand changes between the current and prior years.

Agencies may use the same trial balance information submitted to the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) as the basis for the financial statements and notes.

When agencies present disaggregated information for component organizations, the total column for the entity as a whole must reflect consolidated totals net of intra-entity transactions, except for the SBR, which is presented on a combined basis, and except for dedicated collections, which can be presented on a combined or consolidated basis. With the exception of the SBR, financial statements that use a multi-column format to present information on an entity's primary components, e.g., bureaus or major lines of business, and consolidated amounts are consolidating statements. Eliminations for intra-entity transactions needed to arrive at the consolidated amounts should also be presented in a column on the face of the consolidating statements.

Currently, the SNC requires certain disaggregated statements to be presented in the notes. Entities may elect to include disaggregated statements for other primary financial statements, such as the Balance Sheet, SCNP, or Statement of Custodial Activity (SCA). Entities may include any disaggregated statements not presented in the notes as OI.

The illustrative displays in this Circular may be modified; agencies may add or remove lines, use different words than those in the displays, and should exclude lines, notes, and rows or columns in notes that do not apply or are not informative. Schedule totals presented in the notes in support of amounts presented in financial statements must agree with the amounts presented in the body of the financial statements.

Dollar amounts should be rounded to the nearest whole dollar, thousand dollar, or million dollar based upon informative value and entities should maintain the chosen rounding level throughout the principal statements and notes. Ensure individual line items add to the totals by adjusting the line items for differences created by rounding rather than adjusting column totals.

Line numbers should not be on statements; they are used in illustrative statement formats for reference purposes only. Notes should be numbered sequentially without regard to the numbers in this document. If components of agencies prepare separate audited financial statements, the statements do not need to be presented separately in consolidating agency-wide financial statements.

Agencies (other than shared service providers) with administrative and programmatic responsibility for accounts with an account identification code of 011 must include all such accounts in their AFR/PAR.

## **II.3.2. Questions & Answers**

### **1. What is the relationship between this Circular and the hierarchy of accounting principles for Federal entities?**

FASAB is designated by the American Institute of Certified Public Accountants (AICPA) as the

source of GAAP for Federal reporting entities and has established the GAAP hierarchy for Federal reporting entities in SFFAS 34. Pursuant to SFFAS 47, a reporting entity may consolidate component or sub-component reporting entity financial statements prepared in accordance with SFFAS 34 without conversion for any difference in accounting policies among the organizations.

Requirements in this Circular that are not specified by a pronouncement described in SFFAS 34 categories A through C are considered level D of the Federal GAAP hierarchy because they constitute “practices that are widely recognized and prevalent in the Federal Government.”

## **2. What financial information should the AFR or PAR include?**

- A. MD&A (part of RSI);
- B. Basic information, which consists of:
  - a. Balance Sheet,
  - b. SNC,
  - c. SCNP,
  - d. SBR,
  - e. SCA, if applicable,
  - f. SOSI, if applicable,
  - g. SCSIA, if applicable, and
  - h. related notes;
- C. RSSI, if applicable;
- D. RSI other than MD&A, if applicable, and
- E. OI, if applicable.

The financial statements are the responsibility of agency management and each agency CFO should prepare a policy bulletin or memorandum guiding agency financial and management personnel in the preparation process.

Statements should present sufficient detail to be useful to the reader. If detail is necessary, the statement should contain summary information and the detail should be reported in the notes.

## **3. Which information must be presented on a comparative basis?**

The basic statements and related notes should present balances and amounts for the current year and the prior year, except for the SOSI, which has different requirements for the presentation of comparative data. See Section II.3.8. The MD&A should compare the current year to the prior year, summarize the entity’s financial position and results of operations, and state whether the financial position has improved or deteriorated as a result of the year’s activities. RSSI and RSI should be presented on a comparative basis when meaningful. When information is required for the first time, it need not be reported for the prior year.

## **4. What steps should agencies take to ensure consistency between information presented in the SBR and the Budget of the United States Government?**

Agencies should ensure that the budgetary information used to prepare the SBR is consistent with the budgetary information reported to GTAS during the 4th quarter window. GTAS information is used to produce the 4th quarter SF 133, Report on Budget Execution and Budgetary Resources, and much of the initial data that will appear in the prior year column of the Program and Financing Schedule of the Budget. The budgetary information should be prepared in coordination with the agency’s budget office.

If changes are made to budgetary information after the SBR has been published, these changes, whether material or not, should be entered in OMB's MAX A-11 Data Entry system (during the time frames provided by OMB) and to GTAS during the September revision window (November time frame). These efforts should also be coordinated with the agency's budget office.

Agencies should discuss any material changes to budgetary information subsequent to the publication of the audited SBR with their auditors to determine if restatement or note disclosure is necessary. At a minimum, any material differences between comparable information contained in the SBR and the prior-year information in the Budget must be disclosed in the notes to the SBR.

#### **5. What are the financial reporting requirements for transferring budget authority to another agency (Parent/Child Reporting)?**

An entity required by law to allocate budget authority to another Federal entity is referred to as the “parent” and the entity receiving the budget authority is referred to as the “child.” See OMB Circular A-11, Section 130.17.

When a parent makes such an allocation, Fiscal Service establishes an Allocation Transfer Account (ATA) with a Treasury account symbol that includes the three-digit code of the child followed by the three-digit code of the parent. The ATA is referred to as a child account and the transfer itself is an allocation transfer. In the child account, the child receives the budget authority, obligates, and outlays amounts up to the total of the allocation.

With an allocation transfer, the parent is responsible for the program’s overall performance and may decide to reallocate funds if it is not satisfied with the child’s performance. Child entities report their costs to the parent for activities performed by the child and all costs are then consolidated in the parent’s financial statements.

The parent must report all budgetary and proprietary activity in its financial statements, whether material to the child or not, and the child entity must not report any information for the ATA in its financial statements. Child entities must submit a full USSGL trial balance with attributes to the parent no later than 12 calendar days following the end of the reporting period or a date set by the parent to meet its reporting and auditing deadlines, whichever comes first.

A full USSGL trial balance is a listing of proprietary and budgetary USSGL accounts and balances at a point in time. The values for the proprietary and budgetary accounts are self-balancing; the debits equal the credits for each type of account. The Treasury Financial Manual (TFM) Supplement identifies and defines the individual accounts to be used and provides guidance on the attributes required for each USSGL account.

Timely and accurate quarterly reporting by the parent agency requires communication between the parent and child. Issues such as formats, abnormal balances, capitalization thresholds, useful lives, depreciation methodologies, transfer of trading partner information, etc., should be resolved early enough to allow the parent to meet its reporting and auditing deadlines. Should a child agency need to make a subsequent change to a reported trial balance, the child must notify the parent as soon as possible because the parent is ultimately responsible for the reporting of the child. Before making any subsequent changes to the child’s trial balance, the parent must get the child’s concurrence.

For GTAS, the parent is responsible for determining whether the parent or child will report. Regardless of which agency reports to GTAS, budgetary information for each allocation must be reported only once.

For the Government-wide Financial Report System (GFRS), child entities must not report any information for the ATA in their financial statements. For requirements, see TFM Section 4705.30, Parent/Child Reporting.

Trading partner information must be provided by the parent entity in posting to GTAS and GFRS. When a child entity contracts with another Federal entity on behalf of the parent, the child reports the other Federal agency's trading partner code to the parent and should communicate the parent trading partner information to the other agency.

There are two exceptions to the general rule for reporting allocation transfers: (1) funds for which the Executive Office of the President is the parent and (2) funds transferred from the Judicial Branch to the Department of Justice U.S. Marshals Service for court security. In these two cases, the receiving agencies are responsible for reporting all budgetary and proprietary activity in their financial statements and for reporting in GTAS and GFRS.

#### ***Accessing Transfer Appropriation Accounts through GTAS***

Where the child agency reports the transfer appropriation account data to GTAS, the parent agency can view this data and print reports if the user's access profile includes those transfer appropriation accounts. See TFM Section 4707.05, GTAS System Access for more information.

Audit coordination between parent and child will be necessary, since the child will retain all the details, as discussed in OMB's audit bulletin.

### **II.3.3. Balance Sheet**

#### ***II.3.3.1. Introduction***

The Balance Sheet shows, at a point in time, amounts owned or managed by the reporting entity (assets), amounts owed by the entity (liabilities), and the difference between the two (net position).

The Balance Sheet displayed in Section II.3.3.2 illustrates a two-column format to allow the user to make appropriate comparisons with the prior period. Reporting entities preparing financial statements in accordance with this Circular may present information in a similar way or in separate columns for their primary components, e.g., bureaus or major lines of business.

Aggregate entity and non-entity assets, except for non-entity assets meeting the definition of fiduciary assets, on the face of the Balance Sheet. Disclose non-entity assets, if material, and non-entity assets meeting the definition of fiduciary assets in the notes. Combine liabilities covered by budgetary resources, liabilities not covered by budgetary resources, and liabilities not requiring the use of budgetary resources on the face of the Balance Sheet. Disclose liabilities not covered by budgetary resources in the notes.

The portion of cumulative results of operations and unexpended appropriations attributable to Funds from Dedicated Collections must, if material, be shown separately on the Balance Sheet, as

discussed in Note 21. Agencies may present combined or consolidated amounts and the presentation must be labeled accordingly. (Note that the FR presents dedicated collections on a combined basis.) Agencies have the option to use separate lines to display information on Funds from Dedicated Collections on the Balance Sheet (Illustrative Balance Sheet Option A) or to use parenthetical amounts within line item totals (Illustrative Balance Sheet Option B). Agencies that use Option A are encouraged to use option A for the Statement of Changes in Net Position (and vice versa). If an agency presents a consolidated net position for Funds from Dedicated Collections, it may disclose a crosswalk from the consolidated to combined net position amounts in the Funds from Dedicated Collections Note. See page 96 of the Department of Interior's FY 2017 AFR for an example of such a crosswalk and Note 21 for a link to the AFR.

SFFAS 31, *Accounting for Fiduciary Activities*, provides that deposit funds meeting the definition of fiduciary activities should not be included in the body of the financial statements and should be disclosed in a note. Deposit funds that do not meet the definition of fiduciary activities or that are explicitly excluded from fiduciary activities by SFFAS 31 should be reported on the Balance Sheet.

### II.3.3.2A. Illustrative Statement - Balance Sheet Option A

Department/Agency/Reporting Entity BALANCE SHEETS As of September 30, 2xxx (CY) and 2xxx (PY) (in dollars/thousands/millions)		
	2xxx (CY)	2xxx (PY)
<b>Assets (Note 2):</b>		
<b>Intragovernmental:</b>		
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 12)	XXX	XXX
6. Total intragovernmental	<u>XXX</u>	<u>XXX</u>
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 receivables, net (Note 7)	XXX	XXX
11. Direct loan and loan guarantees, 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 12)	<u>XXX</u>	<u>XXX</u>
15. Total assets	<u>\$    X,XXX</u>	<u>\$    X,XXX</u>
16. Stewardship PP&E (Note 11)		
<b>Liabilities (Note 13):</b>		
<b>Intragovernmental:</b>		
17. Accounts payable	\$     XXX	\$     XXX
18. Debt (Note 14)	XXX	XXX
19. Other (Notes 15, 16, and 17)	XXX	XXX
20. Total intragovernmental	<u>XXX</u>	<u>XXX</u>
21. Accounts payable	XXX	XXX
22. Loan guarantee liability (Note 8)	XXX	XXX
23. Debt held by the public (Note 14)	XXX	XXX
24. Federal employee and veteran benefits (Note 15)	XXX	XXX
25. Environment and disposal liabilities (Note 16)	XXX	XXX
26. Benefits due and payable	XXX	XXX
27. Other (Notes 15, 16, 17, 18 and 19)	<u>XXX</u>	<u>XXX</u>
28. Total liabilities	<u>\$    X,XXX</u>	<u>\$    X,XXX</u>
29. Commitments and contingencies (Note 20)		
<b>Net Position:</b>		
30. Unexpended appropriations – Funds from dedicated collections (Combined or Consolidated Totals) (Note 21)	\$     XXX	\$     XXX
31. Unexpended appropriations – All other funds (Combined or Consolidated Totals)	XXX	XXX
32. Cumulative results of operations – Funds from dedicated collections (Combined or Consolidated Totals) (Note 21)	XXX	XXX
33. Cumulative results of operations – All other funds (Combined or Consolidated)	<u>XXX</u>	<u>XXX</u>
34. Total net position – Funds from dedicated collections (Combined or Consolidated Totals) (Note 21)	X,XXX	X,XXX
35. Total net position – All other funds (Combined or Consolidated Totals)	X,XXX	X,XXX
36. Total net position	<u>X,XXX</u>	<u>X,XXX</u>
37. Total liabilities and net position	<u>\$    X,XXX</u>	<u>\$    X,XXX</u>

The accompanying notes are an integral part of these statements.

### II.3.3.2B. Illustrative Statement - Balance Sheet Option B

Department/Agency/Reporting Entity BALANCE SHEETS As of September 30, 2xxx (CY) and 2xxx (PY) (in dollars/thousands/millions)			
	2xxx (CY)		2xxx (PY)
<b>Assets (Note 2):</b>			
<b>Intragovernmental:</b>			
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 12)	XXX		XXX
6. Total intragovernmental	<u>XXX</u>		<u>XXX</u>
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 receivables , net (Note 7)	XXX		XXX
11. Direct loan and loan guarantees, 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 12)	<u>XXX</u>		<u>XXX</u>
15. Total assets	<u>\$ X,XXX</u>	\$	<u>X,XXX</u>
16. Stewardship PP&E (Note 11)			
<b>Liabilities (Note 13):</b>			
<b>Intragovernmental:</b>			
17. Accounts payable	\$ XXX	\$	XXX
18. Debt (Note 14)	XXX		XXX
19. Other (Notes 15, 16, and 17)	XXX		XXX
20. Total intragovernmental	<u>XXX</u>		<u>XXX</u>
21. Accounts payable	XXX		XXX
22. Loan guarantee liability (Note 8)	XXX		XXX
23. Debt held by the public (Note 14)	XXX		XXX
24. Federal employee and veteran benefits (Note 15)	XXX		XXX
25. Environment and disposal liabilities (Note 16)	XXX		XXX
26. Benefits due and payable	XXX		XXX
27. Other (Notes 15, 16 , 17, 18 and 19)	<u>XXX</u>		<u>XXX</u>
28. Total liabilities	<u>\$ X,XXX</u>	\$	<u>X,XXX</u>
29. Commitments and contingencies (Note 20)			
<b>Net Position:</b>			
30. Unexpended appropriations – (Includes funds from dedicated collections of \$XX in FY 2XXX (CY) and \$XX in FY 2XXX (PY) (Combined or Consolidated Totals) (Note 21)	\$ XXX	\$	XXX
31. Cumulative results of operations – (Includes funds from dedicated collections of \$XX in FY 2XXX (CY) and \$XX in FY 2XXX (PY) (Combined or Consolidated Totals) (Note 21)	XXX		XXX
32. Total net position (Includes funds from dedicated collections of \$XX in FY 2XXX (CY) and \$XX in FY 2XXX (PY) (Combined or Consolidated Totals) (Note 21)	<u>\$ X,XXX</u>	\$	<u>X,XXX</u>
33. Total liabilities and net position	<u>\$ X,XXX</u>	\$	<u>X,XXX</u>

The accompanying notes are an integral part of these statements.

### ***II.3.3.3. Assets***

**General Categories.** Assets are tangible or intangible items owned by the Government that have probable economic benefits that can be obtained or controlled by a Federal entity. The intragovernmental assets of an agency must be separately reported on the face of the Balance Sheet. Non-entity assets, which may be intragovernmental or non-governmental (i.e., non-Federal), must be disclosed in the notes. Entity, non-entity, and intragovernmental assets are defined in accordance with SFFAS 1, *Accounting for Selected Assets and Liabilities*.

**Entity Assets.** These are assets that the reporting entity has authority to use in its operations. Management may have authority to decide how funds are used or it may be legally obligated to use the funds a certain way, e.g., to repay loans from Treasury.

**Non-Entity Assets.** These are assets held by an entity that are not available to the entity, e.g., income tax receivables, which the Internal Revenue Service collects but has no authority to spend.

Consolidate entity and non-entity assets, except for non-entity assets meeting the definition of fiduciary assets, on the face of the Balance Sheet (e.g., entity intragovernmental accounts receivable and non-entity intragovernmental accounts receivable must be consolidated and reported as a single intragovernmental accounts receivable line item on the Balance Sheet). Disclose non-entity assets in a note (Note 2) and non-entity assets meeting the definition of fiduciary assets (Note 38).

**Intragovernmental Assets.** These assets arise from transactions among Federal entities and 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). "Non-Federal entity" encompasses domestic and foreign persons and organizations outside the Government.

**Fund Balance with Treasury (FBWT).** This is the amount in the entity's accounts with Treasury that is available only for the purposes for which the funds were appropriated (Statement of Federal Financial Accounting Concepts (SFFAC) 2, *Entity and Display*, paragraph 84). According to SFFAS 1, paragraph 31, this is the aggregate amount for which the entity is authorized to make expenditures and pay liabilities and it includes balances held by the entity on behalf of the Government or other entities (receipt accounts, which include clearing/suspense accounts). This includes general funds, revolving funds, special funds, trust funds, deposit funds, clearing accounts, miscellaneous receipt accounts, and the dollar equivalent of certain foreign currency account balances.

FBWT meeting the definition of fiduciary FBWT should not be recognized on the Balance Sheet, but should be disclosed in accordance with the provisions of SFFAS 31.

Reporting of non-fiduciary deposit funds depends on ownership and control. In most instances, non-fiduciary deposit funds are controlled by the Government and the FBWT for funds should be reported as "intragovernmental." Examples of intragovernmental non-fiduciary deposit funds include deposit funds that are used to hold unpaid payroll withholdings, unearned revenues, and

certain collections that may or may not be distributed to non-federal parties depending upon the results of research or legal or agency judgment. Agencies with non-fiduciary deposit funds that appear to be controlled by non-Federal entities should contact Fiscal Service and OMB for further reporting instructions. Balances held in non-fiduciary deposit funds that are held by the Government on behalf of non-Federal entities or individuals should be offset by a liability and classified as non-entity assets in Note 2.

Total FBWT should tie to the sum of the balances reflected on the Central Accounting Reporting System (CARS) Account Statement for the entity's Treasury Account Symbols. An adjustment will need to be made for available receipts appropriated/credited to the related expenditure accounts since the balances will appear in both the receipt ledger and the account statement for the expenditure account.

FBWT includes amounts deposited in a Treasury General Account bank for which the agency has a confirmed deposit ticket. Deposits made but not confirmed should be recorded as Undeposited Collections and reported on the Balance Sheet in Cash and Other Monetary assets. Disbursements not confirmed by the last day of the month should not reduce FBWT balances or be considered an outlay until the payments are processed. They should be reported as Disbursements in Transit. For additional information, see TFM Vol. 1, Part 2, Chapters 3300 and 3400.

The proper reporting of Intragovernmental Payment and Collection (IPAC) transactions at fiscal year-end can be found in TFM Volume I, Part 6, Chapter 4000, *IPAC System*, Section 4030.30.

Treasury requires that agencies reconcile their FBWT accounts monthly to ensure the integrity and accuracy of their internal and Government-wide FR data.

**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 including non-confirmed collections and disbursements; (iii) investments held outside of Treasury; and, (iv) foreign currencies, which will be converted 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. Cash and other monetary assets the reporting entity holds and is authorized to spend is entity cash. Cash and other monetary assets a Federal entity collects and holds on behalf of the Government or other entities are non-entity cash and other monetary assets. The components of cash and other monetary assets must be disclosed in the notes (Note 4).

**Investments.** Investments in Federal securities must 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 include those issued by State and local governments, Government-sponsored enterprises, and 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, must be disclosed in the notes (Note 5). See SFFAS 1.

Reporting entities with material investments in Treasury securities attributable to Funds from Dedicated collections must include in the required note on investments (Note 5) information described in SFFAS 27, *Identifying and Reporting Funds from Dedicated Collections*, as amended by SFFAS 43. Agencies with non-fiduciary deposit funds with investment authority that report intragovernmental FBWT should also report investments in Treasury securities as intragovernmental.

**Accounts Receivable, Net.** This represents Federal entity claims for payment from other (Federal or non-Federal) entities. Gross receivables must 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).

Pursuant to Treasury's policy on intragovernmental receivables dated September 15, 2017, and as reflected in the TFM 2-4700, agencies may not recognize any allowance for loss on intragovernmental accounts receivable. Agencies should continue to report all intragovernmental receivables until resolved.

**Taxes Receivable, Net.** This represents Federal entity claims for taxes owed by the public. Gross receivables must 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).

**Interest Receivable, Net.** This is interest income earned but not received as of the reporting date. Report interest receivable as a component of the appropriate asset account. No interest will be recognized as revenue on accounts receivable and investments that are determined to be uncollectible until the interest is collected. Accrued interest on uncollectible accounts receivable, however, must be disclosed until the requirement to pay interest is waived by the 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 must be reported as a component of loans receivable and related foreclosed property.

**Direct Loan and Loan Guarantees, Non-Federal Borrowers.** The net value of credit program receivables and related foreclosed property are considered entity assets if the entity has the authority to determine the use of the funds collected or if the entity is obligated to use the funds to meet its obligations, e.g., loans payable to Treasury. Disclose the components of this line in the notes (Note 8).

**Receivable from Borrowings.** When a loan guarantee program that 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 may not be reported. 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.** Except as noted for seized property below, disclose additional information about each category below in the notes (Note 9).

<b>CATEGORY</b>	<b>DESCRIPTION</b>
<b>Inventory</b>	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.
<b>Operating materials and supplies</b>	Tangible personal property to be consumed in normal operations.
<b>Stockpile materials</b>	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.
<b>Seized property</b>	<p>Property seized by a "seizing agency" (that is, a Federal agency that seizes property as part of its law enforcement activities) that is in the actual or constructive possession of a custodial agency. Seized property consists of property of any type over which the Federal Government has exercised its right to assert possession and control in opposition to any other party asserting a legal interest in the property. There are two categories of seized property for financial reporting: (1) property of value and (2) non-valued property. Seized property of value includes monetary instruments, real property, and tangible personal property. <u>Only monetary instruments will be recognized as seized assets when seized and a liability will be reported in Other Liabilities in an amount equal to the seized asset value.</u> Information regarding seized property of value other than monetary instruments should be disclosed in the notes (Note 9).</p> <p>Non-valued seized property includes tangible personal property of an unlawful nature such as illegal drugs, firearms, counterfeit currencies, other illegal counterfeit items, and other prohibited items such as animal skins obtained from illegal poaching. No legal market exists for such property or the property does not have a salable value to the Federal Government.</p>

<b>Forfeited property</b>	(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.
<b>Goods held under price support and stabilization programs</b>	These goods are referred to as commodities. Commodities are items of commerce or trade having an exchange value.

**General Property, Plant and Equipment, Net.** FASAB standards define general property, plant, and equipment (PP&E) as: “Tangible assets that (1) have an estimated useful life of 2 or more years; (2) are not intended for sale in the ordinary course of operations; and, (3) are intended to be used or available for use by the entity.” PP&E must be capitalized, i.e., reported on the Balance Sheet and depreciated (as discussed below).

See SFFAS 6, *Accounting for PP&E*, as amended by SFFAS 11; SFFAS 23, *Eliminating the Category National Defense PP&E*; SFFAS 29, *Heritage Assets and Stewardship Land*; and SFFAS 50, *Establishing Opening Balances for General Property, Plant, and Equipment: Amending SFFAS 6, SFFAS 10, and SFFAS 23 and Rescinding SFFAS 35*. SFFAS 6 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 and minimum disclosure requirements for general PP&E (Note 10). SFFAS 50 allows a reporting entity, under specific conditions, to apply alternative methods to establish opening balances for general PP&E.

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

- It is primarily used to produce goods or services or to support the mission of the entity, but it may also be used for alternative purposes (e.g., by other Federal programs, State or local governments, or non-governmental entities), or
- 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
- It is used by entities in activities whose costs can be compared to other entities performing similar activities.

For entities with business-type activities, all PP&E must 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 must be included in general PP&E.

Internal use software, whether commercial off-the-shelf, internally developed, or contractor developed, must be capitalized and amortized if it meets the criteria of general PP&E. Refer to SFFAS 10, *Accounting for Internal Use Software*; SFFAS 50; and FASAB Technical Release (TR) 16 *Implementation Guidance for Internal Use Software* for further guidance.

Depreciation must 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.

Multi-use heritage assets are heritage assets predominantly used in general Government operations (e.g., the main Treasury building, which is also used as an office building). The cost of acquisition, betterment, or reconstruction of multi-use heritage assets must be capitalized as general PP&E and depreciated with an appropriate note disclosure explaining that physical quantity information for the multi-use heritage assets is included in the Stewardship PP&E (Note 11).

Agencies must recognize impairments of PP&E that will remain in use by the agency, in accordance with SFFAS 44, *Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use*.

**Stewardship PP&E.** Stewardship PP&E consists of assets whose physical properties resemble those of general PP&E traditionally capitalized in financial statements, but because of unique characteristics of Stewardship PP&E, valuation would be difficult and matching costs with specific periods would not be meaningful. To demonstrate accountability for these assets, entities must report on their existence. Stewardship PP&E includes:

**Heritage assets:** Heritage PP&E are PP&E that are unique for one or more of the following reasons: (1) historical or natural significance, (2) cultural, educational, or artistic importance, or (3) significant architectural characteristics. Heritage assets consist of (1) collection type heritage assets, such as objects gathered and maintained for exhibition, and (2) non-collection-type heritage assets, such as parks, memorials, monuments, and buildings. Heritage assets are generally expected to be preserved indefinitely.

**Stewardship Land:** Stewardship land is land and land rights owned by the Government but not acquired for or in connection with items of general PP&E. Examples include forests, parks, and land used for wildlife and grazing.

Under SFFAS 29, heritage asset and stewardship land information is classified as basic information. Entities must include a note on the Balance Sheet disclosing non-financial information about heritage assets and stewardship land. The note disclosure (Note 11) must provide minimum reporting requirements, as specified in SFFAS 29.

**Other Assets.** "Other" assets are assets not reported in a separate category on the face of the Balance Sheet, including assets that are immaterial to the entity and do not warrant separate reporting. Reporting entities should disclose in the notes the amount and nature of categories of other assets (Note 12).

Other assets may include general PP&E removed from service but not yet disposed, advances, and prepayments. 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.

### ***II.3.3.4. 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 must 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 5, *Accounting for Liabilities of The Federal Government*, describes the general principles governing the recognition of a liability.

Liabilities must be recognized when they are incurred regardless of whether they are covered by available budgetary resources, including liabilities related to canceled appropriations.

Liabilities are classified as liabilities covered by budgetary resources, liabilities not covered by budgetary resources, and liabilities not requiring budgetary resources.

***Liabilities Covered by Budgetary Resources.*** This includes liabilities incurred that are covered by realized budgetary resources as of the Balance Sheet date. 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 covered by budgetary resources if they are to be funded by permanent indefinite appropriations provided that the resources may be apportioned by OMB without further action by the Congress and without a contingency having to be met first. See Treasury's USSGL Approved Scenarios at [https://www.fiscal.treasury.gov/fsreports/ref/ussgl/approved\\_scenarios/approved\\_scenarios.htm](https://www.fiscal.treasury.gov/fsreports/ref/ussgl/approved_scenarios/approved_scenarios.htm).

***Liabilities Not Covered by Budgetary Resources.*** This is for liabilities that are not covered by budgetary resources, as provided in the previous paragraph, and that will require budgetary resources.

***Liabilities Not Requiring Budgetary Resources.*** This is for liabilities that have not in the past required and will not in the future require the use of budgetary resources, e.g., liabilities for clearing accounts, non-fiduciary deposit funds, custodial collections, and unearned revenue.

Aggregate all liabilities of the same type 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 should be aggregated 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 the notes (Note 13).

**Intragovernmental Liabilities.** These liabilities arise from transactions among Federal entities and are claims against a Federal entity by other Federal entities. Report intragovernmental liabilities separately from claims against the entity by non-Federal entities, which include Government-sponsored enterprises and the Federal Reserve.

**Accounts Payable.** These are 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.** This is interest incurred but unpaid on liabilities of the reporting entity and should be reported as a component of the appropriate liability accounts.

**Liabilities for Loan Guarantees.** For post-1991 loan guarantees, this is the present value of the estimated net cash flows to be paid as a result of loan guarantees. For pre-1992 loan guarantees, this is the amount of known and estimated losses payable. Disclose the components of the line in the notes (Note 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 must be shown as a liability and negative components disclosed (Note 8).

**Debt.** This includes amounts borrowed from the Treasury, the Federal Financing Bank, other Federal agencies, and the public under general or special financing authority (e.g., Treasury bills, notes, bonds and Federal Housing Administration debentures). The components of debt must be disclosed in the notes (Note 14).

**Federal Employee and Veteran Benefits.** Entities responsible for accounting for pensions, other retirement benefits (ORB) (e.g., health benefits for retirees), and other post-employment benefits (OPEB) should calculate and report these liabilities and related expenses in accordance with SFFAS 5. Liabilities for Federal employee and veteran benefits include the actuarial portion of these benefits, but do not include liabilities related to employees' accrued salary or accrued annual leave, which are reported in the Other Liabilities line item. Disclose in the notes the actuarial liabilities, assumptions used to compute the actuarial liabilities, and the components of expense for the period for pensions, ORB, and OPEB (Note 15).

**Environmental and Disposal Liabilities.** SFFAS 5 provides criteria for recognizing a contingent liability, which will be applied to determine if cleanup costs should be recognized as liabilities or disclosed. SFFAS 6 provides guidance for recording cleanup costs related to general PP&E and stewardship PP&E used in Federal operations and applies to cleanup costs from Federal operations known to result in hazardous waste that the Federal Government is required by Federal, State or local statutes or regulations to clean up. Depending on materiality, the liability for cleanup costs may be displayed separately or included with other liabilities. The disclosures required for liabilities (Note 16) for cleanup costs are described in SFFAS 6.

Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*, affects all entities that own tangible PP&E containing asbestos. The Bulletin requires the recognition of a liability and expense for friable and non-friable asbestos cleanup costs when the amounts are both probable and reasonably estimable, consistent with SFFAS 5, SFFAS 6, and TR 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*. Liabilities deemed probable, but not reasonably estimable, should be disclosed in the notes (Note 16).

TR 10, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*, addresses implementation questions and clarifies requirements regarding the application of Technical Bulletin 2006-1 as it relates to asbestos cleanup costs associated with facilities and installed equipment. TR 11, *Implementation Guidance on Cleanup Costs Associated with Equipment*, addresses when cleanup costs should be recognized as an environmental liability and when they should be expensed as a cost of routine operations.

**Benefits Due and Payable.** These are amounts owed to program recipients or medical service providers as of the Balance Sheet date that have not been paid and include payables for benefits, goods, or services under the terms of a benefits program (other than Federal employee and veteran 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 but not yet reported to the Federal entity). Benefit programs reported on this line item include 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 (UI), and Black Lung.

**Other Liabilities.** This covers liabilities not recognized in any previous category and includes liabilities that are immaterial to the agency. It also includes liabilities related to grants payable, capital leases, insurance and guarantee programs, advances and prepayments, deposit fund amounts held in escrow, and accrued liabilities related to ongoing continuous expenses such as Federal employee salaries, accrued employee annual leave, and accrued leave in a voluntary leave bank program. This item also covers adjudicated losses due to litigation, claims and contingencies. Cleanup costs are reported as other liabilities if they are not material to the Balance Sheet and as environmental and disposal liabilities if they are material.

Separate line items for other liabilities is appropriate if the amounts are material to the Balance Sheet. Items not separately reported must be disclosed along with any additional information necessary to understand the liabilities in the notes (Note 17).

**Lease Liabilities.** SFFAS 5 and SFFAS 6 provide the liability criteria and recognition guidance for the liability for capital leases. Report the lease liability (including those capital leases entered into during FY 1992 and thereafter and required to be fully funded in the first year of the lease according to OMB Circular A-11, Appendix B—Budgetary Treatment of Lease-Purchases and Leases of Capital Assets, Summary Table following Section 1(d)), as a component of other liabilities and disclose the components of and other information about the capital lease liability in the notes (Note 18).

For **FY 2021**, SFFAS 54, *Leases*, will apply; earlier implementation is not permitted.

**Insurance and Guarantee Program Liabilities.** Report insurance and guarantee program liabilities, except social insurance and loan guarantee programs, as a component of the other liabilities line item on the Balance Sheet and disclose life insurance liabilities in the notes (Note 19) and other insurance and guarantee program liabilities in a separate note or the other liabilities note. Entities with Federal insurance and guarantee programs, except social insurance and loan guarantee programs, must 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 when there is an existing condition, situation, or set of circumstances involving uncertainty as to possible loss and the uncertainty will ultimately be resolved when a future event occurs or fails to occur, a future outflow or other sacrifice of resources becomes probable, and the future outflow or sacrifice of resources is measurable. Life insurance programs will recognize a liability for future policy benefits in addition to the unpaid claims incurred liability.

For **FY 2019**, SFFAS 51, *Insurance Programs*, will govern the recognition and measurement of insurance liabilities; for FY 2018, SFFAS 51 is not applicable. SFFAS 51 identifies three categories of insurance programs: exchange transaction insurance programs other than life insurance, nonexchange transaction insurance programs, and life insurance programs. For exchange transaction programs other than life insurance, liabilities must be reported for unearned premiums, unpaid insurance claims, and losses on remaining coverage as specified in SFFAS 51 paragraphs 25-37. For nonexchange transactions, liabilities must be reported for unpaid insurance claims as specified in SFFAS 51 paragraphs 45-48. For life insurance, liabilities must be reported for losses on remaining coverage and future policy benefits as specified in SFFAS 51 paragraphs 55-64.

**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 a future event occurs or fails to occur. A contingent liability should be recorded when a past event or exchange transaction has occurred, a future outflow or other sacrifice of resources is probable, and the future outflow or sacrifice of resources is measurable. Contingencies that do not meet any of the conditions for liability recognition, but for which there is at least a reasonable possibility that a loss or an additional loss may have been incurred, should be disclosed (Note 20). Additional information related to contingencies:

- The terms “probable” and “measurable” are defined in SFFAS 5.
- The contingent liability for pending or threatened litigation and unasserted claims is recognized when the future outflow or other sacrifice of resources is “likely to occur” (as provided in SFFAS 12, *Recognition of Contingent Liabilities Arising from Litigation: An Amendment of SFFAS 5*); the other criteria for recording a contingent liability remain unchanged.
- If a contingency exists for cleanup costs related to stewardship PP&E, probable and measurable liabilities will be recognized when the stewardship PP&E is placed in service. (See SFFAS 5; SFFAS 6; and TR 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*)
- 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) claims against the Federal Government that are in judicial proceedings, (3) the unfunded portion of total liabilities to international organizations, (4) litigation addressing claims for equity relief or non-monetary judgments (lawsuits where claimants are seeking specific actions by a Federal agency), and (5) other claims that may derive from treaties or international agreements.

In addition to the contingent liabilities required by SFFAS 5, the following commitments must be disclosed in the notes: (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 that may require future financial obligations (Note 20).

### ***II.3.3.5. Net Position***

The components of net position are classified as follows:

**Unexpended Appropriations.** This includes the portion of the entity's appropriations represented by undelivered orders and unobligated balances. Unexpended appropriations on the Balance Sheet must equal unexpended appropriations on the SCN. Unexpended appropriations attributable to Funds from Dedicated Collections, if material, should be shown separately on the face of the Balance Sheet and should equal unexpended appropriations in the notes (Note 21).

**Cumulative Results of Operations.** This is 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. Cumulative results of operations on the Balance Sheet should equal cumulative results of operations on the SCN. Cumulative results of operations attributable to Funds from Dedicated Collections, if material, should be shown separately on the face of the Balance Sheet and should equal the cumulative results of operations in the Funds from Dedicated Collections Note, in accordance with SFFAS 27, as amended by SFFAS 43 (Note 21).

## **II.3.4. Statement of Net Cost**

### ***II.3.4.1. Introduction***

#### **Major Programs**

The SNC should show the reporting entity's net cost of operations as a whole and by major programs. Major program definition is at the entity's discretion. Programs not deemed "major" should be grouped together.

The organizational structure and operations of some entities may require supporting schedules supplementing the information in the SNC. Supporting schedules should be disclosed in the notes and displayed by suborganizations and corresponding programs. The program structure should report "full costs," defined below, and related exchange revenue for each program as defined by the entity (Note 22).

SFFAS 33, *Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation*, requires that entities reporting liabilities for Federal civilian and military employee pensions, ORB, and OPEB, including veterans' compensation, report these changes on separate line(s) on the SNC to show gains and losses from changes in long-term assumptions. If the reporting entity incurs general management and administrative support costs and exchange revenues that cannot be traced, assigned, or directly associated to segments and their outputs, the support costs and exchange revenues may be reported as costs not assigned to programs and other exchange revenues or may be allocated to the reported programs.

#### **Components of Net Cost of Operations**

The SNC is designed to show separately the components of the net cost of the reporting entity's operations for the reporting period. Net cost of operations is the cost incurred by the entire reporting entity less any exchange revenue earned. The SNC should include: (1) program costs,

(2) related exchange revenue, (3) the excess of costs over exchange revenues (net program costs), (4) gain/loss on pension, ORB, or OPEB assumption changes, (5) any costs that cannot be assigned to specific programs or outputs, and (6) exchange revenues that cannot be attributed to specific programs and outputs.

### **Full Cost**

SFFAS 30, *Inter-Entity Cost Implementation, Amending SFFAS 4*, defines “full cost” to include costs of services provided by other entities whether or not the providing entity is fully reimbursed and requires entities to report programs at full cost. The provider of goods or services is responsible for providing receiving entities its full cost information through billing or other information. Recognition of inter-entity costs not fully reimbursed is limited to material items that: (1) are significant to the receiving entity’s output, (2) form an integral or necessary part of the receiving entity’s output, and (3) can be identified or matched to the receiving entity with reasonable precision. Broad and general support services provided by an entity to all or most other entities generally are not recognized unless the services are a vital and integral part of the operations or output of the receiving entity. Additional guidance on inter-entity costs is available in TR 8, *Clarification of Standards Relating to Inter-Entity Costs*.

SFFAS 55, *Amending Inter-Entity Cost Provisions*, is **effective for FY 2019** and **may be implemented early**. It maintains the requirement for full cost recognition for inter-entity costs associated with business-type activities. In addition, it permits, but does not require, full cost recognition for unreimbursed inter-entity costs of non-business type activities except for personnel benefit costs and Treasury Judgment Fund settlement costs, both of which must continue to be recognized. See SFFAS 55, paragraphs 3 through 8 for details.

### II.3.4.2. Illustrative Statement - Statement of Net Cost

Department/Agency/Reporting Entity STATEMENTS OF NET COST For the Years Ended September 30, 2xxx (CY) and 2xxx (PY) (in dollars/thousands/millions)		
	2xxx (CY)	2xxx (PY)
Gross Program Costs (Note 22)		
Program A:		
Gross costs	\$ xxx	\$ xxx
Less: earned revenue	<u>-xxx</u>	<u>-xxx</u>
Net program costs:	\$ <u>xxx</u>	\$ <u>xxx</u>
Other Programs:		
Program B:	xxx	xxx
Program C:	xxx	xxx
Program D:	xxx	xxx
Program E	xxx	xxx
Other programs:	xxx	xxx
Less: earned revenue	<u>-xxx</u>	<u>-xxx</u>
Net other program costs:	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>
(Gain)/Loss on pension, ORB, or OPEB		
Assumption changes (Note 15):	\$ <u>-xxx</u>	\$ <u>-xxx</u>
Net program costs including		
Assumption changes:	\$ <u>xxx</u>	\$ <u>xxx</u>
Cost not assigned to programs	xxx	xxx
Less: earned revenues not attributed to programs	<u>-xxx</u>	<u>-xxx</u>
Net cost of operations	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>

The accompanying notes are an integral part of these statements.

### II.3.4.3. Gross Program Costs

The entity should report the full cost of each program's output, which consists of: (a) direct and indirect costs of the output and (b) the costs of identifiable supporting services provided by other segments within the entity and by other entities. The entity should accumulate and assign costs in accordance with the costing methodology in SFFAS 4, *Managerial Cost Accounting Standards and Concepts*. Program costs should include any non-production costs that can be assigned to the program but not necessarily to its outputs.

In accordance with SFFAS 4, as amended by SFFAS 30, the costs of program outputs include the costs of services provided by other entities whether or not the providing entity is fully reimbursed. SFFAS 30 requires full implementation of the inter-entity cost provision in SFFAS 4.

Examples of unreimbursed costs that entities are required to recognize include: (1) employees' pension and post-retirement health and life insurance benefits, (2) OPEB for retired, terminated, and inactive employees, which include unemployment and workers compensation under the Federal Employees' Compensation Act, and (3) losses in litigation proceedings (addressed in FASAB Interpretation 2, *Accounting for Treasury Judgment Fund Transactions*). For employee benefits, the imputed cost is the difference between employer and employee contributions and the

total cost of the benefit.

In accounting for partially or completely unreimbursed inter- or intra-entity costs, entities should refer to SFFAS 4 or SFFAS 30, cited above; SFFAS 5; Interpretation 2, cited above; Interpretation 6, *Accounting for Imputed Intra-departmental Costs*; TR 8, *Clarification of Standards Relating to Inter-entity Costs*; and/or the USSGL. Reporting entities should also consult with the funding and administering agencies, such as the Office of Personnel Management (OPM), for information needed to record inter-entity costs.

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

- The cost of acquiring, constructing, improving, reconstructing, or renovating heritage assets other than multi-use heritage assets and
- The cost of acquiring stewardship land.

Agencies should consider differentiating other significant costs if doing so improves the usefulness of the statements (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.

As noted in II.3.4.1, SFFAS 55, *Amending Inter-Entity Cost Provisions*, is **effective for FY 2019**, but **may be implemented early**.

#### ***II.3.4.4. Earned Revenues***

Earned revenues or exchange revenues arise when an entity provides goods and services to the public or another Government entity for a price. The full amount of exchange revenue is reported on the SNC 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 agency is reported as a transfer out on the SCNP. See SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*.

Earned revenues should be deducted from the full cost of outputs or outcomes to determine 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 and the attribution of earned revenues requires the exercise of managerial judgment. It is important to provide users of the SNC with the ability to ascertain whether earned revenues are sufficient to cover the costs incurred to produce the goods or services involved. Earned revenues are deducted from the gross cost of programs to determine net program costs.

For **FY 2019**, earned revenues for insurance programs must be reported pursuant to SFFAS 51; for FY 2018, SFFAS 51 is not applicable. Exchange transaction insurance programs other than life insurance must recognize premiums as revenue when earned; life insurance programs must report earned revenue for premiums when due from policyholders. Nonexchange transaction insurance programs should apply general revenue recognition standards as found in SFFAS 7, as amended.

#### ***II.3.4.5. Net Program Costs***

This is the difference between a program's gross costs and its related earned revenues. If a program does not have earned revenue, gross and net program costs are the same and can be referred to as "total" program costs.

#### ***II.3.4.6. (Gain)/Loss on Pension, ORB, or OPEB Assumption Changes***

Entities reporting liabilities for Federal civilian and military employee pensions, ORB, and OPEB, including veterans' compensation, should report on a separate line gains and losses from changes in long-term assumptions used to measure these liabilities. For further guidance, see SFFAS 33.

#### ***II.3.4.7. Costs Not Assigned to Programs***

An 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 SNC as "costs not assigned to programs."

#### ***II.3.4.8. Earned Revenues Not Attributed to Programs***

Earned revenue that is immaterial 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 entity as a whole.

#### ***II.3.4.9. Net Cost of Operations***

This is gross cost less any earned revenue.

### **II.3.5. Statement of Changes in Net Position**

#### ***II.3.5.1. Introduction***

The SCNP reports the change in net position during the reporting period, which results from changes to Unexpended Appropriations and Cumulative Results of Operations. See Note 21 and SFFAS 43, *Funds from Dedicated Collections: Amending SFFAS 27*, for details on Funds from Dedicated Collections. Non-exchange revenue, other financing sources, appropriations and net cost of operations for Funds from Dedicated Collections should be shown separately on the SCNP if the Funds from Dedicated Collections are:

- the predominant source of revenue and other financing sources or
- if one (or more) of the entity's Fund(s) from Dedicated Collections is (are) of immediate concern to the constituents of the fund, politically sensitive, controversial, or accumulating large balances or if the information provided in the financial statements would be a primary source of financial information for the public (e.g., Social Security and Medicare programs).

Agencies may present combined or consolidated amounts for Funds from Dedicated Collections and the presentation must be labeled accordingly; if consolidated amounts are shown, a crosswalk to combined amounts may be disclosed. Agencies have the option to use separate lines or columns to display information on Funds from Dedicated Collections on the face of the SCNP (Illustrative SCNP Option A) or to use an alternative format with

parenthetical amounts within line item titles (Illustrative SCNPs Option B). Agencies that use Option A for the SCNPs are encouraged to use Option A for the Balance Sheet (and vice versa).

## II.3.5.2A. Illustrative Statement of Changes in Net Position Option A

Statement of Changes in Net Position for the Year Ended September 30, 20XX (In dollars/thousands/millions)				
	FY 20XX (CY)			
	Funds from Dedicated Collections (Combined or Consolidated Totals) (Note 21)	All Other Funds (Combined or Consolidated Totals)	Eliminations	Consolidated Total
<b>Unexpended Appropriations:</b>				
1. Beginning Balance	xxx	xxx	xxx	xxx
2. Adjustments:				
2A. Changes in accounting principles	xxx	xxx	xxx	xxx
2B. Corrections of errors	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
3. Beginning Balance, as adjusted	xxx	xxx	xxx	xxx
<b>Budgetary Financing Sources:</b>				
4. Appropriations received	xxx	xxx	xxx	xxx
5. Appropriations transferred in/out	xxx	xxx	xxx	xxx
6. Other Adjustments	xxx	xxx	xxx	xxx
7. Appropriations used	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
8. Total Budgetary Financing Sources	xxx	xxx	xxx	xxx
<b>9. Total Unexpended Appropriations</b>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
<b>Cumulative Results from Operations:</b>				
10. Beginning Balances	xxx	xxx	xxx	xxx
11. Adjustments:				
11A. Changes in accounting principles	xxx	xxx	xxx	xxx
11B. Corrections of errors	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
12. Beginning Balance, as adjusted	xxx	xxx	xxx	xxx
<b>Budgetary Financing Sources:</b>				
13. Other adjustments	xxx	xxx	xxx	xxx
14. Appropriations used	xxx	xxx	xxx	xxx
15. Nonexchange revenue	xxx	xxx	xxx	xxx
16. Donations and forfeitures of cash and cash equivalents	xxx	xxx	xxx	xxx
17. Transfers in/out without reimbursement	xxx	xxx	xxx	xxx
18. Other	xxx	xxx	xxx	xxx
<b>Other Financing Sources (Nonexchange):</b>				
19. Donations and forfeitures of property	xxx	xxx	xxx	xxx
20. Transfers in/out without reimbursement	xxx	xxx	xxx	xxx
21. Imputed financing	xxx	xxx	xxx	xxx
22. Other	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
23. Total Financing Sources	xxx	xxx	xxx	xxx
24. Net Cost of Operations	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
25. Net Change	xxx	xxx	xxx	xxx
<b>26. Cumulative Results of Operations</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
<b>27. Net Position</b>	<b><u>\$xxx</u></b>	<b><u>\$xxx</u></b>	<b><u>\$xxx</u></b>	<b><u>\$xxx</u></b>

The accompanying notes are an integral part of these statements.

**Illustrative Statement of Changes in Net Position Option A (Continued)**

Statement of Changes in Net Position for the Year Ended September 30, 20XX (In dollars/thousands/millions)				
	FY 20XX (PY)			
	Funds from Dedicated Collections (Combined or Consolidated Totals) (Note 21)	All Other Funds (Combined or Consolidated Totals)	Eliminations	Consolidated Total
<b>Unexpended Appropriations:</b>				
1. Beginning Balance	xxx	xxx	xxx	xxx
2. Adjustments:				
2A. Changes in accounting principles	xxx	xxx	xxx	xxx
2B. Corrections of errors	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
3. Beginning Balance, as adjusted	xxx	xxx	xxx	xxx
<b>Budgetary Financing Sources:</b>				
4. Appropriations received	xxx	xxx	xxx	xxx
5. Appropriations transferred in/out	xxx	xxx	xxx	xxx
6. Other Adjustments	xxx	xxx	xxx	xxx
7. Appropriations used	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
8. Total Budgetary Financing Sources	xxx	xxx	xxx	xxx
<b>9. Total Unexpended Appropriations</b>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
<b>Cumulative Results from Operations:</b>				
10. Beginning Balances	xxx	xxx	xxx	xxx
11. Adjustments:				
11A. Changes in accounting principles	xxx	xxx	xxx	xxx
11B. Corrections of errors	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
12. Beginning Balance, as adjusted	xxx	xxx	xxx	xxx
<b>Budgetary Financing Sources:</b>				
13. Other adjustments	xxx	xxx	xxx	xxx
14. Appropriations used	xxx	xxx	xxx	xxx
15. Nonexchange revenue	xxx	xxx	xxx	xxx
16. Donations and forfeitures of cash and cash equivalents	xxx	xxx	xxx	xxx
17. Transfers in/out without reimbursement	xxx	xxx	xxx	xxx
18. Other	xxx	xxx	xxx	xxx
<b>Other Financing Sources (Nonexchange):</b>				
19. Donations and forfeitures of property	xxx	xxx	xxx	xxx
20. Transfers in/out without reimbursement	xxx	xxx	xxx	xxx
21. Imputed financing	xxx	xxx	xxx	xxx
22. Other	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
23. Total Financing Sources	xxx	xxx	xxx	xxx
24. Net Cost of Operations	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
25. Net Change	xxx	xxx	xxx	xxx
<b>26. Cumulative Results of Operations</b>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
<b>27. Net Position</b>	<u>\$xxx</u>	<u>\$xxx</u>	<u>\$xxx</u>	<u>\$xxx</u>

### II.3.5.2B. Illustrative Statement of Changes in Net Position Option B

Statements of Changes in Net Position For the Years Ended September 30, 20XX (In dollars/thousands/millions)		
	<u>FY 2XXX(CY)</u>	<u>FY 2XXX (PY)</u>
1. <b>Unexpended Appropriations</b> (includes Funds from Dedicated Collections of \$XX in FY2XXX (CY) and \$XX in FY2XXX (PY)) (Combined or Consolidated Totals)-(Note 21)	xxx	xxx
<b>Budgetary Financing Sources:</b>		
2. Appropriations received	xxx	xxx
3. Appropriations transferred in/out	xxx	xxx
4. Other adjustments	xxx	xxx
5. Appropriations used	<u>xxx</u>	<u>xxx</u>
6. Total Budgetary Financing Sources (includes Funds from Dedicated Collections of \$XX in FY2XXX (CY) and \$XX in FY2XXX (PY)) (Combined or Consolidated Totals)-(Note 21)	<u>xxx</u>	<u>xxx</u>
7. <b>Total Unexpended Appropriations</b> (includes Funds from Dedicated Collections of \$XX in FY2XXX (CY) and \$XX in FY2XXX (PY)) (Combined or Consolidated Totals)-(Note 21)	<u>xxx</u>	<u>xxx</u>
<b>Cumulative Results of Operations:</b>		
8. Beginning balance, as adjusted (includes Funds from Dedicated Collections of \$XX in FY2XXX (PY) (Combined or Consolidated Totals)-(Note 21)	\$ xxx	\$ xxx
<b>Budgetary Financing Sources:</b>		
9. Other Adjustments	xxx	xxx
10. Appropriations used	xxx	xxx
11. Nonexchange revenue	xxx	xxx
12. Donations and forfeitures of cash and cash equivalents	xxx	xxx
13. Transfers in/out without reimbursement	xxx	xxx
14. Other	xxx	xxx
<b>Other Financing Sources (Nonexchange):</b>		
15. Donations and forfeitures of property	xxx	xxx
16. Transfers in/out without reimbursement	xxx	xxx
17. Imputed financing	xxx	xxx
18. Other	<u>xxx</u>	<u>xxx</u>
19. <b>Total Financing Sources</b> (includes Funds from Dedicated Collections of \$XX in FY2XXX (CY) and \$XX in FY2XXX (PY) (Combined or Consolidated Totals)-(Note 21)	xxx	xxx
20. <b>Net Cost of Operations</b> (includes Funds from Dedicated Collections of \$XX in FY2XXX (CY) and \$XX in FY2XXX (PY) (Combined or Consolidated Totals)-(Note 21)	xxx	xxx
21. <b>Net Change</b>	<u>xxx</u>	<u>xxx</u>
22. <b>Cumulative Results of Operations</b> (includes Funds from Dedicated Collections of \$XX in FY2XXX (CY) and \$XX in FY2XXX (PY) (Combined or Consolidated Totals)-(Note 21)	<u>xxx</u>	<u>xxx</u>
23. <b>Net Position</b>	\$ <u>xxx</u>	\$ <u>xxx</u>

The accompanying notes are an integral part of these statements.

### ***II.3.5.3. Funds from Dedicated Collections***

Nonexchange revenue, other financing sources, appropriations, and net cost of operations for Funds from Dedicated Collections should be shown separately on the SCNP if certain criteria are met as described in SFFAS 43. SFFAS 27, as amended by SFFAS 43, lists categories of funds that are excluded from the reporting requirements and provides guidance for cases in which more than one component entity is responsible for carrying out a program financed with revenues and financing sources that are Funds from Dedicated Collections.

Agencies are encouraged to use the columnar presentation in II.3.5.2 for the SCNP. The columns on the SCNP or in the Funds from Dedicated Collections Note can be either combined or consolidated within fund type, but must specify which is being used. If the columns are consolidated within fund type, the eliminations column will only display eliminations between Funds from Dedicated Collections and other funds. For the combined fund type column presentation, the eliminations column will display all SCNP eliminations.

If an agency chooses to use a linear presentation, then the agency must display the SCNP in the columnar format in a note. Linear presentation for the statement must also display the elimination amount for each affected statement line. Both presentations are subject to the note disclosure requirements (Note 21) in accordance with the provisions of SFFAS 27, as amended by SFFAS 43.

### **Mixed or Commingled Funds**

Resources from Funds from Dedicated Collections derived from trust or special fund receipts are often commingled or mixed with resources from the General Fund of the U.S. Government. See OMB Circular A-11, Section 130.20 for further information on mixed funds.

If the predominant source of a mixed fund is Funds from Dedicated Collections, the entire fund may be reported in the financial statements as Funds from Dedicated Collections. Whether a mixed fund is reported as Funds from Dedicated Collections depends upon the predominant use of the fund and whether the fund as a whole meets the definition of Funds from Dedicated Collections in SFFAS 27, as amended by SFFAS 43. SFFAS 27, as amended, explains that “Fund in this Statement’s definition of Funds from Dedicated Collections refers to a ‘fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.’”

### ***II.3.5.4. Net Position - Beginning Balances***

If material, the net position balances attributable to Funds from Dedicated Collections are reported separately from all other funds. Beginning balances must agree with amounts on the prior year's Balance Sheet. Adjustments for corrections of errors and changes in accounting principles should be reported in accordance with SFFAS 21, *Reporting Corrections of Errors and Changes in Accounting Principles*.

### **Correction of Errors**

This includes errors in financial statements from mathematical mistakes, mistakes in the application of accounting principles, and oversight or misuse of facts that existed at the time the statements were prepared.

When errors are discovered after the issuance of financial statements and if the financial statements would be materially misstated absent correction of the errors, corrections should be made as follows (as specified in SFFAS 21 paragraph 10):

- If only the current period statements are presented (i.e., this is the first year that financial statements are presented), then the cumulative effect of correcting the error should be reported as a prior period adjustment. The adjustment should be made to the beginning balance of cumulative results of operations in the SCNP.
- If comparative financial statements are presented, then the error should be corrected in the earliest affected period presented by correcting any individual amounts on the financial statements. If the earliest period presented is not the period in which the error occurred and the cumulative effect is attributable to prior periods, then the cumulative effect should be reported as a prior period adjustment. The adjustment should be made to the beginning balance of cumulative results of operations in the SCNP for the earliest period presented.
- The nature of an error in previously issued financial statements and the effect of its correction on relevant balances should be disclosed. Financial statements of subsequent periods need not repeat the disclosures.

Prior period financial statements should only be restated for corrections of errors that would have caused any statements to be materially misstated. The SCNP's current year's unadjusted beginning balances must agree with the restated ending balances on the agency's prior year's SCNP.

## **Management Actions Related to Correction of Errors**

### ***Communications Requirements***

Management is responsible for any false or misleading information in the financial statements or omissions rendering information made in the financial statements misleading. As soon as possible after material errors are detected, management must notify their auditors and the primary users of their financial statements of the error and plans for correction.

Management must communicate to those relying on the financial information:

- The nature and cause(s) of the known or likely material misstatement(s);
- The amount(s) of known or likely material misstatement(s) and the related effect(s) on the previously issued financial statement(s); and
- A notice that a previously issued financial statement(s) will or may be restated.

The notification must be given to original recipients of the AFR or PAR including:

- The Congress, OMB, Treasury and GAO in writing;
- The public on Internet pages where previously issued financial statements were published; and
- OMB in the next interim and subsequent financial statements until related effects are known and reported.

### ***Financial Reporting Requirements***

Promptly determine the financial statement effects of the known or potential material misstatement(s) on previously issued financial statement(s)		
A. Correct the Error and Republish	B. Correct the Error with Next Issuance	C. Effects Unknown or Later Determined
Specific amount(s) of the material misstatement(s) and the related effect(s) of such on a previously issued financial statement(s) are <b>known</b> and the subsequent period audited financial statements will not be issued within 90 days.	Specific amount(s) of the material misstatement(s) and the related effect(s) of such on a previously issued financial statement(s) are <b>known</b> and the subsequent period audited financial statements will be issued within 90 days.	Specific amount(s) of the misstatement(s) and the related effect(s) of such on a previously issued financial statement(s) remain <b>unknown</b> when the current year's financial statements are issued.
Reissue the most recently issued fiscal year financial statements before issuing the current fiscal year's financial statements. Communicate the reissuance to those charged with governance, oversight bodies, funding agencies, and others who are relying on or are likely to rely on the financial statement(s).	Restate financial statement(s) as part of the current year's comparative financial statements and label the prior year comparative column as "Restated" for each statement and note affected by the correction.	Make the required notifications, including an estimate of the magnitude of the misstatement or potential misstatement and the estimated effects on the related financial statements. This should include recognition that the specific amounts are not known and cannot be determined without further investigation. Once effects <i>are</i> known, follow the guidance provided in A or B as applicable.
Refer to Note 39 Restatements for disclosure requirements	Refer to Note 39 Restatements for disclosure requirements	Refer to Note 39 Restatements for disclosure requirements

### **Changes in Accounting Principles**

A change in accounting principle is a change from one generally accepted accounting principle to another one that can be justified as preferable. Changes in accounting principles include those resulting from the adoption of new FASAB standards.

Unless otherwise specified in transitioning instructions of a new FASAB standard, for all changes in accounting principles that would have resulted in a change to prior period financial statements:

- The cumulative effect of the change on prior periods should be reported as a "change in accounting principle." The adjustment should be made to the beginning balance of cumulative results of operations in the SCNP for the period that the change is made;
- Prior period financial statements presented for comparative purposes should be presented as previously reported; and
- The nature of the changes in accounting principle and its effect on relevant balances should be disclosed in the current period. Financial statements of subsequent periods need not repeat the disclosure.

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.

### ***II.3.5.5. Budgetary Financing Sources***

This section displays financing sources and nonexchange revenue that are budgetary resources or

adjustments to those resources as reported on the SBR and defined as such by OMB Circular A-11.

**Appropriations received.** This includes amounts appropriated from the General Fund of the U.S. Government receipts, such as income taxes that are not earmarked by law for a specific purpose. This amount will not necessarily agree with the “appropriations received” amount reported on the SBR because of differences between proprietary and budgetary accounting concepts and reporting requirements. For example, certain dedicated and earmarked receipts are recorded as “appropriations received” on the SBR, but are recognized as exchange or nonexchange revenue (i.e., typically in special and non-revolving trust funds) and reported on the SCNP in accordance with SFFAS 7. For another example, see parent/child reporting described in Note 1.

**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 year.

**Other adjustments.** This includes adjustments to unexpended appropriations and cumulative results of operations. Examples include reductions of appropriations (SBR line 1290, Appropriations (discretionary and mandatory)) and cancellations of expired appropriation/expenditure accounts (SBR line 1051, Unobligated balance from prior year budget authority, net). The appropriations used by collecting entities to provide refunds of monies deposited to Treasury and trust funds must be reported on this line item rather than as Appropriations Used.

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

**Nonexchange revenue.** This includes revenues the Government obtains through the use of its sovereign powers. See SFFAS 7 for recognition and measurement criteria for taxes and other nonexchange revenues. If Federal securities investment revenue is material, report it as a separate line item on the SCNP.

**Donations and forfeitures of cash and cash equivalents.** This includes voluntary gifts (of cash or securities) and involuntary forfeitures of resources (cash or cash equivalents) to the Government by non-Federal entities.

**Transfers-in/out without reimbursement.** This includes intragovernmental non-appropriated balance transfers in or out during the current 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 and also reported as distributed offsetting receipts in the SBR) required to be transferred to the Treasury or another Federal entity must be recognized as a transfer out.

**Other budgetary financing sources.** This includes other financing sources that affect budgetary resources not otherwise classified above.

### ***II.3.5.6. Other Financing Sources***

This section displays financing sources and nonexchange revenue that are not budgetary resources.

**Donations and forfeitures of property.** This includes voluntary gifts and involuntary forfeitures of resources to the Government by non-Federal entities, which may be land or buildings. Revenue arising from donations/involuntary forfeitures of non-financial resources must be recognized in accordance with SFFAS 6.

**Transfers-in/out without reimbursement.** This includes intragovernmental transfers of capitalized assets. The amount of the transfer is the book value of the transferring entity and if the book value is not known, the amount should be the estimated fair value at the date of transfer.

**Imputed financing from costs absorbed by others.** This 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 must equal the amount of imputed costs on the SNC.

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

### ***II.3.5.7. Net Cost of Operations***

This amount must agree with the net cost of operations on the SNC. The Net Cost of Operations is subtracted from the total financing sources and beginning balance, as adjusted, to yield the Cumulative Results of Operations.

### ***II.3.5.8. Net Change***

This is the difference between Total Financing Sources and the Net Cost of Operations.

### ***II.3.5.9. Net Position - Ending Balances***

Ending balances must agree with net position on the Balance Sheet.

## **II.3.6. Statement of Budgetary Resources**

### ***II.3.6.1. Introduction***

The SBR and related disclosures provide information about how budgetary resources were made available and their status at the end of the period. It is the only financial statement derived entirely from the budgetary USSGL accounts.

The SBR should be reconcilable to the budget execution information reported on the SF 133, Report on Budget Execution and Budgetary Resources, and in the Budget. As an agency-wide report, the SBR aggregates account-level information reported in the agency SF 133s.

GTAS data submitted by agencies are USSGL-based trial balances and are used in the SF 133, the prior year column of the Program and Financing Schedule (Schedule P) of the Budget, and the SBR.

*GTAS revision period:* The primary purpose of the GTAS revision period is to make GTAS consistent with the amounts in the prior-year column of the Schedule P. Changes to the SBR, whether material or immaterial, may be made to the budgetary information included in the Budget Schedule P after the SBR has been published.

Any changes to budgetary information subsequent to the publication of the audited SBR that are material to the SBR should be discussed with agency auditors to determine if restatement or note disclosure is necessary. Any material differences must at a minimum be disclosed in the notes (Note 33).

Budgetary information aggregated for the SBR should be disaggregated for each of the reporting entity's major budget accounts and presented as RSI pursuant to SFFAS 7, paragraph 78. (See Section II.3.11.6.)

Information in the SBR should be based on guidance in OMB Circular A-11, Appendix F, which provides definitions and instructions for each line item of the SBR.

### ***II.3.6.2. Combined Statement***

The information in this statement must be presented on a combined basis, not a consolidated basis. To remain consistent with the aggregate of the account-level information on the SF 133, Report on Budget Execution and Budgetary Resources, consolidation of this statement is not appropriate and line-by-line consolidation is not permitted.

### ***II.3.6.3. Format of the Statement of Budgetary Resources***

The format of the SBR is based on the SF 133 and relationships between the SBR and the SF 133 are defined in Appendix F of OMB Circular A-11. The line numbering in the illustrative statement below is for reference to Circular A-11 and should not be shown on the agency SBR.

Detail lines from the SF 133 are aggregated to the major categories deemed most significant in the SBR and must be used. Agency management should determine whether additional detail lines reported in the SF 133 process are warranted for SBR presentation or note disclosure. Because the SBR presentation is highly summarized, if management determines that further aggregation of lines is warranted, such aggregation should not be less detailed than the major categories displayed below. Similarly, if major categories are further disaggregated, subtotal lines should be presented to display the major category total.

The total amounts reported for each major category should normally agree with the comparable amounts reported for the aggregate of all budget accounts on the SF 133. Reconciliations of any differences in major categories (from, for example, timing differences or materiality) should be maintained.

In addition to budgetary information, the SBR should include a separate column for non-budgetary credit reform financing accounts, which are non-budgetary accounts that record cash flows resulting from post-1991 direct loans and loan guarantees. This activity is reported separately in the Budget and excluded from the budget surplus or deficit totals.

### II.3.6.4. Illustrative Statement of Budgetary Resources

Department/Agency/Reporting Entity STATEMENTS OF BUDGETARY RESOURCES					
For the Years Ended September 30, 2xxx (CY) and 2xxx (PY)					
		2xxx (CY) <u>Budgetary</u>	2xxx (CY) Non- Budgetary Credit Reform Financing <u>Account</u>	2xxx (PY) <u>Budgetary</u>	2xxx (PY) Non- Budgetary Credit Reform Financing <u>Account</u>
<b>Budgetary Resources</b>					
1051*	Unobligated balance from prior year budget authority, net (discretionary and mandatory)	xxx	xxx	xxx	xxx
1290*	Appropriations (discretionary and mandatory)	xxx	xxx	xxx	xxx
1490*	Borrowing authority (discretionary and mandatory)	xxx	xxx	xxx	xxx
1690*	Contract authority (discretionary and mandatory)	xxx	xxx	xxx	xxx
1890*	Spending authority from offsetting collections (discretionary and mandatory)	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
1910	Total budgetary resources	\$ <u>xxx</u>	\$ <u>xxx</u>	\$ <u>xxx</u>	\$ <u>xxx</u>
<b>Memorandum (non-add) entries:</b>					
1980*	Net adjustments to unobligated balance brought forward, Oct. 1 (Note 26)	xxx	xxx	xxx	xxx
<b>Status of budgetary resources</b>					
2190	New obligations and upward adjustments (total) (Note 29)	\$ xxx	\$ xxx	\$ xxx	\$ xxx
Unobligated balance, end of year					
2204*	Apportioned, unexpired accounts	xxx	xxx	xxx	xxx
2304*	Exempt from apportionment, unexpired accounts	xxx	xxx	xxx	xxx
2404*	Unapportioned, unexpired accounts	xxx	xxx	xxx	xxx
2412	Unexpired unobligated balance, end of year	xxx	xxx	xxx	xxx
2413	Expired unobligated balance, end of year	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
2490	Unobligated balance, end of year (total)	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
2500	Total budgetary resources	\$ <u>xxx</u>	\$ <u>xxx</u>	\$ <u>xxx</u>	\$ <u>xxx</u>
<b>Outlays, net</b>					
4190*	Outlays, net (total) (discretionary and mandatory)	xxx	xxx	xxx	xxx
4200*	Distributed offsetting receipts (-)	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
4210*	Agency outlays, net (discretionary and mandatory)	\$ <u>xxx</u>	\$ <u>xxx</u>	\$ <u>xxx</u>	\$ <u>xxx</u>
* Represents a line number that is unique to the SBR. Further information on the description and composition of these lines can be found in OMB Circular A-11, Appendix F.					
The accompanying notes are an integral part of these statements.					

### ***II.3.6.5. Budgetary Resources***

This section presents total available budgetary resources.

Budgetary resources transferred or exchanged between components within a reporting entity should not be eliminated. Reasons for amounts on the net adjustments memo line should be explained in either a note or the MD&A.

### ***II.3.6.6. Status of Budgetary Resources***

This section displays information about the status of budgetary resources at the end of the period and consists of obligations incurred and unobligated balances. The total amount shown for the status of budgetary resources must equal total budgetary resources available.

### ***II.3.6.7. Outlays, Net***

**Outlays.** Net outlays are derived by reducing gross outlays by actual offsetting collections. Outlays must agree with the disbursements and collections reported to Treasury for the fiscal year to date (SF 224, Statement of Transactions; SF 1220, Statement of Transactions According to Appropriation, Fund, and Receipt Accounts; and SF 1221 Statement of Transactions According to Appropriation, Fund, and Receipt Accounts (Foreign Service Account)).

**Distributed Offsetting Receipts.** Distributed offsetting receipts are collections that offset gross outlays of an agency and are credited to general fund, special fund, or trust fund receipt accounts. (Offsetting collections are credited to expenditure accounts (not receipt accounts) and reduce outlays at the account level.) Distributed offsetting receipts typically offset the outlays of the agency that conducts the activity generating the receipts. Offsetting receipts are composed of proprietary receipts from the public, receipts from intragovernmental transactions, and offsetting governmental receipts. This line item on the SBR should include all distributed offsetting receipts for the agency and deducted from gross outlays to yield net agency outlays.

The [Quarterly Distributed Offsetting Receipts by Department Report](#) can be accessed through the Agency Standard Report (ASR) Module in CARS. Agencies should include in the SBR the receipt accounts in this report classified as:

- Proprietary Receipts from the Public;
- Intra-budgetary Receipts Deducted by Agencies; and
- 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 monthly (SF 224, Statement of Transactions; SF 1220, Statement of Transactions According to Appropriation, Fund, and Receipt Accounts; and SF 1221, Statement of Transactions According to Appropriation, Fund, and Receipt Accounts (Foreign Service Account)).

Undistributed offsetting receipts should not be included in the SBR.

## **II.3.7. Statement of Custodial Activity**

### ***II.3.7.1. Introduction***

The SCA is required for entities that collect nonexchange revenue for the General Fund of the U.S.

Government, a trust fund, or other recipient entities, e.g., taxes and duties collected by the Internal Revenue Service or Customs and Border Protection Agency. The SCA is also required for entities that collect exchange revenues, including oil and gas revenues, as specified in SFFAS 7. Collecting entities do not recognize as revenue collections that have been or should be transferred to others as revenues; rather, the sources and disposition of the collections are reported on the SCA.

When collecting entities have custodial collections that are immaterial and incidental to their primary mission, the sources and disposition of the collections may be disclosed in the notes. Paragraph 45 of SFFAS No. 7 identified certain exceptional circumstances in which the entity recognizes virtually no costs in connection with earning the revenue that it collects.

**II.3.7.2. Illustrative Statement of Custodial Activity**

Department/Agency/Reporting Activity STATEMENT OF CUSTODIAL ACTIVITY For the Years ended September 30, 2xxx (CY) and 2xxx (PY) (in dollars/thousands/millions)		
	2xxx (CY)	2xxx (PY)
<b>Total Custodial Revenue:</b>		
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>	<u>xxx</u>
8. Total Cash Collections	x,xxx	x,xxx
9. Accrual Adjustments (+/-)	<u>xxx</u>	<u>xxx</u>
10. <b>Total Custodial Revenue</b>	x,xxx	x,xxx
<b>Disposition of Collections:</b>		
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 Reporting Entity	<u>xxx</u>	<u>xxx</u>
15. <b>Total Disposition of Collections</b>	x,xxx	x,xxx
16. <b>Net Custodial Activity</b>	<u>\$ xxx</u>	<u>\$ xxx</u>

The accompanying notes are an integral part of these statements.

**II.3.7.3. Sources of Collections**

Report components of the collections (e.g., the type of tax or duty), any collection of past-due receivables for others, or other appropriate description of the source and nature of the collections. If refunds of taxes or other nonexchange revenues are material in relation to the gross collections made, consider disclosing them by component.

Additionally, report the nonexchange revenue accrual adjustment, which will be shown separately and added to or subtracted from the net collections to determine the total custodial nonexchange revenue. Guidance for calculating the accrual adjustment can be found in SFFAS 7 and the related implementation guide. If the accrual adjustments are material in relation to the gross collections, consider disclosing them separately in a note. The accrual adjustment is not applicable to exchange revenues because exchange revenues are reported on an accrual basis.

### ***II.3.7.4. Disposition of Collections***

This is 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 revenue yet to be transferred. This liability may exist because the revenue has been accrued, but not collected, or because collections already made have not yet been transferred.

**Amounts of Refunds and Other Payments.** Report refunds and other payments made. This line is normally not applicable to exchange revenue.

**Amounts Retained by the Collecting Entity.** Where collecting entities are permitted to retain a portion of amounts collected, retained amounts must be reported by the collecting entity as a disposition of collections.

### ***II.3.7.5. Net Custodial Activity***

Total Custodial Revenue must equal the Total Disposition of Collections so net custodial activity equals zero.

## **II.3.8. Statement of Social Insurance & Statement of Changes in Social Insurance Amounts**

### ***II.3.8.1. Introduction***

A SOSI is required for the following programs:

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

Under SFFAS 25, *Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment*, as amended by SFFAS 26, the SOSI, accompanying notes, and significant assumptions are basic information and the remaining social insurance information required by SFFAS 17, *Accounting for Social Insurance*, is RSI. A SOSI preparer can elect to include some or all of the RSI in the notes. Unemployment insurance is social insurance and must report social insurance information as RSI, but a SOSI is not required for unemployment insurance under SFFAS 17 (paragraphs 27(3) and 32(3)).

For the programs listed as social insurance, the SOSI should present for the projection period for all current and future participants the actuarial present value of all future: (1) contributions and tax income (excluding interest income), (2) scheduled expenditures, and (3) the difference between these two present values. The SOSI should provide such information for the current year and separate estimates for each of the preceding four years. Detailed guidance on the requirements for the SOSI is in SFFAS 17, paragraphs 27(3) and 32(3).

SFFAS 26, *Statement of Social Insurance: Amending SFFAS No. 25*, requires the disclosure of significant assumptions (Note 37). Other information required by SFFAS 17 is to be presented as RSI (as discussed below), except to the extent the preparer elects to disclose some or all of that information.

The SOSI should include a summary section at the end that presents the closed and open group measures. The open group measure line items should be the same as the beginning-of-year and end-of-year lines on the SCSIA. (See below and the illustrative presentation at II.3.8.2.) The summary section should also include assets held by the programs, if any, and the totals for the open group unfunded obligation.

Entities that prepare a SOSI should also prepare a SCSIA pursuant to SFFAS 37. The SCSIA must reconcile beginning and ending open group measures and present the significant components of the changes in the open group measure for two years, for example, the:

- Change due to the change in the valuation period;
- Interest on the obligation due to the present valuation;
- Changes in demographic, economic, and health care assumptions;
- Changes in law, regulation, and policy; and
- Amounts associated with each type of change.

The SCSIA should disclose in notes on the statement's face, in the notes to the financial statements (Note 37), or both the reasons for the significant changes in the open group measure for two years. See Section II.2 for additional reporting requirements for these changes. All projections and estimates required by SFFAS 37 should be as of the valuation date, which is "as close to the end of the fiscal year being reported on ('current year') as possible and no more than one year prior to the end of the current year." See SFFAS 37 for detailed requirements regarding the valuation date and Note 1 requirements for disclosing that SOSI amounts are estimates.

### ***II.3.8.2. Illustrative Statements***

The illustration from SFFAS 17 below is a partial display featuring Social Security and Medicare; it is not the consolidated display required by SFFAS 17, paragraph 32. The SOSI may present subtotals by age cohort. Illustrations for entity statements are in SFFAS 17, Appendix B. Below is an illustrative SOSI with a summary section, which is based on SFFAS 37, Appendix C. An illustrative statement for a SCSIA is also presented below.

Illustrative Statement of Social Insurance  
75-Year Projection as of January 1, 20x5  
(dollars in trillions)

1

	20x5	20x4	20x3	20x2	20x1
<i>Actuarial present value of future benefits payments paid during the 75-year projection period to or on behalf of:</i>					
1. Current participants who have not yet attained retirement age	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
1A. OASDI	XXX	XXX	XXX	XXX	XXX
1B. HI	XXX	XXX	XXX	XXX	XXX
1C. SMI	XXX	XXX	XXX	XXX	XXX
1D. Other	XXX	XXX	XXX	XXX	XXX
2. Current participants who have attained retirement age	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
2A. OASDI	XXX	XXX	XXX	XXX	XXX
2B. HI	XXX	XXX	XXX	XXX	XXX
2C. SMI	XXX	XXX	XXX	XXX	XXX
2D. Other	XXX	XXX	XXX	XXX	XXX
3. Those expected to become participants (i.e.: new entrants)	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
3A. OASDI	XXX	XXX	XXX	XXX	XXX
3B. HI	XXX	XXX	XXX	XXX	XXX
3C. SMI	XXX	XXX	XXX	XXX	XXX
3D. Other	XXX	XXX	XXX	XXX	XXX
4. Subtotal – benefit payments for the 75-year projection period	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
<i>Less the actuarial present value of future contributions and tax income received during the 75-year projection period from or on behalf of:</i>					
5. Current participants who have not yet attained retirement age	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
5A. OASDI	XXX	XXX	XXX	XXX	XXX
5B. HI	XXX	XXX	XXX	XXX	XXX
5C. SMI	XXX	XXX	XXX	XXX	XXX
5D. Other	XXX	XXX	XXX	XXX	XXX
6. Current participants who have attained retirement age	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
6A. OASDI	XXX	XXX	XXX	XXX	XXX
6B. HI	XXX	XXX	XXX	XXX	XXX
6C. SMI	XXX	XXX	XXX	XXX	XXX
6D. Other	XXX	XXX	XXX	XXX	XXX

Illustrative Statement of Social Insurance (Cont.)  
75-Year Projection as of January 1, 20x5  
(dollars in trillions)

	20x5	20x4	20x3	20x2	20x1
Actuarial present value of future contributions payments paid during the 75-year projection period to or on behalf of:					
7. Those expected to become participants (i.e.: new entrants)	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
7A. OASDI	XXX	XXX	XXX	XXX	XXX
7B. HI	XXX	XXX	XXX	XXX	XXX
7C. SMI	XXX	XXX	XXX	XXX	XXX
7D. Other	XXX	XXX	XXX	XXX	XXX
8. Subtotal – contributions and tax income for the 75-year period	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
9. Excess of actuarial present values of future benefit payments over future contributions and tax income for the 75-year projection period	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
<i>Participants who have attained eligibility age:</i>					
Contributions and earmarked taxes	XXX	XXX	XXX	XXX	XXX
Expenditures for scheduled future benefits	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
PV of future expenditures in excess of future revenue	XXX	XXX	XXX	XXX	XXX
<i>Participants who have attained age 15 up to eligibility age:</i>					
Contributions and earmarked taxes	XXX	XXX	XXX	XXX	XXX
Expenditures for scheduled future benefits	XXX	XXX	XXX	XXX	XXX
PV of future expenditures in excess of future revenue	XXX	XXX	XXX	XXX	XXX
<b>NPV of future revenue less future expenditures for current participants (closed group measure)</b>	XXX	XXX	XXX	XXX	XXX
<b>Less: Treasury securities and assets held by programs</b>	XXX	XXX	XXX	XXX	XXX
<b>Closed group unfunded obligation</b>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
<i>Future participants (those under age 15 and to be born and to immigrate during the period):</i>					
Contributions and earmarked taxes	XXX	XXX	XXX	XXX	XXX
Expenditures for scheduled future benefits	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
PV of future expenditures in excess of future revenue	XXX	XXX	XXX	XXX	XXX
<b>NPV of future revenue less future expenditures for current and future participants (open group measure)</b>	XXX	XXX	XXX	XXX	XXX
<b>Less: Treasury securities and assets held by programs</b>	XXX	XXX	XXX	XXX	XXX
<b>Open group unfunded obligation</b>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>

The accompanying notes are an integral part of these statements.

Illustrative Statement of Changes in Social Insurance Amounts			
Open Group Measures			
For the Two-Year Period Ended September 30, 20XY			
(dollars in xxx)			
	Social Insurance		
	Open Group Measure		
	Program A	Program B	Program C
Net Present Value beginning of year 20xx	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Reasons for changes in the NPV during 20xx			
Change in valuation period	xxx	xxx	xxx
Changes in demographic data, assumptions & methods	xxx	xxx	xxx
Changes in economic data, assumptions & methods	xxx	xxx	xxx
Changes in laws or policy	xxx	xxx	xxx
Change in methodology & programmatic data	xxx	xxx	xxx
Net change during 20XX	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Net Present Value end of year 20XX/beginning of year 20XY:	xxx	xxx	xxx
Reasons for changes in the NPV during 20XY			
Change in valuation period	xxx	xxx	xxx
Changes in demographic data, assumptions & methods	xxx	xxx	xxx
Changes in economic data, assumptions & methods	xxx	xxx	xxx
Changes in laws or policy	xxx	xxx	xxx
Change in methodology & programmatic data	xxx	xxx	xxx
Net change during 20XY	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Net Present Value end of year 20XY:	xxx	xxx	xxx

The accompanying notes are an integral part of these statements.

## II.3.9. Notes to the Financial Statements

### II.3.9.1. Note 1: Summary of Significant Accounting Policies

Describe the reporting entity and identify its major components if not fully described in the MD&A. Also, describe any consolidated entities and disclosure entities in accordance with SFFAS 47 and explain that disclosure entities are not consolidated entities. Agencies with a large number of disclosure entities or balances resulting from transactions with disclosure entities may provide this information in a separate note and include a reference to that note in Note 1. See Section II.3.9.42. Changes in the reporting entity resulting from SFFAS 47 do not result in a restatement of prior periods; see paragraph 13 of SFFAS 21, *Reporting Corrections of Errors and Changes in Accounting Principles, Amendment of SFFAS 7*.

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. Disclose judgments relevant to the valuation, recognition, and allocation of assets, liabilities, expenses, revenues and other financing sources. Do not duplicate details presented elsewhere. Describe changes in GAAP affecting the financial statements and explain concepts such as FBWT and Funds from Dedicated Collections unique to Federal financial statements.

Disclose 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. The impact of these changes should be reported by restating the financial statements for all prior periods presented, except for certain portions of Funds from Dedicated Collections, as described in SFFAS 27, as amended by SFFAS 43.

Disclose information concerning fiduciary activities, which are the collection or receipt and the management, protection, accounting, investment, and disposition by the Government of cash or other assets in which non-Federal individuals or entities have an ownership interest. Disclose that fiduciary cash and other assets are not assets of the Federal Government. See SFFAS 31, *Accounting for Fiduciary Activities*.

Each “parent” or transferring entity involved in an allocation transfer with another Federal entity must explain that there are amounts reported in its net cost of operations, changes in net position, and budgetary resources that reflect activity performed by another Federal entity. Each Federal entity having “child” or receiving accounts involved in an allocation transfer must explain that it performed an activity that is being reported in the parent’s financial statements. Both the parent and child must disclose the names of the other Federal entities involved in the transfers; amounts need not be included in the note. Below is an example entities could include in Note 1.

The ***[Reporting Entity]*** is a party to allocation transfers with other Federal agencies as both a transferring (parent) entity and/or a receiving (child) entity. Allocation transfers are legal delegations by one entity of its authority to obligate budget authority and outlay funds to another entity. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Generally, all financial activity related to these allocation transfers (e.g., budget authority, obligations, outlays) is reported in the financial statements of the parent entity from which the underlying legislative authority, appropriations and budget apportionments are derived. Exceptions to this general rule affecting the ***[Reporting Entity]*** include the Executive Office of the President and Funds transferred from the Judicial Branch to the Department of Justice U.S. Marshals Service, for whom the ***[Reporting Entity]*** is the child in the allocation transfer but, per OMB guidance, will report all activity relative to these allocation transfers in the ***[Reporting Entity’s]*** financial statements. In addition to these funds, the ***[Reporting Entity]*** allocates funds, as the parent, to the ***[List other Federal agencies]***. The ***[Reporting Entity]*** receives allocation transfers, as the child, from the ***[List other Federal agencies]***.

Entities that report liabilities for Federal employee pensions, ORB, and OPEB, including veterans’ compensation, should disclose the entity’s policy regarding consistency in the number of historical rates used to calculate the average historical Treasury rates from one reporting period to the next. See SFFAS 33, paragraph 31, and SFFAS 5, paragraph 66, as amended by SFFAS 33, paragraph 37.

Entities that prepare a SOSI should explain that SOSI amounts are estimates based on current conditions, that such conditions may change in the future, and that actual cost may vary, sometimes

greatly, from estimates per SFFAS 37. Below is an example entities could include in Note 1.

The financial statements are based on the selection of accounting policies and the application of significant accounting estimates, some of which require management to make significant assumptions. Further, the estimates are based on current conditions that may change in the future. Actual results could differ materially from the estimated amounts. The financial statements include information to assist in understanding the effect of changes in assumptions to the related information.

**Note Disclosures Related to the Balance Sheet**

**II.3.9.2. Note 2: Non-entity Assets**

	2XXX (CY)	2XXX (PY)
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>

Disclose intragovernmental non-entity assets separately from other non-entity assets. Provide other information needed to understand the nature of the non-entity assets. See SFFAS 1 for further information.

**II.3.9.3. Note 3: Fund Balance with Treasury**

	2xx2 (CY)	2xx1 (PY)
1. Status of Fund Balance with Treasury		
(1) Unobligated Balance		
(a) Available	\$ xxx	\$ xxx
(b) Unavailable	xxx	xxx
(2) Obligated Balance not yet Disbursed	xxx	xxx
(3) Non-Budgetary FBWT	<u>xxx</u>	<u>xxx</u>
Total	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>

2. Other Information:

**A. Status of Fund Balance.** Disclose the total of the entity's FBWT, as reflected in the entity's general ledger and represented by unobligated and obligated balances. Unobligated and obligated balances presented in this section may not equal related amounts reported on the Combined Statements of Budgetary Resources because unobligated and obligated balances

reported on the Combining Statements of Budgetary Resources are supported by FBWT and as other budgetary resources that do not affect FBWT (e.g., contract and borrowing authority and budgetary receivables).

Include in Non-Budgetary FBWT both FBWT in unavailable receipt accounts, clearing accounts, etc., that do not have budget authority and non-budgetary FBWT recognized on the Balance Sheet (e.g., non-fiduciary deposit funds). Separate FBWT that represents unobligated balances into available and unavailable amounts. Certain unobligated balances may be restricted to future use and are not apportioned for current use; any such restrictions must be explained.

**B. Other Information.** Explain any discrepancies between FBWT as reflected in the entity's general ledger and the balance in Treasury accounts. Disclose any other information necessary for understanding the nature of the fund balances.

**II.3.9.4. Note 4: Cash and Other Monetary Assets**

	2xxx (CY)	2xxx (PY)
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>
Total Other Monetary Assets	<u>xxx</u>	<u>xxx</u>
Total Cash and Other Monetary Assets	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>
D. Additional Information		

Disclose Cash and Other Monetary Assets.

**Cash.** The total of cash under the control of the reporting entity includes (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 including unconfirmed collections and disbursements; and (iii) investments held outside of Treasury. Cash available for agency use should include petty cash and cash held in revolving funds that will not be transferred to the General Fund of the U.S. Government.

**Foreign Currency.** This is the total U.S. dollar equivalent of foreign currencies held in foreign currency fund accounts.

**Other Monetary Assets.** This represents other items including gold, special drawing rights, and U.S. Reserves in the International Monetary Fund. Deposits made but not confirmed can be included in Other.

**Total Cash and Other Monetary Assets.** This is the sum of lines A, B, and C.

**Additional Information.** Disclose as Additional Information any restrictions on cash. Restrictions are usually imposed on cash deposits by law, regulation, or agreement. Non-entity cash is always restricted cash. Entity cash may be restricted for specific purposes, including:

- Cash held in escrow to pay property taxes and insurance related to property associated with defaulted loans;
- Seized cash recognized as an asset per SFFAS 3, *Accounting for Inventory and Related Property*;
- Bid deposits held in a commercial bank; and
- Cash held in Funds from Dedicated Collections (See Note 21).

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.

### II.3.9.5.Note 5: Investments

----- Amounts for 2xxx (CY) Balance Sheet Reporting -----							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<u>Cost</u>	<u>Amortization Method</u>	<u>Amortized (Premium) Discount</u>	<u>Interest Receivable</u>	<u>Investments, Net</u>	<u>Other Adjustments</u>	<u>Market Value Disclosure</u>
A. Intragovernmental Securities							
(1) Marketable	xxx	_____	xxx	xxx	xxx	xxx	xxx
(2) Non-Marketable:							
Par value	xxx	_____	xxx	xxx	xxx	xxx	xxx
(3) Non-Marketable:							
Market-Based	xxx	_____	xxx	xxx	xxx	xxx	xxx
Total	<u>x,xxx</u>	n/a	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
B. Other Securities:							
(1) _____	xxx	_____	xxx	xxx	xxx	xxx	xxx
(2) _____	xxx	_____	xxx	xxx	xxx	xxx	xxx
(3) _____	xxx	_____	xxx	xxx	xxx	xxx	xxx
Total	<u>x,xxx</u>	n/a	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
----- Amounts for 2xxx (PY) Balance Sheet Reporting -----							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<u>Cost</u>	<u>Amortization Method</u>	<u>Amortized (Premium) Discount</u>	<u>Interest Receivable</u>	<u>Investments, Net</u>	<u>Other Adjustments</u>	<u>Market Value Disclosure</u>
A. Intragovernmental Securities							
(1) Marketable	xxx	_____	xxx	xxx	xxx	xxx	xxx
(2) Non-Marketable:							
Par value	xxx	_____	xxx	xxx	xxx	xxx	xxx
(3) Non-Marketable:							
Market-Based	xxx	_____	xxx	xxx	xxx	xxx	xxx
Total	<u>x,xxx</u>	n/a	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
B. Other Securities:							
(1) _____	xxx	_____	xxx	xxx	xxx	xxx	xxx
(2) _____	xxx	_____	xxx	xxx	xxx	xxx	xxx
(3) _____	xxx	_____	xxx	xxx	xxx	xxx	xxx
Total	<u>x,xxx</u>	n/a	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
C. Other Information:							

**Column 1:** Cost. Securities are recognized at cost. Cost is par value plus or minus any premium or discount.

**Column 2:** Amortization Method.

**Column 3:** Amortized (Premium)/Discount. Cumulative to date amortization of the premium or discount.

**Column 4:** Interest Receivable

**Column 5:** Investments, Net. The amount of column 1 plus/minus column 3 plus column 4. The subtotal (Total (A) + Total (B)) of this column should be the amount presented on the Balance Sheet.

**Column 6:** Other Adjustments. Include adjustments resulting from the sale of securities prior to maturity or any change in value that is more than temporary.

**Column 7:** Market Value Disclosure. See following paragraph for additional information related to this column.

Investments should be carried on the Balance Sheet at acquisition cost adjusted for amortization of the premium or discount except in two cases. When there is an intent to sell securities prior to maturity or there is a reduction in value that is more than temporary, then market value should be

used (except for pension and retirement plans). Column 7 is for the market value of all marketable securities and all non-marketable market-based securities. To determine market value, group investments by type of security, such as marketable or market-based Treasury securities, and multiply the market price of securities of that group at the financial reporting date by the number of notes or bonds held at the financial reporting date.

- A. Intragovernmental Securities.** Marketable Federal securities can be bought and sold on the open market. Non-marketable par value Treasury securities are issued by Fiscal Service to Federal accounts and are bought and sold at par exclusively through Treasury's Federal Investment and Borrowings Branch. Non-marketable market-based Treasury securities are also issued by Fiscal Service to Federal accounts and although they are not traded on any securities exchange, they mirror the prices of comparable Treasury securities available in the Government securities market.

#### **Note on Investments for Funds from Dedicated Collections**

Investments in Treasury securities for Funds from Dedicated Collections should be accompanied by a note. See SFFAS 27, as amended by SFFAS 43, for the required contents of the note and an example of a note.

- B. Other Information.** Disclose any other information necessary to understand the nature of reported investments, such as permanent impairments, and any securities that have been reclassified as securities available for sale or early redemption.
- C. Investments in Non-Federal Securities.** Agencies with non-Federal securities should consult Accounting Standards Codifications (ASC) 320 and 820, but this guidance should not be applied to non-federal securities that are accounted for in a manner comparable to the accounting treatment in SFFAS 2, *Accounting for Direct Loans and Loan Guarantees*. Non-Federal Securities are issued by a non-Federal entity, including State and local governments, private corporations, and Government-sponsored enterprises, regardless of whether the securities are federally guaranteed. Investments in non-Federal securities include investments by Federal agencies in money market and mutual funds even if the money market or mutual fund assets consist entirely of Federal securities. Investments in Federal securities through the secondary market by Federal agencies are not considered non-Federal securities.

#### **II.3.9.6. Note 6: Accounts Receivable, Net**

Disclose 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.

As noted above in Section II.3.3.3, Assets, there should be no allowance for uncollectible amounts associated with intragovernmental receivables.

Disclose separately for FY 2018 criminal restitution that is included in accounts receivable, including the gross amount of receivables related to criminal restitution orders monitored by the agency and the estimate of net realizable value determined to be collectible for criminal restitution orders monitored by the agency. For FY 2018, prior year criminal restitution amounts

do not need to be disclosed.

**II.3.9.7. Note 7: Taxes Receivable, Net**

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

**II.3.9.8. Note 8: Direct Loans & Loan Guarantees, Non-Federal Borrowers**

**A. Direct Loan and Loan Guarantee Programs:**

<p>List the direct loan and/or loan guarantee programs administered by the reporting entity:</p> <p>(1) _____</p> <p>(2) _____</p> <p>(3) _____</p>
---

Sections B through O illustrate the required financial disclosures for direct loans and loan guarantees and must be supplemented by narrative that includes a description of the characteristics of the loan programs; events having had a significant and measurable effect on subsidy rates, subsidy expense and subsidy reestimates; the 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 2; SFFAS 18, *Amendments to Accounting Standards for Direct Loans and Loan Guarantees in SFFAS 2*; and SFFAS 19, *Technical Amendments to Accounting Standards for Direct Loans and Loan Guarantees in SFFAS 2*.

The administrative expenses table required by the August 15, 2017, Circular A-136 is no longer required as a disclosure, but at management’s discretion, it may be disclosed in this note or reported as Other Information.

**B. Direct Loans Obligated Prior to FY 1992:**

<b>B1. Direct Loans Obligated Prior to FY 1992 (Present Value Method:</b>					
(1)	(2)	(3)	(4)	(5)	(6)
Direct Loans Programs	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Present Value Allowance	Value of Assets Related to Direct Loans, Net
(1) _____	xxx	xxx	xxx	xxx	Xxx
(2) _____	xxx	xxx	xxx	xxx	Xxx
Total	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>Xxx</u>

  

<b>B2. Direct Loans Obligated Prior to FY 1992 (Present Value Method:</b>					
(1)	(2)	(3)	(4)	(5)	(6)
Direct Loans Programs	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Present Value Allowance	Value of Assets Related to Direct Loans, Net
(1) _____	xxx	xxx	xxx	xxx	Xxx
(2) _____	xxx	xxx	xxx	xxx	Xxx
Total	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>Xxx</u>

**C. Direct Loans Obligated After FY 1991:**

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

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

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

**E. Subsidy Expense for Direct Loan Programs by 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 Others 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	xxx	xxx	xxx	xxx	xxx

Subsidy Expense for New Direct Loans Disbursed (Prior reporting year):

Direct Loan Programs	Interest Differential	Defaults	Fees and Others 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	xxx	xxx	xxx	xxx	xxx

**E2. Modification 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	xxx	xxx	xxx	xxx

**E3. Total Direct Loan Subsidy Expense**

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

**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)	xx%	xx%	xx%	xx%	xx%

**G. Schedule for Reconciling Subsidy Cost Allowance Balances (Post -1991 Direct Loans):**

Beginning Balance, Changes, and Ending Balance	FY 2xxx (CY)	FY 2xxx (PY)
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		

**H. Defaulted Guaranteed Loans from Pre-1992 Guarantees:**

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

**Loan Guarantees**

**J. Guaranteed Loans Outstanding:**

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

**K. Liability for Loan Guarantees:**

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

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

<b>L1. Subsidy Expense for New Loan Guarantees (Current reporting year):</b>					
(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	<del>xxx</del>	Xxx	xxx
<b>Subsidy Expense for New Loan Guarantees (Prior reporting year):</b>					
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	<del>xxx</del>	Xxx	xxx
<b>L2. Modifications and Reestimates (Current reporting year):</b>					
(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	
<b>L3. Total Loan Guarantee Subsidy Expense:</b>					
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:**

<b>Budget Subsidy Rates for Loan Guarantees for the Current Year's Cohorts:</b>					
Loan Guarantee Programs	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
(1) _____	xx%	xx%	xx%	xx%	xx%
(2) _____	xx%	xx%	xx%	xx%	xx%

**N. Schedule for Reconciling Loan Guarantee Liability Balances (Post-1991 Loan Guarantees):**

Beginning Balance, Changes, and Ending Balance	FY 2xxx (CY)	FY 2xxx (PY)
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) _____	\$ xxx	(1) _____	\$ xxx
(2) _____	xxx	(2) _____	xxx
Total	xxx	Total	xxx

**Table A: Direct Loan and Loan Guarantee Programs.** List the direct loan and loan guarantee programs operated by the reporting entity. See the Federal Credit Reform Act of 1990 (FCRA); OMB Circular A-11, Section 185; SFFAS 2; SFFAS 18, *Amendments to Accounting Standards For Direct Loans and Loan Guarantees in SFFAS 2*; and SFFAS 19 for further information.

Section 506(a) of FCRA exempts the credit activities of certain agencies, such as Federal Deposit Insurance Corporation and Tennessee Valley Authority, from FCRA requirements.

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 FCRA, as amended. SFFAS 2 requires 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.

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. 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, and may not change from one method to the other without the advance approval of OMB.

Disclose that the net loans receivable or the value of assets related to direct loans is not the same as expected proceeds from selling the loans.

When the reporting entity has made payments on behalf of borrowers that should be collected from the borrowers, the resulting receivables must 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 must be reported as accounts receivable in Note 6, not as credit program receivables in Note 8.

**Narrative.** 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 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 include events and changes that have occurred and are more likely than not to have a significant impact even if the effects are not measurable at the reporting date. Changes in legislation or credit policies include 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 modification cost, and the basis for recognizing a gain or loss related to the modification. Also, if appropriate, disclose 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; and
- number of properties for which foreclosure proceedings were in process at the end of the period.

**Table 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).

**Table 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 will be valued at the net present value of the projected cash flows associated with the property. 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 2, Accounting for Direct Loans and Loan Guarantees, paragraphs 57-60, and SFFAS 3, Accounting for Inventory and Related Property, paragraphs 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 in column 6.

**Table D: Total Amount of Direct Loans Disbursed.** Report the total amount of direct loans disbursed for the current and the prior reporting years for each program

**Table 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. Disclose in column 2 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, provide the total of columns 3 and 4.

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

**Table 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. 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 and to explain the underlying causes for the fluctuations.

The reporting entity should state the following in its disclosure:

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.

**Table G: Schedule for Reconciliation.** Display a reconciliation between the beginning and ending balances of the subsidy cost allowance for outstanding direct loans reported in the Balance Sheet. The reconciliation is required for direct loans obligated on or after October 1, 1991. 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 post-1991 direct loans.

**Table 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).

**Table I: Detailed 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 above, must equal the amount reported on the Balance Sheet as loans receivables and related foreclosed property, net.

**Table 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 and the amount of new guaranteed loans disbursed for the current and prior reporting years.

**Table 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 in column 4.

**Table 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 year.

**L1. Subsidy Expense for New Loan Guarantees:** Disclose for each program the total subsidy expense for new loan guarantees 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 previously committed loan guarantees by component (interest rate and technical/default); and in Column 5, the total of columns 3 and 4.

**L3. Total Loan Guarantee Subsidy Expense:** Provide the total subsidy expense for the current and prior year's loan guarantees, modifications, and reestimates.

**Table 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. 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 and should explain the underlying causes for the fluctuations.

The reporting entity should state the following in its disclosure:

The 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.

**Table 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 Balance Sheet. The reconciliation is required for loan guarantees committed on or after October 1, 1991. 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 post-1991 loan guarantees.

**Table 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.

### ***II.3.9.9. Note 9: Inventory and Related Property, Net***

The following describes required disclosures for each category of inventory and related property.

#### **Inventories**

- General composition of inventory.
- Basis for inventory value, including the valuation method and any cost flow assumptions.
- Changes from prior year's accounting methods, if any.
- Balances for 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.
- Restrictions 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.
- If opening balances were established using "deemed cost" as that term is defined in

SFFAS 48, *Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials*, disclose this fact and the method used.

### **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.
- If opening balances were established using “deemed cost” as that term is defined in SFFAS 48, disclose this fact and the method used.

### **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 materials.
- 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.
- If opening balances were established using “deemed cost” as that term is defined in SFFAS 48, disclose this fact and the method used.

### **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) and known liens or other claims against the property. This information should be presented by type of seized property and method of disposition where material.
- Non-valued seized property that cannot be sold due to legal restrictions, but which may be either donated or destroyed, is subject to the same analysis of change disclosure

requirement described above; no financial value is recognized for these items. See Federal Financial Accounting and Auditing TR 4: *Reporting on Non-Valued Seized and Forfeited Property*.

- For seized monetary instruments a liability will be reported in Other Liabilities in an amount equal to the seized asset value.

### **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 dollar value and number of forfeited properties that are: (1) on-hand at the beginning of the year, (2) made during the year, (3) disposed of during the year by method of disposition, and (4) on-hand at the end of the year. This information should be presented by type of property forfeited where material.
- Non-valued forfeited property that cannot be sold due to legal restrictions, but which may be either donated or destroyed, is subject to the same disclosure requirements described above; no financial value is recognized for these items. See Federal Financial Accounting and Auditing TR 4: *Reporting on Non-Valued Seized and Forfeited Property*.
- If available, an estimate of the value of property or funds to be distributed to Federal, State, or local agencies; U.S. territories; or foreign governments in future 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.

### ***II.3.9.10. 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 may include buildings and structures, furniture and fixtures, equipment, vehicles, internal use software, and land. The following are the minimum disclosures required for each major class of general PP&E:

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

Recognition and measurement criteria for general PP&E are in SFFAS 6, as amended by SFFAS 10, SFFAS 23, SFFAS 44, and SFFAS 50.

Requirements for recognizing and reporting significant and expected to be permanent impairments of general PP&E (except Internal Use Software) remaining in use are in SFFAS 44.

Alternative methods for establishing opening balances for general PP&E and disclosure requirements are provided in SFFAS 50. SFFAS 50 permits agencies to use “deemed cost” for opening balances of general PP&E, to exclude land and land rights from opening balances if acreage information is disclosed and future acquisitions are expensed, and to choose between deemed cost and prospective capitalization for opening balances of internal use software.

#### ***II.3.9.11. Note 11: Stewardship PP&E***

SFFAS 29 reclassified all heritage assets and stewardship land information as basic information. SFFAS 29 requires that entities include a note on the Balance Sheet that discloses the following minimum information about heritage assets and stewardship land (but no asset dollar amount should be shown):

- a. a statement explaining how they relate to the mission of the entity;
- b. a description of the entity’s stewardship policies;
- c. a description of major categories;
- d. physical unit information for the end of the reporting period;
- e. physical units added and withdrawn during the year; and
- f. a description of the methods of acquisition and withdrawal.

See SFFAS 29 for details describing the above minimum required disclosures and recognition and measurement criteria.

**II.3.9.12. Note 12: Other Assets**

	2xxx (CY)	2xxx (PY)
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. _____	xxx	xxx
Total Other Assets	\$x,xxx	\$x,xxx
B. Other Information _____		

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

**II.3.9.13. Note 13: Liabilities Not Covered by Budgetary Resources**

	2xxx (CY)	2xxx (PY)
A. Intragovernmental:		
(1) Accounts payable	\$ xxx	\$ xxx
(2) Debt	xxx	xxx
(3) Other	xxx	xxx
Total Intragovernmental	xxx	xxx
B. Accounts payable	xxx	xxx
C. Debt held by the public	xxx	xxx
D. Federal employee and veteran benefits	xxx	xxx
E. Environmental and disposal liabilities	xxx	xxx
F. Benefits due and payable	xxx	xxx
G. Other	<u>xxx</u>	<u>xxx</u>
Total liabilities not covered by budgetary resources	\$ x,xxx	\$ x,xxx
Total liabilities covered by budgetary resources	\$ x,xxx	\$ x,xxx
Total liabilities not requiring budgetary resources	\$ x,xxx	\$ x,xxx
Total liabilities	<u>\$ x,xxx</u>	<u>\$ x,xxx</u>
H. Other Information _____		

Disclose intragovernmental liabilities not covered by budgetary resources separately from other liabilities not covered by budgetary resources and provide other information needed to understand the nature of liabilities not covered by budgetary resources. See Section II.3.3.4 for definitions of the three types of liabilities.

**II.3.9.14. Note 14: Debt**

	2xxx (PY) Beginning Balance	2xxx (PY) Net Borrowing	2xxx (PY) Ending Balance	2xxx (CY) Net Borrowing	2xxx (CY) Ending Balance
<b>A. Treasury Debt</b>					
(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>
Total Treasury Debt	xxx	xxx	xxx	xxx	xxx
<b>B. Agency Debt:</b>					
(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>
Total Agency Debt	xxx	xxx	xxx	xxx	xxx
<b>C. Other Debt:</b>					
(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>
Total Other Debt	xxx	xxx	xxx	xxx	xxx
Total Debt	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>
<b>D. Classification of Debt:</b>				2xxx (CY)	2xxx (PY)
(1) Intragovernmental Debt				x,xxx	x,xxx
(2) Debt held by the Public				<u>x,xxx</u>	<u>x,xxx</u>
Total Debt				<u>x,xxx</u>	<u>x,xxx</u>
<b>E. Other Information:</b> _____					

All debt is classified as not covered by budgetary resources, except for direct loan and guaranteed loan financing account debt to Treasury and that portion of other debt covered by budgetary resources at the Balance Sheet date.

Lines A(1) and A(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 debentures and Tennessee Valley Authority bonds), reporting 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 and 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 should 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 (Lines A(1), B(1), and C(4)); this amount must equal intragovernmental debt reported on the Balance Sheet. Report all debt held by the public on lines A(2) and B(2); this amount must 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 relevant to debt (e.g., redemption or call of debts owed to the public before maturity dates, write-offs of debts owed Treasury or the Federal Financing Bank, etc.).

### ***II.3.9.15. Note 15: Federal Employee and Veterans' Benefits***

Entities responsible for administering pensions, ORB, and OPEB should calculate and report these liabilities and related expenses in accordance with SFFAS 5 and SFFAS 33. These entities should disclose, at a minimum, the assumptions used to calculate the liability (pursuant to SFFAS 5, paragraph 67). In the case of a pension plan that uses assumptions that differ from those used by the primary plans (i.e., the Civil Service Retirement System, the Federal Employees' Retirement System, and the Military Retirement System), the plan should disclose how and why its assumptions differ from those of the primary plans.

These entities must provide a reconciliation of the beginning and ending pension, ORB, and OPEB liability balances presented on the Balance Sheet per SFFAS 33. This reconciliation must provide all material components of pension, ORB, or OPEB expenses, including normal cost, interest on the liability balance, actuarial gain/loss, prior service costs, and other expenses. The reconciliation begins with the beginning liability balance, adds or subtracts each expense as appropriate, and then subtracts amounts paid to reach the ending liability balance. Actuarial gains and losses should be broken into two subcomponents: experience and assumption changes. Significant pension, ORB, and OPEB programs should be presented individually in separate columns along with an "all other" column, if applicable, and a "total" column for each line item.

These entities should also provide disclosures related to assets (see SFFAS 33, paragraph 25, and SFFAS 5, paragraphs 68 and 85), discount rates (see SFFAS 33, paragraphs 28 and 31), and other assumptions (see SFFAS 33, paragraph 35, and SFFAS 5, paragraphs 67, 83, and 157).

*Entities that report only the normal or service costs do not need to disclose any of the other expenses listed in the above paragraph.*

Entities holding non-Treasury securities as assets to fund their pension, ORB, or OPEB programs should disclose the rates of return, specific maturities, and allocation by type (stocks, bonds, etc.) of such assets. Below is an illustrative reconciliation for this note.

**Note 15 Illustrative Reconciliation of Beginning and Ending Liability Balances for Pensions, ORB, and OPEB.**

Beginning liability balance	xxx
Expense:	
Normal Cost:	xxx
Interest on the liability balance	xxx
Actuarial (gain)/loss:	
From experience:	xxx
From assumption changes:	xxx
Prior service costs:	xxx
Other:	xxx
Total expense	xxx
Less amounts paid:	xxx
Ending liability balance	xxx

**II.3.9.16. Note 16: Environmental and Disposal Liabilities**

Disclose environmental and disposal liabilities in accordance with SFFAS 5; SFFAS 6; and TR 2, Determining Probable and Reasonably Possible for Environmental Liabilities in the Federal Government. 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 estimates that relates to prior period operations, and (5) nature of estimates and information regarding possible changes due to inflation, deflation, technology, or applicable laws and regulations.

Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs* requires all Federal entities that own tangible PP&E that contain asbestos to disclose liabilities related to friable and nonfriable asbestos cleanup costs deemed probable, but not reasonably estimable consistent with SFFAS 5, SFFAS 6, and TR 2.

**II.3.9.17. Note 17: Other Liabilities**

	Non-Current	Current	2xxx (CY) Total
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. _____	xxx	xxx	xxx
Total Other Liabilities	x,xxx	x,xxx	x,xxx

	Non-Current	Current	2xxx (CY) Total
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. _____	xxx	xxx	xxx
Total Other Liabilities	x,xxx	x,xxx	x,xxx

- 1. Other Liabilities.** Include all liabilities not reported elsewhere and separately disclose the current portion of other liabilities.
- 2. Other Information.** Provide other information necessary to understand other liabilities.

### II.3.9.18. Note 18: Leases

**Entity as Lessee:**

**Capital Leases:**

	2xxx	2xxx
	(CY)	(PY)
Summary of Assets Under Capital Lease:	xxx	xxx
Land and Buildings	xxx	xxx
Machinery and Equipment	xxx	xxx
Other	xxx	xxx
Accumulated Amortization	xxx	xxx

Description of Lease Arrangements: \_\_\_\_\_

Future Payments Due:

<u>Fiscal Year</u>	(1)	<u>Asset Category</u>		Totals
		(2)	(3)	
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 Lease Payments	xxx	xxx	xxx	xxx
Less: Imputed Interest	xxx	xxx	xxx	xxx
Less: Executory Costs (e.g., taxes)	<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>

Capital lease liabilities covered by budgetary resources x,xxx  
 Capital lease liabilities not covered by budgetary resources x,xxx

**Operating Leases:**

Description of Lease Arrangements: \_\_\_\_\_

Future Payments Due for Non-Cancelable Operating Leases:

<u>Fiscal Year</u>	(1)	<u>Asset Category</u>		Totals
		(2)	(3)	
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 Lease Payments	x,xxx	x,xxx	x,xxx	x,xxx

*[Optional: Future Lease Payments Due for Cancellable Operating Leases  
 Disclose separately, with narrative to explain the lease arrangements.]*

<b>Entity as Lessor:</b>				
<b>Capital Leases:</b>				
Description of Lease Arrangements: _____				
Future Projected Receipts:				
<u>Fiscal Year</u>	(1)	<u>Asset Category</u> (2)	(3)	Totals
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 Projected Receipts for Capital Leases	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>
<b>Operating Leases:</b>				
Description of Lease Arrangements: _____				
Future Projected Receipts:				
<u>Fiscal Year</u>	(1)	<u>Asset Category</u> (2)	(3)	Totals
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 Projected Receipts for Operating Leases	x,xxx	x,xxx	x,xxx	x,xxx
Other Information:				
<i>[Optional: Future Projected Receipts Due for Cancelable Operating Leases Disclose separately, with narrative to explain the lease arrangements.]</i>				

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

**A. Entity as Lessee.**

**Capital Leases:** Disclose Federal and non-Federal leases separately for FY 2018; prior year amounts do not need to be disclosed separately.

**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 the major asset categories and associated lease terms, including renewal options, escalation clauses, and contingent rentals restrictions imposed by lease agreements, and the

amortization period.

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

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, Budgetary Treatment of Lease-Purchases and Leases of Capital Assets of OMB Circular A-11 for additional guidance, but note a difference in terminology; the term capital leases as used in Note 18 includes both capital leases and lease purchases as those terms are used in Circular A-11. Under Circular A-11, capital leases entered into in FY 1992 and later are required to be fully funded in the first year of the lease.

**Operating Leases:** Disclose Federal and non-Federal leases separately for 2018; prior year amounts do not need to be disclosed separately.

**Description of Lease Arrangements:** Provide information that discloses the agency's operating lease commitments including the major asset categories and associated lease terms (including renewal options, escalation clauses, contingent rentals, restrictions imposed by lease agreements, and the lease period).

**Future Payments Due:** Enter future lease payments by major asset category for all non-cancelable leases with terms longer than one year. Disclosure of future payments for all non-cancelable leases is mandatory. Disclosure of future payments for cancellable leases is optional. Agencies opting to disclose future payments for cancellable leases should disclose them separately from future payments for non-cancelable leases.

**B. Entity as Lessor.**

**Description of Lease Arrangements:** Disclose the commitment of the entity's assets including the major asset category and lease terms.

**Future Projected Receipts:** Enter projected future lease revenues by major asset category for all capital and non-cancelable operating leases with terms longer than one year. Disclosure of future receipts for cancelable leases is optional. Agencies opting to disclose projected future receipts for cancelable leases should disclose them separately from projected future receipts for non-cancelable leases.

**C. Other Information.**

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

***II.3.9.19. Note 19: Life Insurance Liabilities***

Entities providing whole life insurance should provide all disclosures required by private sector standards. 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 5 for further guidance.

**For FY 2019**, SFFAS 51 will apply and liabilities will need to be recognized for unpaid insurance claims as specified in SFFAS 51 paragraphs 55-58 and future policy benefits as specified in SFFAS 51 paragraphs 59-64. In addition, disclosures will need to be made pursuant to SFFAS 51 paragraphs 65-68 and revenue will need to be recognized as specified in SFFAS 51 paragraph 54

***II.3.9.20. Note 20: Commitments and Contingencies***

Disclose contingencies where any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred. Contingencies may include claims that derive from treaties or other international agreements. Treaties and other international agreements should be reviewed to determine whether they give rise to contingent liabilities, and if so, whether the contingent liabilities should be recognized or disclosed. SFFAS 5, as amended by SFFAS 12, contains the criteria for recognition and disclosure of contingent liabilities.

In addition to disclosing contingent liabilities, the following commitments must 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 that may require future financial obligations.

**II.3.9.21. Note 21: Funds from Dedicated Collections**

	<u>ABC Fund</u>	<u>CDE Fund</u>	<u>Other Funds from Dedicated Collections</u>	<u>Eliminations*</u>	<u>Total Funds from Dedicated Collections</u>
<b>Balance Sheet as of September 30</b>					
<b>ASSETS</b>					
Fund Balance with Treasury	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
Investments, net	xxx	xxx	xxx	xxx	xxx
Taxes and interest receivable	xxx	xxx	xxx	xxx	xxx
Other assets	xxx	xxx	xxx	xxx	xxx
Total assets	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>
<b>LIABILITIES</b>					
Other liabilities	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
Total liabilities	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>
Unexpended appropriations	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
Cumulative results of operations	xxx	xxx	xxx	xxx	xxx
Total liabilities and net position	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>

**Statement of Net Cost for the Period Ended September 30**

Gross program costs	\$ xxx				
Less: Earned revenues			xxx		xxx
Net program costs	xxx	xxx	xxx	xxx	xxx
Costs not attributable to program costs	xxx	xxx	xxx	xxx	xxx
Less: Earned revenues not attributable to program costs	xxx	xxx	xxx	xxx	xxx
Net cost of operations	<u>\$ xxx</u>				

**Statement of Changes in Net Position For the Period Ended September 30**

Net position beginning of period	\$ xxx				
Taxes and nonexchange revenue	\$ xxx				
Other financing sources	xxx	xxx	xxx	xxx	xxx
Net cost of operations	xxx	xxx	xxx	xxx	xxx
Change in net position	<u>\$ xxx</u>				
Net position end of period	<u>\$ xxx</u>				

\*Agencies presenting the footnote on a combined basis would not include an eliminations column.

Funds from Dedicated Collections are financed by specifically identified revenues provided to the Government by non-federal sources often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits or purposes, and must be accounted for separately from the Government's general revenues.

SFFAS 27, as amended by SFFAS 43, specifies criteria for and requires disclosure of all Funds from Dedicated Collections for which the reporting entity has program management responsibility by either a list (by official title) or a statement indicating where the list can be obtained (e.g., a website reference or contact information). See SFFAS 27, as amended, for details on disclosing information on selected individual Funds from Dedicated Collections and for all remaining Funds from Dedicated Collections shown in aggregate. Also, see SFFAS 27, as amended, for guidance on selecting Funds from Dedicated Collections to be presented individually or in aggregate.

The following information should be disclosed for individually reported Funds from Dedicated Collections, or portions thereof, for which a component entity has program management responsibility:

- Condensed information about assets and liabilities showing investments in Treasury securities, other assets, liabilities due and payable, other liabilities, cumulative results of operations, and net position. Condensed information providing gross cost, exchange revenue, net cost of operations, nonexchange revenues by major type and all other, other financing sources by major type, and change in net position. Information for Funds not presented individually may be aggregated. The information must be in sufficient detail to support reporting requirements for the Government-wide financial statements;
- A description of each Fund's purpose, how the entity accounts for and reports the Fund, and its authority to use those revenues and other financing sources;
- 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; and
- Any change in legislation during or subsequent to the reporting period and before the issuance of the financial statements that significantly changes the purpose of the fund or that redirects a material portion of the accumulated balance.

The note disclosure should show current and prior years. The total net position of all Funds from Dedicated Collections shown in the note disclosure should agree with the total net position of Funds from Dedicated Collections shown on the face of the component entity's Balance Sheet. SFFAS 27, as amended by SFFAS 43, contains guidance for situations in which more than one component entity is responsible for carrying out a program financed with revenues and other financing sources for Funds from Dedicated Collections. If separate portions of the program can be clearly identified with a responsible component entity, then each component entity should report its portion of the program (and an accounts payable in the reporting entity must be matched with an accounts receivable in the recipient entity).

An example of when separate portions can be clearly identified is when receipts have been appropriated to a reporting entity and that recipient has recorded a receivable. In contrast, an example of when separate portions cannot be identified is when receipts have not yet been appropriated. If separate portions cannot be identified, the component with program management responsibility should report the fund. The component entity with program management

responsibility is defined as the entity from which the offsetting receipts are distributed, as shown in the Budget. If the collections are classified as governmental receipts, then the component entity with program management responsibility is defined as the entity where the budget presentation of the trust fund receipts is shown in the Budget *Appendix*. Differences in comparative statements will be identified in the corresponding statement notes.

A crosswalk from a consolidated to combined net position for Funds from Dedicated Collections may be disclosed if the net position of Funds from Dedicated Collections is shown on a consolidated basis on the Balance Sheet and if management determines that such a crosswalk would provide useful information at the fund level. See page 96 of the Department of Interior's FY 2017 Financial Report for an example of such a crosswalk, found here: <https://www.doi.gov/pfm/afr/2017>.

#### **Note Disclosures Related to the Statement of Net Cost**

##### ***II.3.9.22. Note 22: 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 display their suborganizations' major programs and activities.

In addition, an entity's SNC may display highly aggregated program information. Supporting schedules similar to the illustration below should be disclosed in the Notes and present detailed cost and revenue information supporting the information in the SNC.

**Note 22 Suborganization Program Costs/Program Costs by Segment**

Reporting Entity  
 Supporting Schedule by Suborganization  
 For the year ended September 30, 2xxx  
 (CY) (in dollars/thousands/millions)

	Suborgani zation A	Suborgani zation B	Suborgani zation C	Combined Total	Intra-entity Eliminations	Consolidated Total
Crosscutting programs						
Program A						
Gross Costs (Note 22)	xxx	--	xxx	xxx	xxx	xxx
Less: Earned revenues	<u>xxx</u>	--	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Net program costs	x,xxx	--	x,xxx	x,xxx	x,xxx	x,xxx
Other programs	--	xxx	--	xxx	xxx	xxx
Program B:	--	xxx	--	xxx	xxx	xxx
Program C:	xxx	xxx	--	xxx	xxx	xxx
Program D:	--	--	xxx	xxx	xxx	xxx
Program E:	--	--	xxx	xxx	xxx	xxx
Program F:	--	--	xxx	xxx	xxx	xxx
Other programs	--	--	xxx	xxx	xxx	xxx
Less: Earned revenues	<u>xxx</u>	--	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Net other program costs	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
(Gain)/loss on pension, ORB, or OPEB assumption changes (Note 15):	--	--	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Net program expenses including assumption changes:	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
Cost not assigned to programs	xxx	xxx	xxx	xxx	xxx	xxx
Less: Earned revenues not attributed to programs	<u>xxx</u>	<u>xxx</u>	xxx	<u>xxx</u>	<u>xxx</u>	<u>xxx</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 22 Suborganization Program Costs/Program Costs by Segment (Continued)**

	Reporting Entity Supporting Schedule by Suborganization For the year ended September 30, 2xxx (CY) (in dollars/thousands/millions)					
	Suborgani zation A	Suborgani zation B	Suborgani zation C	Combined Total	Intra-entity Elimination s	Consolidated Total
Crosscutting programs						
Program A:						
Gross Costs (Note 22)	xxx	--	xxx	xxx	xxx	xxx
Less: Earned revenues	<u>xxx</u>	--	<u>xxx</u>	<u>xxx</u>	<u>xxx</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	xxx
Program D:	--	--	xxx	xxx	xxx	xxx
Program E:	--	--	xxx	xxx	xxx	xxx
Program F:	--	--	xxx	xxx	xxx	xxx
Other programs	--	--	xxx	xxx	xxx	xxx
Less: Earned revenues	<u>xxx</u>	--	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Net other program costs	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
(Gain)/loss on pension, ORB, or OPEB assumption changes (Note 15):						
Net program expenses incl. assumption changes:	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
Cost not assigned	xxx	xxx	xxx	--	xxx	xxx
Less: Earned revenues not attributed to programs	<u>xxx</u>	<u>xxx</u>	--	<u>xxx</u>	<u>xxx</u>	<u>xxx</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>

**II.3.9.23. Note 23: Cost of Stewardship PP&E**

The cost of acquiring, constructing, improving, reconstructing, or renovating heritage assets (other than multi-use heritage assets); the cost of acquiring stewardship land; and any costs to prepare stewardship land for its intended use will be recognized as a cost in the SNC in the period when it is incurred. These costs will be separately reported on the face of the SNC or disclosed in the notes, 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 29.)

**II.3.9.24. Note 24: Stewardship PP&E Through Transfer, Donation or Devise**

Heritage assets and stewardship land transferred from other Federal entities will not be recognized as a cost in calculating net cost, but should be disclosed (by the number of physical units by major category).

Heritage assets and stewardship land acquired through donation or devise is not recognized as a cost in calculating net cost, but the fair value of the property must be disclosed if known and material. The number of physical units by major category should also be disclosed.

### ***II.3.9.25. Note 25: 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. See SFFAS 7 for required disclosures.

### **Note Disclosures Related to the Statement of Budgetary Resources**

### ***II.3.9.26. Note 26: Net Adjustments to Unobligated Balance, Brought Forward, October 1***

Disclose and explain material adjustments to correct the unobligated balance brought forward, October 1. These adjustment lines are only used for error corrections leading to a restatement of the SBR. If the earliest period presented is not the period in which the error occurred and the cumulative effect is attributable to prior periods, then the cumulative effect should be reported as a prior period adjustment on this adjustment line. If the period is presented on the financial statements, then the error should be corrected in the earliest affected period presented by correcting any individual amounts on the financial statements. See SFFAS 21. This disclosure may not include all adjustments made to beginning balances reported on line 1020 of the SF-133, Report on Budget Execution and Budgetary Resources, which includes immaterial and material adjustments to prior year balances.

### ***II.3.9.27. Note 27: Terms of Borrowing Authority Used***

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

### ***II.3.9.28. Note 28: Available Borrowing/Contract Authority, End of the Period***

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

### ***II.3.9.29. Note 29: Apportionment Categories of New Obligations and Upward Adjustments: Direct vs. Reimbursable Obligations***

Disclose the amount of direct and reimbursable new obligations and upward adjustments against amounts apportioned under Category A, B, AB, and Exempt from apportionment. This disclosure must agree with total new obligations and upward adjustments as reported on the SBR (line 2190 in OMB Circular A-11, Appendix F). Apportionment categories shall be determined in accordance with the guidance provided in Circular A-11. (Note that Category AB is reported as Category B in GTAS.)

### ***II.3.9.30. Note 30: Undelivered Orders at the End of the Period***

Disclose the amount of budgetary resources obligated for undelivered orders at the end of the period, separately disclosing for FY 2018 Federal, non-Federal, paid, and unpaid amounts. For FY 2018, prior year amounts do not need to be divided between Federal and non-Federal or paid and unpaid.

### **II.3.9.31. Note 31: Permanent Indefinite Appropriations**

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

### **II.3.9.32. Note 32: Legal Arrangements Affecting the 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, e.g., 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.

### **II.3.9.33. Note 33: Explanation of Differences between the SBR and the Budget of the U.S. Government**

Agencies should explain material differences that exist between:

1. The budgetary resources, obligations, and net outlay amounts from the prior year (i.e., FY 2017) SBR and the actual amounts from “Detailed Budget Estimates by Agency” found in the *Appendix* of the Budget (i.e., the FY 2017 amounts in the FY 2019 Budget).
2. The distributed offsetting receipts amount from the prior year (i.e., FY 2017) SBR and the actual amount from the “Federal Budget by Agency and Account” in the Analytical Perspectives of the Budget (i.e., the FY 2017 amounts in the FY 2019 Budget).

Agencies should disclose that the Budget with the actual amounts for the current year (i.e., FY 2018) will be available at a later date at <https://www.whitehouse.gov/omb/budget/>.

Below is an illustrative schedule.

	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary	\$ xxx	\$ xxx	\$ xxx	\$ xxx
Difference #1	\$ xxx	\$ xxx	\$ xxx	\$ xxx
Difference #2	\$ xxx	\$ xxx	\$ xxx	\$ xxx
Budget of the U.S. Government	\$ xxx	\$ xxx	\$ xxx	\$ xxx

### **II.3.9.34. Note 34: Contributed Capital**

Disclose the amount of any contributed capital (e.g., donations) received during the reporting period.

#### **Note Disclosures Related to the Statement of Custodial Activity**

### **II.3.9.35. Note 35: Incidental Custodial Collections**

Organizations collecting 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 notes rather than on the face of the statement.

### ***II.3.9.36. Note 36: Custodial Revenues***

Entities preparing an SCA 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 7.

### **Note Disclosures Related to the Statement of Social Insurance and the Statement of Changes in Social Insurance Amounts**

### ***II.3.9.37. Note 37: Statement of Social Insurance and Statement of Changes in Social Insurance Amounts***

Entities responsible for issuing a SOSI are required to disclose the underlying significant assumptions in accordance with SFFAS 26. Paragraphs 27(3) (h-j) of SFFAS 17 outline three required disclosures to the SOSI:

- 1) the accumulated excess of all past cash receipts, including interest on investments, over all past cash disbursements within the social insurance program represented by the fund balance at the valuation date;
- 2) a statement that the actuarial net present value of the excess of future expenditures related to benefit payments paid to or on behalf of current participants (the "closed group" of participants) over future contributions and tax income from them or paid on their behalf is calculated by subtracting the actuarial present value of future contributions and tax income paid by and for current participants from the actuarial present value of the future benefit payments to them or on their behalf; and
- 3) information required in subparagraphs 27(3) (a)-(h) for the current year and each of the four preceding years.

SFFAS 17 requires additional information to be presented as RSI, unless the preparer elects to include some or all of that information in the note. See the RSI Section below for additional required social insurance information. In addition, the consolidated entity disclosure requirements are outlined in paragraph 32(3) of SFFAS 17. For detailed explanations on these disclosures, refer to SFFAS 17 and the RSI Social Insurance Section below.

The provisions of SFFAS 37 amended SFFAS 17, augmented SFFAS 15, and applies to entities required to prepare a SOSI. Any entity preparing a SOSI must prepare a statement of changes in social insurance amounts (SCSIA) that discloses in notes on the face of the SCSIA, in notes to the financial statements, or both the reasons for the changes in the open group measure for the two-year period. See Section II.2 above for more information.

### **Note Disclosures Not Pertaining to a Specific Statement**

### ***II.3.9.38. Note 38: Fiduciary Activities***

Fiduciary activities are the collection or receipt, and the management, protection, accounting, investment and disposition by the Government of cash or other assets in which non-Federal individuals or entities have an ownership interest that the Government must uphold.

Fiduciary cash and other assets are not Government assets and fiduciary assets and liabilities should not be recognized on the Balance Sheet of Federal entities. Federal entities should disclose fiduciary assets, liabilities, and flows in a note, as shown below.

Department XYZ						
Schedule of Fiduciary Activity						
For the years ended September 30, 2XXX (CY) and 2XXX (PY)						
	2XXX (CY)	2XXX (CY)	2XXX (CY)	2XXX (PY)	2XXX (PY)	2XXX (PY)
	Fiduciary Fund A	Other Fiduciary Funds	Total Fiduciary Funds	Fiduciary Fund A	Other Fiduciary Funds	Total Fiduciary Funds
1. Fiduciary net assets, beginning of year	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2. Fiduciary Revenues	xxx	xxx	xxx	xxx	xxx	xxx
3. Contributions	xxx	xxx	xxx	xxx	xxx	xxx
4. Investment earnings	xxx	xxx	xxx	xxx	xxx	xxx
5. Gain (Loss) on disposition of investments, net	xxx	xxx	xxx	xxx	xxx	xxx
6. Administrative and other expenses	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
7. Disbursements to and on behalf of beneficiaries	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
8. Increase/(Decrease) in fiduciary net assets	xxx	xxx	xxx	xxx	xxx	xxx
9. Fiduciary net assets, end of year	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx

*[Fiduciary Fund A] was authorized by [legislation], which authorized [component entity] to collect [type of collections] on behalf of [beneficiaries]. Other fiduciary activities by [component entity] include [fiduciary activities included in "other"].*

**Contributions** increase fiduciary net assets and include cash collected from beneficiaries and increase a beneficiary’s equity.

**Disbursements to and on behalf of beneficiaries** decrease fiduciary net assets and are equity distributions to or on behalf of beneficiaries.

**Increases/(Decreases) in fiduciary net assets** equals the sum of lines 2-7.

**Fiduciary  
Net Assets**

As of September 30, 2XXX (CY) and  
2XXX (PY)

	2XXX (CY)	2XXX (CY)	2XXX (CY)	2XXX (PY)	2XXX (PY)	2XXX (PY)
	Fiduciary Fund A	Other Fiduciary Funds	Total Fiduciary Funds	Fiduciary Fund A	Other Fiduciary Funds	Total Fiduciary Funds
<b>FIDUCIARY ASSETS</b>						
1. Cash and cash equivalents	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2. Investments	xxx	xxx	xxx	xxx	xxx	xxx
3. Other assets	xxx	xxx	xxx	xxx	xxx	xxx
4. Less: Liabilities	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
5. Total Fiduciary net assets	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx

Disclose non-monetary fiduciary assets, describing the composition of the assets, the method(s) of valuation, and changes (if any) from prior period accounting methods.

Describe non-valued fiduciary assets, beginning quantity, quantity received, quantity disposed of, net increase/decrease in non-valued fiduciary assets, and ending total quantity in a Schedule of Changes in Non-Valued Fiduciary Assets, shown below.

Department  
of XYZ

**Schedule of Changes in Non-Valued  
Fiduciary Assets**

As of September 30, 2XXX (CY) and  
2XXX (PY)

	<u>2XXX(CY)</u>	<u>2XXX(PY)</u>
1. Beginning Quantity	\$ xxx	\$ xxx
2. Additions	xxx	xxx
3. Dispositions	xxx	xxx
4. Net Increase/Decrease	<u>xxx</u>	<u>xxx</u>
5. Ending Quantity	\$ <u>xxx</u>	\$ <u>xxx</u>

For all other required disclosures, refer to SFFAS 31.

**II.3.9.39. Note 39: Restatements**

Agencies must explain any restatement of financial statements due to material errors in a note titled "Restatements." The following information should be addressed in the note if the specific amount(s) of the misstatement is known:

1. The nature of the error (i.e., a description of the action or failure to act causing or leading to the error) and the reason for the restatement;
2. The specific amount(s) of the material misstatement(s) and the related effect on the

previously issued financial statements (e.g., year(s) being restated, specific statement(s) affected, line items restated) and the impact on the financial statements as a whole (e.g., change in overall net position, change in the audit opinion); and

3. The actions management took after discovering the error in accordance with the procedures provided in the “Management Actions Related to Corrections of Errors” subsection of Section II.3.5.4 (i.e., whether the subsequent period audited financial statements were “imminent” or not imminent and when the agency restated). Under OMB’s current audit bulletin, “imminent” means “within 90 calendar days of the subsequent period financial statements planned issue date.”

The following information should be disclosed in the note if the specific amount(s) of the misstatement is unknown:

1. A statement that a material misstatement(s) or potential material misstatement(s) affects a previously issued financial statements, but the specific amount(s) of the misstatement(s) and the related effect of such are not known,
2. The nature and cause of the misstatement(s) or potential misstatement(s),
3. An estimate of the magnitude of the misstatement(s) or potential misstatement(s) and the related effect of such on previously issued financial statements (e.g., the specific statement and line items affected) that are known and a statement that the specific amount(s) and related effect of such cannot be determined without further investigation, and
4. A statement disclosing that a restatement to a previously issued financial statement will or may occur.

#### ***II.3.9.40. Note 40: Reconciliation of Net Cost of Operations to Budget***

SFFAS 7 “requires a reconciliation of proprietary and budgetary information in a way that helps users relate the two.” SFFAC 2, *Entity and Display*, as amended by SFFAS 53, *Budget and Accrual Reconciliation*, provides concepts for reconciling budgetary and financial accounting and an illustrative example in Appendix 1-G. Entities may tailor the example to their needs and **for FY 2018**, entities may use the same format they have used in the past or they may adopt the new format reflected in SFFAS 53. The reconciliation must meet the requirements of paragraphs 80-82 of SFFAS 7 that correspond to the format being used (i.e., the format in the original, unamended SFFAC 2 or the format in SFFAC 2 as amended by SFFAS 53). Paragraphs 88-102 of SFFAS 7 provide additional guidance in developing the reconciliation and some have been amended by SFFAS 53; the amended paragraphs must be followed if the new format is adopted.

SFFAS 53 is effective **for FY 2019**, but **early implementation is permitted**. In the initial year of implementation, the disclosure requirements that were applicable in prior reporting periods (unamended SFFAS 7 paragraphs 80 to 82) are not required for comparative presentations.

#### ***II.3.9.41. Note 41: Public-Private Partnerships***

SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*, defines public-private partnerships as “risk-sharing arrangements or transactions with expected lives greater than five years between public and private sector entities” and is effective **for FY 2019**. Arrangements or transactions that are not excluded by SFFAS 49 paragraph 15 and meet definition in paragraphs 16 through 18 should be assessed against the risk-based characteristics in paragraphs 20 and 21.

See SFFAS 49, paragraph 24, for required disclosures, which include:

- The purpose, objective, rationale, statutory authority, costs, and benefits of the partnership.
- The amounts, if known, of Federal and non-Federal funding over the life of the partnership and a description of the funding.
- The contractual terms governing payments to and from the Government (including information on how the expected partnership life was determined, when payments are expected, whether payments are made directly or indirectly, and any non-monetary payments), payments to and from the Government for the reporting periods, and expected payments over the life of the partnership.
- Information about the contractual risks of loss and potential monetary effects if the risks are/were realized and information about remote risks of loss if included in the terms of the partnership contract.
- Amounts recognized on the statements, significant instances of non-compliance with provisions governing the partnership, borrowing or capital investment by the private entity that is contingent on the reporting entity's promise to pay, and a description of events of termination.

***II.3.9.42: Note 42: Disclosure Entities and Related Parties***

Under SFFAS 47, which is **effective for FY 2018**, agencies must disclose certain information for disclosure entities and related parties.

For each significant disclosure entity and aggregation of disclosure entities, agencies should disclose information to meet the following objectives:

- The nature of the Government's relationship with the entity or entities.
- The nature and magnitude of the relevant activity during the period and balances at the end of the period.
- A description of financial and non-financial risks, potential benefits, and, if possible, the amount of the Government's exposure to gains or losses from the past or future operations of the disclosure entity or entities

For more information, see paragraphs 71-78 of SFFAS 47.

Agencies with a small number of disclosure entities or no balances from transactions with disclosure entities may report this information in Note 1. Agencies reporting information about future exposures may include this information in their existing note on commitments or contingencies. See Section II.3.9.20.

For a related party (as defined in SFFAS 47, paragraphs 80-89), agencies should disclose the name of the party (or give a description of the parties if there are multiple parties); the nature of the Government's relationship with the party; the percentage of Government ownership interest, if any; financial exposure (potential gain or risk loss), if any, resulting from the relationship; and any other information necessary to explain the potential impact of the relationship on reported financial information.

***II.3.9.43 Note 43: Insurance Programs***

Under SFFAS 51, effective **for FY 2019** (early implementation is not permitted), the following recognition and disclosure requirements will apply.

All exchange transaction insurance programs other than life insurance will need to recognize:

- revenue for earned premiums and a liability for unearned premiums as specified in SFFAS 51 paragraphs 24 and 25,
- a liability for unpaid insurance claims as specified in paragraphs 26-29, and
- a liability for losses on remaining coverage as specified in paragraphs 30-37.

In addition, all exchange transaction insurance programs other than life insurance will need to make disclosures as specified in SFFAS paragraphs 38-41.

All nonexchange transaction insurance programs will need to recognize:

- revenue as specified in SFFAS 51 paragraph 44 and
- a liability for unpaid insurance claims as specified in SFFAS 51 paragraphs 45-48.

In addition, nonexchange transaction insurance programs will need to make disclosures as specified in SFFAS 49-52.

All life insurance programs will need to recognize:

- revenue as specified in SFFAS 51 paragraph 54,
- a liability for unpaid insurance claims as specified in SFFAS 51 paragraphs 55-58, and
- and a liability for future policy benefits as specified in SFFAS 51 paragraphs 59-64.

In addition, life insurance programs will need to make disclosures as specified in SFFAS 51 paragraphs 65-68.

## **II.3.10. Required Supplementary Stewardship Information**

### ***II.3.10.1. General***

The stewardship objective of Federal financial reporting requires the Government to report on its stewardship of certain resources entrusted to it and on certain responsibilities assumed by it that cannot be reflected in traditional financial measures. These resources and responsibilities do not meet the criteria for assets and liabilities but are important to understanding the operations and financial condition of the Government.

Costs of stewardship-type resources are treated as expenses in the year the costs are incurred. However, the costs and associated resources are intended to provide long-term benefits to the public. Depending on the nature of the resources, stewardship reporting could consist of financial or non-financial data.

Stewardship investments should be measured by 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). For more information, see SFFAS 8, *Supplementary Stewardship Reporting*, as amended. FASAB eliminated RSSI for weapons systems in SFFAS 23; eliminated the use of RSSI for stewardship responsibilities in SFFAS 25; and reclassified all heritage assets and stewardship land as basic information in SFFAS 29.

### ***II.3.10.2. Non-Federal Physical Property***

Non-Federal physical property investments are expenses included in the calculation of net cost for the purchase, construction or major renovation of physical property owned by State and local governments. Reporting must include data, in nominal dollars, on investment for the year being

reported on and the preceding four years. Additional years' data may be reported if such data would provide a better indication of the nature of the investment.

### ***II.3.10.3. Human Capital***

Human capital investments are expenses included in net cost for education and training programs: (1) intended to increase or maintain national economic productive capacity and (2) that produce outputs and outcomes that provide evidence of maintaining or increasing national productive capacity. This excludes education and training expenses for Federal civilian and military personnel. Reporting must include data, in nominal dollars, on investment for the year being reported upon and the preceding four years. Additional years' data may 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 8 describes the criteria that must be met for these expenses to continue to be categorized as stewardship investments. Outcome and output measures used to justify continued treatment of expenses as stewardship investments should be clearly identified in the AFR or PAR and the impact of the investment on outcomes and outputs should be readily apparent.

### ***II.3.10.4. Research and Development***

Research and experimental development investments are expenses included in the calculation of net costs to support creative and systematic work undertaken to increase the stock of new knowledge and to use such knowledge and practical experience for devising new or improved products and processes, with the expectation of maintaining or increasing national economic productive capacity or yielding other future benefits. Reporting must include data, in nominal dollars, on investment for the year being reported upon and the preceding four years. Additional years' data may be reported if such data would provide a better indication of the investment.

Continued categorization of research and experimental development expenses as investment for stewardship purposes is predicated on demonstrated outputs and outcomes consistent with the intent of the program. Chapter 7 of SFFAS 8 describes the criteria that must 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. See OMB Circular A-11, Section 84, for more information on the definitions of research and development activities.

### **II.3.10.5. Summary of Minimum Stewardship Reporting Requirements**

The following table summarizes the minimum reporting required for non-Federal physical 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 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.

### **II.3.11. Required Supplementary Information**

#### **II.3.11.1. Management's Discussion and Analysis**

See Section II.2 for detailed discussion.

#### **II.3.11.2. Federal Oil and Gas Resources**

SFFAS 38, *Accounting for Federal Oil and Gas Resources* requires the value of the Government's estimated petroleum royalties from the production of Federal oil and gas proved reserves to be reported in a schedule of estimated Federal oil and gas petroleum royalties. A schedule of estimated Federal oil and gas petroleum royalties to be distributed to others must be reported for the value of estimated petroleum royalty revenue designated for others. These schedules with accompanying narratives will be reported as RSI until FASAB makes a determination as to whether this information should be basic information.

#### **II.3.11.3. Other Federal Natural Resources**

FASAB Technical Bulletin 2011-1, *Accounting for Federal Natural Resources Other than Oil and Gas*, clarifies that entities should report as RSI the value of the Government's estimated royalties and other revenue for other Federal natural resources that are: (1) under long-term lease, long-term contract, or other long-term agreement and (2) reasonably estimable as of the reporting date, consistent with the guidance in SFFAS 38.

Resources may be divided by subtype of commodity and calculated separately if material differences would result. Each of the individual calculations should be reported separately and

then aggregated to derive the reporting entity's total estimated natural resources under lease, contract, or other long-term agreement. If a majority of the reporting entity's estimated revenue from natural resources under lease, contract or other long-term agreement is to be distributed to others, the value of the revenue to be distributed should be estimated and reported in a schedule of estimated revenue to be distributed to others.

#### ***II.3.11.4. Deferred Maintenance and Repairs***

Starting in FY 2015, in accordance with SFFAS 42, *Deferred Maintenance and Repairs: Amending SFFASs 6, 14, 29, and 32*, entities are required to: (1) describe their maintenance and repairs policies and how they are applied, (2) discuss how they rank and prioritize maintenance and repair activities among other activities, (3) identify factors considered in determining acceptable condition standards, (4) state whether deferred maintenance and repairs relate solely to capitalized general PP&E and stewardship PP&E or also to non-capitalized or fully depreciated general PP&E, (5) identify PP&E for which management does not measure and/or report deferred maintenance and repairs and the rationale for the exclusion of other than non-capitalized or fully depreciated general PP&E, (6) provide beginning and ending deferred maintenance and repairs balances by category of PP&E, and (7) explain significant changes from the prior year.

In addition, SFFAS 42: (1) requires that condition standards, related assessment methods, and reporting formats be consistently applied unless management determines that changes are necessary, (2) eliminates the requirement to report condition information, and (3) eliminates the optional reporting of low-high deferred maintenance and repair estimates and critical and non-critical deferred maintenance and repairs.

#### ***II.3.11.5. Social Insurance***

Supplementary information for social insurance programs is reported to address whether the programs are sustainable and what effect the programs have on the Government's financial condition.

RSI disclosure requirements for social insurance programs are summarized below. Preparers and auditors should refer to SFFAS 17 for more details. Programs defined as social insurance consist of:

- OASDI;
- HI and SMI;
- Railroad Retirement benefits;
- Black Lung benefits; and
- Unemployment Insurance (UI).

The following information is required for presentation as RSI unless the preparer elects to include some or all of that information in the notes to the financial statements. Refer to Section II.3.9.39.

- Long-range cash flow projections.
- Long-range projections of the ratio of contributors to beneficiaries (dependency ratio).
- 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.

Financial and actuarial disclosures should be accompanied by a narrative describing the program, how it is financed, how benefits are calculated, and an analysis of trends. Management may provide additional information pertaining to the financial condition of its program that it believes may be useful. Additional information on definitions, measurement, minimum reporting, implementation guidance and illustrative disclosure formats are in SFFAS 17.

All programs should provide sensitivity analysis appropriate for their particular circumstances. According to SFFAS 37, the Social Security Administration, Medicare, and Railroad Retirement programs should provide sensitivity analysis of the open group measure in the SOSI summary. See Section 11.3.8 above for more information on the SOSI summary. Per SFFAS 37, the reporting entity should state that the amounts of the open and closed group measures depend on the assumptions used and that actual experience is likely to differ from the estimate. See SFFAS 37 for additional guidance regarding sensitivity analysis reporting requirements.

#### ***II.3.11.6. Combining Statement of Budgetary Resources***

Budgetary information aggregated for the SBR should be disaggregated for each of the entity's major budget accounts and presented as RSI; small budget accounts may be aggregated. The total on this combining statement should equal the amount reported on the face of the SBR.

#### ***II.3.11.7. Statement of Custodial Activity***

Entities collecting taxes and duties should provide the following RSI related to potential collections and custodial responsibilities (see SFFAS 7):

- A discussion of the factors affecting the collectability of compliance assessments recognized as taxes receivable;
- If reasonably estimable, claims for refunds that are not yet accrued but are likely to be paid when administrative action is complete;
- The amount of assessments that the entity still has statutory authority to collect at the end of the period, but that have no future collection potential and are therefore defined as write-offs; and
- If reasonably estimable, the amounts by which trust funds may be over- or under-funded in comparison with requirements of law. This information should also be presented by recipient entities that are trust funds.

These disclosures are not applicable to exchange revenue presented on the SCA.

#### ***II.3.11.8. Risk Assumed Information***

All Federal insurance and guarantee programs, other than social insurance, life insurance, and loan guarantee programs, must report risk-assumed information. These disclosures are in addition to the liability for unpaid claims from insured events that have already occurred and any contingent liability that meets criteria for recognition.

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 requirements for risk assumed information are presented in SFFAS 5, paragraphs 105 to 114.

## **II.4. Other Information – PAR Section 4/AFR Section 3**

### **II.4.1. Revenue Forgone**

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

### **II.4.2. Tax Burden, Tax Gap, and Tax Expenditures**

Entities that collect taxes may consider presenting the information described below if readily available and if preparers believe the information will enhance the usefulness of the statements (see SFFAS 7, paragraph 69):

(1) A perspective on the income tax burden. This could be 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.

(2) 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.

Entities with information on tax expenditures relevant to the performance of their programs may present such information (see SFFAS 7, paragraph 69.3).

### **II.4.3. Management Challenges**

As required by the Reports Consolidation Act of 2000, the PAR or AFR must include as OI a statement by the agency's Inspector General (IG) summarizing what the IG considers to be the most serious management and performance challenges facing the agency and assessing the agency's progress in addressing those challenges. The statement must be provided to the agency head at least 30 days before the PAR or AFR due date and comments by the agency head, if made, should follow the IG's statement and address each IG challenge. The agency head may not modify the IG statement.

### **II.4.4. Summary of Financial Statement Audit and Management Assurances**

All Executive agencies are required to prepare Tables 1 and 2 below. Each material weakness should be listed using a unique, short, and easily understood name, which should be the same in both tables. As discussed in Section II.2.7, management should review its FMFIA assurance statements for consistency with the findings specified in the annual financial statement audit report(s). The reports could be different, but they should not be in direct conflict. When management does not agree with the auditor, management should explain why it does not agree, but it must describe how the disagreement will be addressed. To the extent possible, material weakness names should be kept constant from year to year.

Significant deficiencies are not required to be reported.

Beginning balances should be included in the table when the draft PAR or AFR is submitted to OMB for review even if auditor-reported material weaknesses have not yet been identified. For each material weakness, place a number in the appropriate category (i.e., Beginning Balance, New, etc.), with the numeric total listed on the individual material weakness category.

**Table 1. Summary of Financial Statement Audit**

Audit Opinion	Unmodified or modified (qualified, disclaimer, or adverse)				
Restatement	Yes or No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
[Name of weakness]					
[Name of weakness]					
[Name of weakness]					
<i>Total Material Weaknesses</i>	##	##	##	##	##

**Table 2. Summary of Management Assurances**

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unmodified, Modified, or No Assurance					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
[Name of weakness]						
[Name of weakness]						
[Name of weakness]						
<i>Total Material Weaknesses</i>	##	##	##	##	##	##
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Unmodified, Modified, or No Assurance					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
[Name of weakness]						
[Name of weakness]						
[Name of weakness]						
<i>Total Material Weaknesses</i>	##	##	##	##	##	##
Conformance with Federal Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Federal Systems conform, except for instances of non-conformance, or do not conform to financial management system requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
[Name of non-conformance]						
[Name of non-conformance]						
[Name of non-conformance]						
<i>Total non-conformances</i>	##	##	##	##	##	##
Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)						
	Agency			Auditor		
1. Federal Financial Management System Requirements	No lack of compliance noted, or Lack of compliance noted			No lack of compliance noted, or Lack of compliance noted		
2. Applicable Federal Accounting Standards	No lack of compliance noted, or Lack of compliance noted			No lack of compliance noted, or Lack of compliance noted		
3. USSGL at Transaction Level	No lack of compliance noted, or Lack of compliance noted			No lack of compliance noted, or Lack of compliance noted		

- Beginning Balance:** The beginning balance must agree with the ending balance from the prior year.
- New:** The total number of material weaknesses/non-conformances identified during the current year.
- Resolved:** The total number of material weaknesses/non-conformances that dropped below the level of materiality in the current year.
- Consolidated:** The combining of two or more findings.
- Reassessed:** The removal of any finding not attributable to corrective actions (e.g., management has re-evaluated and determined that a finding does not meet the criteria for materiality or is redefined as more correctly classified under another heading).
- Ending Balance:** The year-end balance that will be the beginning balance next year.

## II.4.5. Payment Integrity

If AFR or PAR reporting guidance in OMB audit bulletin, *Audit Requirements for Federal Financial Statements*, OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement* and the reporting guidance below differ from each other, agencies should follow the guidance below.

The Improper Payments Information Act of 2002 (IPIA), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA), and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) contains multiple improper payment (IP) reporting requirements. In order to streamline these requirements, most are fulfilled through inclusion in an agency's AFR or PAR.

If the agency has provided data to OMB for display on <https://paymentaccuracy.gov/>, the agency should include the website link in their PAR or AFR and inform readers that the link contains more detailed information on improper payments.

The use of graphs, charts, and tables in providing the information below is encouraged. Agencies are not limited to the reporting requirements outlined below and are encouraged to include additional information that may be useful to the understanding of their payment integrity data.

### I. Payment Reporting.

For all programs and activities as determined under OMB Circular A-123, Appendix C, Part I.D, agencies shall identify the:

- a. Program/Activity outlays for the current fiscal year, estimated amount of payments that were properly paid, improperly paid, and the corresponding percent for each by program or activity for the current fiscal year;
- b. Estimated amount of improper payments that resulted in an overpayment and an under payment for each by program or activity for the current fiscal year;
- c. Estimated amount of improper payments made directly by the Government and the amount of improper payments made by recipients of Federal money by program or activity for the current fiscal year;
- d. Root cause for overpayments and underpayments by amount and by program or activity for the current fiscal year. See OMB Circular A-123, Appendix C, Part II.C for additional information regarding root cause categories.
- e. Reduction targets by program or activity for the next fiscal year. See OMB Circular A-123, Appendix C, Part III.A.3 for additional information regarding establishing reduction targets; and
- f. For programs and activities as determined under OMB Circular A-123, Appendix C, Part I. D with IPs exceeding the statutory thresholds listed in OMB Circular A-123, Appendix C, Part I.B.1, the agency shall describe the corrective action plans for reducing the estimated IP rate and amount and each of the corrective actions should be clearly linked to the root cause(s) they are addressing. Agencies should also describe the results of actions taken to address the root causes and the planned or actual completion date of the actions taken to address each root cause. If the Agency does not have a corrective action for a particular root cause, they must provide justification for not having a corrective action. See OMB Circular A-123, Section V, and OMB Circular A-123, Appendix C, Part

III.A for additional information regarding developing effective corrective actions

- i. Agencies with high-priority programs should explain how the corrective actions have been specifically tailored to better reflect the unique processes, procedures, and risks involved in each specific program. See OMB Circular A-123, Appendix C, Part II.B.3 for additional information.

## II. Recapture of Improper Payments Reporting.

- a. When applicable, for all programs and activities that expend \$1 million or more annually, agencies shall describe any action the agency has taken or plans to take to recover improper payments and intends to take to prevent future improper payments.
- b. All programs and activities that expend \$1 million or more annually shall be considered for payment recapture audits. See OMB Circular A-123, Appendix C, Part III.C for more information about payment recapture audits. An agency shall discuss payment recapture audit efforts, if applicable. The discussion should describe:
  - i. the actions and methods used by the agency to recoup overpayments;
  - ii. a justification of any overpayments that have been determined not to be collectable; and
  - iii. any conditions giving rise to IPs and how those conditions are being resolved (e.g., the business process changes and internal controls instituted and/or strengthened to prevent further occurrences). Note, it is also appropriate to address this requirement when discussing root causes and corrective actions implemented above.
- c. If the agency has excluded any programs or activities from review under its payment recapture audit program because the agency has determined a payment recapture audit program is not cost-effective, the agency must provide the justification and a summary of the analysis that is used to determine that conducting a payment recapture audit program for the program or activity was not cost effective (i.e., a discussion of the analysis conducted to determine that a payment recapture audit program would not be cost effective). See OMB Circular A-123, Appendix C, Part III.C.6 for additional information regarding payment recapture audit cost-effectiveness.
- d. For each program or activity that expends \$1 million or more annually and either conducts a payment recapture audit or recaptures payments outside of a payment recapture audit:
  - i. report the amount recovered through recapture audits in that fiscal year including the percent such amounts represent of the total overpayments identified through payment recapture audits during that fiscal year.
  - ii. report amounts recovered through sources other than payment recapture audits in that fiscal year, including the percent such amounts represent of the total overpayments identified for recapture through sources other than payment recapture audits in the fiscal year. For example, agencies could report on IPs identified through: statistical samples conducted under IPIA; agency post-payment reviews or audits; Office of Inspector General reviews; Single Audit reports; self-reported overpayments; or reports from the public. Agencies may group amounts by program or activity or in total per

the source of recapture, as appropriate.

- e. In addition, agencies shall report a summary of how their Overpayments Recaptured through Payment Recapture Audits in that fiscal year were used; disposition categories could include, but are not limited to:
  - 1. Agency Expenses to Administer the Program
  - 2. Payment Recapture Auditor Fees
  - 3. Financial Management Improvement Activities
  - 4. Original Purpose
  - 5. Office of Inspector General
  - 6. Returned to Treasury
- f. The agency shall report an aging schedule of the amount of overpayments identified through the payment recapture audit program that are outstanding, including the percent such amounts represent of the total overpayments from recapture audits of the agency (i.e., overpayments that have been identified but not recaptured). Typically, the aging of an overpayment begins at the time an overpayment is detected; indicate when this is not the case. The amounts outstanding should be grouped by: 0 to 6 months, 6 months to 1 year, and over 1 year. The Agency must include the aging for all overpayments that have been identified through payment recapture audits and are yet to be collected, thus it may span across multiple fiscal years.
- g. The agency should also report the amount of overpayments identified through payment recapture audit program determined to not be collectable in that fiscal year, including the percent such amounts represent of the total overpayments identified through payment recapture audits.

**III. Agency Improvement of Payment Accuracy with the Do Not Pay Initiative.** Agencies should provide a brief narrative of the reduction in improper payments that is attributable to the Do Not Pay Initiative, as applicable. See OMB Circular A-123, Appendix C, Part V for a thorough overview of the roles and responsibilities of agencies to use centralized data sources such as the Treasury Working System and other government databases to prevent improper payments.

**IV. Barriers.** For all programs and activities as determined under OMB Circular A-123, Appendix C, Part I.D with IPs exceeding the statutory thresholds listed in OMB Circular A-123, Appendix C, Part I.B, agencies may describe any statutory or regulatory barriers, which may limit the agency's corrective actions in reducing IPs and actions taken by the agency to mitigate the barriers' effects.

**V. Accountability.** For all programs and activities as determined under OMB Circular A-123, Appendix C, Part I.D with IPs exceeding the statutory thresholds listed in OMB Circular A-123, Appendix C, Part I.B., agencies shall describe the steps the agency has taken and plans to take (including timeline) to ensure that agency managers (including the agency head), accountable officers, program official/owner, and States and localities (where appropriate) are held accountable for reducing and recapturing IPs through annual performance appraisal criteria. Specifically, they should be held accountable for meeting applicable IPs reduction targets and establishing and maintaining sufficient internal controls (including an appropriate control environment) that effectively prevents IPs from being made and promptly detects and recaptures any

IPs that are made.

**VI. Agency Information Systems and Other Infrastructure.**

- a. For all programs and activities as determined under OMB Circular A-123, Appendix C, Part I.D with IPs exceeding the statutory thresholds listed in OMB Circular A-123, Appendix C, Part I.B., agencies shall describe whether the agency has the internal controls, human capital, and information systems and other infrastructure it needs to reduce IPs to the levels the agency has targeted.
- b. If the agency does not have such internal controls, human capital, and information systems and other infrastructure, the agency shall describe the resources the agency requested in its most recent budget submission to Congress to establish and maintain the necessary internal controls, human capital, and information systems and other infrastructure.

**VII. Sampling and Estimation.**

Any agency that has programs or activities that are susceptible to significant IPs based on statutory thresholds listed in OMB Circular A-123, Appendix C, Part I.B., and are reporting an IP rate, shall briefly describe the statistical sampling process conducted to estimate the IP rate for each program identified as being susceptible to significant IPs. Agencies that were granted OMB approval to use a non-statistical sampling and estimation methodology under OMB Circular A-123, Appendix C, Part I.D.2., must also include the justification for using the non-statistical methodology (i.e. explain why the agency was not able to follow the requirements in OMB Circular A-123, Appendix C, Part I.D.1.).

**VIII. Risk Assessment.**

Agencies performing improper payment risk assessments during the fiscal year should include a description of the assessments, including the risk factors considered, if applicable. In addition, agencies should discuss the basis for groupings of programs or activities, if applicable and highlight any changes that they have made to the risk assessment from the prior year, if applicable

**II.4.6. Fraud Reduction Report**

Under the Fraud Reduction and Data Analytics Act of 2015 (Pub. L. 114-186, 31 USC 3321 note), each agency must include in its AFR or PAR a report on its fraud reduction efforts undertaken in FY 2018. The report must include information on the agency's progress in implementing: (1) financial and administrative controls established pursuant to the Act, (2) the fraud risk principle in the Standards for Internal Control in the Government, and (3) OMB Circular A-123 with respect to leading practices for managing fraud risk. The report must also include information on agency progress in identifying risks and vulnerabilities to fraud (including with respect to payroll, beneficiary payments, grants, large contracts, and purchase and travel cards) and agency progress on establishing strategies, procedures, and other steps to curb fraud.

**II.4.7. Other Agency-specific Statutorily Required Reports**

Other agency-specific statutorily required reports pertaining to an agency's financial or performance management may be included in the PAR or AFR after consultation with OMB and Congress. The head of the agency must determine if inclusion of an agency-specific report will

make the reported information more useful to decision makers. Consultation with Congress includes the Committee on Homeland Security and Governmental Affairs of the Senate, the Committee on Oversight and Government Reform of the House of Representatives, and any other committee of Congress having jurisdiction with respect to the report being proposed for consolidation.

#### **II.4.8. Reduce the Footprint**

Consistent with Section 3 of the OMB Memorandum-12-12, *Promoting Efficient Spending to Support Agency Operations*, all CFO Act agencies must set annual targets to reduce the total square footage of their domestic office and warehouse inventory compared to the FY 2015 baseline.

Specifically, agencies must:

1. Report the total square office and warehouse footage associated with the agency's assets subject to the "Reduce the Footprint" policy, as identified by Data Element #3 from Federal Real Property Council's "Guidance for Real Property Inventory Reporting" from the latest available reporting year, and compare it to the FY 2015 "Freeze the Footprint" baseline (as assigned by the General Services Administration (GSA)). See GSA, Office of Government-wide Policy, Federal Real Property Council 2016 Guidance for Real Property Inventory Reporting (May 16, 2016). The square footage totals reported in the agency's PAR or AFR should align with agency totals confirmed by GSA, and must be based on data from the Federal Real Property Profile and GSA's Occupancy Agreement Database.
2. Report the annual operating costs, as reported in the most recent Federal Real Property Profile submittal for owned and direct lease facilities (direct lease facilities do not include GSA occupancy agreements) that are subject to the "Reduce the Footprint" policy, as identified by Data Element #3 from Federal Real Property Council's "Guidance for Real Property Inventory Reporting" as reported in the most recent Federal Real Property Profile submittal. The cost data reported by agencies will be based directly on data reported into the latest available Federal Real Property Profile database.
3. Provide a brief narrative highlighting actions the agency is taking to reduce its FY 2015 Freeze the Footprint office and warehouse baseline, the cost of its lease portfolio, and operation and maintenance costs of unneeded property.

**Reduce the Footprint Policy Baseline Comparison**

	FY2015 Baseline	2xxx (CY-1)	Change (FY2015 Baseline-2xxx (CY)
Square Footage (SF in millions)	xxx	xxx	xxx

**Reporting of O&M Costs – Owned and Direct Lease Buildings**

	FY2015 Reported Cost	2xxx (CY-1)	Change (FY2015 - 2xxx (CY-1))
Operation and Maintenance Costs (\$ in millions)	xxx	xxx	xxx

**II.4.9. Civil Monetary Penalty Adjustment for Inflation**

Under the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, agencies must make annual inflation adjustments to civil monetary penalties and report on the adjustments in their AFR or PAR.

Agencies must include, as OI, information about civil monetary penalties within their jurisdiction and the adjustments made under the Act and are encouraged to include a table providing this information. The following is an illustrative example from the Department of Labor’s FY 2017 Financial Report.

Statutory Authority	Penalty Name & Description	Year Enacted	Latest year of adjustment (via statute or regulation)	Current Penalty (Dollar Amount or Range)	Bureau Name	Location for Penalty Update Details
29 U.S.C. 211 (d); 29 CFR 530.302 (a), (b)	Fair Labor Standards Act (FLSA) Homeworker: Violation of recordkeeping, monetary, certificate or other statutes, regulations or employer assurances.	1938	2017	Minimum: \$20. Maximum: \$1,005.	WHD	<a href="https://www.ecfr.gov/">https://www.ecfr.gov/</a>  82 FR 5386 (January 18, 2017)

## II.4.10. Grants Oversight & New Efficiency (GONE) Act Requirements

All agencies must submit a brief high-level discussion on a subset of GONE Act information, including:

1. A summary table (shown below) of the total number of Federal grant and cooperative agreement awards and balances for which closeout has not yet occurred but for which the period of performance has elapsed by two years or more.

CATEGORY	2-3 Years	>3-5 Years	>5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances			
Number of Grants/Cooperative Agreements with Undisbursed Balances			
Total Amount of Undisbursed Balances			

2. A brief narrative of the progress made in closing grant and cooperative agreement awards listed in the 2017 GONE Act submission, challenges that remain, and any remaining actions to be taken.

## II.4.11. Biennial Review of User Fees

Under 31 USC 902 (enacted in the CFO Act of 1990), CFOs are required to review on a biennial basis fees, royalties, rents and other charges imposed by the agency for services and things of value it provides and to make recommendations on revising those charges. The results of this review may be included in the AFR or PAR.

## III. SUMMARY OF PERFORMANCE AND FINANCIAL INFORMATION

Agencies may produce a citizen-centric Summary of Performance and Financial Information that includes the most relevant performance and financial information. Agencies may choose to present the information in:

- A 1-6 page high-level summary,
- A 6-16 page more detailed summary,
- An MD&A that can be easily extracted from the PAR or AFR and issued as a stand-alone document, or
- A short video posted on the agency website.

If an agencies produces a Summary, the financial section of the PAR or AFR may be made up of text and tables only (i.e., it can be produced without graphics or photos).

## IV. INTERIM FINANCIAL STATEMENTS

### IV.1. Interim Statement Submission

Unaudited interim financial statements must be submitted **21 business days after the end of the third quarter** by agencies via MAX. OMB's audit bulletin, <https://www.whitehouse.gov/omb/bulletins/>, lists entities that are required to prepare annual audited financial statements.

## **IV.2. Statements and Variances Required To Be Submitted**

Comparative interim financial statements are limited to the Balance Sheet, SNC, and SCNP and may be submitted in Excel or a PDF format.

Agencies are required to submit an analysis of significant variances along with the three financial statements.

- The analysis for the three financial statements should be in a separate file or attachment within the submission; a separate file is not required for each statement, but one file, separate from the statements themselves, should contain the analysis for the three financial statements.
- The analysis should be only on the significant variances between the interim quarter and the same quarter from the prior year. Management has discretion on what constitutes a significant variance.
- If a financial statement does not have significant variances between the comparative periods, then that should be noted in the analysis.
- The analysis should include management's explanation of significant variance in types or amounts of assets, liabilities, costs, and revenues.

This analysis is due **45 business days after the end of the third quarter and fiscal year-end.**

## **IV.3. Third Quarter Unaudited Interim Financial Notes and Supplemental Information**

To allow Fiscal Service to conduct preliminary analysis of agency data for the FR, **45 business days after the end of the third quarter** agencies must submit unaudited notes using OMB MAX. Agencies may, but are not required to, submit RSI, RSSI, and OI and may do so using OMB MAX. In addition, Fiscal Service will contact selected agencies directly to assist in the drafting of key FR notes and supplemental information.

## **V. GOVERNMENT-WIDE FINANCIAL REPORT**

### **V.1. Introduction**

Pursuant to 31 U.S.C. § 331(e)(1) & (2), the Secretary of the Treasury, in coordination with the Director of OMB, annually prepares and submits to the President and the Congress Government-wide audited financial statements for the preceding fiscal year and the Comptroller General of the United States audits these statements.

### **V.2. Submission of Agency Data for Financial Report Compilation**

#### **V.2.1. Significant Reporting Entities and Closing Package Reporting**

Treasury prepares the FR from data provided by Federal entities. All significant reporting entities must provide Fiscal Service with the required fiscal year-end data that is used to prepare the FR using the Closing Package via GFRS and GTAS. Significant entities with a year-end other than September 30 are limited to audit assurance on material line items and note disclosures to which the significant entities contribute. Entities are required to reconcile and resolve, as needed, intragovernmental balances with trading partners throughout the reporting period and must submit intragovernmental balance information by trading partner. A list of applicable significant reporting entities is provided in the TFM, Volume 1, Part 2, Chapter 4700, Appendix 5a and can be found in this Circular's Appendix A. The TFM is available at

<http://tfm.fiscal.treasury.gov/v1.html>.

The closing package financial statements link the entities' audited consolidated department-level financial statements to the FR. Agency auditors will opine on the closing package financial statements including the reclassified Balance Sheet, the reclassified SNC, the reclassified SCNP, the SOSI, and the SCSIA (if applicable), and the accompanying notes. (See OMB current audit bulletin for additional guidance on auditing the closing package financial statements and a list of documents that must accompany the audit opinion on the closing package.) In addition to the closing package, the Office of the CFO must provide a copy of the management representation letters (see Section V.5) to facilitate the preparation of the government-wide management representation letter and the compilation of the FR. The Office of the IG must provide a copy of the legal representation letter and related schedules to facilitate the compilation of the FR. (See V.4 and V.5 for additional guidance on preparing and submitting these letters).

### **V.2.2. All Entities**

All Executive Branch entities must submit their pre-closing adjusted trial balances (ATBs) through GTAS to be used in the compilation of the FR. Reporting entities from the Legislative and Judicial Branches of the United States Government are strongly encouraged to submit their ATBs. The section pertaining to GTAS reporting can be found in the TFM, Volume 1, Part 2, Chapter 4700, Section 4707. The list of entities that are required to comply with this reporting requirement is provided in the TFM, Volume 1, Part 2, Chapter 4700, Appendix 5a.

### **V.2.3. Reporting Under a Fiscal Year Other than the Federal Fiscal Year**

The FR is prepared from Federal entities' audited general purpose and closing package financial statements and trial balances. Certain entities have fiscal year-ends other than September 30 and are referred to as "converting agencies" in GFRS. Converting agencies must perform an additional step in GTAS to adjust the amounts populated for the reclassified financial statements from the GTAS ATB data.

Converting agencies must: (1) convert their latest set of audited financial statements to a 12-month set of financial statements using a September 30 ending date and (2) use the manual adjustment feature in GTAS to adjust their September 30 ending balances to a 12-month set of reclassified statements. (See the TFM Volume 1, Part 2, Chapter 4700, Section 4705.25, Special Basis of Accounting, for additional guidance.)

### **V.2.4. Submission of Preliminary and/or Interim Agency Data**

In order to facilitate year-end preparation of the FR, Fiscal Service will utilize agencies' unaudited financial statement, note, and other information as of the end of the 3<sup>rd</sup> quarter (June 30) of the Federal Government's fiscal year for preliminary analysis purposes. As indicated in Section IV, agencies must provide unaudited financial statement, note, and supplemental information as of the end of the 3<sup>rd</sup> quarter through OMB's MAX system. Note and supplemental information may also be transmitted directly to Fiscal Service in accordance with Fiscal Service requests. In addition, Fiscal Service will contact selected agencies directly to assist in the drafting of key FR notes and supplemental information.

Preliminary year-end information is equally critical to the preparation of the FR. As such, agencies are encouraged to prepare and/or update their closing package (GFRS and GTAS) data entries as early and frequently as possible. Agencies should notify Fiscal Service that the

agency's final draft year-end GFRS and GTAS submissions have been submitted to the agency's auditor and that the information is available for review by Fiscal Service.

### **V.3. Reconciling Intragovernmental Balances and Transactions**

Intragovernmental balances and transactions (IGT) are a key component in the consolidation of the financial information and in the overall compilation process of the FR. Transactions between and among Federal entities that can generate intragovernmental balances include:

- services or goods bought/sold, (i.e., buy/sell transactions),
- transfers of assets or budget authority,
- transactions with the General Fund of the U.S. Government,
- investments or borrowings with the Treasury, and
- benefits related transactions with the Department of Labor and OPM.

Throughout the fiscal year, entities are required to reconcile and resolve resulting differences between intragovernmental balances and transactions. All differences should be resolved prior to final submission of data for the FR. Intragovernmental transactions include investments or borrowings with the Treasury (Fiscal Service and the Federal Financing Bank), benefit-related transactions with the DOL and OPM, transfers of budget authority, buy-sell transactions, and transfers of assets between Federal agencies, including the General Fund of the U.S. Government.

### **V.4. Legal Representation Letter**

“Significant entity” IGs must submit an interim and final Legal Representation Letter prepared by the entity General Counsel summarizing and evaluating legal actions against the entity. Significant entities are consolidation entities identified by Fiscal Service as being material to the FR and are listed in Appendix A.

When preparing the Legal Representation Letters, the entity General Counsel should (1) reference the guidance found in OMB's audit bulletin and (2) report pending and threatened litigation and unasserted claims above a material dollar threshold, which was agreed upon by significant entity management and the IG. The entity General Counsel should provide the Legal Representation Letter in PDF format using the applicable forms (according to the type of case or group of cases reported) found at <https://www.justice.gov/civil/documents-and-forms>.

Significant entity management should prepare a Management Schedule that summarize the content of the Legal Representation Letters as disclosed in the entity's financial statements. Significant entity IGs must submit the Legal Representation Letters (PDF format) and Management Schedules (Excel format only) to Fiscal Service, DOJ, and GAO via email (zipped files will not be accepted). See TFM Volume I, Part 2, Chapter 4700, Section 4705.60a, for additional guidance regarding Legal Representation Letters.

### **V.5. Written Representation from Management**

OMB and Treasury rely on the written representations obtained from agencies' management as part of their financial statement audits (including the general-purpose financial statement audit and the closing package audit). It is, therefore, important that management representations include all representations that are required by generally accepted auditing standards, OMB's audit bulletin, and Treasury Financial Manual, Volume I, Part 2 Chapter 4700 (TFM-4700), *Agency Reporting Requirements for the Financial Report of the United States Government (FR)*.

U.S. Auditing Standards (Clarified) (AU-C) Section 580, *Written Representations*, provides specific representations that should be obtained from management and included in the written representations from management. AU-C Section 580 notes that, in addition to the specific representations, it may be necessary to obtain one or more written representations from management to support other audit evidence relevant to the financial statements or one or more specific assertions in the financial statements. The representations will depend on the circumstances of the engagement and the nature and basis of presentation of the financial statements. See AU-C Section 725, *Supplementary Information in Relation to the Financial Statements as a Whole*, and AU-C Section 730, *Required Supplementary Information*, for representations that should be obtained from management for supplementary information and RSI. General representations must be modified to be consistent with auditor-reported findings.

AU-C Section 580, *Written Representations*, management's representations may be limited to matters that are considered either individually or collectively material to the financial statements provided management and the auditor have reached an understanding on materiality for this purpose. Materiality may be different for different representations. Management will specify materiality threshold(s) (as agreed upon with the auditor) in the written representations from management. Materiality considerations would only apply to those representations that are directly related to amounts included in the financial statements. In addition, because of the possible effects of fraud on other aspects of the audit, materiality would not apply to management's acknowledgment regarding its responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

Also in accordance with AU-C Section 580, the written representations from management letter should be signed by those members of management with overall responsibility for financial and operating matters that the auditor believes are responsible for and knowledgeable about, directly or through others in the organization, the matters covered by the representations. Such members of management generally include the head of the agency and the CFO, and any others deemed responsible for matters presented in the written representations from management.

As required by AU-C Section 580, the written representations from management should include a representation regarding the materiality of uncorrected financial statement misstatements identified by the auditor. A list of any uncorrected misstatements (in Excel format), including those audit adjustments waived by the component-level, should be attached to the written representations from management. In addition, the adjusting entries to correct the misstatements should also be provided in Excel format. If there are no such uncorrected misstatements, a representation to this effect should be included in the management representation letter. Refer to the FAM Section 595C for a Summary of Uncorrected Misstatements and Adjusting Entries.

Additional representations are required specifically related to the audit of the closing package financial statements and can be found in the OMB audit bulletin and TFM 2-4700. These representations may be combined with the representations required for the audit of the general purpose financial statements in one management representation letter rather than two separate letters. Agencies should also attach in Excel format a comprehensive summary of uncorrected misstatements, including an additional column identifying the effect of the current year's uncorrected misstatements on the Closing Package line items. In addition, the adjusting entries to correct the misstatements should be provided in Excel format. If there are no uncorrected

misstatements, a representation to this effect is required in the MRL.

The Office of the CFO should submit the written representations from management electronically in PDF format, including signatures, to OMB/OFFM (via MAX), Fiscal Service, Treasury (Main), and GAO using the contact information provided in Appendix B. The written representations from management should be submitted as soon as they are available but no later than when the general purpose and closing package financial statements are due (see TFM 2-4700, Figure 2, *Reporting and Submission Dates*).

Notification must be sent to OMB/OFFM, Fiscal Service, Treasury (Main), and GAO (see Appendix B for contact information) whether there are “no changes” or “changes” due to subsequent changes to the written representations from management or due to subsequent events affecting the agency financial statements (general-purpose and closing package) that have arisen after the written representations from management and financial statements have been submitted but before the date of the audit report on the FR. In addition, management must state that they understand that the subsequent event representations will be used by Treasury and OMB to prepare the FR and the FR representation letter. To meet this notification requirement, management may use the following two sample paragraphs and must include the third paragraph:

The purpose of this notification is to inform you that nothing has come to our attention that would require modification to the written representations from management furnished to our auditors, and sent to you, dated [insert date].

Additionally, nothing has come to our attention that would materially affect amounts reported in [insert agency’s name]’s financial statements (general purpose and closing package) for the fiscal years ended September 30, 20xy and 20xx or require additional disclosures to these financial statements.

We understand that these representations will be relied upon by the Treasury and OMB in preparing the government-wide written representations from management provided to the Government Accountability Office as part of its audit of the United States Government consolidated financial statements for the fiscal years ended September 30, 20xy and 20xx.

The agency Office of the CFO should inform OMB/OFFM, Fiscal Service, Treasury (Main), and GAO, via email, of any updates to the written representations from management and to the financial statements due to subsequent events. The email should indicate “changes” or “no changes” due to changes in representations or subsequent events and should be sent to OMB/OFFM, Fiscal Service, Treasury (Main), and GAO via email addresses provided in Appendix B. Consult the TFM 2-4700, Figure 2, for applicable due dates.

## **V.6. Adherence to Due Dates and Requirements**

Because Treasury and OMB rely on agency submissions to complete the FR, it is essential that agencies adhere to the dates and requirements published in the TFM, Volume 1, Part 2, Chapter 4700 (Figure 2), and Section I.5 of this Circular. All dates are “no later than” dates and earlier submissions are encouraged.

## **VI. APPENDIX**

### **VI.1. Appendix A**

#### **Agencies Required to Prepare Closing Packages and to Submit Representation Letters**

Department of Agriculture  
Department of Commerce  
Department of Defense  
Department of Education  
Department of Energy  
Department of Health and Human Services  
Department of Homeland Security  
Department of Housing and Urban Development  
Department of the Interior  
Department of Justice  
Department of Labor  
Department of State  
Department of Transportation  
Department of the Treasury  
Department of Veterans Affairs  
U.S. Agency for International Development  
Environmental Protection Agency  
General Services Administration  
Millennium Challenge Corporation  
National Aeronautics and Space Administration  
U.S. Nuclear Regulatory Commission  
National Science Foundation  
Office of Personnel Management  
Overseas Private Investment Corporation  
Small Business Administration  
Social Security Administration  
Defense Security Cooperation Agency  
Export-Import Bank of the United States  
Farm Credit System Insurance Corporation  
Federal Communications Commission  
Federal Deposit Insurance Corporation  
General Fund of the U.S. Government  
National Credit Union Administration  
Pension Benefit Guaranty Corporation  
Railroad Retirement Board  
Securities and Exchange Commission  
Smithsonian Institution  
Tennessee Valley Authority  
U.S. Postal Service

## VI.2. Appendix B

### Contact Information

Office of Management and Budget  
Office of Federal Financial Management

MAX Federal Community:

[Agency Financial Reporting - Financial Management Community - MAX Federal Community](#)

MAX IDs are available to Executive Branch employees or contractors supporting a Government organization using the MAX Federal Community. Request a MAX ID at <https://max.omb.gov/maxportal/registrationForm.do>. Procedures for using MAX to submit draft and final reports are located at <https://max.omb.gov/community/x/hJn1lw>.

Email: [csjohnson@omb.eop.gov](mailto:csjohnson@omb.eop.gov).

Telephone: (202) 395-7509

Department of the Treasury (Main)

E-mail: [scott.bell@treasury.gov](mailto:scott.bell@treasury.gov).

Telephone: (202) 622-1797

Fax: (202) 622-0962

Department of the Treasury

Bureau of Fiscal Service

E-mail: [Financial.Reports@fiscal.treasury.gov](mailto:Financial.Reports@fiscal.treasury.gov)

Telephone: (304) 480-6485

Fax: (304) 480-5176

Government Accountability Office

E-mail: [USCFS@gao.gov](mailto:USCFS@gao.gov)

Telephone: (202) 512-7364

Fax: (202) 512-9596

Department of Justice

Office of the Assistant Attorney General

E-mail: [Legal.letters@usdoj.gov](mailto:Legal.letters@usdoj.gov)

Telephone: (202) 307-5906

Fax: (202) 514-8071

Department of Justice

Civil Division Communications Office

E-mail: [Legal.letters@usdoj.gov](mailto:Legal.letters@usdoj.gov)

Telephone: (202) 307-5745

Fax: (202) 616-2207