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

THE DIRECTOR

August 4, 2015

CIRCULAR NO. 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 the Chief Financial Officers Council (CFOC), has updated existing OMB guidance for agency and government-wide financial reporting. OMB Circular No. A-136, Financial Reporting Requirements (Circular No. A-136), establishes a central reference point and supersedes the OMB guidance listed in Section 1.2 of this Circular.

This revision of Circular No. A-136 is effective upon issuance, unless otherwise specified in the Circular. All questions or inquiries concerning OMB Circular A-136 should be directed to the Office of Federal Financial Management, Accountability, Performance, and Reporting Branch at (202) 395-3993.

Shaun Donovan
Director

Enclosure

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GENERAL INFORMATION

Section I General Information
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I.1 Guide to the Circular

Purpose. This Circular establishes a central point of reference for all Federal financial reporting guidance for Executive Branch departments, agencies, and entities required to submit audited financial statements, interim financial statements, and Performance and Accountability Reports (PAR) or Agency Financial Report (AFR) under the Chief Financial Officers Act of 1990 ("CFO Act") (Pub. L. No. 101-576), the Government Management Reform Act of 1994 (GMRA) (Pub. L. No. 103-356), the Accountability of Tax Dollars Act of 2002 ("ATDA") (Pub. L. No. 107-289), and Annual Management Reports under the Government Corporations Control Act (31 U.S.C. § 9101 et seq.).

Section I is an overview of this Circular and covers a range of general information, such as submission deadlines, superseded guidance, summary of significant changes, etc.

Section II defines the form and content for a Federal agency PAR or AFR that is required to be submitted to the Director of OMB and the Congress pursuant to the requirements of the CFO Act, as amended by the Reports Consolidation Act of 2000 (Pub. L. No. 106-531).

Section III provides general guidance for a Summary of Performance and Financial Information that should be presented in a brief, user-friendly format that can be easily understood by a novice reader with little technical background in these areas.

Section IV provides guidance on the interim unaudited financial statements and variance analysis that are required to be submitted to OMB.

Section V provides guidance on data required to be submitted to the U.S. Department of the Treasury (Treasury) for preparing the *Financial Report of the United States Government* (*Financial Report* or FR). The Treasury prepares the *Financial Report* from data provided by

Federal entities as required under the Government Management Reform Act (GMRA) (Pub. L. No. 103-356).

I.2 Summary of Superseded Guidance

OMB Circular No. A-136, *Financial Reporting Requirements* (Circular No. A-136) supersedes OMB Circular No. A-136, dated September 18, 2014, and the following memoranda and bulletin:

- M-06-27 *Fiscal Year 2006 Year-end Accounting Guidance for Earmarked Funds* (September 22, 2006), available at http://www.whitehouse.gov/sites/default/files/omb/assets/omb/memoranda/fy2006/m06-27.pdf.
- *Future External Reporting Changes* (December 21, 2001), available at http://www.whitehouse.gov/sites/default/files/omb/financial/year_end_reporting_2001.pdf.
- *Requirements for Accountability of Tax Dollars Act* (December 6, 2002), located at http://www.whitehouse.gov/sites/default/files/omb/financial/accountablity_of_tax_dollars.pdf
- M-04-20 FY 2004 *Performance and Accountability Reports and Reporting Requirements for the Financial Report of the United States Government* (July 22, 2004), available at http://www.whitehouse.gov/sites/default/files/omb/memoranda/fy04/m04-20.pdf .
- Memorandum FY 2002 *Financial and Performance Reporting*, dated October 18, 2002.
- Bulletin 01-09 *Form and Content of Agency Financial Statements*, revised September 25, 2001, available at http://www.whitehouse.gov/omb/bulletins/b01-09.html.

I.3 To Which Entities Does this Circular Apply?

The provisions of Parts I, II, III, and IV of this Circular apply to each Executive Branch department, agency, and other entity ("entity") that is required to prepare audited financial statements under the CFO Act, GMRA, or the ATDA. Only Section I.5 *Submission Deadlines* applies to Government Corporations' Annual Management Reports under the Government Corporations Control Act, except for any corporation that is required to register a class of its equity securities with the Securities and Exchange Commission (SEC). Government Corporations are strongly encouraged to prepare all sections of the PAR.

Entity	Submission Type	Applicable Sections in this Circular	Exceptions
CFO Act Agency	PAR or AFR, Interim Financial Statements	All	None
ATDA Entity	PAR or AFR, Interim Financial Statements	I, II, III, IV*, V (if listed in Appendix A)	None
Government Corporation	Annual Management Report	I.5 (accelerated due dates only) V (if listed in Appendix A) I, II, III, IV**, V are strongly encouraged	Corporations registering equity securities with SEC exempt from I.5 accelerated dates

*SBR to SF-133 Reconciliation required only for ATDA Agencies listed in Appendix A.
** SBR to SF-133 Reconciliation required only for Government Corporations listed in Appendix A.

Components of Executive Branch agencies required by law to issue financial statements prepared in accordance with accounting standards other than those promulgated by the Federal Accounting Standards Advisory Board (FASAB) will continue to comply with applicable standards. For further information see SFFAS No. 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board.* When the reporting entities, of which these components are a part, issue consolidated or consolidating statements that include such components, Generally Accepted Accounting Principles (GAAP) for Federal entities will be applied to these components. (See Section II.4.2 Q&A for guidance on determining GAAP for Federal entities.)

The Executive Branch agencies covered by this Circular are reporting entities and, as such, are required to prepare organization-wide financial statements. Statement of Federal Financial Accounting Concepts (SFFAC) No. 2, *Entity and Display*, includes two types of criteria for determining which components of Executive departments and agencies will be included in their organization-wide financial statements. The first is the conclusive criterion, i.e., there is an inherent conclusion that, for financial reporting purposes, any organization meeting this criterion is part of a specified larger entity. Appearance in the *Budget of the United States Government Analytical Perspectives* section currently entitled *Federal Budget by Agency and Account* is a *conclusive* criterion. Any organization, program or budget account, including off-budget accounts and government corporations, included in that section will be considered part of the Federal Government, as well as part of the Executive department or agency with which it appears. OMB approval will be obtained for exemptions to the conclusive criterion.

The second criterion is *indicative*. The indicative criterion described in SFFAC No. 2 should be considered in the aggregate when determining what components to include in an Executive department or agency's organization-wide financial statement.

Effective for periods after September 30, 2017, SFFAS No. 47, *Reporting Entity*, provides the principles to identify those organizations that should be included in the annual financial statements of federal reporting entities; earlier implementation is not permitted. Inclusion in the federal reporting entity financial statements may take the form of consolidation or disclosure following the characteristics of each outlined in SFFAS No. 47. It is anticipated that central agencies will determine if there is a need for coordinated guidance to ensure government-wide consistency. Agencies should review SFFAS No. 47 and consult with OMB and the Department of the Treasury Bureau of the Fiscal Service (Fiscal Service) if they have questions regarding implementation.

I.4 When is this Circular Effective?

The provisions of this Circular are effective in their entirety upon issuance, unless otherwise specified.

I.5 Submission Deadlines

PARs, AFRs, and Annual Management Reports. Agencies and Government Corporations will submit their final Performance and Accountability Reports (PAR), Agency Financial Reports

(AFR), or Annual Management Reports (as described in the Government Corporations Control Act) to OMB, GAO, and the Congress by 6 p.m. EST on November 15th of the fiscal year following the fiscal year that is being reported. If November 15th falls on a weekend or holiday, the due date will automatically move to the next business day. Agencies and Government Corporations will submit a draft of the PAR, AFR, or Annual Management Reports to OMB's Office of Federal Financial Management (OFFM) and the appropriate Resource Management Office (RMO) 10 business days before issuing the final PAR, AFR, or Annual Management Report. This draft should include all sections of the PAR, AFR, or Annual Management Report except the audit report if it is not available at that time. Agencies should provide their draft audit report to OMB as soon as it is available. 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 later. The final report's website location must be clearly identified on the agency's homepage.

Government Corporations that present their financial statements in accordance with the Financial Accounting Standards Board (FASB) are also required to report information to the Treasury to support the government-wide financial statements as specified in Section V of this Circular.

Any Government Corporation required to register a class of its equity securities with the SEC is excluded from the OMB accelerated due dates.

Summary of Performance and Financial Information. Non-CFO Act agencies that produce an Annual Performance Report (APR) and AFR and **all** CFO Act Agencies must submit a Summary of Performance and Financial Information to OMB by February 15th of the fiscal year following the fiscal year that is being reported. If February 15th falls on the weekend or holiday, the due date will automatically move to the next business day.

Interim Financial Statements. Agencies will submit unaudited interim financial statements to OMB 21 business days after the end of the third quarter of the fiscal year. Agencies should include management's explanation of significant variances in types or amounts of assets, liabilities, costs, revenues, obligations, and outlays along with their financial statements (see Section IV.3 for details).

Also, see item 5 of Section IV.3 for details for the additional required analysis between the Statement of Budgetary Resources (SBR) and the Report on Budget Execution (SF 133) due to OMB 45 calendar days after the end of third quarter and year-end.

I.6 Submission Format and Contact Information

Interim Reports. Agencies are required to use the MAX Federal Community to submit their interim financial statements to OMB (See Appendix B). To access the MAX Federal Community request a MAX ID at https://max.omb.gov/maxportal/registrationForm.do . MAX IDs are open to any Executive branch government employee or contractor supporting a government organization using the MAX Federal Community. Specific procedures for using the MAX Federal Community to submit draft and final reports are located at https://max.omb.gov/community/x/hJn1Iw

Draft Reports. Agencies are required to submit their draft reports (i.e., PARs, AFRs, Annual Management Reports, etc.) to OMB electronically (using the MAX Federal Community).

Final Reports. Offices of the CFO should submit their final reports (i.e., PARs, AFRs, Annual Management Reports, etc.) to OMB (using the MAX Federal Community), Treasury (Main), Bureau of the Fiscal Service (Fiscal Service), and the Government Accountability Office (GAO) using the contact information provided in Appendix B. Furthermore, agencies should submit their final reports to Congress.[1] Reports are final when their electronic files include all required signatures.

I.7 Inquiries

For information concerning this Circular, you may contact the OFFM, telephone 202-395-3993.

I.8 Copies

This Circular is available at:
https://www.whitehouse.gov/omb/circulars_default/

[1] Agencies must provide reports to the Speaker of the House of Representatives; the President and the President pro tempore of the Senate; the chairmen and ranking minority member of the Senate Committee on Homeland Security and Government Affairs and the House Committee on Oversight and Government Reform; the chairmen and ranking minority member of the budget committees; relevant authorization and oversight committees; and appropriation subcommittees. Agencies are encouraged to transmit electronic files but should consult with their legislative affairs, congressional staff, or both to determine the optimal way to transmit these reports.

I.9 Summary of Significant Changes

The following table summarizes significant changes reflected that have occurred since the last revision of Circular No. A-136, September 18, 2014.

Section Number	Section Title	Change
I.3	To Which Entities Does this Circular Apply?	Reference to SFFAS 47, *Reporting Entity* (which will be effective in periods after FY 2017) added to alert agencies about new reporting requirements.
Various	Various	Removed references to retired systems FACTS 1, FACTS II, and GWA, and added references to replacement systems CARS and GTAS.
II.1.2	What Must an Agency's Performance and Accountability Report or the Alternative Agency Financial Report Contain?	Performance information removed and a link added to A-11.
II.2.6	Performance Goals, Objectives and Results	Link added to related section in A-11.
II.2.8	Analysis of Entity's Systems, Controls and Legal Compliance	Added reference to Federal Civil Penalties Inflation Adjustment Act of 1990 related to management assurance on compliance with laws and regulations.
II.2.8	Analysis of Entity's Systems, Controls and Legal Compliance	Added footnote related to the Federal Information System Modernization Act of 2014 that explains that a significant deficiency does not have to be reported as a material weakness for FMFIA nor a lack of substantial compliance for FFMIA.
II.2.8	Analysis of Entity's Systems, Controls and Legal Compliance	Added clarification to include restatements as part of material weakness discussion.
II.2.8	Analysis of Entity's Systems, Controls and Legal Compliance	Deleted reference to A-11, Section 52.4, as this section was deleted from A-11.
II.3	Performance Section – PAR/APR Section 2	Removed detailed guidance on performance reporting and added link to related section in A-11.
II.4.2	Q&As	Revised Parent-Child Reporting guidance to align with current reporting processes.
II.4.3.1	Introduction	Added reference to SFFAS 31 related to reporting for deposit funds.

Section Number	Section Title	Change
II.4.3.3	Assets	Added clarification related to non-fiduciary deposit funds as they relate to Fund Balance with Treasury and Investments reporting.
II.4.3.4	Liabilities	Clarified references to FASAB guidance on Environmental and Disposal Liabilities reporting.
II.4.3.4	Liabilities	Clarified guidance for reporting Insurance and Guarantee Program Liabilities.
ii.4.5.3	Funds from Dedicated Collections	Clarified guidance on Mixed or Commingled Funds.
II.4.6.8	Budget Authority and Outlays, Net	Updated link to Treasury's Quarterly Distributed Offsetting Receipts by Department Report.
II.4.9.1	Note 1 Significant Accounting Policies	Clarification of reporting guidance.
II.4.9.10	Note 10 General PP&E, Net	Clarification of reporting guidance.
II.4.9.18	Note 18 Leases	Clarification of reporting guidance.
II.4.9.35	Note 35 Explanation of Differences Between the SBR and the Budget of the US Government	Clarification of reporting guidance.
II.4.9.41	Note 41 Restatements	Clarification of reporting guidance.
II.4.10.2	RSI-Stewardship Investments	Deleted redundant section.
II.4.11.4	RSI-Other Federal Natural Resources	Added section due to issuance of FASAB Technical Bulletin No. 2011-1.
II.4.11.5	RSI-Deferred Maintenance and Repairs	Revised this section based on revised requirements in SFFAS No. 42.
II.4.11.7	RSI-Combining Statement of Budgetary Resources	Added "Combining" to the title.
II.5.1	OI-Combined Schedule of Spending	Added "Combined" to the title.
II.5.1.3	SOS – Section III	The section is now expected to be mandatory in FY 2016. Reporting requirements clarified for this section.

Section Number	Section Title	Change
II.5.8	IPIA (As amended by IPERA and IPERIA) Reporting Details	Reporting guidance revised to comply with the statutes. In addition reporting requirements were clarified, streamlined, or eliminated when applicable.
II.5.8	IPIA (As amended by IPERA and IPERIA) Reporting Details	I. Risk Assessment - Added clarification around who should do this, when, how to note it in AFR, Removed A-11 reference.
II.5.8	IPIA (As amended by IPERA and IPERIA) Reporting Details	II. Sampling and Estimation Plans - Added clarification about when this should be done, Added that agencies using alternative plan must explain why.
II.5.8	IPIA (As amended by IPERA and IPERIA) Reporting Details	III. Improper Payments Reporting - Added clarification regarding who should complete this section, Added that reporting needs to be in one table to show true landscape of IP for the agency, Added that an agency needs to identify when the numbers reporting are not in the FY of the AFR, Added details about reduction targets, Added how the table numbers should be displayed, Added instructions for the total line in the new table, Added that an agency cannot change their info from a PY without notifying OMB first.
II.5.8	IPIA (As amended by IPERA and IPERIA) Reporting Details	IV. Improper Payment Root Cause Categories – This is a brand new section.
II.5.8	IPIA (As amended by IPERA and IPERIA) Reporting Details	V. Corrective Actions - Added clarification regarding who needs to complete this section, Added that the CAPS must be for each type of root cause from the matrix, Added IPERIA requirement for high-priority programs about tailoring their CAPS.
II.5.8	IPIA (As amended by IPERA and IPERIA) Reporting Details	VI. Internal Control over Payments – This is a brand new section
II.5.8	IPIA (As amended by IPERA and IPERIA) Reporting Details	VII. Accountability – Added clarification regarding who needs to complete this section VIII. Agency information systems and other infrastructure- Added clarification regarding who needs to complete this section IX. Barriers - Added clarification regarding who needs to complete this section
II.5.8	IPIA (As amended by IPERA and IPERIA) Reporting Details	X. Recapture of Improper Payments Reporting - Added the $1m requirement from IPERIA. Added more information about how to report in each of the tables, Removed the requirement to estimate out 3 years (only made it 2), Reworked the table so that it shows contracts, grants, benefits, loans, and then payments outside of payment recap audits and targets, Removed some of the items that had previously been reported in the payment recapture audit table (amount subject to review, amount reviewed. Removed some of the PY information from the tables. For the Aging of Overpayment table we removed the CY indicator.

Section Number	Section Title	Change
II.5.8	IPIA (As amended by IPERA and IPERIA) Reporting Details	XII. Agency reduction of improper payments through the Do Not Pay Initiative - Clarified that agencies must report this section regardless of their susceptibility to improper payments; agencies that utilize the DNP Business Center should report operational efficiencies gained in their results (e.g. reducing FTEs required to monitor or review documentation); Requires agencies to provide a thoughtful analysis linking the Improper Payments Matrix to the Do Not Pay Initiative; Expands Table 7 to include all IPERIA databases and databases agencies use that are not in IPERIA; Adjusted the table to include an area to report false positives.
II.5.10	Freeze the Footprint	FY 2016 will be the last year that Freeze the Footprint Data will be required. New reporting requirements based on reduction targets to be developed for FY 2017.
II.5.11	Civil Monetary Penalty Adjustment for Inflation	New reporting requirements for FY 2015.
V.2.1	Significant Reporting Entities and Closing Package/GFRS Reporting	Clarification of reporting guidance.
Appendix C	Appendix C	Deleted Appendix C due to redundancy. Sections II.4.1 and II.4.2 currently provide a link to FASAB concepts and standards.

I.10 Abbreviations

AAPC	Accounting and Auditing Policy Committee of the FASAB
ACSEC	Accounting Standards Executive Committee
AFR	Agency Financial Report
AICPA	American Institute of Certified Public Accountants
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
APR	Annual Performance Report
CARS	Central Accounting Reporting System
CBJ	Congressional Budget Justification
CFO	Chief Financial Officer
CFO Act	Chief Financial Officers Act of 1990 (Pub. L. No. 101-576)
CFOC	Chief Financial Officers Council
CSRS	Civil Service Retirement System
CY	Current Year
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
FBWT	Fund Balance with Treasury
FCRA	Federal Credit Reform Act (Pub. L. No. 101-508)
FDIC	Federal Deposit Insurance Corporation
FERS	Federal Employees' Retirement System
FFMIA	Federal Financial Management Improvement Act (Pub. L. No. 104-208)
FHA	Federal Housing Administration
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
GASB	Governmental Accounting Standards Board
GFRS	Governmentwide Financial Report System
GMRA	Government Management Reform Act (Pub. L. No. 103-356)
GPRA	Government Performance and Results Act (Pub. L. No. 103-62)
GPRAMA	Government Performance and Results Act Modernization Act (Pub. L. No. 111-352)
GTAS	Governmentwide Treasury Account Symbol Adjusted Trial Balance System
HI	Hospital Insurance
IG	Inspector General
IP	Improper Payment
IPAC	Intragovernmental Payment and Collection
IPIA	Improper Payments Information Act of 2002 (Pub. L. No. 107-300)
IPERA	Improper Payments Elimination and Recovery Act (Pub. L. No. 111-204)

IPERIA	Improper Payments Elimination and Recovery Improvement Act (Pub. L. No. 112-248)
MD&A	Management's Discussion and Analysis
MRS	Military Retirement System
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
OPPM	'OMB' Office of Performance and Personnel Management
ORB	Other Retirement Benefits
PAR	Performance and Accountability Report
PP&E	Property, Plant & Equipment
PY	Prior Year
Q&A	Questions & Answers
RMO	Resource Management Office
RSI	Required Supplementary Information
RSSI	Required Supplementary Stewardship Information
SAS	Statement on Auditing Standards
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
SEC	Securities and Exchange Commission
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
SOS	Schedule of Spending
SOSI	Statement of Social Insurance
TCS	Treasury Combined Statement
TFM	Treasury Financial Manual
TGA	Treasury General Account
TR	Technical Release
Treasury	U.S. Department of the Treasury
TVA	Tennessee Valley Authority
UI	Unemployment Insurance
USSGL	U.S. Standard General Ledger

II PERFORMANCE AND ACCOUNTABILITY REPORT OR AGENCY FINANCIAL REPORT

Section II Performance and Accountability Report or Agency Financial Report Table of Contents

II.1 General

Executive Branch agencies must generally prepare and submit audited financial statements to OMB. The CFO Act, as amended by the GMRA, requires the 24 major agencies of the Federal Government to prepare and submit audited financial statements. For those Federal entities not covered by the CFO Act, the ATDA requires those Federal agencies and entities to prepare and submit audited financial statements to OMB and the Congress, and the Government Corporations Control Act requires Government Corporations to submit Annual Management Reports to OMB and the Congress.

Under the Reports Consolidation Act of 2000 (Pub. L. No. 106-531), with the concurrence of the Director of the Office of Management and Budget, agencies are permitted to submit combined reports in implementing statutory requirements for financial and performance management reporting to improve the efficiency of Executive Branch performance. These reports are combined in the PAR, which consists of the Annual Performance Report required by the Government Performance and Results Act (GPRA) (Pub. L. No. 103-62) as amended, by the GPRAMA with annual financial statements and other reports, such as agencies' assurances on internal control, accountability reports by agency heads and IGs' assessments of agencies' most serious management and performance challenges. PARs provide financial and performance information that enables the President, the Congress, and the public to assess the performance of an agency relative to its mission and to demonstrate accountability.

Agencies may choose either to produce a consolidated PAR or to produce a separate AFR and APR. Concurrent with the release of the FY 2017 President's Budget large agencies[2] are required to publish content from the Strategic Plan, Annual Performance Report, and Annual Performance Plan through Performance.gov. With the FY 2017 Budget, agencies have the option to publish an agency-specific Annual Performance Plan/Report on the agency website, and/or through the Performance.gov central website. The Performance Section—PAR/APR Section 2 is the same guidance that is published in OMB Circular No. A-11, Preparation, Submission, and Execution of

[2] See OMB Circular A-11, Section 210.1.

the Budget Part 6, Section 260. In addition, all CFO Act agencies, as well as Non-CFO Act agencies that produce an APR and AFR (see Section III) are required to produce a Summary of Performance and Financial Information (the former Citizens' Report). Suggested formats for the Summary of Performance and Financial Information include the following:

- A 3-8 page high-level summary;
- A 25-30 page more detailed summary; and
- An MD&A that integrates performance and financial information in a concise, easy to read format and that can easily be extracted from the PAR or AFR and issued as an independent summary report (Note: the MD&A is a required component of the PAR or AFR regardless of whether or not it is used as the Summary of Performance and Financial Information).

II.1.1 What is the Purpose of this Section?

Section II is issued under the authority of 31 U.S.C. 3515 (d). Section II defines the form and content for a Federal agency PAR or AFR that is required to be submitted to the Director of OMB and the Congress pursuant to the requirements of the CFO Act, as amended by the Government Management Reform Act of 1994 (GMRA) (Pub. L. 103-356), the Reports Consolidation Act of 2000 (Pub. L. No. 106-531), the ATDA (Pub. L. No. 107-289), and the Government Corporations Control Act (31 U.S.C. § 9101 et seq.). The PAR and the AFR are in addition to the reports submitted to OMB for purposes of monitoring budget execution.

The PAR and the AFR are prepared in accordance with policies prescribed by OMB in Section II of this Circular. These formats and instructions provide a framework for individual agency flexibility to provide information useful to the Congress, agency managers, and the public.

II.1.2 What Must an Agency's Performance and Accountability Report or the Alternative Agency Financial Report Contain?

The PAR or AFR should include:

	PAR	AFR
Agency Head Message	☑	☑
MD&A*	☑	☑
Performance Section	☑	
Financial Section	☑	☑
OI	☑	☑

*** The level of performance detail required in the MD&A will be different for agencies producing an AFR. See section II.2.6 for additional information.**

Agency Head Message. A dated transmittal letter signed by the Agency Head should be located at the beginning of the report. It must include a brief message from the Agency Head highlighting:

- The Agency's mission, goals and accomplishments upholding the mission; and
- An assessment of the reliability and completeness of financial and performance data in the report, identifying material internal control weaknesses and actions the agency is taking to resolve them (the letter may reference detailed discussion elsewhere in the report).

Management's Discussion and Analysis (PAR or AFR Section 1). The MD&A of the PAR or AFR should follow the Agency Head (Secretary) Message. The MD&A should provide a clear and concise description of the reporting entity's key performance results, financial statements, systems and controls, compliance with laws and regulations, and actions taken or planned to address problems. To be useful, it must be easy to read and use visual references to present summary information. Links to current published information that is available in more detail on a public website are encouraged (e.g., performance information included on Performance.gov). The following suggested presentations are optional:

- Graphic of mission and organization structure;
- Map of field offices;
- Summary financial analysis including pie charts (or tables) of assets, liabilities, net position, and net cost, pie charts (or tables) of funding sources and allocations; and
- Calendar of year-long internal control program.

A table or chart displaying performance trend data, such as three or more years, for the entity's strategic objectives, or selected key performance results associated with those objectives can be helpful to provide readers context for the financial information included in the report. Agencies should present performance information in the MD&A that facilitates analysis of trends over time and provides the most comprehensive picture of a program's performance history or must at a minimum, clearly link to current, published performance information that is available in more detail on a public website, such as Performance.gov. Performance trend data should provide the Congress, the public and other stakeholders with sufficient information on how a program is progressing compared to its past achievements and shortfalls. Agencies should provide a brief description of their progress on eliminating and recovering improper payments; however, the detail is reserved for other information (OI).

The MD&A is an overview of the Financial and Performance results and provides Management Assurances required under the Federal Managers Financial Integrity Act (FMFIA) (Pub. L. No. 97-255) and OMB Circular No. A-123, *Management's Responsibility for Internal Control*. See Section II.2 of this document for an outline of the required information to be included in the MD&A.

Performance Section (PAR Section 2). For agencies producing a consolidated Performance and Accountability Report, a Performance section will be included. For agencies producing an Agency Financial Report (AFR), a Performance section will not be included. The performance section should include all of the required elements for the Annual Performance Report as specified in OMB Circular No. A-11, Part 6, Section 260. For more information see OMB Circular A-11, *Preparation*, *Submission, and Execution of the Budget,* Part 6, Section 260 at: https://www.whitehouse.gov/omb/circulars_a11_current_year_a11_toc.

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

- CFO Letter. A signed letter from the CFO briefly summarizing:
    - Planned time frames for correcting audit weaknesses and noncompliance;
    - Major impediments to correcting audit weaknesses and noncompliance; and
    - Progress made in correcting previously reported problems.
- Auditor's Report. Reporting guidance for the Auditor's Report is located in OMB Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements* (Bulletin No. 15-02). The final report must be signed by the auditor and may be placed either before or after the financial statements and notes.
- Financial Statements and Notes. See Section II.4 in this document for information on the financial statements, notes, RSI, and RSSI.

Other Information (PAR Section 4 or AFR Section 3). See Section II.5 of this Circular for information on Other Information (OI), such as Combined Schedule of Spending, revenue foregone, management challenges, etc.

Summary of Performance and Financial Information. See Section III for more information on producing a Summary of Performance and Financial Information.

II.2 Management's Discussion and Analysis – PAR/AFR Section I

Section II.2 Management's Discussion and Analysis – PAR/AFR Section 1
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II.2.1 General

A PAR or an AFR must contain a section entitled Management's Discussion and Analysis (MD&A) in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 15, *Management's Discussion and Analysis*. The MD&A is Section 1 of the PAR or AFR and should follow the Agency Head letter. The MD&A should provide a clear and concise description of the reporting entity's performance measures, financial statements, systems and controls, compliance with laws and regulations, and actions taken or planned to address problems. To be useful, the MD&A must be concise and readable to a non-technical audience, focus on the most important matters, and provide a balanced analytical assessment of key program and financial performance that includes both positive and negative information. Not all material items in the basic statements, notes, performance section, and other sections of the PAR need discussion in the MD&A.

II.2.2 Purpose

The MD&A should serve as a brief overview of the entire PAR or AFR. It includes the most important matters that could:

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

Furthermore, conformance to U.S. generally accepted accounting principles (GAAP) for Federal entities requires the inclusion of an MD&A of the financial statements and related information.

II.2.3 Responsibility

The content of the MD&A is the responsibility of management. Its preparation, at a minimum, should be a joint effort of the Chief Financial Officer (CFO) office, the Performance Improvement Officer (PIO) office, program offices, and offices responsible for performance reporting. Management has considerable discretion with respect to the presentation, subject to the required components and the pervasive requirement that the MD&A not be misleading. The MD&A provides management with a vehicle for communicating insights about the entity, increasing the understandability of financial information, and providing information about the entity, its operations, service levels, successes, challenges, and future.

II.2.4 Scope

The MD&A is an integral part of the annual PAR or AFR and should be regarded as required supplementary information (RSI).

Pursuant to SFFAS No. 15, the MD&A may reference information in other discrete sections of the PAR or it may be based on information contained in the AFR and APR. At a minimum, the MD&A should address the entity's:

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

In the discussion of forward-looking information, details about the possible effects of the most important existing performance and financial demands, events, conditions, and trends should be disclosed. Management should include important problems that need to be addressed, and actions that have been planned or taken to address those problems. Actions needed, planned, and taken may be discussed within the sections listed above or in a separate section of the MD&A.

For agencies producing an AFR and APR, the MD&A will clearly delineate the details on when and where the Annual Performance Report and the Summary of Performance and Financial Information will be available to the public. The agency must include information similar to the following sample paragraph in the beginning of the MD&A to acknowledge that it is using an alternative to the PAR.

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

II.2.5 Mission and Organizational Structure

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

II.2.6 Performance Goals, Objectives, and Results

Within the MD&A, the agency is required to include, at a minimum, a high-level discussion of performance information. The MD&A should include highlights of the reporting entity's key performance goals and results (shortfalls and successes) for the applicable year. In developing the MD&A, preparers should draw from this section to provide an overview of the most significant performance goals and results.

<u>AFR</u>
For agencies producing an AFR and APR, the agency should provide a high-level discussion of key performance goals, objectives and results. This discussion of performance information need not provide a detailed analysis of performance results for the year. That information will be provided in the Annual Performance Report to be issued with the President's Budget. The high-level discussion of performance information should include the most important performance matters that would likely affect the judgments and decisions of people who rely on the AFR as a key source of information. The MD&A should include a discussion and analysis of those matters that the entity's management believes could: 1) lead to significant actions or proposals by top management; or 2) significantly affect the judgment of stakeholders about the effectiveness of the entity.

<u>PAR</u>
For agencies producing a consolidated PAR, this section should summarize the key performance measures reported in the Performance Section of the PAR. This section should inform the reader about how well the entity is doing and factors affecting performance.

Given the nature of governmental entities, which try to improve outcomes and not make a profit, government's activities lie as much in efforts and accomplishments as in financial results. Thus, the discussion of performance results for indicators other than revenue is particularly critical.

The MD&A should highlight (in no specific order) the performance goals and results (positive and negative) for the applicable year related to and consistent with the goals in the entity's strategic and performance plans or performance budget, including performance trend data. It should reflect results of services performed through allocation transfers in which the financial statements do not include the amounts received if material to the mission (see Section II.4.2 Q&A, on reporting requirements). The MD&A performance discussion should:

- Provide a clear, objective picture of the entity's performance results;
- Indicate the extent to which it is achieving the intended goals;
- Provide and explain historical performance trends;
- Discuss the strategies and resources the entity uses to achieve its performance goals;

- Evaluate the significance of underlying factors that may have affected the reported performance. These may include information about factors that are substantially outside the entity's control as well as information about factors over which the entity has significant control;

- Include an explanation of plans and timelines to improve performance where targets were not met;
- Summarize the procedures management has designed and followed to provide reasonable assurance that reported performance information is relevant and reliable; and
- Discuss, to the extent relevant, important limitations and difficulties associated with performance measurement and reporting.

Entities are encouraged to provide information in the PAR to help the reader assess the relative efficiency and effectiveness of entity programs or operations. Efficiency is defined as the ratio of an "effective or useful" outcome or output to the total input resources of a system; effectiveness is having an intended or expected effect.

Entities should strive, to the extent possible, to indicate results achieved and relate major goals and objectives in their strategic plan to cost categories (i.e., responsibility segments) presented in the entity's Statement of Net Cost (SNC) or related footnote disclosures. Entities should focus on tracking, reporting, and improving program effectiveness and efficiency.

For more information, see OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, Part 6, Section 260, at: https://www.whitehouse.gov/omb/circulars_a11_current_year_a11_toc.

II.2.7 Analysis of Entity's Financial Statements and Stewardship Information

The MD&A should help users understand the entity's financial results, position, and condition conveyed in the principal financial statements. The MD&A should include comparisons of the current year to the prior year and should provide an analysis of the agency's overall financial position and results of operations to assist users in assessing whether that financial position has improved or deteriorated as a result of the year's activities. It should give users the benefit of management's understanding of the:

- Relevance of particular balances and amounts shown in the principal financial statements, particularly if relevant to important financial management issues;
- Major changes in types or amounts of assets, liabilities, costs, revenues, obligations, and outlays (explaining the underlying causes of the changes); and
- Entity's stewardship information.

In addition, the following items may be useful to include in the financial statement analysis:

- Explanations for variances exceeding 10 percent and material to the agency;
- Significant issues qualitative in nature and relating to financial management; and
- Overall financial condition and financial management issues occurring since the previous reporting period that impact the agency's current financial status.

This section should include a discussion of key financial-related measures emphasizing financial trends and forward-looking information and should assess financial operations.

Entities that present a Statement of Social Insurance (SOSI) should present and explain critical measures about costs, assets, liabilities, social insurance responsibilities, budget flows, and the long-term fiscal projections and major changes in those amounts, including causes, together in one section of the MD&A pursuant to SFFAS No. 37, *Social Insurance: Additional Requirements for Management's Discussion and Analysis and Basic Financial Statements*. These entities will also present a table or other singular presentation of the key measures in the MD&A. Below are the minimum measures for the applicable financial statements, as well as an illustrative table of the key measures. These key measures may be disaggregated into sub measures (e.g., liabilities may be disaggregated into Federal debt held by the public, employee pension liabilities, and other liabilities).

Statement of Net Cost and the Statement of Changes in Net Position

- Net costs
- Total financing sources and net change of cumulative results of operations

Balance Sheet

- Total assets
- Total liabilities
- Net position

SOSI and the Statement of Changes in Social Insurance Amounts (SCSIA)

- The open group measure; the entity should discuss the closed group measure in the narrative and explain how it differs from the open group measure and the significance of the difference
- The change in the open group measure during the reporting period(s)

Moreover, the amounts discussed in the MD&A for the open group measure should be the same as the amount in the summary section of the SOSI. 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.4.8 Statement of Social Insurance (SOSI) and Statement of Changes in Social Insurance Amounts (SCSIA).) The closed group measure is not required to be presented in the following table or other singular presentation.

Illustrative Table of Key Measures

XYZ Agency Table of Key Measures							
Dollars in Billions	Current FY		Prior FY		Increase / (Decrease) $		%
COSTS[1]							
Total Financing sources	$	XXX	$	XXX	$	(XXX)	XX.X%
Less: Net Cost	$	(XXX)		(XXX)	$	(XXX)	XX.X%
Net Change of Cumulative Results of Operations	**$**	**(XXX)**	**$**	**(XXX)**	**$**	**(XXX)**	**XX.X%**
NET POSITION[2]							
Assets:							
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%
Total Assets	**$**	**X,XXX**		**X,XXX**	**$**	**(XXX)**	**XX.X%**
Liabilities :							
Accounts Payable	$	(XXX)	$	(XXX)	$	(XXX)	XX.X%
Federal Employee & Veterans Benefits Other	$	(XXX)	$	(XXX)	$	(XXX)	XX.X%
	$	(XXX)	$	(XXX)	$	(XXX)	XX.X%
Total Liabilities	**$**	**(X,XXX)**	**$**	**(X,XXX)**	**$**	**(XXX)**	**XX.X%**
Net Position (Assets minus Liabilities)	**$**	**(X,XXX)**	**$**	**(X,XXX)**	**$**	**(XXX)**	**XX.X%**
SOCIAL INSURANCE[3]							
Social Insurance Net Expenditures (Open Group):							
Program A	$	(XXX)	$	(XXX)	$	(XXX)	XX.X%
Program B	$	(XXX)	$	(XXX)	$	(XXX)	XX.X%
Other	$	(XXX)	$	(XXX)	$	(XXX)	XX.X%
Total Social Insurance Net Expenditures	**$**	**(X,XXX)**	**$**	**(X,XXX)**	**$**	**(XXX)**	**XX.X%**

1 Source: Statement of Net Cost and Statement of Changes in Net Position

2 Source: Balance Sheet

3 Source: Statements of Social Insurance (SOSI). Amounts equal estimated present value of projected revenues and expenditures for scheduled benefits over the next 75 years.

II.2.8 Analysis of Entity's Systems, Controls and Legal Compliance

Agencies are required to provide assurances related to the Federal Managers' Financial Integrity Act (FMFIA) and the Federal Financial Management Improvement Act (FFMIA) (Pub.L.No.104-208) in a separate section entitled "Management Assurances." The information in the "Management Assurances" section must not be in direct conflict with the information in this section.

The FMFIA assurance statement should:

- Provide management's assessment of the effectiveness of the organization's internal controls to support effective and efficient programmatic operations, reliable financial reporting, and compliance with applicable laws and regulations (FMFIA § 2) and whether financial management systems conform to financial systems requirements (FMFIA § 4). The exact same finding should not be listed as both FMFIA § 2 and § 4 findings.
- Provide a separate assessment of the effectiveness of the internal controls over financial reporting as a subset of the overall FMFIA assurance statement (i.e., separate paragraph within the FMFIA Assurance Statement).
- Include a summary of material weaknesses (FMFIA § 2) and non-conformances (FMFIA § 4), and a summary of corrective actions to resolve the material weaknesses and non-conformances. Illustrative assurance statements and further guidance on corrective action plans can be found in the CFOC Implementation Guide, Management's Responsibility for Internal Control, Appendix A, Internal Control over Financial Reporting available at: http://www.whitehouse.gov/sites/default/files/omb/assets/OMB/circulars/a123/a123_appx_a_implementation_guide.pdf.

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

- Anti-Deficiency Act (codified as amended in 31 U.S.C. §§ 1341, 1342, 1351, 1517);
- Federal Credit Reform Act of 1990, Pub. L. No. 101-508, 104 Stat. 1388-610;
- Pay and Allowance System for Civilian Employees as provided primarily in Chapters 51-59 of title 5, United States Code;
- Prompt Payment Act (codified as amended in 31 U.S.C. §§ 3901-3907);
- Provisions Governing Claims of the United States Government as provided primarily in sections 3711 through 3720E of title 31, United States Code (including provisions of the Debt Collection Improvement Act of 1996, "DCIA" Pub. L. No. 104-134, 110 Stat. 1321-358, as amended by the Digital Accountability and Transparency Act of 2014); Federal Civil Penalties Inflation Adjustment Act of 1990, Pub. L. No. 104-410, 104 Stat. 890 (as amended by the DCIA)[3];
- Government Charge Card Abuse Prevention Act of 2012, Pub. L. 112 – 194;
- Federal Information Security Management Act of 2002 (44 U.S.C. § 3541) (as amended by the Federal Information Security Modernization Act of 2014)[4]; and
- Single Audit Act of 1984, Pub .L. No. 98-502, and the Single Audit Act Amendments of 1996, P.L. 104-156.

For example, building on the Controller Alert, *Improving Collection of Delinquent Debt*, issued on January 4, 2013, agencies' PAR or AFR could include a summary discussion of debt management controls to meet requirements for non-tax receivables under DCIA, OMB Circular

[3] See Section II.5.11, Civil Monetary Penalties Inflation Adjustment in Other Information for reporting requirements.
[4] This Act no longer requires that a significant deficiency identified be reported as a material weakness for FMFIA.

No. A-129 and other laws as applicable:

- Treasury Offset Program (TOP) Referral of debts more than 120 days delinquent[5];
- Write-offs of delinquent debt older than two years;
- 1099-C Reporting when closing out debts; and
- Credit Bureau Reporting of delinquent non-tax, non-tariff consumer accounts, and all non-tax, non-tariff commercial accounts (current and delinquent).

Management should review its assurance statements (FMFIA) for consistency with the findings specified in the annual financial statement audit report(s). The Office of Inspector General or auditor will 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 in the agency's FMFIA report. Management should perform the same due diligence when preparing its final assurance statements. The reports could, in fact be different, but they 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 what will be done to address the problem that gave rise to the disagreement.

For material weaknesses related to an error requiring a restatement, if the agency asserted in its MD&A that it received an unmodified opinion on any previously issued financial statement, management should include a high-level discussion of the events that gave rise to the restatement that should include the nature of the error, The discussion may include the amount(s) of the material misstatement(s), the related effect(s) on the previously issued financial statement(s) and actions the agency's management took after discovering the misstatement. For related detailed disclosure requirements, see Section II.4.9.41, *Note 41 Restatements*.

Management should also include its FFMIA compliance assessment in this section. Accordingly, management is required to provide its assessment of the organization's financial management systems compliance with Federal financial management systems requirements, 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 No. A-123 Appendix D *Compliance with the Federal Financial Management Improvement Act of 1996* at http://www.whitehouse.gov/sites/default/files/omb/memoranda/2013/m-13-23.pdf. Management should review its compliance determination (FFMIA) for consistency with the findings specified in the annual financial statement audit report(s).

[5] Previously, this requirement was for legally enforceable nontax debt 180 days delinquent. The Digital Accountability and Transparency Act of 2014, Public Law 113-101, May 9, 2014, amended Section 3716(c)(6) of title 31, United States Code, to read "(A) Any Federal agency that is owed by a person a past due, legally enforceable nontax debt that is over 120 days delinquent, including nontax debt administered by a third party acting as an agent for the Federal Government, shall notify the Secretary of the Treasury of all such nontax debts for purposes of administrative offset under this subsection. (B) The Secretary of the Treasury shall notify Congress of any instance in which an agency fails to notify the Secretary as required under subparagraph (A).

Goals and the supporting financial system strategies

- Briefly discuss 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.
- Include in the overview a synopsis of critical projects currently underway, or planned to achieve the target framework per OMB Memorandum, M-10-26, *Immediate Review of Financial Systems IT Projects*, M-13-08 *Improving Financial Systems Through Shared Services*, and OMB Circular No. A-123 Appendix D, *Compliance with the Federal Financial Management Improvement Act of 1996*.
- Finally the agency head will sign the assurance statement providing assurance that the agency's financial management systems comply with the following:
    - Federal financial management system requirements;
    - Applicable Federal accounting standards; and
    - The United States Standard General Ledger at the transaction level.
- For areas of FFMIA noncompliance each agency must identify remediation activities that are planned and underway, describing target dates and offices responsible for bringing systems into substantial compliance with FFMIA.

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 it identifies. This could include summarizing entity progress in implementing key administration management initiatives.

II.2.10 Limitations of the Financial Statements

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

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

II.3 Performance Section – PAR/APR Section 2

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II.3.1 What is the Performance Section?

The performance section of the Performance and Accountability Report (PAR) published by the Agencies in November provides information on the agency's progress achieving the goals and objectives described in the agency's Strategic Plan and Annual Performance Plan, including progress on the strategic objectives, performance goals, and Agency Priority Goals. The term "performance section" means the same as the Annual Performance Report (APR) published by agencies in February. For more information see OMB Circular A-11, *Preparation, Execution and Submission of the Budget*, Part 6, Section 260 at: https://www.whitehouse.gov/sites/default/files/omb/assets/a11_current_year/s260.pdf

II.4 Financial Section – PAR Section 3/AFR Section 2

Section II.4 Financial Section – PAR Section 3/AFR Section 2
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II.4.1 Instructions for the Annual Financial Statements

Reporting entities should ensure that information in the financial statements is presented in accordance with GAAP for Federal entities and the requirements of this Circular. Preparers of financial statements seeking additional guidance on matters involving the recognition, measurement, and disclosure requirements should refer to the specific FASAB standards governing those requirements. These standards are available at: http://www.fasab.gov/accounting-standards/. Where the FASAB standards and interpretations or the instructions in this Circular do not provide guidance, agencies will follow the hierarchy of accounting principles described in Section II.4.2 Q&A and SFFAS No. 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 preceding years should be presented regardless of the type of audit opinion rendered by the auditor. Notes should contain the information necessary for full disclosure of both years.

When agencies present disaggregated information for component organizations, the total column for the entity as a whole will reflect consolidated totals net of intra-entity transactions, except for the Statement of Budgetary Resources (SBR), which is presented on a combined basis. With the exception of the SBR, financial statements that use a multi-column format to present information on an entity's major components or lines of business, as well as the consolidated amounts, are 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 to the Financial Statements. Entities may elect to include disaggregated statements for other primary financial statements, such as the Balance Sheet, Statement of Changes in Net Position (SCNP) or Statement of Custodial Activity (SCA). To enhance usefulness of the information, entities may include any disaggregated statements not presented in the Notes to the Financial Statements as Other Information.

The format displays in this Circular are generally for illustrative guidance only. Agencies may modify the displays to best present the information for their programs. In doing so, they may add or remove lines, may use different words than those provided in the displays and should exclude statement line items, notes, and lines or columns in notes that do not apply or are not informative for the reporting entity. However, agencies should report their assets, liabilities, and net position by the lines displayed in the illustrative Balance Sheet, illustrative SNC, and in the illustrative SCNP to support the reclassification to the Closing Package lines used in the compilation and audit of the FR. To enhance reporting at the entity-level, agencies may combine these illustrated lines in their statements but the composition of these lines must be provided, i.e., either as subcategories on the face of the statements or in a footnote. Conversely, to ensure that reporting at the entity-level is meaningful, agencies may also disaggregate the illustrated lines in their statements but the total of these lines must be provided, i.e., either a total on the face of the statement or in a note.

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.

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

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

Sequentially number notes without regard to the numbers in this document.

If components of agencies prepare separate audited financial statements, these statements do not need to be presented separately in consolidating agency-wide financial statements.

II.4.2 Q&As

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

The Federal Accounting Standards Advisory Board (FASAB) is the body designated by the American Institute of Certified Public Accountants (AICPA) as the source of GAAP for Federal reporting entities. As such, the FASAB is responsible for identifying the GAAP hierarchy for Federal reporting entities. The GAAP hierarchy consists of the sources of accounting principles and the framework for selecting the principles used in the preparation of general-purpose financial statements of Federal reporting entities that are presented in conformity with generally accepted accounting principles. The GAAP hierarchy lists the priority sequence of pronouncements that a Federal reporting entity should look to for accounting and financial reporting authoritative guidance. The sources of accounting principles that are generally accepted are categorized in descending order of authority as follows:

A. Officially established accounting principles consist of FASAB Statements of Federal Financial Accounting Standards (Standards) and Interpretations. FASAB Standards and Interpretations will be periodically incorporated in a publication by the FASAB.
B. FASAB Technical Bulletins and, if specifically made applicable to Federal reporting entities by the AICPA and cleared by the FASAB (i.e., FASAB does not object to the pronouncement's issuance), AICPA Industry Audit and Accounting Guides.
C. Technical Releases of the Accounting and Auditing Policy Committee of the FASAB.
D. Implementation guides published by the FASAB staff, as well as practices that are widely recognized and prevalent in the Federal Government.

If an accounting transaction or event is not specified by a pronouncement in above category A, then the Federal entity should determine if the accounting treatment is specified by an accounting principle of one of the remaining categories (B-D) in descending order of importance. In other words, the Federal entity should follow the pronouncement in category B, then category C, and finally category D. The Federal entity should consider accounting principles for similar transactions or events within categories A-D before considering other accounting literature. However, a Federal entity should not follow the accounting treatment specified in accounting principles for similar transactions or events where those accounting principles either (1) specifically prohibit the application of the accounting treatment to the particular transaction or event or (2) indicate that the accounting treatment should not be applied to other transactions or events by analogy.

Examples of other accounting literature include:

- FASAB Concepts Statements;
- above category B's pronouncements when not specifically made applicable to Federal reporting entities by FASAB;
- pronouncements of other accounting and financial reporting standards-setting bodies, such as the Financial Accounting Standards Board (FASB), Governmental Accounting Standards Board (GASB), International Accounting Standards Board (IASB), and International Public Sector Accounting Standards Board (IPSASB);
- Treasury Financial Manual (TFM)
- professional associations or regulatory agencies; and
- accounting textbooks, handbooks, and articles.

Guidance specified by FASAB, AAPC, or AICPA as described in above categories A-C, are considered to be A, B, or C-level GAAP as appropriate. Requirements that are not specified by a pronouncement described in above categories A-C are considered level D of the Federal GAAP hierarchy because they constitute "practices that are widely recognized and prevalent in the Federal Government." Requirements in this Circular that are not specified by a pronouncement described in above categories A-C are considered level D of the Federal GAAP Hierarchy because they constitute "practices that are widely recognized and prevalent in the Federal Government." The SFFACs, the SFFASs, Interpretations, Technical Bulletins, and Technical Releases (TR) addressed in this Circular are on the FASAB website at: http://www.fasab.gov/accounting-standards/.

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

2. What should the annual financial statements include?

The "Annual Financial Statements" of a reporting entity will consist of:

(1) Management's discussion and analysis (part of RSI);
(2) Basic statements and related notes;
(3) Required supplementary stewardship information (RSSI), if applicable; and
(4) Required supplementary information (RSI), if applicable.

In addition, the annual financial statements may include "other information" (OI). See Section II.5.

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

The basic statements will include:
(1) Balance Sheet;
(2) Statement of Net Cost (SNC);
(3) Statement of Changes in Net Position (SCNP);
(4) Statement of Budgetary Resources (SBR);
(5) Statement of Custodial Activity (SCA), when applicable;
(6) Statement of Social Insurance (SOSI), when applicable;
(7) Statement of Changes in Social Insurance Amounts (SCSIA), when applicable; and
(8) Related note disclosures.

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

3. Which elements of the Annual Financial Statements must be presented on a comparative basis?

The basic statements identified above, and the 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. Please see Section II.4.8 for information on the SOSI and SCSIA. The MD&A should include comparisons of the current year to the prior year and should provide an analysis of the agency's overall financial position and results of operations to assist users in assessing whether that financial position has improved or deteriorated as a result of the year's activities. Information presented in the RSSI and RSI should be presented on a comparative basis when the information would be meaningful to the user of the financial report.

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

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

Agencies should ensure that the budgetary information used to prepare the SBR is consistent with the budgetary information reported to the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) during the 4th quarter window. The information submitted through the GTAS will be used to produce the 4th quarter Standard Form (SF) 133, Report on Budget Execution and Budgetary Resources; and, much of the initial data that will appear in the past year column of the Program and Financing Schedule of the Budget. The budgetary information reported should be coordinated with the agency's budget office.

Due to timing differences, subsequent changes may be made to budgetary information included in the Budget but after the SBR has been published. Agencies should post all subsequent changes, whether material or non-material, to OMB's MAX Circular No. A-11 budget preparation system during the time frames provided by OMB. Agencies should also post all subsequent changes made to OMB’s MAX Circular No. A-11 budget preparation system, whether material or non-material, to GTAS during its 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 actual information presented in the Budget of the United States Government 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)?

Some laws require departments (or agencies) to allocate budget authority to another Federal entity within the same department or in another department. Allocation means a delegation, authorized in law, by one department of its authority to obligate budget authority and outlay funds to another department. While the department receives budget authority in accordance with law, the same law requires the department (i.e., referred to as the parent) to allocate some or even all of the budget authority to another Federal entity (i.e., referred to as the child). When a parent makes such a delegation, the Fiscal Service establishes a subsidiary account called an Allocation Transfer Account (ATA). The Treasury account symbol for these accounts includes the three-digit department code of the child followed by the three-digit department code of the parent. The ATA is referred to as a child account. The transfer itself is often referred to as an allocation transfer. In the child account, the receiving Federal entity receives the budget authority, and then obligates and outlays sums up to the amount included in the allocation. Except for the object class schedule, the Budget does not separately show the allocations, but rather shows all financial activity (e.g., budget authority, obligations, outlays) in the parent account. In essence, the parent is accountable for and maintains the responsibility for reporting while the child performs on behalf of the parent and controls how the funds are expended.

With an allocation transfer, the parent's budget authority is granted by one of the Congressional appropriation subcommittees and fully supports a particular program under the parent's mission. In other words, the parent appropriation funds the program. The parent is authorized to delegate part or all of the work to other Federal agencies to carry out its program. However, the parent still has full responsibility for the program and its outputs. The parent is responsible for the program's overall performance and may decide to reallocate funds if the parent is not satisfied with the child's performance. The various children responsible for carrying out the different parts of the program report their costs to the parent for the activities they perform. All costs are then consolidated in the parent's financial statements in order to provide a complete cost of the parent's program.

The parent must report all budgetary and proprietary activity in its financial statements, whether material to the child, or not. Therefore, the receiving department must not report any information relating to the transfer appropriation account on its financial statements. Receiving agencies with transfer appropriation accounts 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 required 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 U.S. standard general ledger accounts and balances recorded as of a point in time. The values for the proprietary and budgetary accounts are self-balancing; that is, the debits equal the credits for each type of account. The Department of Treasury's Treasury Financial Manual (TFM), Supplement No. S2 Chart of Accounts, identifies and defines the individual accounts to be used. This TFM Supplement also provides guidance on the attributes required for each USSGL account.

The key to timely and accurate quarterly reporting by the parent agency is the communication between the parent and child. It is strongly recommended that issues such as formats, abnormal balances, capitalization thresholds, useful lives, depreciation methodologies, transfer of trading partner information, etc., be discussed and resolved at a date required by the parent to meet its reporting and auditing deadlines. Should a child agency need to make a subsequent change to a reported trial balance, it is the child's responsibility to notify the parent at the earliest opportunity. As the parent is ultimately responsible for the reporting of the child, the child should make every effort (within reason) to provide required information. If the child fails to meet defined expectations, obtaining OIG assistance or contacting an OMB budget examiner will be warranted. Subsequent changes may need to be made by the parent. The parent must communicate any and all changes to the child's organization prior to making the revision.

For GTAS, the parent is responsible for determining whether the parent or child will report. When using GTAS to report budgetary information to OMB and Treasury, agencies must separately report each allocation. In some cases, the parent submits the data to GTAS, and in other cases, the child submits the data. Irrespective of who reports the data, the data for the parent as well as each allocation is reported only once.

For the Governmentwide Financial Report System (GFRS) (see Treasury Financial Manual, Vol. I, Part 2-Chapter 4700, Section 4705.30, Parent/Child Reporting for requirements), receiving departments must not report any information relating to the transfer appropriation account on their financial statements.

Reporting trading partner information is one of the requirements the parent entity must fulfill in posting data to GTAS and GFRS. When a child entity contracts with another Federal entity on behalf of the parent, the child entity reports the other Federal agency's trading partner code to that parent. However, the existence of a "parent" may be unknown to the other Federal agency. Every effort should be made to communicate the parent trading partner information to the other agency to reduce the risk of incurring material differences in intragovernmental reporting.

There are three exceptions to the general rules for reporting allocation transfers: 1.) Federal trust funds managed by the Fiscal Service (commonly known as Treasury-Managed Trust Funds) whose recipients are allocation accounts; 2.) Funds for which the Executive Office of the President is the parent; and, 3.) Funds transferred from the Judicial Branch to the Department of Justice U.S. Marshals Service for court security. In these 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

In cases where the child agency reports the transfer appropriation account data to GTAS, the parent agency can view this data and print reports, as long as the user's access profile includes those transfer appropriation accounts. See Treasury Financial Manual, Vol. I, Part 2 - Chapter 4700, Section 4707.15, GTAS System Access, for more information on system access.

Audit coordination between parent and child will be necessary, since the child will retain all the details. Therefore, reference should be made to the audit guidance located in amended OMB Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*.
http://www.whitehouse.gov/omb/bulletins_default.

II.4.3 Balance Sheet

Section II.4.3 Balance Sheet
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II.4.3.1 Introduction

The Balance Sheet presents, as of a specific time, amounts of future economic benefits owned or managed by the reporting entity (assets), amounts owed by the entity (liabilities), and amounts which comprise the difference (net position).

The Balance Sheet displayed in Section II.4.3.2 illustrates a two-column format to allow the user to make appropriate comparisons with prior period. Reporting entities preparing financial statements in accordance with this Circular may present similar information or may present information in separate columns for their primary components, e.g., bureaus or major lines of business.

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

See Note 21 and SFFAS No. 43- *Funds from Dedicated Collections:* Amending SFFAS 27, *Identifying and Reporting Earmarked Funds* for more details on Funds from Dedicated Collections. The portion of cumulative results of operations and unexpended appropriations attributable to Funds from Dedicated Collections should be shown separately on the balance sheet. Agencies may present combined or consolidated amounts and the presentation must be labeled accordingly. Agencies have the option to use separate lines to display information on Funds from Dedicated Collections on the face of the Balance Sheet (Illustrative Balance Sheet - Option A) or to use alternative format, parenthetical amounts within line item totals (Illustrative Balance Sheet - Option B). Agencies that use Option A to display information on Funds from Dedicated Collections on the face of the balance sheet are encouraged to use option A for the Statement of Changes in Net Position (and vice versa).

The provisions of SFFAS No. 27, as amended by SFFAS No. 43, need not be applied to immaterial items.

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 reported only in a note to the financial statements. 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.4.3.2 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)
Assets (Note 2):		
Intragovernmental:		
1. Fund Balance with Treasury (Note 3)	$ xxx	$ xxx
2. Investments (Note 5)	xxx	xxx
3. Accounts receivable (Note 6)	xxx	xxx
4. Loans receivable	xxx	xxx
5. Other (Note 12)	xxx	xxx
6. Total intragovernmental	xxx	xxx
7. Cash and other monetary assets (Note 4)	xxx	xxx
8. Investments (Note 5)	xxx	xxx
9. Accounts receivable, net (Note 6)	xxx	xxx
10. Taxes receivable, net (Note 7)	xxx	xxx
11. 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)	xxx	xxx
15. Total assets	$ x,xxx	$ x, xxx
16. Stewardship PP&E (Note 11)		
Liabilities (Note 13):		
Intragovernmental:		
17. Accounts payable	$ xxx	$ xxx
18. Debt (Note 14)	xxx	xxx
19. Other (Notes 15, 16 and 17)	xxx	xxx
20. Total intragovernmental	xxx	xxx
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. Environmental and disposal liabilities (Note 16)	xxx	xxx
26. Benefits due and payable	xxx	xxx
27. Other (Notes 15, 16, 17, 18, and 19)	xxx	xxx
28. Total liabilities	x,xxx	x,xxx
29. Commitments and contingencies (Note 20)		
Net position:		
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 Totals)	xxx	xxx
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		
37. Total liabilities and net position	$ x,xxx	$ x,xxx

The accompanying notes are an integral part of these statements

II.4.3.2 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)
Assets (Note 2):		
Intragovernmental:		
1. Fund Balance with Treasury (Note 3)	$ xxx	$ xxx
2. Investments (Note 5)	xxx	xxx
3. Accounts receivable (Note 6)	xxx	xxx
4. Loans receivable	xxx	xxx
5. Other (Note 12)	xxx	xxx
6. Total intragovernmental	xxx	xxx
7. Cash and other monetary assets (Note 4)	xxx	xxx
8. Investments (Note 5)	xxx	xxx
9. Accounts receivable, net (Note 6)	xxx	xxx
10. Taxes receivable, net (Note 7)	xxx	xxx
11. 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)	xxx	xxx
15. Total assets	$ x,xxx	$ x, xxx
16. Stewardship PP&E (Note 11)		
Liabilities (Note 13):		
Intragovernmental:		
17. Accounts payable	$ xxx	$ xxx
18. Debt (Note 14)	xxx	xxx
19. Other (Notes 15, 16 and 17)	xxx	xxx
20. Total intragovernmental	xxx	xxx
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. Environmental and disposal liabilities (Note 16)	xxx	xxx
26. Benefits due and payable	xxx	xxx
27. Other (Notes 15, 16, 17, 18, and 19)	xxx	xxx
28. Total liabilities	x,xxx	x,xxx
29. Commitments and contingencies (Note 20)		
Net position:		
30. Unexpended appropriations – (Includes Funds from Dedicated Collections of $XX in FY2XXX (CY) and $XX in FY2XXX (PY) (Combined or Consolidated Totals) (Note 21))	xxx	xxx
31. Cumulative results of operations – (Includes Funds from Dedicated Collections of $XX in FY2XXX (CY) and $XX in FY2XXX (PY) (Combined or Consolidated Totals) (Note 21))	xxx	xxx
32. Total Net Position – (Includes Funds from Dedicated Collections of $XX in FY2XXX (CY) and $XX in FY2XXX (PY) (Combined or Consolidated Totals) (Note 21))	$ x,xxx	$ x,xxx
33. Total liabilities and net position	$ x,xxx	$ x,xxx

The accompanying notes are an integral part of these statements

II.4.3.3 Assets

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

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

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

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 will be consolidated and reported as a single intragovernmental accounts receivable line item on the face of the Balance Sheet). Disclose non-entity assets in a note to the financial statements (Note 2) and non-entity assets meeting the definition of fiduciary assets (Note 40).

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

Fund Balance with Treasury. This represents the amount in the entity's accounts with Treasury that is available only for the purposes for which the funds were appropriated (SFFAC No. 2, Paragraph 84). According to SFFAS No. 1, Paragraph 31, this is the aggregate amount for which the entity is authorized to make expenditures and pay liabilities (expenditure accounts by fund groups). It also includes balances held by the entity on behalf of the Federal Government or other entities (receipt accounts, which include clearing/suspense accounts). Therefore, this account 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. However, Fund Balance with Treasury (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 No. 31, Accounting for Fiduciary Activities. Non-fiduciary deposit funds should be analyzed regarding federal versus non-federal ownership and control. In most instances, non-fiduciary deposit funds are controlled by the federal government and the FBWT in such funds should be reported as "intragovernmental." Examples of "intragovernmental" non-fiduciary deposit funds include but are not limited to deposit funds that are used to temporarily 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 and/or legal or agency judgment. Agencies with non-fiduciary deposit funds that appear to be controlled by non-federal entities should contact Treasury Fiscal Service and OMB for further reporting instructions.

Balances held in non-fiduciary deposit funds that are held by the Federal Government on behalf of non-Federal entities or individuals and are not used to meet the entity's legal obligations relating to the entity's operating revenue or expenses should be offset by a liability and classified as non-entity assets in Note 2. Balances held in non-fiduciary deposit funds that are used to meet the entity's legal obligations relating to the entity's operating revenue or expenses should be offset by a liability and classified as entity assets in Note 2. Total entity's Fund Balance with Treasury (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 will be disclosed by fund type in the notes to the financial statement (e.g., trust fund, revolving fund, etc.) (Note 3).

FBWT includes amounts deposited in a Treasury General Account (TGA) 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 (Disbursements in Transit) by the last day of the month should not reduce FBWT balances nor be considered an outlay until the payments are processed. They should be reported as Disbursements in Transit. For additional information, refer to Treasury Financial Manual (TFM) Volume 1, Part 2, Chapter 3300, *Statement of Transactions (Fiscal Services 224) Reporting by Agencies for which the Treasury Disburses* and TFM Volume I, Part 2, Chapter 3400, *Accounting for and Reporting on Cash and Investments Held Outside of the U.S. Treasury*.

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, *Intragovernmental Payment and Collection (IPAC) System*, Section 4030.30. Information relating to FBWT under Continuing Resolution Authority is available on the USSGL website at: http://www.fiscal.treasury.gov/fsreports/ref/ussgl/ussgl_home.htm.
(Appropriations Provided by a Continuing Resolution).

Title 31 U.S.C. § 3513 states that the Secretary of the Treasury must prepare reports on the financial operations of the U.S. Government. Each executive agency must provide reports and information about its financial condition and operations to the Secretary of the Treasury as the Secretary may require. Therefore, Treasury requires that agencies reconcile their FBWT accounts on a regular and recurring basis to assure the integrity and accuracy of their internal and Government-wide financial report data. Reconciling procedures can be found on the http://www.fiscal.treasury.gov/fsreports/rpt/fundBal/reconcil_proced.htm website. Additional information can be found in TFM Volume I, Part 2, Chapter 5100, Section 5135.

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 nonconfirmed collections and disbursements; (iii) investments held outside of Treasury; and, (iv) foreign currencies which, for accounting purposes, will be translated into U.S. dollars at the exchange rate on the financial statement date. Other monetary assets include gold, special drawing rights, and U.S. Reserves in the International Monetary Fund. This category is principally for use by the Department of the Treasury. The amount of cash and other monetary assets the reporting entity holds and is authorized to spend is entity cash. The cash and other monetary assets a Federal entity collects and holds on behalf of the U.S. Government or other entities are non-entity cash and other monetary assets. The components of cash and other monetary assets will be disclosed in the notes to the financial statement (Note 4).

Investments. Investments in Federal securities will 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 other private corporations. Investments are normally reported at acquisition cost or amortized acquisition cost (less an allowance for losses, if any). The components of investments, including the market value of market-based and marketable Treasury securities, will be disclosed (Note 5). (See SFFAS No. 1 for further information on investments in par value Treasury securities and in marketable and market-based Treasury securities expected to be held to maturity.) Reporting entities with material investments in Treasury securities attributable to Funds from Dedicated Collections must include in the required Note (Note 5) on Investments as described in SFFAS No. 27, as amended by SFFAS No. 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. Federal entity claims for payment from other entities. Gross receivables will 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).

Taxes Receivable, Net. Federal entity claims for taxes owed by the public. Gross receivables will 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. Interest income earned but not received as of the reporting date. Report interest receivable as a component of the appropriate asset accounts. No interest will be recognized as revenue on accounts receivable and investments that are determined to be uncollectible, until the interest is actually collected. Accrued interest on uncollectible accounts receivable, however, will be disclosed until the requirement to pay interest is waived by the Federal Government or the related bad debt is written off.

Interest receivable related to pre-1992 and post-1991 direct loans and acquired defaulted guaranteed loans will 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 an entity asset if, as provided by law or OMB Circulars, the entity has the authority to determine the use of the funds collected, or if the entity is legally obligated to use the funds to meet entity obligations, e.g., loans payable to Treasury. Disclose the components of this line in the notes to the financial statement (Note 8).

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

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

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

CATEGORY	DESCRIPTION
Inventory	Tangible personal property that is (i) held for sale, including raw materials and work in process, (ii) in the process of production for sale, or (iii) to be consumed in the production of goods for sale or in the provision of services for a fee.
Operating materials and supplies	Tangible personal property to be consumed in normal operations.
Stockpile materials	Strategic and critical materials held due to statutory requirements for use in national defense, conservation or national emergencies. They are not held with the intent of selling in the ordinary course of business.
Seized property	Property seized by a "seizing agency," that is, a Federal agency that seizes property as part of its law enforcement activities, and 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 power under law 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 as to financial reporting: (1) property of value, and (2) non-valued property.

Seized property of value includes monetary instruments, real property, and tangible personal property. 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. Information regarding seized property of value other than monetary instruments should be disclosed (See Note 9).

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. Information regarding seized property of value other than monetary instruments will be disclosed (See Note 9).

Forfeited property	(i) Monetary instruments, intangible property, real property, and tangible personal property acquired through forfeiture proceedings; (ii) property acquired by the government to satisfy a taxpayer's liability; and (iii) unclaimed and abandoned merchandise.
Goods held under price support and stabilization programs	These goods are referred to as commodities. Commodities are items of commerce or trade having an exchange value.

General Property, Plant and Equipment, Net. SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, as amended by SFFAS No. 11, *Amendments to Accounting for Property, Plant, and Equipment-Definitional Changes-Amending SFFAS No. 6 and SFFAS No. 8 Accounting for Property, Plant, and Equipment and Supplementary Stewardship Reporting*; SFFAS No 23, *Eliminating the Category National Defense Property, Plant, and Equipment*; SFFAS No. 29, *Heritage Assets and Stewardship Land*; and SFFAS No. 35, *Estimating the Historical Cost of General Property, Plant, and Equipment* defines 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.” SFFAS No. 6 also provides guidance for determining the cost of general PP&E acquired by purchase, capital lease, donation, devise, judicial process, exchange, forfeiture, or transfer from other Federal entities. Minimum disclosure requirements for general PP&E are in Note 10. Additionally, SFFAS No. 35 amends SFFAS Nos. 6 and 23 by providing more specific allowable methods to estimate the amount of general PP&E to capitalize, as well as offering more detail about permissible documentation and methods for estimating historical cost and accumulated depreciation.

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 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 operating as business-type activities, all PP&E will 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 will be included in general PP&E.

Internal use software, whether commercial off-the-shelf, internally developed or contractor developed, will be capitalized and amortized if it meets the criteria of general PP&E. Refer to SFFAS Nos. 10 and 35, and FASAB Technical Release 5 Implementation Guidance on SFFAS No. 10, *Accounting for Internal Use Software* for further guidance.

Depreciation will 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., buildings, such as the main Treasury building which is used as an office building). The cost of acquisition, betterment, or reconstruction of multi-use heritage assets will 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.

Effective FY2015 and beyond, agencies will need to recognize impairments of general property, plant, and equipment that will remain in use by the agency, in accordance with SFFAS No.44, *Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use*.

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

- 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 Federal Government but not acquired for or in connection with items of general PP&E. Examples of stewardship land include land used as forests and parks, and land used for wildlife and grazing.

SFFAS No. 29, *Heritage Assets and Stewardship Land*, reclassified heritage assets and stewardship land information as basic information. This standard requires entities reference a note on the Balance Sheet disclosing information about heritage assets and stewardship land, but no asset dollar amount should be shown. The note disclosure (Note 11) will provide minimum reporting requirements for heritage assets and stewardship land.

Other Assets. The "Other" assets category will include assets not reported in a separate category on the face of the Balance Sheet. This includes assets that are immaterial to the agency and that do not warrant separate reporting. Reporting entities should disclose in the notes the amount and nature of categories of "Other" assets (Note 12).

Examples of “Other” Assets may include, but are not limited to, 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.4.3.4 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 will recognize probable and measurable future outflows or other sacrifices of resources arising from (1) past exchange transactions, (2) government-related events, (3) government-acknowledged events, or (4) nonexchange transactions that, according to current law and applicable policy, are unpaid amounts due as of the reporting date. SFFAS No. 5 describes the general principles governing the recognition of a liability.

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

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

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

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

Combine liabilities covered by budgetary resources with liabilities not covered by budgetary resources on the face of the Balance Sheet, e.g., intragovernmental accounts payable covered by budgetary resources and intragovernmental accounts payable not covered by budgetary resources will be combined and reported as a single intragovernmental accounts payable line item on the face of the Balance Sheet. Disclose liabilities not covered by budgetary resources in a note to the financial statements (Note 13).

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

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

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

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

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

Debt. Amounts borrowed from the Treasury, the Federal Financing Bank, other Federal agencies, or the public under general or special financing authority (e.g., Treasury bills, notes, bonds and Federal Housing Administration debentures). The components of debt will be disclosed in the notes to the financial statement (Note 14).

Federal Employee and Veteran Benefits. Entities responsible for accounting for pensions, other retirement benefits (e.g., health benefits for retirees), and other post-employment benefits should calculate and report these liabilities and related expenses in accordance with SFFAS No. 5. Liabilities for Federal employee and veteran benefits include the actuarial portion of these benefits. They do not include liabilities related to ongoing continuous expenses such as employees' accrued salary and accrued annual leave, which are reported in the Other Liabilities line item. Disclose in the notes to the financial statements the actuarial liabilities, assumptions used to compute the actuarial liabilities, and the components of expense for the period for pensions, other retirement benefits, and other post-employment benefits (Note 15).

Environmental and Disposal Liabilities. SFFAS No. 5 provides criteria for recognizing a contingent liability, which will be applied to determine if cleanup costs should be recognized as liabilities and/or disclosed in the notes. SFFAS No. 6 supplements the liability standard by providing guidance for recording cleanup costs related to general PP&E and stewardship PP&E used in Federal operations. The guidance applies to cleanup costs from Federal operations known to result in hazardous waste, which the Federal Government is required by Federal, State and/or local statutes and/or regulations to cleanup. Depending on the materiality of the amount, the liability for cleanup costs may be displayed separately or included with Other Liabilities. The note disclosures required for liabilities (Note 16) associated with cleanup costs are described in SFFAS No. 6.

Technical Bulletin 2006- 1, *Recognition and Measurement of Asbestos-Related Cleanup Costs* affects all Federal entities that own tangible property, plant, and equipment (PP&E) that contain asbestos. The focus of Technical Bulletin 2006-1 is the recognition of a liability and related expense for friable and non-friable asbestos cleanup costs when it is both probable and reasonably estimable consistent with SFFAS No. 5, SFFAS No. 6, and Technical Release No. 2. Liabilities deemed probable, but not reasonably estimable, should be disclosed in the notes to the financial statements.

On June 2, 2010, Technical Release 10, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment* (TR 10) and Technical Release 11,

Implementation Guidance on Cleanup Costs Associated with Equipment (TR 11) were issued by FASAB's Accounting and Auditing Policy Committee (AAPC). TR 10 addresses important implementation questions and clarifies existing accounting requirements regarding the consistent application of Technical Bulletin 2006-1 as it relates to asbestos cleanup costs associated with facilities and installed equipment. TR 11 focuses on when cleanup costs should be recognized as an environmental liability and when it 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 yet been paid. These amounts include payables by the Federal entity for benefits, goods, or services provided under the terms of a benefits program (other than Federal employee and 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 and that will be financed by the Federal entity but have not yet been reported to the Federal entity). Benefit programs reported on this line item include, but are not limited to, Federal Old-Age and Survivors Insurance, Federal Hospital Insurance (Medicare Part A), Federal Supplementary Medical Insurance (Medicare Part B), Grants to States for Medicaid, Federal Disability Insurance, Supplemental Security Income, Railroad Retirement, Unemployment Insurance, and Black Lung.

Other Liabilities. This line item covers liabilities not recognized in specific categories. This includes liabilities that are immaterial to the agency and that do not warrant separate reporting. It includes (but is not limited to) 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 and accrued employee annual leave. 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. Cleanup costs that exceed the materiality threshold are reported separately as "Environmental and Disposal Liabilities."

Separate reporting on the Balance Sheet of items normally included in "Other Liabilities" is appropriate if the amounts are significant to the Balance Sheet. For items not separately reported on the Balance Sheet, disclose the items within the "Other Liabilities" line and any additional information necessary to understand the liabilities in the notes to the financial statements (Note 17).

Lease Liabilities. SFFAS Nos. 5 and 6 provide the liability criteria and recognition for this item, 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 Circular No. A-11 (Appendix B—Budgetary Treatment of Lease-Purchases and Leases of Capital Assets, Summary Table following Section 1(d)), as a component of the Other Liabilities line item on the Balance Sheet and disclose the components of and other information about the capital lease liability in a separate note (Note 18).

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 a separate note (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, will 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 to be recognized when an existing condition, situation, or set of circumstances involving uncertainty as to possible loss exists and the uncertainty will ultimately be resolved when: one or more future events occur or fail 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.

Commitments and Contingencies. A loss contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible loss to an entity. The uncertainty should ultimately be resolved when one or more future events occur or fail to occur. 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 (SFFAS No. 5, as amended by SFFAS No. 12). Contingencies that do not meet any of the conditions for liability recognition and there is at least a reasonable possibility that a loss or an additional loss may have been incurred, should be disclosed in a separate note (Note 20). Additional information related to contingencies:

- Definition of the terms “probable” and “measurable” are provided in SFFAS No. 5.
- In regard to pending or threatened litigation and unasserted claims, the contingent liability would be recognized when the future outflow or other sacrifice of resources is “likely to occur” (SFFAS No. 12); the other criteria for recording a contingent liability remain unchanged.
- 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. (SFFAS No. 5 and 6 and TR No. 2)
- 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 process of judicial proceedings; (3) the unfunded portion of total liabilities to international organizations; (4) litigation addressing claims for equity relief or non-monetary judgments – 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 No. 5, the following commitments will also be disclosed: (1) an estimate of obligations related to canceled appropriations for which the reporting entity has a contractual commitment for payment, and (2) amounts for contractual arrangements, which may require future financial obligations (Note 20).

II.4.3.5 Net Position

The components of net position are classified as follows:

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

Cumulative Results of Operations. The net results of operations since inception plus the cumulative amount of prior period adjustments. This includes the cumulative amount of donations and transfers of assets in and out without reimbursement. The amount of cumulative results of operations reported on the Balance Sheet should equal the amount of cumulative results of operations reported on the SCNP. 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 shown in the Funds from Dedicated Collections note disclosure, in accordance with the provisions of SFFAS No. 27, as amended by SFFAS No. 43 (Note 21).

II.4.4 Statement of Net Cost

Section II.4.4 Statement of Net Cost (SNC)
Table of Contents

II.4.4.1 Introduction

Major Programs

The SNC should show the reporting entity's net cost of operations, as a whole, by the major programs related to the major goal(s) and output(s) described in the entity's strategic and performance plans, required by GPRA. The term "major program" may describe an agency's mission, strategic goals, functions, activities, services, projects, processes, or other meaningful grouping. In order to be meaningful, the grouping must be an organized set of activities, directed toward a common purpose or goal, which an entity undertakes, or proposes to undertake, to carry out its responsibilities. Program structure definition is at the entity's discretion.

The organizational structure and operations of some entities may require supporting schedules supplementing the information in the statement. If needed, those schedules should be reported in the Notes to the Financial Statements and displayed by suborganizations and their corresponding programs. The program structure should report full costs and related exchange revenue for each program as defined by the entity. Please see the description of "full cost" below. For more information, see Note 23, Suborganization Program Costs/Program Costs by Segment.

Historically, some of the most significant changes in amounts reported on the consolidated government-wide SNC resulted from gains and losses from changes in assumptions. SFFAS No. 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, other retirement benefits (ORB), and other postemployment benefits (OPEB), including veterans' compensation should report these changes as a separate line item or items representing gains and losses from changes in long-term assumptions used to measure these liabilities on the SNC.

The reporting entity may also incur general management and administrative support costs and exchange revenues that cannot be traced, assigned, or directly associated to segments and their outputs. These 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 also designed to show separately the components of the net cost of the reporting entity's operations for the period. Net cost of operations is the cost incurred by the entire reporting entity less any exchange revenue earned from its activities. The statement should include a presentation of the following: (1) Program costs, (2) related exchange revenues, (3) the excess of costs over exchange revenues (net program costs), (4) gain/loss on pension, ORB, or OPEB assumption changes, (5) the costs that cannot be assigned to specific programs or outputs, and (6) the exchange revenues that cannot be attributed to specific programs and outputs.

Intragovernmental costs and exchange revenues, and public costs and exchange revenues should be included and separately disclosed in the supporting schedules. For more information, see Note 22 Intragovernmental Costs and Exchange Revenue.

Full Cost

SFFAS No. 30, *Inter-Entity Cost Implementation, Amending SFFAS No. 4, Managerial Cost Accounting Standards and Concepts*, defines full cost to include costs of services provided by other entities whether or not the providing entity is fully reimbursed. For purposes of this report, entities report programs at “full cost”. The provider of the goods or services is responsible for providing receiving entities its full cost information through billing or other advice. 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 is 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 FASAB Technical Release 8, “Clarification of Standards Relating to Inter-Entity Costs.” Intragovernmental full costs and earned revenues, and public costs and earned revenues will be disclosed in Note 22.

References

For illustrations and explanations designed to assist in understanding and applying the standards in preparing the SNC, such as SFFAS No. 7, *Accounting for Revenue and Other Financing Sources,* preparers are encouraged to consult the FASAB website (http://www.fasab.gov).

II.4.4.2 Illustrative Statement - Statement of Net Cost

Department/Agency/Reporting Entity
STATEMENT 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:		
Program A:		
Gross costs (Note 22)	$ xxx	$ xxx
Less: earned revenue	-xxx	-xxx
Net program costs:	$ xxx	$ xxx
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	-xxx	-xxx
Net other program costs:	$ x,xxx	$ x,xxx
(Gain)/Loss on pension, ORB, or OPEB Assumption changes (Note 15):	$ -xxx	$ -xxx
Net program costs including Assumption changes:	$ x,xxx	$ x,xxx
Cost not assigned to programs	xxx	xxx
Less: earned revenues not attributed to programs	-xxx	-xxx
Net cost of operations	$ x,xxx	$ x,xxx

The accompanying notes are an integral part of these statements.

II.4.4.3 Gross Program Costs

The reporting entity should report the full cost of each program's output, which consists of (a) both direct and indirect costs of the output, and (b) the costs of identifiable supporting services provided by other segments within the reporting entity and by other reporting entities. The reporting entity should accumulate and assign costs in accordance with the costing methodology in SFFAS No. 4. Program costs should also include any non-production costs that can be assigned to the program but not to its outputs.

In accordance with SFFAS No. 4 as amended by SFFAS No. 30, *Inter-Entity Cost Implementation*, the costs of program outputs will include the costs of services provided by other entities whether or not the providing entity is fully reimbursed. SFFAS No. 30 requires full implementation of the inter-entity cost provision in SFFAS No. 4.

Examples of unreimbursed costs that reporting entities are required to recognize include (but are not limited to): (1) employees' pension, post-retirement health and life insurance benefits, (2) other post-employment benefits for retired, terminated, and inactive employees, which includes unemployment and workers compensation under the Federal Employees' Compensation Act (Pub. L. No. 103-3), and (3) losses in litigation proceedings (see FASAB Interpretation No. 2, *Accounting for Treasury Judgment Fund Transactions*). In the case of employee benefits, the imputed amount is the difference between employer/employee contributions and the total cost of the benefit.

In accounting for unreimbursed costs reporting entities should refer to relevant guidance, such as, SFFAS Nos. 4, 5 and 30; Interpretation Nos. 2 and 6; Technical Release No. 8; and the USSGL. Reporting entities should also consult with the funding and administering agencies, such as OPM, for information needed to record inter-entity costs. For further guidance on the recognition of inter, and intra-entity costs partially or completely unreimbursed, the reporting entity should consult the inter-entity cost standard in SFFAS Nos. 4 and 30.

Costs related to the production of outputs will be 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, will be 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 by doing so the usefulness of the statements would be improved either because the amount of a particular cost is large or because of its special nature. For example, when reporting on a program that makes transfer payments, it may be useful to differentiate between the transfer payments and administrative costs.

II.4.4.4 Earned Revenues

Earned revenues are exchange revenues, which arise when a Federal entity provides goods and services to the public or to another government entity for a price. The full amount of exchange revenue is to be reported on the 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 entity is reported as a transfer-out on the SCNP. (See SFFAS No. 7 for information on exchange revenues.)

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

II.4.4.5 Net Program Costs

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

II.4.4.6 (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 on gains and losses from changes in long-term assumptions, the reporting entity should consult SFFAS No. 33.

II.4.4.7 Costs Not Assigned to Programs

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

II.4.4.8 Earned Revenues Not Attributed to Programs

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

II.4.4.9 Net Cost of Operations

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

II.4.5 Statement of Changes in Net Position

Section II.4.5 – Statement of Changes in Net Position (SCNP)
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II.4.5.1 Introduction

The SCNP reports the change in net position during the reporting period. Net position is affected by changes to its two components: Cumulative Results of Operations and Unexpended Appropriations. The statement format is designed to display both components of net position separately to enable the user to understand the nature of changes to net position as a whole. See Note 21 and SFFAS 43: *Funds from Dedicated Collections*: Amending SFFAS 27, *Identifying and Reporting Earmarked Funds* for more details on Funds from Dedicated Collections. Non- exchange revenue and other financing sources including appropriations, and net cost of operations for Funds from Dedicated Collections should be shown separately on the Statement of Changes in Net Position 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 Funds from Dedicated Collections is of immediate concern to the constituents of the fund, is politically sensitive or controversial, is 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 and the presentation must be labeled accordingly. Agencies have the option to use separate lines or columns to display information on Funds from Dedicated Collections on the face of the Statement of Changes in Net Position (Illustrative Statement of Changes in Net Position - Option A) or to use alternative format, parenthetical amounts within line item titles (Illustrative Statement of Changes in Net Position - Option B). Agencies that use option A to display information on Funds from Dedicated Collections on the face of the Statement of Changes in Net Position are encouraged to use option A for the Balance Sheet (and vice versa). The provisions of SFFAS No. 27, as amended by SFFAS No. 43, need not be applied to immaterial items.

II.4.5.2 Illustrative Statements – 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
Cumulative Results of Operations:				
1. Beginning Balances	$ xxx	$ xxx	$ xxx	$ xxx
2. Adjustments:				
2A. Changes in accounting principles	xxx	xxx	xxx	xxx
2B. Corrections of errors	xxx	xxx	xxx	xxx
3. Beginning balance, as adjusted	xxx	xxx	xxx	xxx
Budgetary Financing Sources:				
4. Other adjustments	xxx	xxx	xxx	xxx
5. Appropriations used	xxx	xxx	xxx	xxx
6. Nonexchange revenue	xxx	xxx	xxx	xxx
7. Donations and forfeitures of cash and cash equivalents	xxx	xxx	xxx	xxx
8. Transfers in/out without reimbursement	xxx	xxx	xxx	xxx
9. Other	xxx	xxx	xxx	xxx
Other Financing Sources (Nonexchange):				
10. Donations and forfeitures of property	xxx	xxx	xxx	xxx
11. Transfers in/out without reimbursement	xxx	xxx	xxx	xxx
12. Imputed financing	xxx	xxx	xxx	xxx
13. Other	xxx	xxx	xxx	xxx
14. Total Financing Sources	xxx	xxx	xxx	xxx
15. Net Cost of Operations	xxx	xxx	xxx	xxx
16. Net Change	xxx	xxx	xxx	xxx
17. Cumulative Results of Operations	**xxx**	**xxx**	**xxx**	**xxx**
Unexpended Appropriations:				
18. Beginning Balance	xxx	xxx	xxx	xxx
19. Adjustments:	xxx	xxx	xxx	xxx
19A. Changes in accounting principles	xxx	xxx	xxx	xxx
19B. Corrections of errors	xxx	xxx	xxx	xxx
20. Beginning Balance, as adjusted	xxx	xxx	xxx	xxx
Budgetary Financing Sources:				
21. Appropriations received	xxx	xxx	xxx	xxx
22. Appropriations transferred in/out	xxx	xxx	xxx	xxx

23. Other adjustments	xxx	xxx	xxx	xxx
24. Appropriations used	xxx	xxx	xxx	xxx
25. Total Budgetary Financing Sources	xxx	xxx	xxx	xxx
26. Total Unexpended Appropriations	xxx	xxx	xxx	xxx
27. Net Position	**$ xxx**	**$ xxx**	**$ xxx**	**$ xxx**

The accompanying notes are an integral part of these statements.

Illustrative Statements – 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
Cumulative Results Of Operations:				
1. Beginning Balances	$ xxx	$ xxx	$ xxx	$ xxx
2. Adjustments:				
2A. Changes in accounting principles	xxx	xxx	xxx	xxx
2B. Corrections of errors	xxx	xxx	xxx	xxx
3. Beginning balance, as adjusted	xxx	xxx	xxx	xxx
Budgetary Financing Sources:				
4. Other adjustments	xxx	xxx	xxx	xxx
5. Appropriations used	xxx	xxx	xxx	xxx
6. Nonexchange revenue	xxx	xxx	xxx	xxx
7. Donations and forfeitures of cash and cash equivalents	xxx	xxx	xxx	xxx
8. Transfers in/out without reimbursement	xxx	xxx	xxx	xxx
9. Other	xxx	xxx	xxx	xxx
Other Financing Sources (Nonexchange):				
10. Donations and forfeitures of property	xxx	xxx	xxx	xxx
11. Transfers in/out without reimbursement	xxx	xxx	xxx	xxx
12. Imputed financing	xxx	xxx	xxx	xxx
13. Other	xxx	xxx	xxx	xxx
14. Total Financing Sources	xxx	xxx	xxx	xxx
15. Net Cost of Operations	xxx	xxx	xxx	xxx
16. Net Change	xxx	xxx	xxx	xxx
17. Cumulative Results of Operations	**xxx**	**xxx**	**xxx**	**xxx**
Unexpended Appropriations:				
18. Beginning Balance	xxx	xxx	xxx	xxx
19. Adjustments:	xxx	xxx	xxx	xxx
19A. Changes in accounting principles	xxx	xxx	xxx	xxx
19B. Corrections of errors	xxx	xxx	xxx	xxx
20. Beginning Balance, as adjusted	xxx	xxx	xxx	xxx
Budgetary Financing Sources:				
21. Appropriations received	xxx	xxx	xxx	xxx
22. Appropriations transferred in/out	xxx	xxx	xxx	xxx
23. Other adjustments	xxx	xxx	xxx	xxx
24. Appropriations used	xxx	xxx	xxx	xxx
25. Total Budgetary Financing Sources	xxx	xxx	xxx	xxx
26. Total Unexpended Appropriations	xxx	xxx	xxx	xxx
27. Net Position	$ xxx	$ xxx	$ xxx	$ xxx

The accompanying notes are an integral part of these statements.

II.4.5.2 Illustrative Statements – Statement of Changes in Net Position (Option B)

Statement of Changes in Net Position
For the Year Ended September 30, 20XX
(In dollars/thousands/millions)

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

The accompanying notes are an integral part of these statements.

II.4.5.3 Funds from Dedicated Collections

Nonexchange revenue and other financing sources, including appropriations, and net cost of operations for Funds from Dedicated Collections should be shown separately on the Statement of Changes in Net Position if certain criteria are met as described in SFFAS No. 43, *Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds*. SFFAS No. 27, as amended by SFFAS No. 43, contains certain categories of funds that are excluded from the reporting requirements and specific guidance if more than one component entity is responsible for carrying out a program financed with revenues and other financing sources that are Funds from Dedicated Collections.

Agencies are encouraged to use the columnar presentation as illustrated in II.4.5.2 for the SCNP. The columns on the SCNP or in the Funds from Dedicated Collections note can either be combined or consolidated within fund type. 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 in the eliminations column. Agencies should disclose whether the columns are consolidated or combined. The change in reporting eliminations within columns will also apply to the prior year presentation of the financial statements and footnotes and will be considered a reclassification of prior year financial statement information.

If an agency chooses to use a linear presentation, then the agency must also display the SCNP in the columnar presentation in the note. Linear presentation for the statement must also display 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 No. 27, as amended by SFFAS No. 43. The provisions of SFFAS No. 27, as amended by SFFAS No. 43, need not be applied to immaterial items.

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 U.S. Treasury general fund. In situations of "mixed" funding, Funds from Dedicated Collections and general fund resources should be returned to their original source in the event such funds are reduced, e.g., rescinded or cancelled. For further guidance on “mixed” funds, see Circular No. A-11, Section 130.20, *SF 133, Report on Budget Execution and Budgetary Resources.*

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 or not a “mixed” fund is included in the Funds from Dedicated Collections category and reported as a Funds from Dedicated Collections depends upon the predominant use of the fund and whether the fund as a whole meets the definition of a Funds from Dedicated Collections in SFFAS No. 27, as amended by SFFAS No. 43. SFFAS No. 27, as amended by SFFAS No. 43, 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.4.5.4 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 will agree with the amounts reported as net position on the prior year's Balance Sheet. Adjustments for corrections of errors and changes in accounting principles should be reported in accordance with SFFAS No. 21, *Reporting Corrections of Errors and Changes in Accounting Principles*.

Correction of Errors

"Errors in financial statements result from mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time the financial statements were prepared."[6] Once it has been determined an error has occurred and restatement is required, the following provides guidance from SFFAS No. 21 on how management should correct an error in the financial statements.

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[7]:

- If only the current period statements are presented (e.g., 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 presented to be materially misstated. The SCNP's current year's unadjusted beginning balances will agree with the restated ending balances on the agency's prior

[6] SFFAS 21, paragraph 10
[7] SFFAS 21, paragraph 10

year's SCNP.

Management Actions Related to Correction of Errors

Communications Requirements

The following policy relates to actions required by management concerning material errors that escaped detection until after the audited financial statements were published. Management is responsible for any false or misleading information in the financial statements, or omissions rendering information made in the financial statements misleading. As such, as soon as possible after errors are detected, management will notify their auditors and inform the primary users of their financial statements of the error and plans for correcting it in the financial statements. Agency's management will 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 will be given:

- To the Congress, OMB, Treasury and GAO, in writing[8];
- To the public on Internet pages where previously issued financial statements were published; and
- To OMB in the next interim and subsequent financial statements until related effects are known and reported.

[8] Agencies restating their financial statements will provide notification to recipients of their original PARs or AFRs.

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 known and issuance of the subsequent period audited financial statements is not imminent[1]	Specific amount(s) of the material misstatement(s) and the related effect(s) of such on a previously issued financial statement(s) are known and issuance of the subsequent period audited financial statements is imminent[1]	Specific amount(s) of the misstatement(s) and the related effect(s) of such on a previously issued financial statement(s) remain unknown 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[2] financial statement(s) as part of the current year's comparative financial statements.	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 *are* known, follow the guidance provided in A. or B. as applicable.
Refer to Note 41 Restatements for disclosure requirements	Refer to Note 41 Restatements for disclosure requirements	Refer to Note 41 Restatements for disclosure requirements

[1] OMB Bulletin No. 15-02 provides a definition for what is considered "imminent." Specifically, OMB defines imminent as being "within 90 calendar days of the subsequent period financial statements planned issue date."
[2] Label the prior year comparative column as "Restated" for each statement and note impacted by the correction of the material error.

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 also include those occasioned by 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.4.5.5 Budgetary Financing Sources

This section displays financing sources and nonexchange revenue that are also budgetary resources, or adjustments to those resources, as reported on the SBR and defined as such by Circular No. A-11, *Preparation, Submission, and Execution of the Budget*.

Appropriations received. This amount includes "appropriations received" during the current reporting period. These are amounts appropriated from Treasury General Fund 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 No.7. Another example is with certain parent/child reporting described in Note 1. The above examples are not all inclusive.

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

Other adjustments. This amount includes adjustments to either cumulative results of operations or unexpended appropriations. Some examples of adjustments include reductions of appropriations and cancellations of expired appropriation/expenditure accounts, which would be included in the SBR's line1290, Appropriations (discretionary and mandatory) for reductions of appropriations and line 1051, Unobligated balance from prior year budget authority, net for cancellations of expired appropriation/expenditure accounts. Additionally, for line 1051, Unobligated balance from prior year budget authority, net, the specific SF 133 line is 1029, Other balances withdrawn. Finally, the appropriations used by collecting entities to provide refunds of monies deposited to Treasury and trust funds will be reported on this line item rather than as an *Appropriations Used*.

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

Nonexchange revenue. This amount includes revenues the Federal Government is able to demand or receive due to its sovereign powers. See SFFAS No. 7 for a discussion of the recognition and measurement criteria for taxes and other nonexchange revenues. If Federal securities investment revenue is material, report as a separate line item on the SCNP.

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

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

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

II.4.5.6 Other Financing Sources

This section displays financing sources and nonexchange revenue that do not represent budgetary resources as reported on the SBR and defined as such by Circular No. A-11.

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

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

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

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

II.4.5.7 Net Cost of Operations

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

II.4.5.8 Net Change

Report the net change of cumulative results of operations (the difference between lines 14 and 15), from beginning balance, as adjusted, to ending balance.

II.4.5.9 Net Position - Ending Balances

Ending balances will agree with the amounts reported as net position on the current year's Balance Sheet.

II.4.6 Statement of Budgetary Resources

Section II.4.6 Statement of Budgetary Resources (SBR)
Table of Contents

II.4.6.1 Introduction

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

Information on the SBR should be reconcilable to the budget execution information reported on the SF 133 *Report on Budget Execution and Budgetary Resources* and with information reported in the Budget of the United States Government to ensure the integrity of the numbers presented. The SBR is an agency-wide report, which aggregates account-level information reported in the agency's SF 133s.

Section II.4.6.4 contains the illustrative format for comparative Statements of Budgetary Resources.

Consistency between budgetary information presented in the financial statements and the Budget of the United States Government is critical to ensure the integrity of the numbers presented. The GTAS helps to ensure the consistency of data. The GTAS data submitted by agencies are USSGL-based trial balances, which are used to populate the SF 133 and the past year actual column of the Program and Financing Schedule (Schedule P) of the Budget. The USSGL-based trial balance is also used to prepare 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 actual column of the Schedule P. Due to timing differences, subsequent changes, whether material or non-material, may be made to the budgetary information included in the Schedule P after the SBR has been published. All subsequent changes whether material or non-material must be made in GTAS during the revision period.

Any changes to budgetary information subsequent to the publication of the audited SBR, that are material to the SBR, should be discussed between the agencies and their auditors to determine if restatement or note disclosure is necessary. Any material differences between comparable information contained in the SBR and the Budget, at a minimum must be disclosed in the notes to this statement (Note 35).

Budgetary information aggregated for purposes of the SBR should be disaggregated for each of the reporting entity's major budget accounts and presented as RSI. (See Section II.4.11.6)

Recognition and measurement of budgetary information reported on this statement should be based on budget terminology, definitions, and guidance in Circular No. A-11, *Preparation, Submission, and Execution of the Budget*. Circular No. A-11, Appendix F provides definitions and instructions for each line item reported in this statement (http://www.whitehouse.gov/omb/circulars_default/).

II.4.6.2 Combined vs. Consolidated Statement

The budgetary information presented in this statement will be presented on a combined basis and not a consolidated basis. Preparation of consolidated financial statements involves line-by-line elimination of inter-entity balances. To remain consistent with the aggregate of the account-level information presented on the SF 133, consolidation of this statement is not appropriate. Accordingly, line-by-line consolidation of this statement is not permitted.

II.4.6.3 Format of the Statement of Budgetary Resources

The format of the SBR is based on the SF 133. The descriptions and relationships between the SBR and the SF 133 are defined in Appendix F of Circular No. A-11. The line numbering displayed on the illustrative statement in this Circular is only for reference to Circular No. A-11's *Instructions on Budget Execution,* Appendix F, and should not be displayed on the formal SBR presented as a part of agencies' statements

Underlying detail lines from the SF 133 are aggregated to the major categories deemed most significant in the SBR for broad government-wide display purposes. Agency management should determine whether additional detail lines reported in the SF 133 process are warranted for SBR presentation or note disclosure due to materiality (either qualitative or quantitative). As 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 to the comparable balances reported for the aggregate of all budget accounts on the SF 133. However, certain circumstances may occur, including but not limited to timing differences, and issues related to materiality, that create reconciling differences. Reconciliations of such differences should be maintained to meet disclosure requirements and other OMB submissions or inquiries.

To facilitate the reconciliation of information between the SBR, and actual information reported in the Budget of the United States Government, the SBR should include a:

Separate Column for Non-budgetary Credit Reform Financing Accounts. These are non-budgetary accounts that record all the cash flow activity resulting from post-1991 direct loans and loan guarantees. This activity in the financing account is reported separately in the Budget of the United States Government and is excluded from the budget surplus or deficit totals. The separate presentation in the SBR allows for a clear distinction between budgetary accounts and non-budgetary credit reform accounts.

II.4.6.4 Illustrative Statements – Statement of Budgetary Resources

Department/Agency/Reporting Entity
STATEMENT OF BUDGETARY RESOURCES
For the Years Ended September 30, 2xxx (CY) and 2xxx (PY)
(in dollars/thousands/millions)

		2xxx (CY) Budgetary	2xxx (CY) Non-Budgetary Credit Reform Financing Account	2xxx (PY) Budgetary	2xxx (PY) Non-Budgetary Credit Reform Financing Account
Budgetary Resources					
1000	Unobligated balance brought forward, Oct 1	$ xxx	$ xxx	$ xxx	$ xxx
1020	Adjustment to unobligated balance brought forward, Oct 1 (+ or -) (Note 28)	xxx	xxx	xxx	xxx
1020.5*	Unobligated balance brought forward, Oct 1, as adjusted	xxx	xxx	xxx	xxx
1021	Recoveries of unpaid prior year obligations	xxx	xxx	xxx	xxx
1043*	Other changes in unobligated balance (+ or -)	xxx	xxx	xxx	xxx
1051*	Unobligated balance from prior year budget authority, net	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)	xxx	xxx	xxx	xxx
1910	Total budgetary resources	$ xxx	$ xxx	$ xxx	$ xxx
Status of budgetary resources					
2190	Obligations incurred (Note 31)	$ xxx	$ xxx	$ xxx	$ xxx
	Unobligated balance, end of year:				
2204*	Apportioned	xxx	xxx	xxx	xxx
2304*	Exempt from apportionment	xxx	xxx	xxx	xxx
2404*	Unapportioned	xxx	xxx	xxx	xxx
2490	Total unobligated balance. end of year	xxx	xxx	xxx	xxx
2500	Total budgetary resources	$ xxx	$ xxx	$ xxx	$ xxx
Change in obligated balance					
Unpaid obligations:					
3000	Unpaid obligations, brought forward, Oct 1	$ xxx	$ xxx	$ xxx	$ xxx
3006*	Adjustment to unpaid obligations, start of year (+ or -) (Note 28)	xxx	xxx	xxx	xxx
3012*	Obligations incurred	xxx	xxx	xxx	xxx
3020	Outlays (gross) (-)	xxx	xxx	xxx	xxx
3032*	Actual transfers, unpaid obligations (net) (+ or -)	xxx	xxx	xxx	xxx
3042*	Recoveries of prior year unpaid obligations (-)	xxx	xxx	xxx	xxx
3050	Unpaid obligations, end of year	xxx	xxx	xxx	xxx
Uncollected payments:					
3060	Uncollected pymts, Fed sources, brought forward, Oct 1 (-)	xxx	xxx	xxx	xxx
3066	Adjustment to uncollected pymts, Fed sources, start of year (+ or -) (Note 28)	xxx	xxx	xxx	xxx
3072*	Change in uncollected pymts, Fed sources (+ or -)	xxx	xxx	xxx	xxx
3082*	Actual transfers, uncollected pymts, Fed sources (+ or -)	xxx	xxx	xxx	xxx
3090	Uncollected pymts, Fed sources, end of year (-)	xxx	xxx	xxx	xxx
Memorandum (non-add) entries:					
3100	Obligated balance, start of year (+ or -)	$ xxx	$ xxx	$ xxx	$ xxx
3200	Obligated balance, end of year (+ or -)	$ xxx	$ xxx	$ xxx	$ xxx
Budget authority and outlays, net					
4175*	Budget authority, gross (discretionary and mandatory)	$ xxx	$ xxx	$ xxx	$ xxx
4177*	Actual offsetting collections (discretionary and mandatory)	xxx	xxx	xxx	xxx
4178*	Change in uncollected pymts, Fed sources (discretionary and mandatory) (+ or -)	xxx	xxx	xxx	xxx
4179*†	Anticipated offsetting collections (discretionary and mandatory) (+ or -)	xxx	xxx	xxx	xxx
4180	Budget authority, net (total) (discretionary and mandatory)	$ xxx	$ xxx	$ xxx	$ xxx
4185*	Outlays, gross (discretionary and mandatory)	$ xxx	$ xxx	$ xxx	$ xxx
4187*	Actual offsetting collections (discretionary and mandatory) (-)	xxx	xxx	xxx	xxx
4190	Outlays, net (total) (discretionary and mandatory)	xxx	xxx	xxx	xxx
4200*	Distributed offsetting receipts (-)	xxx	xxx	xxx	xxx
4210*	Agency outlays, net (discretionary and mandatory)	$ xxx	$ xxx	$ xxx	$ xxx

* 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 No. A-11, Appendix F.
†Not applicable for the fourth quarter.

The accompanying notes are an integral part of these statements

II.4.6.5 Budgetary Resources

This section presents the total budgetary resources available to the reporting entity. Budgetary resources include, but are not limited to, new budget authority, unobligated balances at the beginning of the period, transfers in and out of budgetary resources, recoveries of prior year obligations, and any adjustments to these resources.

Budgetary resources transferred or exchanged between components within a reporting entity should not be eliminated. For example, expenditure transfers between trust funds and Federal funds should be reported on a combined basis and not netted or eliminated against each other. Other examples would include non-expenditure transfers, receivables and payables, and offsetting collections and disbursements.

II.4.6.6 Status of Budgetary Resources

This section of the statement is designed to display information about the status of budgetary resources at the end of the period. It consists of the obligations incurred and the unobligated balances at the end of the period. The total amount displayed for the status of budgetary resources will equal the total budgetary resources available to the reporting entity as of the reporting date.

II.4.6.7 Change in Obligated Balance

This section of the statement displays the change in obligated balances during the reporting period.

II.4.6.8 Budget Authority and Outlays, Net

Budget Authority. Gross budget authority consists of the major categories: appropriations, borrowing authority, contract authority and spending authority from offsetting collections from the Budgetary Resources section of the SBR. The gross budget authority is reduced by the three offsets displayed on the illustrative statement to derive net budget authority.

Outlays. Gross outlays (disbursements) are reduced by actual offsetting collections to derive net outlays. The outlays (gross and net) will agree with, and be reconciled to, the disbursements and collections reported to Treasury for the fiscal year to date (FMS[9] 224, *Statement of Transactions; FMS 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. Offsetting receipts are collections that are credited to general fund, special fund or trust fund receipt accounts and that offset gross outlays. Unlike offsetting collections, which are credited to expenditure accounts and offset outlays at the account level, offsetting receipts may be distributed to agencies or undistributed. Distributed offsetting receipts offset the outlays of the agency, while undistributed offsetting receipts offset government-wide

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[9] Financial Management Service (FMS) was the predecessor organization to the Fiscal Service.

outlays. Distributed offsetting receipts typically offset the outlays of the agency that conducts the activity generating the receipts and the subfunction to which the activity is assigned. Offsetting receipts are composed of proprietary receipts from the public, receipts from intragovernmental transactions, and offsetting governmental receipts. This line item on the SBR should include all distributed offsetting receipts for the agency.

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;
- Intrabudgetary 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 on a monthly basis (FMS 224, *Statement of Transactions*; FMS 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 credited to government-wide outlay totals should not be included in the SBR.

Agency Outlays, Net. Net agency outlays are calculated as net outlays less distributed offsetting receipts.

II.4.7 Statement of Custodial Activity

Section II.4.7 Statement of Custodial Activity (SCA)
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II.4.7.1 Introduction

The SCA is required for entities that collect nonexchange revenue for the General Fund of the Treasury, a trust fund, or other recipient entities. In addition, the Statement of Custodial Activity is required for selected exchange revenues specified in SFFAS No. 7, including oil and gas revenues. The collecting entities do not recognize, as revenue, those collections that have been or should be transferred to others as revenues. Rather, they will account for sources and disposition of the collections as custodial activities on the SCA.

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

Custodial collections are normally nonexchange revenues, such as taxes and duties collected by the Internal Revenue Service and the U.S. Customs and Border Protection. Exchange revenue is normally reported on the SNC. However, SFFAS No. 7 identified certain exceptional circumstances in which the entity recognizes virtually no costs in connection with earning the revenue that it collects (see paragraph 45 of SFFAS No. 7). In these identified situations, the exchange revenue is reported in the SCA rather than on the SNC. Information on the sections of the SCA is presented below. Also, see SFFAS No. 7 and the related implementation guide.

II.4.7.2 Illustrative Statement – Statement of Custodial Activity

Department/Agency/Reporting Entity
STATEMENT OF CUSTODIAL ACTIVITY
For the Years ended September 30, 2xxx (CY) and 2xxx (PY)
(in dollars/thousands/millions)

	2xxx (CY)	2xxx (PY)
Revenue Activity:		
Sources of Cash Collections:		
1. Individual Income and FICA/SECA Taxes	$ xxx	$ xxx
2. Corporate Income Taxes	xxx	xxx
3. Excise Taxes	xxx	xxx
4. Estate and Gift Taxes	xxx	xxx
5. Federal Unemployment Taxes	xxx	xxx
6. Customs Duties	xxx	xxx
7. Miscellaneous	xxx	xxx
8. Total Cash Collections	x,xxx	x,xxx
9. Accrual Adjustments (+/-)	xxx	xxx
10. **Total Custodial Revenue**	x,xxx	x,xxx
Disposition of Collections:		
11. Transferred to Others (by Recipient):		
Recipient A	xxx	xxx
Recipient B	xxx	xxx
Recipient C	xxx	xxx
12. (Increase)/Decrease in Amounts Yet to be Transferred (+/-)	xxx	xxx
13. Refunds and Other Payments	xxx	xxx
14. Retained by the Reporting Entity	xxx	xxx
15. **Total Disposition of Collections**		
16. **Net Custodial Activity**	$ xxx	$ xxx

The accompanying notes are an integral part of these statements.

II.4.7.3 Sources of Collections

Report in this section of the statement the components of collections such as, by type of tax and duty, collection of past-due receivables for others, or other appropriate identifier to describe the source and nature of the collections. If refunds of taxes or other nonexchange revenues are material in relation to the gross collections made consider reporting them by component separately in a note.

This section of the statement also includes the nonexchange revenue accrual adjustment, which will be shown separately and added or subtracted from the net collections to determine the total custodial nonexchange revenue. Guidance for calculating the accrual adjustment can be found in SFFAS No. 7 and the related implementation guide. If the accrual adjustments are material in relation to the gross collections consider reporting them separately in a note. The accrual adjustment is not applicable to exchange revenue.

Exchange revenues are reported on an accrual basis.

II.4.7.4 Disposition of Collections

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

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

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

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

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

II.4.7.5 Net Custodial Activity

The total of the Sources of Collections section (total revenue) will equal the total of the Disposition of Collections section (total disposition of revenue). The net custodial activity will always equal zero.

II.4.8 Statement of Social Insurance & Statement of Changes in Social Insurance Amounts

Section II.4.8 Statement of Social Insurance (SOSI) & Statement of Changes in Social Insurance Amounts (SCSIA)

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II.4.8.1 Introduction

A SOSI is required for the following programs defined as social insurance in SFFAS No. 17, *Accounting for Social Insurance* and as directed by SFFAS No. 25, *Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment*:[10]

- 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 No. 25 *Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment,* as amended by SFFAS No. 26, *Presentation of Significant Assumptions for the Statement of Social Insurance*, the SOSI including accompanying notes and significant assumptions becomes an integral part of the basic financial statements, while the remaining information about Social Insurance required by SFFAS No. 17 will be reported as RSI. A SOSI preparer can elect to include some or all of that information in the notes that are presented as an integral part of the basic financial statements. Stewardship information on social insurance will no longer be reported in RSSI.

Reporting on stewardship responsibilities aids in assessing the Federal Government's financial condition and the sufficiency of future budgetary resources to sustain public services and meet obligations as they become due. Information for social insurance programs is reported to address fundamental questions about the current and future financial condition of these programs. These fundamental questions include whether scheduled expenditures are sustainable with current scheduled income. Information required to be disclosed for social insurance programs is intended to facilitate an assessment of the long-term sustainability of the program as well as the ability of the program to raise resources from future program participants to pay for benefits to present participants.

[10] Although SFFAS No. 17 lists Unemployment Insurance (UI) for the general public, the requirements for the SOSI in paragraph 27(3) and 32(3) of SFFAS No. 17 specifically exclude UI. Therefore, a SOSI is not required for UI. UI should continue to report all available required information as Required Supplemental Information (RSI) in accordance with Circular No. A-136.

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) and (2) scheduled expenditures, and 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 paragraphs 27(3) and 32(3) of SFFAS No. 17 *Accounting for Social Insurance*; and as directed by SFFAS No. 25, *Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment*.

Information on the required Notes to the SOSI, which includes disclosure of significant assumptions per SFFAS No. 26, *Presentation of Significant Assumptions for the Statement of Social Insurance*, are in the section, *Note Disclosures Related to the SOSI*, in this document. Other information required by SFFAS No. 17 is to be presented as RSI (See Social Insurance in the RSI section of this document), except to the extent, the preparer elects to include some or all of that information in notes presented as an integral part of the basic financial statements.

The provisions of SFFAS No. 37, *Social Insurance: Additional Requirements for Management's Discussion and Analysis and Basic Financial Statements* are applicable for this section. By amending SFFAS No 17, SFFAS No. 37 requires additional presentation on social insurance, disclosure on changes in those amounts (See Note 39), and supplementary reporting for social insurance programs (see Social Insurance in the RSI section of this Circular). Furthermore, SFFAS No. 37 augments SFFAS No. 15 for those entities that are required to prepare a SOSI (see section II.2 of this Circular for guidance).

Entities that prepare a SOSI should include a summary section at the end of the SOSI that presents the closed and open group measures. The open group measure line item should be the same as lines on the beginning-of-year and end-of-year amounts on the Statement of Changes in Social Insurance amounts. (See the next paragraph's discussion of the SCSIA and the related illustrative presentation at II.4.8.2.) 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 present an SCSIA pursuant to SFFAS No. 37. The SCSIA will reconcile beginning and ending open group measures and present the components of the changes in the open group measure for two years. The SCSIA should present significant components of the change. 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, notes to the financial statements (See Note 39), or both, the reasons for the changes in the open group measure for two years. Reporting entities should explain as briefly and simply as possible the reasons for the changes, as well as the most significant changes. (See Section II.2 of this Circular for additional reporting requirements regarding these changes.)

Moreover, all projections and estimates required by SFFAS No. 37 should be as of the valuation date. SFFAS No. 37 defines the valuation date "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." Lastly, see SFFAS No. 37 for detailed requirements regarding the valuation date and Note 1 of this Circular for disclosing that SOSI amounts are estimates.

II.4.8.2 Illustrative Statements

The illustration immediately following is a hypothetical illustration from SFFAS No. 17 and is a partial display featuring Social Security and Medicare. It is not intended to be the full consolidated presentation wherein all social insurance programs would be summarized and consolidated in accordance with paragraph 32 of SFFAS No. 17. The SOSI may present subtotals by age cohort. Hypothetical illustrations for individual entity statements are in Appendix B of SFFAS No. 17. Below is an illustrative SOSI with a summary section; the illustrative SOSI with the summary section is based on Appendix C of SFFAS No. 37. Thereafter, an illustrative statement for a SCSIA based on Appendix D of SFFAS No. 37 is presented.

Illustrative Statement of Social Insurance 75-Year Projection as of January 1, 20X5 (dollars in trillions)

	20X5	20X4	20X3	20X2	20X1
Actuarial present value of future benefits payments paid during the 75-year projection period to or on behalf of:					
1. Current participants who have not yet attained retirement age	$xxx	xxx	xxx	xxx	xxx
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	$xxx	xxx	xxx	xxx	xxx
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)	$xxx	xxx	xxx	xxx	xxx
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	$xxx	xxx	xxx	xxx	xxx
Less the actuarial present value of future Contributions and tax income received during the 75- year projection period from or on behalf of:					
5. Current participants who have not yet attained retirement age	$xxx	xxx	xxx	xxx	xxx
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	$xxx	xxx	xxx	xxx	xxx
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)	$xxx	xxx	xxx	xxx	xxx
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	$xxx	xxx	xxx	xxx	xxx
9. Excess of actuarial present values of future benefit payments over future contributions and tax income for the 75-year projection period	$xxx	xxx	xxx	xxx	xxx
Participants who have attained eligibility age:					
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
Participants who have attained age 15 up to eligibility age:					
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
NPV of future revenue less future expenditures for current participants (closed group measure)	$xxx	xxx	xxx	xxx	xxx
Less: Treasury securities and assets held by programs	$xxx	xxx	xxx	xxx	xxx
Closed group unfunded obligation	$xxx	xxx	xxx	xxx	xxx
Future participants (those under age 15 and to be born and to immigrate during the period):					
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
NPV of future revenue less future expenditures for current and future participants (open group measure)	$xxx	xxx	xxx	xxx	xxx
Less: Treasury securities and assets held by programs	$xxx	xxx	xxx	xxx	xxx
Open group unfunded obligation	$xxx	xxx	xxx	xxx	xxx

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:	$xxxx	$xxxx	$xxxx
Reasons for changes in the NPV during 20XX			
Change in valuation period	xxxx	xxxx	xxxx
Changes in demographic data, assumptions & methods	xxxx	xxxx	xxxx
Changes in economic data, assumptions & methods	xxxx	xxxx	xxxx
Changes in laws or policy	xxxx	xxxx	xxxx
Change in methodology & programmatic data	xxxx	xxxx	xxxx
Other Changes	xxxx	xxxx	xxxx
Net change during 20XX	$xxxx	$xxxx	$xxxx
Net Present Value end of year 20XX/beginning of year 20XY:	$xxxx	$xxxx	$xxxx
Reasons for changes in the NPV during 20XY			
Change in valuation period	xxxx	xxxx	xxxx
Changes in demographics data, assumptions & methods	xxxx	xxxx	xxxx
Changes in economic data, assumptions & methods	xxxx	xxxx	xxxx
Changes in laws or policy	xxxx	xxxx	xxxx
Change in methodology & programmatic data	xxxx	xxxx	xxxx
Other Changes	xxxx	xxxx	xxxx
Net change during 20XY	$xxxx	$xxxx	$xxxx
Net Present Value end of year 20XY:	$xxxx	$xxxx	$xxxx

The accompanying notes are an integral part of these statements.

II.4.9 Notes to the Financial Statements

Section II.4.9 Notes to the Financial Statements
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II.4.9.1 Note 1 Significant Accounting Policies

Describe the reporting entity and identify its major components. Summarize the accounting principles and methods of applying those principles that management has concluded are appropriate for presenting fairly the entity's assets, liabilities, net cost of operations, changes in net position, and budgetary resources. Disclosure of accounting policies should identify and describe the accounting principles followed by the reporting entity and the methods of applying those principles. In general, the disclosure should encompass important judgments as to the valuation, recognition, and allocation of assets, liabilities, expenses, revenues and other financing sources. Disclosures of accounting policies should not duplicate details presented elsewhere as part of the notes to the financial statements. The summary of significant accounting policies should include a description of changes in generally accepted accounting principles affecting the financial statements, and an explanation of concepts, such as Fund Balance with Treasury and Funds from Dedicated Collections unique to Federal financial statements.

In addition, the summary of significant accounting policies should disclose any significant changes in the composition of the reporting entity or significant changes in the manner in which the reporting entity aggregates information for financial reporting purposes. These changes, in effect, result in a new reporting entity, and their impact should be reported by restating the financial statements for all prior periods presented in order to show the new reporting entity for all periods presented, except for certain portions of Funds from Dedicated Collections, as described in SFFAS No. 27, as amended by SFFAS No. 43.

Agencies must disclose information concerning Fiduciary activities in Note 1. Fiduciary activities are the collection or receipt, and the management, protection, accounting, investment and disposition by the Federal Government of cash or other assets in which non-Federal individuals or entities have an ownership interest that the Federal Government must uphold. Agencies must disclose that fiduciary cash and other assets are not assets of the Federal Government. Fiduciary activities are reported on schedules in the notes to the financial statements (see SFFAS No. 31).

In addition, each parent (transferring entity) involved in an allocation transfer with a different Federal entity must explain that there are amounts being reported on its net cost of operations, changes in net position, and budgetary resources where activity is being performed by the receiving Federal entity. Similarly, each Federal entity having child accounts involved in an allocation transfer must explain that it performed an activity that is being reported in the parent's audited financial statements. Both the parent and receiving entity (child) in an allocation transfer relationship must disclose the names of the Federal departments involved in the allocation transfers. No amounts are required to be included in the note. The following is an illustrative example of information agencies 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 department of its authority to obligate budget authority and outlay funds to another department. 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, Funds transferred from the Judicial Branch to the Department of Justice U.S. Marshals Service, and the Treasury-Managed Trust Funds ***[List funds]***, 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, other retirement benefits (ORB), and other postemployment benefits (OPEB), including veterans' compensation should disclose its 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 No. 33, paragraph 31 and SFFAS No. 5, *paragraph 66 as amended by SFFAS No. 33, paragraph 37).*

Reporting entities that prepare a Statement of Social Insurance (SOSI) should provide a brief statement explaining 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 No. 37, *Social Insurance, Additional Requirements for Management's Discussion and Analysis and Basic Financial Statements*. This statement may be placed in Note 1 and below is a sample statement from SFFAS No. 37.

> **APPLICATION OF CRITICAL ACCOUNTING ESTIMATES**
> 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.4.9.2 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	xxx	xxx
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	xxx	xxx
Total non-entity assets	x,xxx	x,xxx
Total entity assets	x,xxx	x,xxx
Total assets	$ x,xxx	$ x,xxx

Other information:

Disclose intragovernmental non-entity assets separately from other non-entity assets. Also, provide other information needed to understand the nature of non-entity assets. Additional clarification of terms is available in SFFAS No. 1.

II.4.9.3 Note 3 Fund Balance with Treasury

	2xx2 (CY)	2xx1 (PY)
1. Fund Balances		
(1) Trust Funds	$ xxx	$ xxx
(2) Special Funds	xxx	xxx
(3) Revolving Funds	xxx	xxx
(4) General Funds	xxx	xxx
(5) Other Fund Types Total	$ x,xxx	$ x,xxx
2. Status of Fund Balance with Treasury		
(6) Unobligated Balance		
(a) Available	$ xxx	$ xxx
(b) Unavailable	xxx	xxx
(7) Obligated Balance not yet Disbursed	xxx	xxx
(8) Non-Budgetary FBWT	xxx	xxx
Total	$ x,xxx	$ x,xxx

3. Other information:

Instructions.

A. Fund Balances. The total of all undisbursed account balances with Treasury, reflected in the entity's records and summarized by fund type. This includes trust funds, special funds, revolving funds, and general funds. Line (5) Other Fund Types, includes deposit accounts balances such as collections pending litigation, awaiting determination of the proper accounting disposition (i.e., clearing and suspense accounts), or being held in the capacity of a banker or agent for others, including miscellaneous receipt accounts. If any of the balances under Other Fund Types are material, list them separately.

B. Status of Fund Balance. The total of the entity's Fund Balance with Treasury (FBWT), as reflected in the entity's general ledger and represented by unobligated (line 1) and obligated (line 2) balances. Unobligated and obligated balances presented in this section may not equal related amounts reported on the Combined Statements of Budgetary Resources. The unobligated and obligated balances reported on the Combining Statements of Budgetary Resources are supported by FBWT, as well as other budgetary resources that do not affect FBWT (e.g., contract and borrowing authority and budgetary receivables).

Include in Non-budgetary FBWT (line 3) FBWT in unavailable receipt accounts, clearing accounts, etc., that do not have budget authority and other non-budgetary FBWT recognized on the Balance Sheet (e.g., non-fiduciary deposit funds). The portion of FBWT that represents unobligated balances will be segregated to show available and unavailable amounts. Certain unobligated balances may be restricted to future use and are not apportioned for current use. Explain such restrictions.

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

II.4.9.4 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	xxx	xxx
Total Other Monetary Assets	xxx	xxx
Total Cash and Other Monetary Assets	$ x,xxx	$ x,xxx
4. Other Information		

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

Cash. The total of cash under the control of the reporting entity, which includes (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 nonconfirmed 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 which will not be transferred to the general fund.

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

Other Monetary. This amount 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 (4).

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

Other Information. Disclose as other information any restrictions on cash. Restricted cash includes holdings which are unavailable for agency use (non-entity cash) and have not been transferred to the general fund. 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. Examples of restricted cash include:

- 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 No. 3.
- Bid deposits held in a commercial bank.
- 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.4.9.5 Note 5 Investments

-------------Amounts for 2xxx (CY) Balance Sheet Reporting----------

	(1) Cost	(2) Amortization Method	(3) Amortized (Premium) Discount	(4) Interest Receivable	(5) Investments, Net	(6) Other Adjustments	(7) Market Value Disclosure
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	x,xxx	n/a	xxx	xxx	xxx	xxx	x,xxx
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	x,xxx	n/a	xxx	xxx	xxx	xxx	x,xxx

-------------Amounts for 2xxx (PY) Balance Sheet Reporting----------

	(1) Cost	(2) Amortization Method	(3) Amortized (Premium) Discount	(4) Interest Receivable	(5) Investments, Net	(6) Other Adjustments	(7) Market Value Disclosure
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	x,xxx	n/a	xxx	xxx	xxx	xxx	x,xxx
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	x,xxx	n/a	xxx	xxx	xxx	xxx	x,xxx

C. Other Information: ____

Instructions. An explanation of the column values is as follows:

- 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 +/- column 3 + 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 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.

Subsequent to their acquisition, investments should be carried on the Balance Sheet at their acquisition cost, adjusted for amortization of the premium or discount. However, market value is used for Balance Sheet purposes (except for pension and other retirement plans) when (a) there is intent to sell the securities prior to maturity and (b) there is a reduction in value that is more than temporary. Column 7 is to be used to disclose the market value of all marketable securities and all non-marketable market-based securities. The market value must always be disclosed. For purposes of determining a market value, investments should be grouped by type of security, such as marketable or market-based Treasury securities. The market value of investments in a group is calculated by the market price of securities of that group at the financial reporting date multiplied 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 the Fiscal Service to Federal accounts and are purchased and redeemed at par exclusively through Treasury's Federal Investment Branch. Non-marketable market-based Treasury securities are also issued by the Bureau of the Fiscal Service to Federal accounts. They are not traded on any securities exchange but mirror the prices of particular Treasury securities trading in the Government securities market.

B. **Note on Investments for Funds from Dedicated Collections**
In accordance with SFFAS No. 27, as amended by SFFAS No. 43, investments in Treasury securities for Funds from Dedicated Collections should be accompanied by a note. SFFAS No. 27, as amended by SFFAS No. 43 explains issues to be addressed in the note and provides an example of a note that addresses the requirements.

C. **Other Information.** Disclose any other information relative to understanding the nature of reported investments, such as permanent impairments. Also, disclose any securities that have been reclassified as securities available for sale or early redemption.

D. **Investments in Non-Federal Securities.** Agencies with Non-Federal Securities should consult Accounting Standards Codifications (ASC) 320 and 820. However, the guidance in ASCs 320 and 820 should not be applied to non-federal securities that are accounted for in a manner comparable to the accounting treatment of SFFAS No. 2. 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 as well as mutual funds, even if the money market or mutual fund's assets consist entirely of Federal securities. Investments in Federal securities through the secondary market by Federal agencies are not considered Non-Federal Securities.

II.4.9.6 Note 6 Accounts Receivable, Net

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

II.4.9.7 Note 7 Taxes Receivable, Net

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

II.4.9.8 Note 8 Direct Loans and Loan Guarantees, Non-Federal Borrowers

A. Direct Loan and Loan Guarantee Programs:

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

(1)____
(2)____
(3)____

Sections B through O illustrate the required financial and statistical disclosures. These sections provide an analysis of the reporting entities' direct loans and loan guarantees including loans receivable, allowance for subsidy costs, liability for loan guarantees, foreclosed property, modifications, reestimates, and administrative costs. Sections B through O must be supplemented by narrative and discussions, which include the following topics: description of the characteristics of the loan programs; events having had a significant and measurable effect on subsidy rates, subsidy expense and subsidy reestimates; nature of modifications; and the number of and restrictions on foreclosed property.

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

Direct Loans

B. Direct Loans Obligated Prior to FY 1992:

B1. Direct Loans Obligated Prior to FY 1992 (Present Value Method):

(1) Direct Loan Programs	(2) Loans Receivable, Gross	(3) Interest Receivable	(4) Foreclosed Property	(5) Present Value Allowance	(6) Value of Assets Related to Direct Loans, Net
(1)_______	xxx	xxx	xxx	-xxx	xxx
(2)_______	xxx	xxx	xxx	-xxx	xxx
Total	xxx	xxx	xxx	-xxx	xxx

B2. Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method):

Direct Loan Programs	Loans Receivable, Gross	Interest Receivable	Allowance For Loan Losses	Foreclosed Property	Value of Assets Related to Direct Loans, Net
(1)_______	xxx	xxx	-xxx	xxx	xxx
(2)_______	xxx	xxx	-xxx	xxx	xxx
Total	xxx	xxx	-xxx	xxx	xxx

C. Direct Loans Obligated After FY 1991:

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

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

Direct Loan Programs	Current Year	Prior Year
(1)_______	xxx	xxx
(2)_______	xxx	xxx
Total xxx xx	xxx	xxx

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

E1. Subsidy Expense for New Direct Loans Disbursed (Current reporting year):

(1) Direct Loan Programs	(2) Interest Differential	(3) Defaults	(4) Fees and Other Collections	(5) Other	(6) Total
(1)__________	xxx	xxx	-xxx	xxx	xxx
(2)__________	xxx	xxx	-xxx	xxx	xxx
Total	xxx	xxx	-xxx	xxx	xxx

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

Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Total
(1)__________	xxx	xxx	-xxx	xxx	xxx
(2)__________	xxx	xxx	-xxx	xxx	xxx
Total	xxx	xxx	-xxx	xxx	xxx

E2. Modifications and Reestimates (Current reporting year):

(1) Direct Loan Programs	(2) Total Modifications	(3) Interest Rate Reestimates	(4) Technical Reestimates	(5) Total Reestimates
(1)__________	xxx	xxx	xxx	xxx
(2)__________	xxx	xxx	xxx	xxx
Total	xxx	xxx	xxx	xxx

Modifications and Reestimates (Prior reporting year):

Direct Loan 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

E3. Total Direct Loan Subsidy Expense:

Direct Loan Programs	Current Year	Prior Year
(1)__________	xxx	xxx
(2)__________	xxx	xxx
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:

Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Total
(1)__________	xx%	xx%	-xx%	xx%	xx%
(2)	xx%	xx%	-xx%	xxx	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		

Defaulted Guaranteed Loans

H. Defaulted Guaranteed Loans from Pre-1992 Guarantees:

H1. Defaulted Guaranteed Loans from Pre-1992 Guarantees (Present Value Method):

(1) Loan Guarantee Programs	(2) Defaulted Guaranteed Loans Receivable, Gross	(3) Interest Receivable	(4) Foreclosed Property	(5) Present Value Allowance	(6) Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
(1)__________	xxx	xxx	xxx	-xxx	xxx
(2)__________	xxx	xxx	xxx	-xxx	xxx
Total	xxx	xxx	xxx	-xxx	xxx

H2. Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method):

Loan Guarantee Programs	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance For Loan Losses	Foreclosed Property	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
(1)__________	xxx	xxx	-xxx	xxx	xxx
(2)__________	xxx	xxx	-xxx	xxx	xxx
Total	xxx	xxx	-xxx	xxx	xxx

I. Defaulted Guaranteed Loans from Post-1991 Guarantees:

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

Loan Guarantees

J. Guaranteed Loans Outstanding:

J1. Guaranteed Loans Outstanding:

(1) Loan Guarantee Programs	(2) Outstanding Principal of Guaranteed Loans, Face Value	(3) Amount of Outstanding Principal Guaranteed
(1)__________	xxx	
(2)__________	xxx	xxx
Total	xxx	xxx

J2. New Guaranteed Loans Disbursed (Current reporting year):

Loan Guarantee Programs	Principal of Guaranteed Loans, Face Value	Amount of Principal Guaranteed
(1)__________	xxx	xxx
(2)__________	xxx	xxx
Total	xxx	xxx

J3. New Guaranteed Loans Disbursed (Prior reporting year):

Loan Guarantee Programs	Principal of Guaranteed Loans, Face Value	Amount of Principal Guaranteed
(1)__________	xxx	xxx
(2)__________	xxx	xxx
Total	xxx	xxx

K. Liability for Loan Guarantees:

K1. Liability for Loan Guarantees (Present Value Method for pre-1992 guarantees):

(1) Total Loan Guarantee Programs	(2) Liabilities for Losses on Pre-1992 Guarantees, Present Value	(3) Liabilities for for Post-1991 Guarantees, Present Value	(4) Loan Guarantees Liabilities for Loan Guarantees
(1)__________	xxx	xxx	xxx
(2)__________	xxx	xxx	xxx
Total	xxx	xxx	xxx

K2. Liability for Loan Guarantees (Estimated Future Default Claims for pre-1992 guarantees):

Total Loan Guarantee Programs	Liabilities for Losses on Pre-1992 Guarantees, Estimated Future Default Claims	Liabilities for for Post-1991 Guarantees, Present Value	Loan Guarantees Liabilities for Loan Guarantees
(1)__________	xxx	xxx	xxx
(2)__________	xxx	xxx	xxx
Total	xxx	xxx	xxx

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

L1. **Subsidy Expense for New Loan Guarantees (Current reporting year):**

(1) Loan Guarantee Programs	(2) Interest Supplements	(3) Defaults	(4) Fees and Other Collections	(5) Other	(6) Total
(1)__________	xxx	xxx	-xxx	xxx	xxx
(2)__________	xxx	xxx	-xxx	xxx	xxx
Total	xxx	xxx	-xxx	xxx	xxx

Subsidy Expense for New Loan Guarantees (Prior reporting year):

Loan Guarantee Programs	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
(1)__________	xxx	xxx	-xxx	xxx	xxx
(2)__________	xxx	xxx	-xxx	xxx	xxx
Total	xxx	xxx	-xxx	xxx	xxx

L2. **Modifications and Reestimates (Current reporting year):**

(1) Loan Guarantee Programs	(2) Total Modifications	(3) Interest Rate Reestimates	(4) Technical Reestimates	(5) Total Reestimates
(1)__________	xxx	xxx	xxx	xxx
(2)__________	xxx	xxx	xxx	xxx
Total	xxx	xxx	xxx	xxx

Modifications and Reestimates (Prior reporting year):

Loan Guarantee Programs	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
(1)__________	xxx	xxx	xxx	xxx
(2)__________	xxx	xxx	xxx	xxx
Total	xxx	xxx	xxx	xxx

L3. **Total Loan Guarantee Subsidy Expense:**

Loan Guarantee Programs	Current Year	Prior Year
(1)__________	xxx	xxx
(2)__________	xxx	xxx
Total	xxx	xxx

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

Budget Subsidy Rates for Loan Guarantees for the Current Year's Cohorts:

Loan Guarantee Programs	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
(1)__________	xx%	xx%	-xx%	xx%	xx%
(2)__________	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

Instructions.

A. **Direct Loan and Loan Guarantee Programs.** Identify the names of the direct loan and loan guarantee programs operated by the reporting entity. The Federal Credit Reform Act of 1990 (FCRA) (Pub. L. No. 101-508) divides direct loans and loan guarantees into two groups: (a) Pre-1992 refers to the direct loan obligations or loan guarantee commitments made prior to FY 1992 and the resulting direct loans or loan guarantees, and (b) Post-1991 refers to the direct loan obligations or loan guarantee commitments made after FY 1991 and the resulting direct loans or loan guarantees. The definitions and explanations of terms and concepts in these instructions can be supplemented by referring to Circular No. A-11, Section 185, and subsequent issuances of the corresponding Circulars. Additional guidance on accounting and reporting requirements can be found in SFFAS No. 2, *Accounting for Direct Loans and Loan Guarantees*; SFFAS No. 18, *Amendments to Accounting Standards For Direct Loans and Loan Guarantees in SFFAS No. 2*; and SFFAS No. 19, *Technical Amendments to Accounting Standards For Direct Loans and Loan Guarantees in SFFAS No.2*.

Section 506(a) (1) of the FCRA exempts the credit activities of certain agencies, such as Federal Deposit Insurance Corporation (FDIC) and Tennessee Valley Authority (TVA). These agencies can report in accordance with other requirements.

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

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

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

When the reporting entity has made payments on behalf of borrowers which should be collected from the borrowers, the resulting receivables will 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 will be reported as accounts receivable in Note 6 and not as credit program receivables in this note.

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

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

If modifications were made, explain the nature of the modifications, the discount rate used in calculating the expense, and the basis for recognizing a gain or loss related to the modification. Also, if appropriate, disclose 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.

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

C. **Direct Loans Obligated After FY 1991.** For each program with post-1991 Direct Loans, report Loans Receivable, Gross, Interest Receivable and the estimated value of related foreclosed property in columns 2, 3, and 4, respectively.

Foreclosed property associated with post-1991 direct and acquired defaulted guaranteed loans will be valued at the net present value of the projected cash flows associated with the property. To practicably accomplish this requirement, foreclosed property may be recorded at the estimated net realizable value at the time of foreclosure if the differences are not material. A portion of the related allowance for subsidy account should apply to the foreclosed property, but that amount need not be separately determined. Rather, the allowance account is subtracted from the sum of the credit program assets to determine the net present value of the assets. For additional guidance related to foreclosures, refer to SFFAS No. 2, *Accounting for Direct Loans and Loan Guarantees*, paragraphs 57-60 and SFFAS No. 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 (column 6).

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

E. **Subsidy Expense for Direct Loans by Program and Component.** Disclose for each program the total subsidy expense and its components, the subsidy expense for modifications, and the total subsidy expense and its components for reestimates during the current and prior reporting year.

E1. Subsidy Expense for New Direct Loans Disbursed: Disclose for each program the total subsidy expense for new direct loans disbursed and its components: interest rate differential costs, default costs (net of recoveries), fees and other collections, and other costs. In column 2, disclose the present value of the amount of the subsidy expense attributable to the interest rate differential between the interest rate charged to the borrowers and the discount rate used to calculate the present value of the direct loans and the subsidy costs; in column 3, the present value of the estimated defaults (net of recoveries); in column 4, the present value of the estimated fees collected (offsetting expense); in column 5, the present value of other cash flows, including prepayments; and in column 6, the total of columns 2 through 5.

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

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

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

The reporting entity should state the following in its disclosure:

> 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 re-estimates.

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 entity's Balance Sheet. The reconciliation is required for direct loans obligated on or after October 1, 1991, the effective date of the FCRA. Reporting entities are encouraged but not required to display reconciliations for direct loans obligated prior to October 1, 1991, in schedules separate from the direct loans obligated after September 30, 1991. Schedules for pre-1992 direct loans would not have all the same reconciling items as for post-1991 direct loans.

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

I. Detailed Guaranteed Loans for Post-1991Guarantees. 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, will equal the amount reported on the Balance Sheet as loans receivables and related foreclosed property, net.

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

K. 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.

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

L1. Subsidy Expense for New Loan Guarantees: Disclose for each program the total subsidy expense for new loan guarantees (i.e., the loan guarantees on new guaranteed loans) and its components: interest supplement costs, default costs (net of recoveries), fees and other collections, and other costs. Disclose in column 2, the present value of the amount of the interest supplements; in column 3, the present value of the estimated payments for defaults on loan guarantees (net of recoveries); in column 4, the present value of the estimated fees collected (offsetting expense); in column 5, the present value of other cash flows; and in column 6, the total of columns 2 through 5.

L2. Loan Guarantee Modifications and Reestimates: Disclose in column 2, the subsidy expense for modifications of loan guarantees in guaranteed loans previously disbursed by a third party (whether pre-1992 or post-1991). Disclose in columns 3 and 4, reestimates of the subsidy expense for loan guarantees, previously committed, by component (interest rate and technical/default); and in Column 5, the total of columns 3 and 4.

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

M. **Subsidy Rates for Loan Guarantees by Program and Component.** Disclose for each program the subsidy rates for the following components: interest supplement costs, default costs (net of recoveries), fees and other collections, and other costs, estimated for loan guarantees in the current year's budget for the current year's cohorts. These rates should be consistent with the rates published in the Budget of the U.S. Government. Each subsidy rate is the dollar amount of the total subsidy or a subsidy component as a percentage of the guaranteed loans obligated in the cohort. Entities may use trend data to display significant fluctuations in subsidy rates. Such trend data, if used, should be accompanied with analysis to explain the underlying causes for the fluctuations.

The reporting entity should state the following in its disclosure:

> 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.

N. **Schedule for Reconciling Loan Guarantee Liability Balances for Post-1991 Loan Guarantees.** Display a reconciliation between the beginning and ending balances of the liability for outstanding loan guarantees reported in the entity's Balance Sheet. The reconciliation is required for loan guarantees committed on or after October 1, 1991, the effective date of the FCRA. Reporting entities are encouraged but not required to display reconciliations for loan guarantees committed prior to October 1, 1991, in schedules separate from the loan guarantees committed after September 30, 1991. Schedules for pre-1992 loan guarantees would not have all the same reconciling items as for post-1991 loan guarantees.

O. **Administrative Expense.** Report the portions of salaries and other administrative expenses that have been accounted for in support of the direct loan programs and loan guarantee programs. Report the expenses for the individual programs, if material.

II.4.9.9 Note 9 Inventory and Related Property, Net

The following describes required disclosure 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.
- Restriction on the sale of inventory.
- The decision criteria for identifying the category to which inventory is assigned.
- Changes in the criteria for identifying the category to which inventory is assigned.

Operating materials and supplies

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

Stockpile materials

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

Seized property

- Explanation of what constitutes a seizure and a general description of the composition of seized property.
- Method(s) of valuing seized properties.
- Changes from prior year's accounting methods, if any.
- Analysis of change in seized property, including the dollar value and number of seized properties that are: (1) on hand at the beginning of the year, (2) seized during the year, (3) disposed of during the year, and (4) on hand at the end of the year, as well as known liens or other claims against the property. This information should be presented by type of seized property and method of disposition where material.
- Non-valued seized property that cannot be sold due to legal restrictions, but which may be either donated or destroyed, will be subject to the same disclosure requirements described above. However, no financial value will be recognized for these items. (Note: Federal Financial Accounting and Auditing Technical Release 4: *Reporting on Non-Valued Seized and Forfeited Property* provides recommended implementation guidance.)
- 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, will be subject to the same disclosure requirements described above. However, no financial value will be recognized for these items. (Note: Federal Financial Accounting and Auditing Technical Release 4: *Reporting on Non-Valued Seized and Forfeited Property*, provides recommended implementation guidance.)
- If available, an estimate of the value of property or funds to be distributed to Federal,

State and local agencies in future reporting periods.

Goods held under price support and stabilization programs

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

II.4.9.10 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, but are not limited to, 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 No. 6, as amended by SFFAS Nos. 10, 23, 35 and 44. Beginning in FY 2015, 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 No. 44, *Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use*. If adjustments are required to existing PP&E in the period that the standards are implemented, to comply with the recognition and measurement criteria, the adjustments should be made and disclosed by major class in accordance with the standard.

II.4.9.11 Note 11 Stewardship PP&E

SFFAS No. 29, *Heritage Assets and Stewardship Land*, reclassified all heritage assets and stewardship land information as basic. SFFAS No. 29 requires that entities reference 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 No. 29 for detail describing the above minimum required disclosures and recognition and measurement criteria.

II.4.9.12 Note 12 Other Assets

	2xxx (CY)	2xxx (PY)
A. 1. Intragovernmental		
(1)________	$ xxx	$ xxx
(2)________	xxx	xxx
(3)________	xxx	xxx
Total Intragovernmental	xxx	xxx
2.________	xxx	xxx
3.________	xxx	xxx
4.________	xxx	xxx

Total Other Assets	$ x,xxx	$ x,xxx

B. Other information:____

Instructions

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

II.4.9.13 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	xxx	xxx
Total liabilities not covered by budgetary resources	$ x,xxx	$ x,xxx
Total liabilities covered by budgetary resources	$ x,xxx	$ x,xxx
Total liabilities	$ x,xxx	$ x,xxx

H. Other information:____

Instructions. Disclose intragovernmental liabilities not covered by budgetary resources separately from other liabilities not covered by budgetary resources. Provide other information needed to understand the nature of liabilities not covered by budgetary resources. Liabilities not covered by budgetary resources are liabilities for which Congressional action is needed before budgetary resources can be provided. See Section II.4.3.4 for additional definitions of liabilities covered and not covered by budgetary resources.

II.4.9.14 Note 14 Debt

Note 14 Debt

	2xxx (PY) Beginning Balance	2xxx (PY) Net Borrowing	2xxx (PY) Ending Balance	2xxx (CY) Net Borrowing	2xxx (CY) Ending Balance
A. Treasury Debt:					
(1) Intragovernmental	$ xxx	$ xx	$ xxx	$ xxx	$ xxx
(2) Held by the Public	xxx	xxx	xxx	xxx	xxx
Total Treasury Debt	xxx	xxx	xxx	xxx	xxx
B. Agency Debt:					
(1) Intragovernmental	xxx	xxx	xxx	xxx	xxx
(2) Held by the Public	xxx	xxx	xxx	xxx	xxx
Total Agency Debt	xxx	xxx	xxx	xxx	xxx
C. Other Debt:					
(1) Debt to the Treasury	xxx	xxx	xxx	xxx	xxx
(2) Debt to the Federal Financing Bank	xxx	xxx	xxx	xxx	xxx
(3) Debt to Other Federal Agencies	xxx	xxx	xxx	xxx	xxx
Total Other Debt	xxx	xxx	xxx	xxx	xxx
Total Debt	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx

D. Classification of Debt:	2xxx (CY)	2xxx (PY)
(1) Intragovernmental Debt	x,xxx	x,xxx
(2) Debt held by the Public	x,xxx	x,xxx
Total Debt	x,xxx	x,xxx

E. Other Information: ____

Instructions. All debt is classified as not covered by budgetary resources, except for (a) direct loan and guaranteed loan financing account debt to Treasury and (b) that portion of other debt which is covered by budgetary resources at the Balance Sheet date. Lines A (1) and (2), Treasury Debt, should be reported by the Treasury Department only and should distinguish between debt held by government agencies and debt held by the public. On Line B, enter the amounts of agency debt issued under special financing authorities (e.g., Federal Housing Administration (FHA) debentures and Tennessee Valley Authority bonds). Report separately agency debt held by government agencies and agency debt held by the public. On Line C, enter the amounts of debt owed to Federal agencies as follows: on Line C (1), debt owed to the Treasury, which includes direct loan and guaranteed loan financing account debt to Treasury as well as other debt owed to Treasury; on Line C (2), debt owed to the Federal Financing Bank; and on Line C (3), debt owed to other Federal agencies. Net borrowing and repayment is not to include amounts that result from refinancing.

Classification of Debt. Report as intragovernmental debt all debt owed to Treasury, the Federal Financing Bank or other Federal agencies or accounts (Lines A(1), B(1), and C(4)). This amount will equal the intragovernmental debt amount reported on the Balance Sheet. Report all debt held by the public on lines A (2) and B (2). This amount will 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 (for example, redemption or call of debts owed to the public before maturity dates, write-offs of debts owed Treasury or the Federal Financing Bank, etc.).

II.4.9.15 Note 15 Federal Employee and Veterans' Benefits

Entities responsible for administering pensions, other retirement benefits (ORB), and other post-employment benefits (OPEB) should calculate and report these liabilities and related expenses in accordance with SFFAS No. 5, *Accounting for Liabilities of the Federal Government* and SFFAS No. 33, *Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates*. These entities should disclose, at a minimum, the assumptions used to calculate the liability. In the case of a pension plan that uses assumptions that differ from those used by the primary plans (i.e., the Civil Service Retirement System (CSRS), the Federal Employees' Retirement System (FERS), and the Military Retirement System (MRS)), these plans should disclose how and why the assumptions used 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 No. 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 these subcomponents (1) from experience and (2) from assumption changes. Significant pension, ORB, and OPEB programs should be presented individually in a separate column along with an “all other” column, if applicable, and a “total” column for each line item.

According to SFFAS No. 33, these entities should also provide disclosures related to selecting discount rates (see SFFAS No. 33’s paragraph 28), reasonable estimates (see SFFAS No. 33’s paragraph 35), and amendments to SFFAS No. 5 (See SFFAS No 33’s paragraph 37’s amendments to No. 5’s paragraphs 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. An illustrative reconciliation for this note appears next.

Note15 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.4.9.16 Note 16 Environmental and Disposal Liabilities

Disclose environmental and disposal liabilities in accordance with SFFAS No. 5, *Accounting for Liabilities of The Federal Government*, SFFAS No. 6, *Accounting for Property, Plant and Equipment*, and Technical Release No. 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 estimate that relates to prior period operations; and (5) nature of estimates and the disclosure of information regarding possible changes due to inflation, deflation, technology, or applicable laws and regulations.

Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*, was issued on September 28, 2006 and is effective for periods beginning after September 30, 2009. Technical Bulletin 2006-1 requires all Federal entities that own tangible property, plant, and equipment (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 No. 5, SFFAS No. 6, and Technical Release No. 2. On September 22, 2009, *Technical Bulletin 2009-1, Deferral of the Effective Date of Technical Bulletin 2006-1, Recognition and Measurement of Asbestos-Related Cleanup Costs* was released and deferred the effective date of Technical Bulletin 2006-1 to periods beginning after September 30, 2011. Technical Bulletin 2011-2, *Extended Deferral of the Effective Date of Technical Bulletin 2006-1, Recognition and Measurement of Asbestos-Related Cleanup Costs*, further deferred the effective date to periods beginning after September 30, 2012.

II.4.9.17 Note 17 Other Liabilities

	Non-Current	Current	2xxx (CY) Total
A. 1. Intragovernmental			
(1) ________________	$ xxx	$ xxx	$ xxx
(2) ________________	xxx	xxx	xxx
(3) ________________	xxx	xxx	xxx
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 (PY) Total
B. 1. Intragovernmental			
(1)________________	$ xxx	$ xxx	$ xxx
(2)________________	xxx	xxx	xxx
(3)________________	xxx	xxx	xxx
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

Instructions

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

II.4.9.18 Note 18 Leases

Entity as Lessee:

Capital Leases:

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

Description of Lease Arrangements: ________________________________

Future Payments Due:

Fiscal Year	Asset Category (1)	(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	xxx	xxx	xxx	xxx
Total Future Lease Payments	xxx	xxx	xxx	xxx
Less: Imputed Interest	xxx	xxx	xxx	xxx
Less: Executory Costs (e.g., taxes)	xxx	xxx	xxx	xxx
Net Capital Lease Liability	x,xxx	x,xxx	x,xxx	x,xxx

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-cancellable Operating Leases:

Fiscal Year	Asset Category (1)	(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	xxx	xxx	xxx	xxx
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]*

Entity as Lessor:

Capital Leases:

Description of Lease Arrangements: ________________________________

Future Projected Receipts:

	Asset Category			
Fiscal Year	(1)	(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	xxx	xxx	xxx	xxx
Total Future Projected Receipts for Capital Leases ……………..	x,xxx	x,xxx	x,xxx	x,xxx

Operating Leases:

Description of Lease Arrangements: ______________________________

Future Projected Receipts:

	Asset Category			
Fiscal Year	(1)	(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	xxx	xxx	xxx	xxx
Total Future Projected Receipts for Operating Leases...................	x,xxx	x,xxx	x,xxx	x,xxx

Other Information:

*[Optional: **Future Projected Receipts for Cancellable Operating Leases***

Disclose separately with narrative to explain the lease arrangements]

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

A. Entity as Lessee.

Capital Leases

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

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

Future Payments Due: Enter future lease payments, by major asset category, for all 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 Circular No. A-11 for additional guidance but observe a difference in terminology: the term capital leases as used in this Note includes capital leases and lease purchases as the terms are used in Circular No. A-11.) According to Circular No. A-11, capital leases entered into during FY 1992 and thereafter are required to be fully funded in the first year of the lease.

Operating Leases:

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

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

B. Entity as Lessor.

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

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

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

II.4.9.19 Note 19 Life Insurance Liabilities

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

II.4.9.20 Note 20 Commitments and Contingencies

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 should be disclosed. SFFAS No. 5, as amended by SFFAS No.12, contains the criteria for recognition and disclosure of contingent liabilities. In addition to the contingent liabilities required by SFFAS No. 5, the following commitments will also be disclosed: (1) an estimate of obligations related to canceled appropriations for which the reporting entity has a contractual commitment for payment and (2) amounts for contractual arrangements, which may require future financial obligations.

II.4.9.21 Note 21 Funds from Dedicated Collections

	ABC Fund	CDE Fund	Other Funds from Dedicated Collections	Eliminations*	Total Funds from Dedicated Collections
Balance Sheet as of September 30					
ASSETS					
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	$ xxx	$ xxx	$ xxx	$ xxx	$ xxx
LIABILITIES					
Other liabilities	$ xxx	$ xxx	$ xxx	$ xxx	$ xxx
Total liabilities	$ xxx	$ xxx	$ xxx	$ xxx	$ xxx
Unexpended appropriations	$ xxx	$ xxx	$ xxx	$ xxx	$ xxx
Cumulative results of operations	xxx	xxx	xxx	xxx	xxx
Total liabilities and net position	$ xxx	$ xxx	$ xxx	$ xxx	$ xxx
Statement of Net Cost For the Period Ended September 30					
Gross program costs	$ xxx	$ xxx	$ xxx	$ xxx	$ 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	$ xxx	$ xxx	$ xxx	$ xxx	$ xxx
Statement of Changes in Net Position For the Period Ended September 30					
Net position beginning of period	$ xxx	$ xxx	$ xxx	$ xxx	$ xxx
Taxes and nonexchange revenue	$ xxx	$ xxx	$ xxx	$ xxx	$ xxx
Other financing sources	xxx	xxx	xxx	xxx	xxx
Net cost of operations	xxx	xxx	xxx	xxx	xxx
Change in net position	$ xxx	$ xxx	$ xxx	$ xxx	$ xxx
Net position end of period	$ xxx	$ xxx	$ xxx	$ xxx	$ xxx

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

Instructions.

Generally, 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. See SFFAS No. 43, *Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds*, for the required criteria regarding Funds from Dedicated Collections.

SFFAS No. 27, as amended by SFFAS No. 43, 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 the standard for information and 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 No. 27, as amended by SFFAS No. 43, for guidance on selecting Funds from Dedicated Collections to be presented individually or in aggregate.

The following information should be disclosed for each individually reported Funds from Dedicated Collections, or portion 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 U.S. 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 above should show CY and PY. 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 No. 27, as amended by SFFAS No. 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[11] of the program can be clearly identified with a responsible component entity, then each component entity should report its portion of the program.

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 President's 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 President's Budget (Appendix Volume). Differences in comparative statements will be identified in the corresponding statement notes.

Note Disclosures Related to the Statement of Net Cost

II.4.9.22 Note 22 Intragovernmental Costs and Exchange Revenue

	Total 2xxx (CY)	Total 2xxx (PY)
Program A		
Intragovernmental costs		
Public costs		
Total Program A costs [agrees with SNC]		
Intragovernmental earned revenue		
Public earned revenue		
Total Program A earned revenue [agrees with SNC]		
Program B		
Intragovernmental costs		
Total Program B costs [agrees with SNC]		
Intragovernmental earned revenue		
Total Program B earned revenue [agrees with SNC]		
Program C		
Public costs		
Total Program C costs [agrees with SNC]		
Public Program C earned revenue		
Total earned revenue [agrees with SNC]		

Instructions.

Disclose intragovernmental costs (costs of goods or services provided to another reporting entity within the Federal Government) separately from costs with the public (exchange transactions made between the reporting entity and a non-Federal entity). Disclose intragovernmental

[11] This Circular requires that there must be an accounts payable in the reporting entity and an accounts receivable in the recipient entity when separate portions of a program exist.

exchange revenue (exchange transactions made between two reporting entities within the Federal Government) separately from exchange revenue with the public (exchange transactions made between the reporting entity and a non-Federal entity).

Describe the definition criteria used for this classification, and include an explanation that makes it clear to the reader that the intragovernmental expenses relate to the source of goods and services purchased by the reporting entity, and not to the classification of related revenue. The classification of revenue or cost being defined as "intragovernmental" or "with the public" will be defined on a transaction by transaction basis. Preceding transactions in a product's life cycle will not have an impact on subsequent transactions. If a Federal entity purchases goods or services from another Federal entity, capitalizes them into inventory, and later resells them to the public, the cost of the original purchase of resale assets from the other Federal entity will be classified as "intragovernmental" at the time of the purchase. At ultimate sale to the end user, the resulting cost of goods will be classified as "with the public." The purpose of this classification is to enable the Federal Government to provide consolidated financial statements, and not to match public and intragovernmental revenue with costs that are incurred to produce public and intragovernmental revenue.

II.4.9.23 Note 23 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 statement of net cost (SNC) may display highly aggregated program information. Supporting schedules similar to the illustration below should be included in the notes to the financial statements and present detailed cost and revenue information supporting the summary information presented in the SNC.

Note 23 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)

	Suborganization A	Suborganization B	Suborganization C	Combined Total	Intra-entity Eliminations	Consolidated Total
Crosscutting programs						
Program A:						
Gross Costs (Note22)	xxx	--	xxx	xxx	xxx	xxx
Less: Earned revenues	xxx	--	xxx	xxx	xxx	xxx
Net program costs	x, xxx	--	x,xxx	x,xxx	x,xxx	x,xxx
Other programs						
Program B:	--	xxx	--	xxx	xxx	xxx
Program C:	--	xxx	--	xxx	xxx	xxx
Program D:	xxx	xxx	--	xxx	xxx	xxx
Program E:	--	--	xxx	xxx	xxx	xxx
Program F:	--	--	xxx	xxx	xxx	xxx
Other programs	--	--	xxx	xxx	xxx	xxx
Less: Earned revenues	xxx	--	xxx	xxx	xxx	xxx
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):	--	--	xxx	xxx	xxx	xxx
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
Less: Earned revenues not attributed to programs	xxx	xxx	--	xxx	xxx	xxx
Net cost of operations	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx

Note 23 Suborganization Program Costs/Program Costs by Segment (Continued)

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

	Suborganization A	Suborganization B	Suborganization C	Combined Total	Intra-entity Eliminations	Consolidated Total
Crosscutting programs						
Program A:						
Gross costs (Note 22)	xxx	--	xxx	xxx	xxx	xxx
Less: Earned revenues	xxx	--	xxx	xxx	xxx	xxx
Net program costs	x, xxx	--	x,xxx	x,xxx	x,xxx	x,xxx
Other programs						
Program B:	--	xxx	--	xxx	xxx	xxx
Program C:	--	xxx	--	xxx	xxx	xxx
Program D:	xxx	xxx	--	xxx	xxx	xxx
Program E:	--	--	xxx	xxx	xxx	xxx
Program F:	--	--	xxx	xxx	xxx	xxx
Other programs	--	--	xxx	xxx	xxx	xxx
Less: Earned revenues	xxx	--	xxx	xxx	xxx	xxx
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):	xxx	xxx	xxx	xxx	xxx	xxx
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
Less: Earned revenues not attributed to programs	xxx	xxx	--	xxx	xxx	xxx
Net cost of operations	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx

II.4.9.24 Note 24 Cost of Stewardship PP&E

The cost of acquiring, constructing, improving, reconstructing, or renovating heritage assets (other than multi-use heritage assets), and the cost of acquiring stewardship land and any costs to prepare stewardship land for its intended use, 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 No. 29).

II.4.9.25 Note 25 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 include disclosure of the number of physical units by major category.

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

II.4.9.26 Note 26 Exchange Revenues

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

Note Disclosures Related to the Statement of Changes in Net Position

II4.9.27 Note 27 Cleanup Cost Adjustments

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

Note Disclosures Related to the Statement of Budgetary Resources

II.4.9.28 Note 28 Adjustments to Unobligated Balance, Brought Forward, October 1, and Obligated Balance, Start of the Year

Disclose and explain material adjustments to correct (1) unobligated balance brought forward, October 1, and (2) obligated balance, start of year (net). 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. For further guidance related to restatements, refer to SFFAS No. 21, *Reporting Correction of Errors and Changes in Accounting Principles*. This disclosure may not include all adjustments made to beginning balances reported on the SF-133. The SF-133 includes immaterial and material adjustments to prior year balances.

II.4.9.29 Note 29 Terms of Borrowing Authority Used

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

II.4.9.30 Note 30 Available Borrowing/Contract Authority, End of the Period

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

II.4.9.31 Note 31 Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations

Disclose the amount of direct and reimbursable obligations incurred against amounts apportioned under Category A, B, AB, and Exempt from apportionment. This disclosure shall agree with total obligations incurred as reported on the SBR. Apportionment categories shall be determined in accordance with the guidance provided in Circular No. A-11.

II.4.9.32 Note 32 Undelivered Orders at the End of the Period

Disclose the amount of budgetary resources obligated for undelivered orders at the end of the period.

II.4.9.33 Note 33 Permanent Indefinite Appropriations

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

II.4.9.34 Note 34 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. For example, the portion of trust fund receipts collected in the current fiscal year that (1) exceed the amount needed to pay benefits or other valid obligations and (2) the excess of receipts temporarily precluded from obligation by law due to a benefit formula or other limitation. The receipts, however, are assets of the trust fund and available for obligation as needed in the future.

II.4.9.35 Note 35 Explanation of Differences Between the SBR and the Budget of the US Government

Identify and explain material differences between amounts reported in the SBR and the actual amounts reported in the Budget of the United States Government as required by SFFAS No. 7. Since the financial statements are published before the Budget, this reconciliation will be based on the prior year's SBR and actual amounts for that year in the most recently published Budget (e.g., FY 2012 column on the SBR and the FY 2012 actual column of the FY 2014 Budget, published in 2013). The reporting entity should disclose that the President's Budget with actual numbers for the current fiscal year has not yet been published, explain when it is expected to be published, and indicate where it will be available.

Agencies can find comparable information reported in the SBR to the President's Budget (i.e., net outlays) in (a) the Table entitled "Federal Budget by Agency and Account" in the Analytical Perspectives Volume for distributed offsetting receipts and net outlays (see http://www.gpo.gov/fdsys/pkg/BUDGET-2015-PER/pdf/BUDGET-2015-PER-9-8-1.pdf; and (b) the "Detailed Budget Estimates by Agency" found in the Appendix for budgetary resources and obligations incurred included in the Budget of the United States Government (see http://www.gpo.gov/fdsys/pkg/BUDGET-2015-APP/pdf/BUDGET-2015-APP.pdf. Differences, in and of themselves, may or may not indicate a reporting error. Legitimate reasons for differences could exist. For example, expired unobligated balances are reported in the Statement of Budgetary Resources and SF 133 but not in the Budget of the United States Government. These disclosures should be provided when comparable line items differ between the President's Budget and the SBR. Agencies should provide a schedule to display the material differences between the SBR and Budget. At a minimum, agencies should display the material differences for comparable line items related to budgetary resources, obligations, distributed offsetting receipts and outlays. The schedule should be accompanied by a narrative explaining to the reader why the differences exist.

Below is an illustrative schedule.

	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 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.4.9.36 Note 36 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.4.9.37 Note 37 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.4.9.38 Note 38 Custodial Revenues

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

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

II.4.9.39 Note 39 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 No. 26, *Presentation of Significant Assumptions for the Statement of Social Insurance: Amending SFFAS No. 25.* The FASAB issued SFFAS No. 26 to ensure that the significant assumptions are presented as note disclosures so that well-established expectations regarding adequate disclosure would be met. FASAB believes that disclosure of the significant assumptions underlying the SOSI is necessary to an understanding of the SOSI.

Paragraphs 27(3) (h-j) of SFFAS No. 17 outlines three other required disclosures to the SOSI at the agency reporting level:

(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, that is, of 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 separate estimates for each of the four preceding years.

SFFAS No. 17 requires additional information to be presented as required supplementary information, *unless the preparer elects to include some or all of that information in the notes that are presented as an integral part of the basic financial statements.* See the RSI Section of this document for the additional required social insurance information.

In addition, the consolidated entity disclosure requirements are outlined in paragraph 32(3) of SFFAS No. 17. For detailed explanations on these disclosures, refer to SFFAS No. 17, and the Required Supplemental Information Social Insurance section of this document.

The provisions of SFFAS No. 37, *Social Insurance: Additional Requirements for Management's Discussion and Analysis and Basic Financial Statements* amended SFFAS No. 17, augmented SFFAS No. 15 (see section II.2 of this Circular for guidance), and applies to those entities that are required to prepare a SOSI. In addition to the SOSI, these entities will prepare a statement of changes in social insurance amounts (SCSIA) that should disclose in notes on the statement's face, notes to the financial statements, or both, the reasons for the changes in the open group measure for the two year period. These reporting entities should explain as briefly and simply as possible the reasons for the changes, as well as explaining the most significant changes in the SCSIA notes associated directly with the SCSIA. (See section II.2 of this Circular for additional reporting requirements regarding these changes.)

Note Disclosures Not Pertaining to a Specific Statement

II.4.9.40 Note 40 Fiduciary Activities

Fiduciary activities are the collection or receipt, and the management, protection, accounting, investment and disposition by the Federal Government of cash or other assets in which non-Federal individuals or entities have an ownership interest that the Federal Government must uphold. Fiduciary cash and other assets are not assets of the Federal Government. Fiduciary activities will no longer be recognized on the proprietary financial statements, but they are required to be reported on schedules in the notes to the financial statements see SFFAS No. 31, *Accounting for Fiduciary Activities*.

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Department XYZ

Schedule of Fiduciary Activity

For the years ended September 30, 2XXX (CY) and 2XXX (PY)

	2XXX (CY) Fiduciary Fund A	2XXX (CY) Other Fiduciary Funds	2XXX (CY) Total Fiduciary Funds	2XXX (PY) Fiduciary Fund A	2XXX (PY) Other Fiduciary Funds	2XXX (PY) 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 but are not limited to [*fiduciary activities included in "other."*]

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

Disbursements to and on behalf of beneficiaries decrease fiduciary net assets. Disbursements 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) Fiduciary Fund A	2XXX (CY) Other Fiduciary Funds	2XXX (CY) Total Fiduciary Funds	2XXX (PY) Fiduciary Fund A	2XXX (PY) Other Fiduciary Funds	2XXX (PY) Total Fiduciary Funds
FIDUCIARY ASSETS						
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
FIDUCIARY LIABILITES						
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 including a description of 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.

Department of XYZ

Schedule of Changes in Non-Valued Fiduciary Assets

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

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

For all other required disclosures, refer to SFFAS No. 31, Accounting for Fiduciary Activities.

II.4.9.41 Note 41 Restatements

Agencies will provide information to address the restatement of financial statements due to material errors in a separate note entitled "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 concise description of the actual action(s) or non-action(s) 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(s) on the previously issued financial statement(s) (e.g., year(s) being restated, specific financial statement(s) affected and 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. Further discuss 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.4.5.4 (i.e., whether the subsequent period audited financial statements were imminent[12] or not imminent and when the agency restated).

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

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

II.4.9.42 Note 42 Reconciliation of Net Cost of Operations (proprietary) to Budget

SFFAS No. 7 "requires a reconciliation of proprietary and budgetary information in a way that helps users relate the two." SFFAC No. 2 *Entity and Display* provides Concepts for Reconciling Budgetary and Financial Accounting by adding a category of financial information to further satisfy users' needs to understand "how information on the use of budgetary resources relates to information on the cost of program operations ...." The objective of this information is to provide

[12] OMB Bulletin No. 15-02 provides a definition for what is considered "imminent." Specifically, OMB defines imminent as being "within 90 calendar days of the subsequent period financial statements planned issue date."

an explanation of the differences between budgetary and financial (proprietary) accounting. This is accomplished by means of a reconciliation of budgetary obligations and non-budgetary resources available to the reporting entity with its net cost of operations.

Circular No. A-136 is not prescribing an illustrative format for the reconciliation. However, comparative displays for the CY and PY are required. Given that, this is no longer a basic statement, but rather a schedule in the notes, preparers may tailor the illustrative example in SFFAC No. 2, *Entity and Display's* Appendix 1-G and crosswalks to their agency's operations for a more robust presentation. Regardless of the format followed, the reconciliation must meet the requirements of paragraphs 80-82 of SFFAS No. 7. In addition, paragraphs 88 through 102 of SFFAS No. 7 provide additional guidance in developing reconciliation.

II4.10 Required Supplementary Stewardship Information

Section II.4.10 Required Supplementary Stewardship Information
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II.4.10.1 General[13]

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

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

Such investments should be measured in terms of expenses incurred for: (1) Federally-financed but not Federally-owned physical property (Non-Federal Physical Property); (2) certain education and training programs (Human Capital); and (3) Federally-financed research and development (Research and Development). For more information, see SFFAS 8, *Supplementary* Stewardship Reporting, as amended.

[13] The FASAB eliminated the use of RSSI to report information about weapons systems when it issued SFFAS No. 23, *"Eliminating the Category National Defense Property, Plant, and Equipment*." Additionally, SFFAS No. 25, *Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment*, eliminated the use of RSSI for reporting stewardship responsibilities. Further, SFFAS No. 29, *Heritage Assets and Stewardship Land*, reclassified all heritage assets and stewardship land information (which was previously classified as RSSI) as basic. Classification of other items of information currently designated RSSI may be dealt with in one or more future standards.

II.4.10.2 Non-Federal Physical Property

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

II.4.10.3 Human Capital

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

Continued categorization of human capital expenses as investment for stewardship purposes is predicated on demonstrated outputs and outcomes consistent with the intent of the program. SFFAS No. 8 describes the criteria which will 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 agency's financial statement, and the relationship of the outcomes and outputs to the stewardship investments should be readily apparent.

II.4.10.4 Research and Development

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

Continued categorization of research and development expenses as investment for stewardship purposes is predicated on demonstrated outputs and outcomes consistent with the intent of the program. SFFAS No. 8 describes the criteria which will 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.

II.4.10.5 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 description of programs or policies under which non-cash assets are transferred to state and local governments.	Describe major education and training programs considered Federal investments.	Describe major research and development programs.

***** In some cases, the information is not available because entities have maintained records on the basis of outlays rather than expenses. Agencies in this situation should continue to report historical data on an outlay basis for any years in which reporting is required and for which expense data is not available. If neither historical expense nor outlay data are available for each of the 5 years, entities need to report expense data for only the current reporting year and such other years as available. At the end of 5 years, however, the agency will be able to report the expenses, to be categorized as investments, for each of the preceding 5 years.

II.4.11 Required Supplementary Information

Section II.4.11 Required Supplementary Information
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II.4.11.1 Management's Discussion and Analysis

Reference only – See Section II.2 for detailed discussion.

II.4.11.2 Federal Oil and Gas Resources

Starting in FY 2013, SFFAS No. 38, *Accounting for Federal Oil and Gas Resources* becomes effective. SFFAS No. 38 requires the value of the Federal 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. Another schedule of estimated Federal oil and gas petroleum royalties to be distributed to others will be required for the value of estimated petroleum royalty revenue designated for others. These schedules, with accompanying narratives, will be reported as RSI for 3 years (See SFFAS No. 38's Appendix B for illustrative schedules and narrative). During these 3 years, the FASAB may make a determination as to whether this information will transition to basic information as financial statement recognition or note disclosure. SFFAS No. 38 will remain in effect until the FASAB makes such a determination.

II.4.11.3 Other Federal Natural Resources

FASAB Technical Bulletin No. 2011-1, *Accounting for Federal Natural Resources Other than Oil and Gas,* clarifies that federal entities should report the value of the federal 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 in RSI, consistent with the guidance contained in SFFAS No. 38 for federal oil and gas proved reserves.

Resources may be further divided by subtype of commodity and calculated separately if material differences would otherwise result. Each of the individual calculations should be reported separately and summed together to arrive at 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 designated 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.4.11.4 Deferred Maintenance and Repairs

Starting in Fiscal Year 2015, in accordance with SFFAS No. 42, *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32*, agencies 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 property, plant and equipment (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 No. 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 (i) optional reporting of low-high deferred maintenance and repair estimates as well as the option to report critical and non-critical deferred maintenance and repairs.

For more information, please see the current FASAB Handbook:
http://fasab.gov/pdffiles/2014_fasab_handbook.pdf

II.4.11.5 Social Insurance

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

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

Below, RSI disclosure requirements for social insurance programs are summarized. Financial statement preparers and auditors should refer to SFFAS No. 17, *Accounting for Social Insurance*, for a more detailed discussion.[14]

Programs defined as social insurance consist of:

- 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;
- Black Lung benefits; and
- Unemployment Insurance (UI).

The following information, found in SFFAS No. 17, is required for presentation as required supplementary information, *unless the preparer elects to include some or all of that information in the notes that are presented as an integral part of the basic financial statements*. Refer to Section II.4.9 Social Insurance, of this Circular.

- Long-range cash flow projections. (See below for requirements to report changes to 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. (See below for new sensitivity analysis requirements.)
- 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 interpretive analysis of trends revealed by the data. Management may provide any additional information pertaining to the financial conditions of its program that it believes may be useful and appropriate. Additional information on definitions, measurement, minimum reporting and implementation guidance, as well as illustrative disclosure formats are in SFFAS No. 17.

All programs should provide sensitivity analysis appropriate for their particular circumstances. According to SFFAS No. 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 II.4.8 of this Circular for information on the SOSI summary.) Per SFFAS No. 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 No. 37 for additional guidance regarding reporting sensitivity analysis.
SFFAS No. 37 also amended SFFAS No. 17's requirements for supplementary information by not requiring actuarial projections of annual cash flow in nominal dollars.

[14] Under SFFAS No. 25 *Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment*, as amended by SFFAS No. 26, *Presentation of Significant Assumptions for the Statement of Social Insurance*, the Statement of Social Insurance (SOSI), including accompanying notes and significant assumptions became basic information, while the remaining information about Social Insurance required by SFFAS No. 17 is to be reported as RSI. SFFAS No. 28 deferred for one year the effective dates of SFFAS No. 25 and SFFAS No. 26. The provisions of these standards became effective for periods beginning after September 30, 2005.

II.4.11.6 Combining Statement of Budgetary Resources

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

II.4.11.7 Statement of Custodial Activity

Entities collecting taxes and duties should provide the following required supplementary information related to potential collections and custodial responsibilities (see SFFAS No. 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 has 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.4.11.8 Risk Assumed Information

All Federal insurance and guarantee programs, other than social insurance, life insurance, and loan guarantee programs, will 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 specific requirements for risk assumed information are presented in SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, as part of the discussion of insurance and guarantee liabilities (see paragraphs 105 to 114). Note: amendments to SFFAS No. 5 have moved these disclosures from RSSI to RSI.

II.5 Other Information – PAR Section 4/AFR Section 3

Section II.5 Other Information
PAR Section 4/AFR Section 3
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II.5.1 Combined Schedule of Spending

The Combined Schedule of Spending (SOS) presents an overview of how and where agencies are spending (i.e. obligating) money for the reporting period. The SOS should be included in an agency's OI section of the PAR or AFR. Quarterly reporting of the SOS is not required as it is an annual schedule. The data used to populate this schedule is the same underlying data used to populate the Statement of Budgetary Resources (SBR). The SOS presents total budgetary resources and fiscal year-to-date total obligations for the reporting entity.

The budgetary information in this schedule is presented on a combined basis and not a consolidated basis. Preparation of consolidated financial information involves line-by-line elimination of intra-entity balances. To remain consistent with the aggregate of the account-level information presented on the SF-133 and SBR, consolidation of this schedule is inappropriate. Accordingly, line-by-line consolidation of this schedule is not permitted.

If credit reform financing accounts are material, the budgetary accounts and non-budgetary credit reform accounts may be presented separately, similar to the presentation in the SBR.

The SOS is required to be included in CFO Act agencies' OI section of the PAR or AFR. Although the basic premise of the SOS is complete, implementation and reporting details are still being developed. Accordingly, the schedule is included in OI to permit agencies to explore the optimal means of implementation and reporting. To further achieve this objective, agencies may request public feedback on the schedule.

Comparative schedules are required.

Illustrative Combined Schedule of Spending

Agency Name
Combined Schedule of Spending
For the Years Ended September 30, 2xxx (CY) and 2xxx (PY)
(in millions)

	FY 2XXX	FY 2XXX
What Money is Available to Spend?		
Total Resources	$ X,XXX,XXX	$X,XXX,XXX
Less Amount Available but Not Agreed to be Spent	$XX,XXX	$XX,XXX
Less Amount Not Available to be Spent	$X,XXX	$XXX
Total Amounts Agreed to be Spent	**$X,XXX,XXX**	**$XXX,XXX**
How was the Money Spent/Issued?		
*Category**		
Object Class (e.g., Rent)**	$XXX,XXX	$XXX,XXX
Object Class (e.g., Travel)	$XXX,XXX	$XXX,XXX
Contracts	$XXX,XXX	$XXX,XXX
Grants	$XXX,XXX	$XXX,XXX
Loans and Guarantees	$XX,XXX	$XX,XXX
Financial Assistance Direct Payments	$XXX,XXX	$XXX,XXX
Other Financial Assistance	$XX,XXX	$XX,XXX
Insurance	$XX,XXX	$XX,XXX
Interest and Dividends	$XX,XXX	$XX,XXX
Other	$XX,XXX	$XX,XXX
*Category **		
Object Class (e.g., Supplies) **	$XXX,XXX	$XXX,XXX
Object Class (e.g., Payroll)	$XXX,XXX	$XXX,XXX
Contracts	$XXX,XXX	$XXX,XXX
Grants	$XXX,XXX	$XXX,XXX
Loans and Guarantees	$XX,XXX	$XX,XXX
Financial Assistance Direct Payments	$XX,XXX	$XX,XXX
Other Financial Assistance	$XXX,XXX	$XXX,XXX
Insurance	$XXX,XXX	$XXX,XXX
Interest and Dividends	$XX,XXX	$XX,XXX
Other	$XX,XXX	$XX,XXX
Total Amounts Agreed to be Spent	**$X,XXX,XXX**	**$XXX,XXX**

Who did the Money go to?		
For Profit	$XXX,XXX	$XXX,XXX
Federal Government	$XXX,XXX	$XXX,XXX
Non-Federal Government	$XXX,XXX	$XXX,XXX
Higher Education	$XX,XXX	$XX,XXX
Individuals	$XXX,XXX	$XXX,XXX
Not-For-Profits	$XX,XXX	$XX,XXX
Other	$XX,XXX	$XX,XXX
Total Amounts Agreed to be Spent	**$X,XXX,XXX**	**$XXX,XXX**

* Agencies have the option to present categories as columns instead of sections going down the left side of the schedule.
** Note, the actual object class number(s) for purchased goods and services would not be included in the SOS. Instead the title of the object class code(s) presented would be included.

II.5.1.1 Section I What Money is Available to Spend? (Section I of the Combined Schedule of Spending)

This section of the SOS presents resources that were available to spend.

The following line items in this section of the schedule will reconcile to the SBR:

- "Total Resources" should reconcile to line 2500 "Total Budgetary Resources,"
- "Less Amount Available but Not Agreed to be Spent" should reconcile to line 2204 plus line 2304 "Unobligated Balances, End of Year- Apportioned and Exempt from Apportionment,"
- "Less Amount Not Available to be Spent" should reconcile to line 2404 "Unobligated Balances, End of Year-Unapportioned," and
- "Total Amounts Agreed to be Spent" should reconcile to line 2190 "Obligations Incurred."

II.5.1.2 Section II How was the Money Spent/Issued? (Section II of the Combined Schedule of Spending)

This section of the SOS presents (1) services or items that were purchased and (2) how obligations are issued or the payment type. This section is based on total obligations incurred. The most significant services or items purchased and payment types should be presented separately with the remaining services or items purchased and payment types presented in aggregate in two single line items for
(1) services or items purchased and (2) payment types. In addition, the services and items purchased and payment types should be presented in categories that are meaningful for the entity (e.g. by Strategic Goal, Program, Appropriations, Sub-agencies or grouping of Sub-agencies, etc.)

The categories of services or items that were purchased will align with OMB Budget Object Class (BOC) definitions found in Circular No. A-11.

However, payment types will not always align with BOC codes found in Circular No. A-11. For example, insurance is defined in A-11 Section 83 as “benefit payments from the social insurance and Federal retirement trust funds and payments for losses and claims including those under the Equal Access to Justice Act,” and includes Social Security and Medicare payments. For purposes of this section, insurance is defined as obligations to assure reimbursement for losses sustained under specified conditions and would not include social insurance as defined in A-11. Social Security and Medicare payments would be considered Financial Assistance Direct Payments for the Combined Schedule of Spending. The terms as defined in this section for payment types should be carefully read when determining where to report obligations. The following definitions should be used to determine the appropriate payment type as applicable:

Contracts: A contract is a written, mutually binding legal agreement obligating the seller to furnish the goods or services and the Federal Government to pay for them. This includes agreements with a private entity - whether for-profit, or non-profit - or with another Federal agency. In addition to bilateral instruments, contracts include (but are not limited to) awards and notices of awards; job orders or task letters issued under basic ordering agreements; letter contracts; orders, such as purchase orders, under which the contract becomes effective by written acceptance or performance; and bilateral contract modifications.

Grants: An agreement between the Federal Government and a State or local government or other recipient to transfer cash or a thing of value to carry out a public purpose of support or stimulation authorized by law instead of acquiring (by purchase, lease, or barter) property or services for the direct benefit or use of the United States Government, without expectation of return or services rendered from the recipient or substantial involvement from the Federal Government to carry out the activity.

Loans and Guarantees: These are funds provided to a recipient by a Federal agency that will eventually be paid back to the government by the recipient. This category includes both direct and guaranteed loans. Direct Loans represent financial assistance provided through the lending of Federal monies for a specific period of time, with a reasonable expectation of repayment. Such loans may or may not require the payment of interest. Guaranteed Loans and Insured Loans are programs in which the Federal Government agrees to indemnify a lender against part or all of any defaults by those responsible for repayment of loans.

Financial Assistance Direct Payments: These are cash payments made to individuals, private firms, and other private institutions that have been assessed as needing services, in lieu of social service provisions. This does not include solicited contracts for the procurement of goods and services for the Federal Government. Financial Assistance Direct Payments can be unrestricted or for a specified use. Direct Payments for a specified use are given to encourage or subsidize a particular activity by conditioning the receipt of the assistance on a particular performance by the recipient. Unrestricted direct payments represent financial assistance from the Federal Government provided directly to beneficiaries who satisfy Federal eligibility requirements with no restrictions imposed on the as to how the money is spent.

Other Financial Assistance: This represents other reimbursable, contingent, intangible, or indirect financial assistance.

Insurance: These are obligations to assure reimbursement for losses sustained under specified conditions. Coverage may be provided directly by the Federal Government or through private carriers and may or may not involve the payment of premiums.

Interest and Dividends: This represents payments to creditors and shareholders for the use of money.

If agencies have other payment types that are material and do not fit into any of the above listed categories, they may use an agency specific payment type not listed above.

The "Total Amounts Agreed to be Spent" line item in this section of the schedule should reconcile to line 2190 "Obligations Incurred" in the SBR.

II.5.1.3 Section III Who did the Money go to? (Section III of the Combined Schedule of Spending)

This section of the SOS identifies with whom the agencies are spending money and is based on obligations incurred. This section of the SOS is optional in FY 2015 but is expected to be mandatory in FY 2016.

At a minimum, this section will display "Federal Government" and "Non-Federal" obligations. "Federal Government" include Federal agencies, offices and all other organizations that are components of the U.S. Government. "Non-Federal" would be any entity that is not part of the Federal Government. Agencies are encouraged to display more detail, such as by "For Profit," "Non-Federal Government," "Higher Education," "Individuals" (if material, this should be broken out by financial assistance and non-financial assistance), "Not-For profits," and "Other."

Agencies that have material business lines or activities, with special trading partner types or entities may report that data on separate lines as appropriate to accurately reflect the agencies' major business activities.

The "Total Amounts Agreed to be Spent" line item in this section of the schedule should reconcile to line 2190 "Obligations Incurred" in the SBR.

II.5.1.4 Comparisons

To assist readers in understanding relation between the SOS and the SBR and USAspending.gov, high-level explanations should be provided with the SOS on the similarities and differences in these data sources. These explanations could be provided in narrative, illustrative, or a combination of narrative and illustrative formats.

II.5.2 Performance Measures

(Reference only – See Section II.3)

II.5.3 Revenue Foregone

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

II.5.4 Tax Burden/Tax Gap

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

- A perspective on the income tax burden. This could comprise 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.
- 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.

II.5.5 Tax Expenditures with Directed Flow of Resources

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

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

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

II.5.6 Management Challenges

The PAR or AFR will include a statement prepared 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 briefly assesses the agency's progress in addressing those challenges. This statement must be provided to the agency head at least 30 days before the PAR or AFR due date. 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. The IG's management challenges statement and the agency head's response should be included as an OI item in the agency PAR or AFR.

II.5.7 Summary of Financial Statement Audit and Management Assurances

All agencies are required to prepare Tables 1 and 2. Each material weakness should be listed using a unique, short, and easily understood name. These names should be kept constant, so that a weakness reported in FMFIA sections or by the auditor has the same name throughout the two tables. As discussed in Section II.2.8, management should review its assurance statements (FMFIA) for consistency with the findings specified in the annual financial statement audit report(s). The reports could, in fact be different, but they 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 what will be done to address the problem that gave rise to the disagreement. To the extent possible, material weakness names should also 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]					
Total Material Weaknesses	##	##	##	##	##

Table 2.

Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unqualified, qualified, or statement of no assurance					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
[Name of weakness]						
[Name of weakness]						
[Name of weakness]						
Total Material Weaknesses	##	##	##	##	##	##
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Unqualified, qualified, or statement of no assurance					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
[Name of weakness]						
[Name of weakness]						
[Name of weakness]						
Total Material Weaknesses	##	##	##	##	##	##
Conformance with Federal Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Systems conform, conform except for the below non-conformance(s), 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]						
Total non-conformances	##	##	##	##	##	##

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA) [15]		
	Agency	Auditor[16]
1. System Requirements	No lack of substantial compliance noted, or Lack of substantial compliance noted	No lack of substantial compliance noted, or Lack of substantial compliance noted
2. Accounting Standards	No lack of substantial compliance noted, or Lack of substantial compliance noted	No lack of substantial compliance noted, or Lack of substantial compliance noted
3. USSGL at Transaction Level	No lack of substantial compliance noted, or Lack of substantial compliance noted	No lack of substantial compliance noted, or Lack of substantial compliance noted

[15] Under FFMIA, both CFO Act agencies and their auditors are required to make an annual determination as to whether an agency's financial management systems comply with the requirements of section 803(a) of FFMIA. Section 803(a), in turn, requires that agency management implement and maintain financial management systems that comply substantially with each of the following three requirements: (1) federal financial management systems requirements, (2) applicable federal accounting standards, and (3) the U.S. Government Standard General Ledger (USSGL) at the transaction level.

[16] Section 803(b) of FFMIA requires each CFO Act agency auditor to report whether the agency's financial management systems comply with the requirements of section 803(a), which requires the auditor to determine whether the agency's systems did not comply substantially with any of the three section 803(a) requirements.

Definition of Terms
Beginning Balance: The beginning balance will agree with the ending balance of material weaknesses from the prior year.
New: The total number of material weaknesses that have been identified during the current year.
Resolved: The total number of material weaknesses that have 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 a material weakness does not meet the criteria for materiality or is redefined as more correctly classified under another heading (e.g., section 2 to a section 4 and vice versa).
Ending Balance: The agency's year-end balance.

II.5.8 IPIA (as amended by IPERA and IPERIA) Reporting Details

The Improper Payments Information Act of 2002 (IPIA; Pub. L. 107-300), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA; Pub. L. 111-204), and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA; Pub. L. 112-248), requires agencies to annually report information on improper payments (IP) to the President and Congress (through their annual PARs or AFRs).

Agencies should use the format for IPIA reporting in their annual PARs or AFRs described below and should consult OMB Circular A-123, Appendix C for more detailed reporting guidelines:

I. Risk Assessment. All agencies must assess the IP risk level for each program that is not already reporting an IP estimate at least once every three years (See OMB Circular A-123, Appendix C for additional guidance related to risk assessments). All programs that are assessed for risk in a given year should be listed in this section. In addition, clearly identify the risk-susceptible programs (i.e., programs that are susceptible to significant IPs based on statutory thresholds listed in OMB Circular A-123, Appendix C, Part 1.A.9.Step 1) identified by the agency risk assessments performed in the fiscal year or required by OMB to be included (OMB may determine, on a case-by-case basis, that certain programs that do not meet the statutory threshold requirements may still be subject to the annual reporting requirements). For the newly identified risk-susceptible programs indicate the fiscal year in which a rate and amount will be reported (per OMB Circular A-123, Appendix C, Part I.A.9.Step 2 footnote 8 this should be the fiscal year following the year in which the risk assessment was conducted). Agencies should briefly describe all of the risk assessment(s) performed in the fiscal year (the risk factors examined should be included in the description).Highlight any changes to the risk assessment methodology or results that occurred since the last AFR or PAR.

II. Statistical Sampling. 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 1.A.9.Step 1 and are reporting an IP rate under section III below, 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 an alternative sampling and estimation methodology must also include the justification for using the alternative methodology (i.e. explain why the agency was not able to follow the requirements in OMB Circular A-123, Appendix C Part 1.A.9.Step 2). In addition, briefly highlight any changes to any sampling and estimation plans that have occurred since the last AFR or PAR.

If an agency would like to provide more detailed information about its risk assessment or statistical sampling process, please post this information on the agency website and provide a link to this website in the report (e.g., "Additional information about the Department of ABC's statistical sampling process can be found at www.abc.gov/improperpayments/statisticalsampling").

III. Improper Payment Reporting.

a. The table that follows (Table 1) is required for each agency that has programs and activities reporting under OMB Circular A-123 Appendix C *Part I.A.9.Step 2* or *Part I.A.14* or for programs that OMB has automatically deemed susceptible to significant IPs (please see footnote 8 under *Part I.A.9.Step 2* for reporting timing expectations) regardless of whether the program or activity has IPs exceeding the statutory thresholds listed in OMB Circular A-123 Appendix C *Part I.A.9.Step 1*. Agencies must include the following information:

i. All programs susceptible to significant IPs must be listed in this table whether or not an error measurement is being reported;

ii. All Agency programs susceptible to significant IPs must be listed in **one** table. This table may be repeated to highlight specific programs throughout this section if the agency chooses to display their programs in that manner, however there also must be one table in the beginning of this section that contains ALL of the programs susceptible to significant IPs for the agency.

iii. Where no measurement is provided, the agency should indicate the date by which a measurement is expected and add a note to explain why there was no measurement;

iv. If the Current Year (CY) is the baseline measurement year, and there is no Previous Year (PY) information to report, indicate by either note or by "n/a" in the PY column;

v. If any of the dollar amount(s) included in the estimate correspond to newly established measurement components in addition to previously established measurement components, separate the two amounts to the extent possible;

vi. Agencies are expected to report on CY activity, and if not feasible, then PY activity is acceptable if approved by OMB. (Agencies should clearly indicate [such as with a note] when the CY is different from the FY covered by the PAR/AFR.) Agencies should include future year outlay and IP estimates for CY+1, +2 and +3 (future year outlay estimates should match the outlay estimates for those years as reported in the most recent President's Budget) Activity for improper payments reporting in Table 1is defined as the time frame of the payments tested;

vii. Reduction targets for out years must be lower than CY IP percentages as is implied by the word 'reduction', unless otherwise approved by OMB. If an agency establishes a reduction target that does not decrease (e.g. a target that is constant or increasing), the reason(s) for establishing such a target must be clearly explained in a footnote to the table (A constant reduction target at 0%

does not require a footnote). The OMB approval process for reduction targets will occur when OMB reviews the draft AFR or PAR;

viii. Dollars shall be displayed in millions and shall be carried out by at least two decimal points or be carried out to as many decimal points as the agency deems necessary to convey accurate information beyond two decimal points; and

ix. Percentages shall be carried out by at least two decimal points or carried out to as many decimal points as the agency deems necessary to convey accurate information beyond the two decimal points.

b. Agencies shall include the gross estimate of the annual amount of IPs (i.e., overpayments plus underpayments) and shall list the total overpayments and underpayments that make up the CY amount. In addition, agencies are allowed to calculate and report a second estimate that is a net total of both over and under payments (i.e., overpayments minus underpayments). The net estimate is an additional option only, for information purposes, and cannot be used as a substitute for the gross estimate.

c. Agencies may include the net estimate in Table 1 but it is not required.

d. To report the total amount row in Table 1, the agency shall sum the total dollar columns and then use those totals to calculate the IP percentages (IP Estimate/IP Outlays). If applicable, the agency may also footnote that the total does not represent a true statistical estimate for the agency.

e. When reporting the PY information in Table 1, please note that this information must be identical to the information that was reported in the CY columns in the AFR or PAR in the previous year. Agencies may not alter their PY outlays, %, or $ after their AFR or PAR is published without first notifying OMB in writing. In addition, if an agency changes PY information, they should include a short explanation for this change.

Table 1
Improper Payment Reduction Outlook
($ in millions)

Program or Activity	PY Outlays	PY IP %	PY IP $	CY Outlays	CY IP %	CY IP $	CY Over-payment $	CY Under-payment $	CY + 1 Est. Outlays	CY + 1 Est. IP %	CY + 1 Est. IP $	CY + 2 Est. Outlays	CY + 2 Est. IP %	CY + 2 Est. IP $	CY + 3 Est. Outlays	CY + 3 Est. IP %	CY + 3 Est. IP $
Program A																	
Program B																	
Program C																	
TOTAL																	

f. **High-Priority Programs:** For high-priority programs, agencies shall provide a basic summary discussing the supplemental measures, the frequency of each supplemental measurement (i.e., how often will the area be measured and reported on PaymentAccuracy.gov), the measurement baseline, a discussion of how information from this measurement will help the program reduce improper payments, and the actual (or planned) targets, including any reasons for meeting, exceeding, or failing to meet the supplemental targets.

IV. Improper Payment Root Cause Categories. The table that follows (Table 2) is required for each agency that has programs and activities reporting under OMB Circular A-123 Appendix C *Part I.A.9.Step 2* or *Part I.A.14* regardless of whether the program or activity has IPs exceeding the statutory thresholds listed in OMB Circular A-123 Appendix C *Part I.A.9.Step 1*. The matrix cells shall be filled out with dollar amounts (in millions) with a separate program column for each program that has been deemed susceptible to significant IPs and is reporting an IP estimate. A separate A and B column shall be created for each program that reports an IP estimate within Table 2. If an agency has many high-risk programs that would not fit in one table, they can report this information in multiple tables, if needed. However, reporting all of the programs in one table is the preferred approach. Agencies may not combine multiple programs into one reporting cell. Agencies are encouraged to report figures in Table 2 to two decimal places.

Table 2
Improper Payment Root Cause Category Matrix
($ in millions)

Reason for Improper Payment		Program A		Program B		Program C		
		Overpayments	Underpayments	Overpayments	Underpayments	Overpayments	Underpayments	
Program Design or Structural Issue								1
Inability to Authenticate Eligibility								2
Failure to Verify:	Death Data							3
	Financial Data							4
	Excluded Party Data							5
	Prisoner Data							6
	Other Eligibility Data (explain)							7
Administrative or Process Error Made by:	Federal Agency							8
	State or Local Agency							9
	Other Party (e.g., participating lender, health care provider, or any other organization administering Federal dollars)							10
Medical Necessity								11
Insufficient Documentation to Determine								12
Other Reason (a) (explain)								13
Other Reason (b) (explain)								13
TOTAL								
		A	B	A	B	A	B	

In the matrix above, columns A and B include two categories based on the type of IP (i.e., overpayments and underpayments), and rows 1 through 13 include thirteen categories for the cause of the IP. Each program shall distribute its estimate of IPs (which is based on dollars, as opposed to number of occurrences or percentages) across the cells in columns A and B in the matrix for each program—with the understanding, of course, that not every cell will apply to every program. Agencies may create sub-categories under the categories provided by OMB in the matrix template above if an agency is able to break any of the provided categories down into more detail. If a particular cell does not apply to the program, it may be left blank. Please see OMB Circular A-123 Appendix C *Part 1.C.1* for more detailed information related to completing the matrix above.

V. Corrective Actions: For all programs and activities as determined under OMB Circular A-123 Appendix C *Part I.A.9.Step 2* with IPs exceeding the statutory thresholds listed in OMB Circular A-123 Appendix C *Part I.A.9.Step 1*, agencies shall identify the reasons their programs and activities are susceptible to significant IPs and put in place a corrective action plan to reduce them. The agency shall describe the corrective action plans for:

a. Reducing the estimated IP rate and amount for **each** type of root cause identified in the Table 2 categories matrix above. This discussion must include the corrective action(s), taken or planned, most likely to significantly reduce future IPs due to each type of error an agency identifies, the planned or actual completion date of these actions, and the results of the actions taken to address these root causes. If efforts are ongoing, it is appropriate to include that information in this section, and to highlight current efforts, including key milestones.

   i. **High-Priority Programs:** IPERIA requires agencies to tailor their corrective actions for high-priority programs. Therefore, any agency that has any programs identified as high-priority shall explain how it has specifically tailored its corrective actions for high-priority programs to better reflect the unique processes, procedures, and risks involved in each specific high-priority program. IPERIA also requires each agency that has any programs identified as high-priority to report:

      1. Any action the agency has taken – or plans to take – to recover IPs.
      2. Any action the agency intends to take to prevent future IPs

VI. Internal Control Over Payments. The table that follows (Table 3) is required for each agency that has programs and activities as determined under OMB Circular A-123 Appendix C *Part I.A.9.Step 2* with IPs exceeding the statutory thresholds listed in OMB Circular A-123 Appendix C *Part I.A.9.Step 1*. Agencies shall briefly summarize the status of internal control over payments using: (1) a single narrative explaining efforts undertaken to provide reasonable assurance that internal controls over payments are in place and operating effectively; and (2) Table 3 illustrated below. The primary purpose of the summary is to provide a thoughtful analysis linking agency efforts in establishing internal controls and reducing IP rates. Agencies do not need to create a separate narrative for each program they are addressing in this section, rather, the agency may report using one narrative that encompasses the information for all of the programs reporting under the requirements of this section. Agencies should leverage existing internal control plans and at a minimum should address the internal control standards provided in OMB Circular A-123, Appendix C, *Part II.C.2*. An illustrative example for the table is provided below (see Table 3). The programs listed at the top of each column would be the programs susceptible to significant IPs, under OMB Circular A-123, Appendix C, *Part I.A.9.Step 1* that are currently reporting IPs.

Table 3
Example of the Status of Internal Controls

Internal Control Standards	Program A	Program B	Program C	Program D	Program E
Control Environment	3	2	2	4	1
Risk Assessment	4	1	4	4	1
Control Activities	4	3	2	2	2
Information and Communication	3	1	3	1	2
Monitoring	2	1	4	3	1

Legend:
4 = Sufficient controls are in place to prevent IPs
3 = Controls are in place to prevent IPs but there is room for improvement
2 = Minimal controls are in place to prevent IPs
1 = Controls are not in place to prevent IPs

VII. Accountability. For all programs and activities as determined under OMB Circular A-123 Appendix C *Part I.A.9.Step 2* with IPs exceeding the statutory thresholds listed in OMB Circular A-123 Appendix C *Part I.A.9.Step 1*, agencies shall describe the steps the agency has taken and plans to take (including timeline) to ensure that agency managers, accountable officers (including the agency head), programs, and States and localities (where appropriate) are held accountable for reducing and recapturing IPs. 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.

VIII. Agency information systems and other infrastructure.

a. For all programs and activities as determined under OMB Circular A-123 Appendix C *Part I.A.9.Step 2* with IPs exceeding the statutory thresholds listed in OMB Circular A-123 Appendix C *Part I.A.9.Step 1*, 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, 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.

IX. Barriers. For all programs and activities as determined under OMB Circular A-123 Appendix C *Part I.A.9.Step 2* with IPs exceeding the statutory thresholds listed in OMB Circular A-123 Appendix C *Part I.A.9.Step 1*, agencies shall 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

X. Recapture of Improper Payments Reporting.

a. **Payment Recapture Audits Narrative.** *See OMB Circular A-123, Appendix C Part I.D for more information about payment recapture audits*. All programs and activities that expend **$1 million or more annually** – including grant, benefit, loan, and contract programs – shall be considered for payment recapture audits. An agency shall discuss payment recapture audit (or recovery auditing) efforts, if applicable. The discussion should describe:
   i. the agency's payment recapture audit program;
   ii. the actions and methods used by the agency to recoup overpayments;
   iii. a justification of any overpayments that have been determined not to be collectable;
   iv. any actions the agency has taken during the current fiscal year or intends to take in future fiscal years to recapture and/or prevent IPs;
   v. a list of all agency recovery audit contract programs; and
   vi. 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).

b. **Programs Excluded from the Payment Recapture Audit Program.** If the agency has excluded any programs or activities from review under its payment recapture audit program (including any programs or activities where the agency has determined a payment recapture audit program is not cost-effective), the agency must:
   1. List all of the programs and activities where it has been determined conducting a payment recapture audit program would not be cost-effective (whether determination occurred in the current year or in a prior year),
   2. Indicate when OMB was notified (month and year) that it was not cost effective to conduct a payment recapture audit and the program would be excluded from a payment recapture audit program, and
   3. 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).

c. **Payment Recapture Audit Reporting.** Complete the table (Table 4) below and include 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 (if any of this information is not available indicate by either note or by "n/a" in the relevant column or cell). Agencies may include a footnote to list the programs or activities that do not have a recovery audit program in place. Programs or activities where the agency has determined a payment recapture audit program is not cost effective should still be listed in the table below if they have overpayments recaptured outside of a payment recapture audit (see the Overpayments Recaptured Outside of Payment Recapture Audits section below for more information). Dollars shall be displayed in millions and shall be carried out by at least two decimal points or be carried out to as many decimal points as the agency deems necessary to convey accurate information beyond two decimal points. For ease of presentation, if a column in Table 4 does not apply to any of the programs or activities listed in Table 4 for a particular agency, the column does not need to be displayed. Note that these will be payments that were identified and/or recaptured in the current reporting year; however, the actual payment itself may have been made in a prior reporting year or in the current reporting year.

d. **Overpayments Recaptured Outside of Payment Recapture Audits.** As applicable, agencies should also report on IPs identified and recovered through sources other than payment recapture audits. 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 should use the "Overpayments Recaptured Outside of Payment Recapture Audits" section of Table 4to report this information. Note that these will be payments that were identified and/or recaptured in the current reporting year; however, the actual payment itself may have been made in a prior reporting year or in the current reporting year.

e. **Payment Recapture Audit Program Targets.** If an agency has a payment recapture audit program in place, then the agency is required to establish annual targets to drive their annual performance. The targets shall be based on the rate of recovery. Agencies are expected to report CY amounts and rates, as well as recapture rate targets for two years (CY+1 and CY+2). Agencies are encouraged to set targets that show an increase in recapture rate over time. (Agencies should clearly indicate [such as with a footnote] when the CY is different from the FY covered by the PAR/AFR).

Table 4
Improper Payment Recaptures with and without Audit Programs
($ in millions)

	Overpayments Recaptured through Payment Recapture Audits																												Overpayments Recaptured outside of Payment Recapture Audits	
	Contracts					Grants					Benefits					Loans					Other					Total				
Program or Activity	Amount Identified	Amount Recaptured	CY Recapture Rate	CY + 1 Recapture Rate Target	CY + 2 Recapture Rate Target	Amount Identified	Amount Recaptured	CY Recapture Rate	CY + 1 Recapture Rate Target	CY + 2 Recapture Rate Target	Amount Identified	Amount Recaptured	CY Recapture Rate	CY + 1 Recapture Rate Target	CY + 2 Recapture Rate Target	Amount Identified	Amount Recaptured	CY Recapture Rate	CY + 1 Recapture Rate Target	CY + 2 Recapture Rate Target	Amount Identified	Amount Recaptured	CY Recapture Rate	CY + 1 Recapture Rate Target	CY + 2 Recapture Rate Target	Amount Identified	Amount Recaptured		Amount Identified	Amount Recaptured
Program A																														
Program B																														
Program C																														
TOTAL																														

f. In addition, agencies shall report the following information on their Overpayments Recaptured through Payment Recapture Audits in Table 5 and Table 6, if applicable:
   i. A summary of how amounts recaptured through payment recapture audits in the CY have been disposed of (if any of this information is not available indicate by either note or by "n/a" in the relevant column or cell). Agencies may also include a short narrative to accompany Table 5 if desired. Dollars shall be displayed in millions and shall be carried out by at least two decimal points or be carried out to as many decimal points as the agency deems necessary to convey accurate information beyond two decimal points. For ease of presentation, if a column in Table 5 does not apply to any of the programs or activities listed in Table 5 for a particular agency, the column does not need to be displayed.

Table 5
Disposition of Funds Recaptured Through Payment Recapture Audits
($ in millions)

Program or Activity	Amount Recovered *(This amount will be identical to the "Amount Recovered" in Table 3)*	Type of Payment *(contract, grant, benefit, loan, or other)*	Agency Expenses to Administer the Program	Payment Recapture Auditor Fees	Financial Management Improvement Activities	Original Purpose	Office of Inspector General	Returned to Treasury	Other *(please explain in footnote or narrative)*
Program A									
Program B									
Program C									
TOTAL									

ii. An aging schedule of the amount of overpayments identified through the payment recapture audit program that are outstanding (i.e., overpayments that have been identified but not recaptured) shall be displayed in Table 6. Typically, the aging of an overpayment begins at the time the overpayment is detected—please indicate with a note whenever that is not the case. Dollars shall be displayed in millions and shall be carried out by at least two decimal points or be carried out to as many decimal points as the agency deems necessary to convey accurate information beyond two decimal points. For ease of presentation, if a column in Table 6 does not apply to any of the programs or activities listed in Table 6 the column does not need to be displayed.

Table 6
Aging of Outstanding Overpayments Identified in the Payment Recapture Audits
($ in millions)

Program or Activity	Type of Payment *(contract, grant, benefit, loan, or other)*	Amount Outstanding (0 – 6 months)	Amount Outstanding (6 months to 1 year)	Amount Outstanding (over 1 year)	Amount determined to not be collectable *(include justification in Payment Recapture Narrative above – See Xa)*
Program A					
Program B					
Program C					
TOTAL					

XI. **Additional Comments.** Discuss any additional comments, if any, on overall agency efforts, specific programs, best practices, or common challenges identified, as a result of IPIA, IPERA, and or IPERIA implementation.

XII. Agency reduction of improper payments with the Do Not Pay Initiative.

IPERIA requires pre-payment and pre-award reviews by each agency to determine program or award eligibility and to prevent improper payments before the release of any Federal funds. The procedures must ensure that a thorough review on eligibility occurs with relevant information of available databases.

IPERIA also requires OMB to submit to the Congress an annual report, "which may be included as part of another report submitted to Congress by the Director, regarding the operation of the Do Not Pay Initiative, which shall: (A) include an evaluation of whether the Do Not Pay Initiative has reduced improper payments or improper awards; and (B) provide the frequency of corrections or identification of incorrect information." To support this requirement, all agencies shall provide a brief narrative discussing the agency's actions attributable to the Do Not Pay Initiative and respective databases on an annual basis, regardless of the agency's susceptibility to improper payments. This narrative shall include an evaluation of whether the Do Not Pay Initiative has reduced improper payments or improper awards; identify the frequency of corrections or identification of incorrect information; and include completion of the table that follows (Table 7).

Specifically, the narrative should describe:

a. How the agency has incorporated the IPERIA listed Do Not Pay databases into existing business processes and programs (e.g., online searches, batch processing, continuous monitoring, etc.), or how and when the agency plans to begin using the databases, as appropriate. Agencies should list their efforts separately from the screening of payments performed through the tools offered by the Treasury Do Not Pay Business Center (e.g., agencies that receive death data directly from SSA). The databases include:
    1. the Death Master File of the Social Security Administration (DMF),
    2. the General Services Administration's Excluded Parties List System (EPLS), (or the updated System for Award Management (SAM))
    3. the Debt Check Database of the Department of the Treasury (Debt Check),
    4. the Credit Alert System or Credit Alert Interactive Voice Response System of the Department of Housing and Urban Development (CAIVRS),
    5. the List of Excluded Individuals/Entities of the Office of Inspector General of the Department of Health and Human Services (LEIE), and
    6. the Prisoner Update Processing System of the Social Security Administration (PUPS), as added to IPERIA by the Bipartisan Budget Act of 2013, Public Law 113–67;
b. How the agency has incorporated databases not listed in IPERIA into existing business processes and programs to prevent improper payments (e.g., online searches, batch processing, or continuous monitoring).

c. Any process improvements attributable to the Do Not Pay Initiative for the previous FY (e.g., improved controls over awards, reduction in FTE required for monitoring, or improvements in review documentation), as appropriate;
d. The frequency of corrections or identification of incorrect information provided to original source agencies (as described in OMB Memorandum M-13-20) (Note: this applies to original source agencies and Treasury);
e. A thoughtful analysis linking agency efforts in establishing internal controls and reducing improper payment rates to the Do Not Pay Initiative, as appropriate. When applicable, this analysis will link the improper payments caused by failing to verify appropriate data prior to payment reported in the Improper Payment Root Cause Category Matrix (Table 2) above to reviews with databases (whether included in IPERIA or not) in Table 7; and
f. Include the table (Table 7) reflecting the dollar amounts and the number of payments reviewed for improper payments between October 1 through September 30, 20XX (FY). Agencies should complete the table, in numbers and dollars, with payment reviews for all databases, and include a footnote listing the databases used for payment screening (whether included in IPERIA or not). The DNP Business Center will provide summary information to OMB on behalf of their customer agencies. Agencies may submit alternative reports to the table format after approval from OMB.
g. Dollars shall be displayed in millions and shall be carried out by at least two decimal points or be carried out to as many decimal points as the agency deems necessary to convey accurate information beyond two decimal points.

Table 7
Results of the Do Not Pay Initiative in Preventing Improper Payments
($ in millions)

	Number (#) of payments reviewed for possible improper payments	Dollars ($) of payments reviewed for possible improper payments	Number (#) of payments stopped	Dollars ($) of payments stopped	Number (#) of potential improper payments reviewed and determined accurate	Dollars ($) of potential improper payments reviewed and determined accurate
Reviews with the IPERIA specified databases						
Reviews with databases not listed in IPERIA						

For reporting purposes, the kind of data in question would include:[17]

1. *Payments reviewed for improper payments*: all payments screened by Do Not Pay databases or other internal databases, as appropriate, that are disbursed by, or on behalf of, the agency (e.g. federally funded state administered programs).

[17] Databases included in screening should be footnoted.

2. *Payments stopped*: payments that were intercepted or were not disbursed due to the Do Not Pay Initiative (i.e. screening payments against available data sources prior to disbursement).
3. *Payments requiring further review and determined to be accurate (i.e. false positives):* payments that were reviewed by the agency as a result of Do Not Pay databases or other internal databases, and later identified as proper.

II.5.9 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.5.10 Freeze the Footprint

Note: *For the next two fiscal years, FY 2015 and FY 2016, we will require reporting of Freeze the Footprint data. Beginning in FY 2017, we will establish a new reporting requirement measuring the actual square footage disposed of owned buildings based on agency reduction targets and the operation and maintenance costs avoided as a result of such disposals.*

Consistent with Section 3 of the OMB Memorandum-12-12, *Promoting Efficient Spending to Support Agency Operations* and OMB Management Procedures Memorandum 2013-02, the "Freeze the Footprint" policy implementing guidance, all CFO Act departments and agencies shall not increase the total square footage of their domestic office and warehouse inventory compared to the FY 2012 baseline. There are significant opportunities for reductions in square footage and cost savings through agency co-locations, consolidations, and disposals of unneeded space within the Federal Government's vast portfolio of real property assets. As a result, OMB is working in partnership with the General Services Administration (GSA) and other Federal agencies to better align the size of the Federal real property inventory.
To ensure that agency Chief Financial Officers (CFO) are jointly accountable with the Senior Real Property Officer (SRPO) for the quality of cost data submitted into the Federal Real Property Profile (FRPP), and to support coordination between agency real property officers and financial managers, agencies are required to report cost data along with the most recent square footage information submitted to FRPP in their annual PAR or AFR. Pursuant to the requirements in the "Freeze the Footprint" policy implementing guidance, agencies will:

1. Report the total square footage associated with the agency's assets subject to the "Freeze 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[18], and compare it to their FY 2012 "Freeze the Footprint" baseline (as assigned by GSA). The square footage totals reported in the agency's PAR or AFR should align with agency totals confirmed by GSA, and may be based on data from multiple government wide real estate databases, including 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 does not include GSA occupancy agreements) that are subject to the "Freeze 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[19]. 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 maintain overall Freeze the Footprint square footage and reduce the related costs associated with real property.

Freeze the Footprint Baseline Comparison

	FY2012 Baseline	2xxx (CY-1)	Change (FY2012 Baseline-2xxx (CY)
Square Footage (SF in millions)	xxx	xxx	xxx

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

	FY2012 Reported Cost	2xxx (CY-1)	Change (FY2012 Baseline-2xxx (CY-1))
Operation and Maintenance Costs ($ in millions)	xxx	xxx	xxx

[18] *See* GSA, Office of Government-wide Policy, Federal Real Property Council, 2014 Guidance for Real Property Inventory Reporting (May 27, 2014) page 6.
[19] *See* GSA, Office of Government-wide Policy, Federal Real Property Council, 2014 Guidance for Real Property Inventory Reporting (May 27, 2014) page 6.

II.5.11 Civil Monetary Penalty Adjustment for Inflation

The Federal Civil Penalties Inflation Adjustment Act of 1990, as amended, requires agencies to make regular and consistent inflationary adjustments of civil monetary penalties to maintain their deterrent effect. To improve compliance with the Act, and in response to multiple audits and recommendations, agencies should report annually in the Other Information section the most recent inflationary adjustments to civil monetary penalties to ensure penalty adjustments are both timely and accurate.

For reporting purposes, Agencies should complete the following table and include it in Other Information (Example provided below):

Penalty (Name of Penalty)	Authority (Statute)	Date of Previous Adjustment	Date of Current Adjustment	Current Penalty Level ($ Amount)
Flagrant Violation	Federal Mine Safety & Health Act of 1977, as amended	January 2010	January 2013	$ 242,000

III SUMMARY OF PERFORMANCE AND FINANCIAL INFORMATION

SECTION III SUMMARY OF PERFORMANCE AND FINANCIAL INFORMATION
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III.1 General Guidance

Agencies will publish a Summary of Performance and Financial Information that includes the most relevant performance and financial information in a brief, user-friendly format that is easily understood by a reader with little technical background in these areas. The goal of this summary is to increase accountability of agency heads and program managers by making the financial and performance information more transparent and accessible to Congress, the public, and other key constituencies. This summary must be available by no later than February 15th of the fiscal year following the fiscal year that is being reported. If February 15th falls on the weekend or holiday, the due date will automatically move to the next business day.

Agencies may choose to present the information in:

- A 3-8 page high-level summary,
- A 25-30 page more detailed summary, or
- An MD&A that can be easily extracted from the PAR or AFR and issued as an independent report.

The document, at a minimum, should include the following elements:

- Agency mission and strategic goals and objectives;
- Summary of performance results:
    - Include only a limited number of key, representative performance measures;
    - Historical performance trend data for the entity's strategic goals and the selected key performance measures/indicators associated with those goals;
    - A candid assessment of whether the agency met or did not meet its goals and progress toward meeting them demonstrated by trend data, where possible;
    - Include specific examples of progress and problems within the context of how outcomes are achieved;
    - Link the presentation of budget and cost information with performance measures, where feasible;
- Summarized financial statement data. This information is based on the same underlying data as the financial statements presented in the PAR and AFR;
- Summary of significant management challenges identified by the IG as well as GAO reports that the agency needs to address or progress toward them demonstrated by trend data (e.g., IG and GAO reports, where appropriate);

- Specific references and Internet links that will take the reader to the supporting evidence for the information on the agency's program and financial performance (e.g., relevant sections of the agency's PAR, AFR, APR, and CBJ, and other related documents). The links will provide the reader with the exact location of the information in a document and not a general link to the document itself;
- Include specific examples of progress and problems within the context of how outcomes are achieved; and
- Optimize the use of Web links to relevant documents including the PAR, AFR, APR, and CBJ performance evaluations and studies and additional information that will support the content of the document.

Best Practices in Summary reporting. The following two organizations have developed summary reports that could be replicated. The New York City government (http://www.nyc.gov/html/ops/nycstat/html/home/home.shtml) (click on the Mayor's Management report or the Agency Performance reports) and the U.S. Department of Transportation (http://www.dot.gov/sites/dot.gov/files/docs/FY2009%20DOT_Performance_Accountability_Summary.pdf. It is the agency's discretion whether or not to print hard copies of the summary report. Agencies should consider the intended audience, outreach, and distribution efforts for the document.

If an agency chooses to include a condensed audit report, financial statements, or both, the information that is included requires discussions between the entity, OIG, and the external auditor.

Report Due Date: Fiscal Year summaries must, at a minimum be submitted to OMB in draft by February 1st of the fiscal year following the fiscal year that is being reported. If February 1st falls on the weekend or holiday, the due date will automatically move to the next business day. Fiscal Year summaries must be posted on the agency's website in final by February15th of the fiscal year following the fiscal year that is being reported. If this day falls on the weekend or holiday, the due date will automatically move to the next business day.

IV INTERIM FINANCIAL STATEMENTS

SECTION IV INTERIM FINANCIAL STATEMENTS
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IV.1 Purpose

Interim unaudited financial statements will be submitted to OMB after the third quarter by agencies via MAX. OMB Bulletin 15-02, *Audit Requirements for Federal Financial Statements*, Appendices A - D (http://www.whitehouse.gov/omb/bulletins_default), lists those entities that are required to prepare financial statements and subject them to annual audits.

IV.2 Submission Schedule

Agencies will submit unaudited interim financial statements and related footnotes to OMB 21 business days after the end of the third quarter of the fiscal year using the MAX Federal Community (See Section I.5 and Appendix B).

IV.3 Statements and Variances Required To Be Submitted

Comparative interim financial statements are limited to a Balance Sheet, SNC, and SBR. To facilitate OMB and Treasury's analysis of differences between agencies' SBRs and SF 133s, agencies will submit the comparative interim SBR in Excel; agencies may still submit the Balance Sheet and SNC in Excel or PDF. The MD&A, SCNP, SCA, SOSI, SCSIA, RSSI, and RSI are not required for interim reporting.

Agencies are required to submit an analysis of significant variances along with the quarter's three financial statements. The following is guidance for the variance analysis:

- The analyses for the three financial statements should be in a separate file or attachment within the submission. We are not requiring a separate file for each statement, but one file for all of the analyses of 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 note that in the analysis.

- The analyses should include management's explanation of significant variances (except for the analysis between the SBR and the SF 133, addressed below) in types or amounts of assets, liabilities, costs, revenues, obligations and outlays along with the submitted statements.
- Agencies (listed in Appendix A) are required to submit, for the interim quarter and for the fiscal year- end, an analysis of any material differences between the unaudited SBR and the department-wide SF 133, *Report on Budget Execution and Budgetary Resources*. Agencies should reconcile the two reports; however, agencies are only required to provide OMB with an explanation for any material differences between the SBR and SF 133 for comparable line items related to unobligated balance brought forward, gross budget authority, obligations incurred, actual offsetting collections, net outlays, and distributed offsetting receipts. An agency's materiality threshold should be applied to each of the categories in the below illustrative table to determine what differences to separately report. The department-wide SF 133 can be found in MAX located at https://max.omb.gov/community/x/Rhc**.** This analysis will be **due to OMB 45 days after the interim quarter and at fiscal year-end**. The analysis will assist the Government, as a whole, with improving the consistency of agency reporting of budgetary information and resolving a material weakness cited for the FR.

Agencies should analyze the below line items and submit its analysis using the format presented in MAX located at https://max.omb.gov/community/x/hJn1Iw with additional narrative to explain any material differences. If an agency does not have any material differences for the quarter, the agency should still submit the below comparison and indicate that there are no material differences.

	Unobligated Balance from Prior Year Budget Authority, Net	Budget Authority, Gross (discretionary and mandatory)	Obligations Incurred	Actual Offsetting Collections (discretionary and mandatory)	Outlays, Net (discretionary and mandatory)	Distributed Offsetting Receipts
Combined Statement of Budgetary Resources	$ xxx (lines 1000, 1020, 1021, and 1043, or line 1051)	$ xxx (lines 1290, 1490, 1690, 1890)	$ xxx (line 2190)	$ xxx (line 4177)	$ xxx (line 4190)	$ xxx (line 4200)
SF 133, Report on Budget Execution and Budgetary Resources	$ xxx (lines 1000-1042, or line 1050)	$ xxx (lines 1100-1152, 1170-1174, 1200-1252, 1270-1273, 1300-1330, 1400-1430, 1500-1531, 1600-1631, 1700-1742, 1800-1842)	$ xxx (lines 2001-2003, 2101-2103)	$ xxx (lines 4030-4034, 4120-4124)	$ xxx (lines 4010-4011, 4100-4101, 4030-4034, 4120-4124)	$ xxx (total from Treasury's Quarterly Distributed Offsetting Receipts by Department Report)

Accompanying the interim MAX submissions, agencies should attach an Excel file listing the Treasury Account Symbols reported on the SBR in the following format. Refer to the example below using Treasury Account Symbols from GSA. This file will accompany the analysis between the SBR and the SF 133 (see above number 5) that is due to OMB 45 days after the interim quarter and fiscal year end.

Allocation Transfer Agency	Treasury Agency Code	Treasury Main Account Code
13	47	4542
	47	4542
	47	0110

IV.4 Third Quarter Unaudited Interim Financial Notes

Agencies must submit unaudited notes (and may also, but are not required to, submit other supplemental disclosure information Agencies deem relevant and useful—e.g., RSI, RSSI, and OI) along with unaudited interim financial statements. Agencies should complete key notes, such as those notes that present a greater risk of failing to meet the prescribed disclosure requirements. The purpose of these submission is to: (1) allow agencies to receive comments from OMB in advance of the year-end deadline, so that they will have sufficient time to improve the accuracy and conformity of these notes for the year-end submission of PARs or AFRs, and (2) enable Treasury's Bureau of the Fiscal Service to conduct preliminary analysis on agency data to facilitate preparation of the Financial Report of the U.S. Government (FR).

Agencies will submit their unaudited notes and supplemental information through the OMB MAX system. In some cases, interim data may not be available, or it may not be cost-efficient to obtain the interim data. Based on data availability, agencies may: (1) request alternate deadlines; or (2) provide preliminary, placeholder (e.g. prior year), or pro forma information. In addition, the Fiscal Service will contact selected agencies directly to assist in the drafting of key FR notes and supplemental information.

V GOVERNMENT-WIDE FINANCIAL REPORT

Section V Government-wide Financial Report
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V.1 Introduction

Pursuant to 31 U.S.C. § 331(e)(1), the Secretary of the Treasury, in coordination with the Director of OMB, annually prepares and submits to the President and the Congress audited financial statements for the preceding fiscal year. The Comptroller General of the United States audits these financial statements. As required by this Circular, the *Financial Report of the United States Government* (FR) is due no later than February 26, 2016.

V.2 Submission of Agency Data for Financial Report Compilation

V.2.1 Significant Reporting Entities and Closing Package / GFRS Reporting

The Treasury prepares the FR from data provided by Federal entities. All significant reporting entities must provide Treasury's Fiscal Service with the required fiscal year-end data that is used to prepare the FR. All significant entities must submit their financial data using the Closing Package via the Governmentwide Financial Reporting System (GFRS). 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 intragovernmental balances with trading partners throughout the reporting period and, in addition, these entities must also 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, Figure 1 and can also be found in this Circular's Appendix A. The TFM is available on the Web at: http://tfm.fiscal.treasury.gov/v1.html.

The closing package financial statements directly link the entities' audited consolidated department-level financial statements to the FR. The agencies' auditors will opine on the closing package financial statements, including the reclassified Balance Sheets, the statements of net cost, the statements of changes in net position, the statements of social insurance and statement of changes in social insurance amounts (if applicable), and the accompanying notes[21]. (See OMB Bulletin No. 15-02, Audit Requirements for Federal Financial Statements, for additional guidance on auditing the closing package financial statements and for a listing of documents that must accompany the audit opinion on the closing package financial statements.) In addition, 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 Other Reporting Entities

All other Executive agencies 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 also 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, Figure 1.

V.2.3 Entity Reporting Pursuant to Other than FASAB Standards and/or Other than Fiscal Year-End

The FR is prepared from Federal entities' audited general purpose and closing package financial statements and trial balances in accordance with the U.S. GAAP promulgated by the FASAB. Entities under SFFAS No. 34 that use accounting standards other than the FASAB standards (e.g., Financial Accounting Standards Board), as the basis for their audited financial statements, or that do not have a fiscal yearend of September 30, are collectively referred to as converting agencies in GFRS. Converting agencies must perform an additional step in GFRS before reclassifying their financial statement line items to the Closing Package line items. Converting agencies must convert their latest set of audited financial statements to a 12-month set of financial statements using the FASAB standards and a September 30 ending date. Converting agencies will reclassify the converted data to the Closing Package line items instead of the data from their latest audited financial 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 annual Financial Report of the U.S. Government (FR), Bureau of the Fiscal Service (Fiscal Service) will utilize agencies' unaudited financial statement, note, and other information as of the end of the 3rd 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 3rd quarter through OMB's MAX system. In some cases, interim data may not be available or it may not be cost-efficient to obtain the interim data. Based on data availability, agencies may: (1) request alternate deadlines; or (2) provide preliminary, placeholder (e.g., prior year), or pro forma information. Note and supplemental information may also be transmitted directly to the Fiscal Service in accordance with the Fiscal Service requests. In addition, the 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) data entries as early and frequently as possible. Agencies should notify the Fiscal Service that the agency's final draft year-end GFRS submissions have been submitted to the agency's auditor and that the information is available for review by the Fiscal Service. Draft agency submissions may be provided to the Fiscal Service either via the GFRS system or in an alternate format (e.g., Excel). However, this does not exempt agencies from submitting the final closing package in the GFRS system.

V.2.5 Agency Points of Contact

Agencies must submit the name and contact information for a minimum of one contact person designated by each agency to respond to and resolve agency-specific issues throughout the FR reporting cycle from the Office of the CFO as well as a contact person from the IG. Agencies should provide additional subject matter expert points of contact as deemed necessary by the Fiscal Service. These points of contacts should be communicated to the Fiscal Service via e-mail at financial.reports@fms.treas.gov no later than June 30 and any changes in personnel should also be communicated immediately so that the most current agencies' key points of contact are maintained at the 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 submitted by Federal entities and in the overall compilation process of the FR. Transactions between and among Federal entities that can generate intragovernmental balances include, but are not limited to:

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

Agencies are required to reconcile intragovernmental balances and transactions throughout the fiscal year. Entities must reconcile at least quarterly, certain transaction types prior to final report submission. These transaction types include investments or borrowings with the Department of the Treasury (Bureau of the Fiscal Service and the Federal Financing Bank), benefit-related transactions with the Department of Labor and the Office of Personnel Management, transfers of budget authority, buy-sell transactions, and transfers of assets between Federal agencies, including Treasury General Fund.

In addition, the intragovernmental balance information is included as a Federal

Trading Partner Note in the closing package financial statements. This Federal Trading Partner Note, as well as all other note disclosures, will be covered by the audit of the closing package financial statements as a whole. (See OMB Bulletin No. 15-02).

To further enable the Federal Government to provide consolidated financial statements, agencies are required to reconcile intragovernmental transfers (Reciprocal Categories 07, Unavailable Special Or Trust Fund Receipts Transfers; 08, Nonexpenditure Transfer; and 11, Nonexpenditure Financing Sources – Capital Transfers), Appropriations Received, as Adjusted (Reciprocal Category 29), and Fund Balance with Treasury (Reciprocal Category 29) with information included in the government's central accounting system. For more information, please see:
http://www.fiscal.treasury.gov/fsservices/gov/acctg/gfrs/gfrs_home.htm.

V.4 Legal Representation Letter

When preparing the legal representation letters, the General Counsel should reference the guidance found in OMB Bulletin No. 15-02, http://www.whitehouse.gov/omb/bulletins_default. All existing, pending, and threatened litigation and unasserted claims should be reported using the forms found at the Department of Justice's (DOJ) website at http://www.justice.gov/civil/common/Legalrepletters_nonDOJ.html (links to these forms are at the bullet points below). In addition to reporting the status of pending contingent liabilities, the interim legal representation letters should also include the cases reported in the previous year's legal representation letters that are no longer pending. Individual cases or groups of cases should be reported using the following forms, at these three links, according to the type of case or group of cases reported:

• Pending or Threatened Litigation

• Unasserted Claims and Assessments

• Claims Reported in Prior Year that are No Longer Pending

The forms are in a fill-able Adobe portable document format (PDF). Instructions for downloading and completing the PDF forms are on the DOJ website. If use of the aforementioned forms is infeasible, agencies may provide DOJ with an editable text file (e.g. Word or WordPerfect) identical in format and content to the forms available on the DOJ website.

The final legal representation letter should be limited to new information (i.e., cases that arise subsequent to the interim letter or changes in the status of cases that were reported in the interim letter). The final letter should not repeat information from the interim letter that has not changed. Any subsequent changes, in cases that arise after the final legal representation letter but before the date of the audit report on the FR, must be emailed to the Fiscal Service (see Appendix B for email address).

When preparing the management schedule, which accompanies the legal representation letter and shows how the information contained in the legal counsel's response was considered in preparing the financial statements, the CFO should follow the guidance provided in OMB Bulletin No. 15-02. The management schedule must be prepared in Excel format only for submission to better assist the Treasury's Bureau of the Fiscal Service (Fiscal Service) analysis of the schedule. PDF formats will not be accepted. The format referenced in the GAO/PCIE Financial Audit Manual (FAM), *Example Management Summary Schedule* is strongly encouraged for use when preparing the management schedule. The schedule should be consistent with information presented in the legal representation letters and the notes to the financial statements. Management must make an assessment as to whether pending, threatened litigation or unasserted claims should be reported or disclosed in the financial statements. This determination extends to cases in which legal counsel has classified the likelihood of loss as "unknown." The name and telephone number of the individual who is able to answer questions regarding the presentation of legal claims and assessments in the financial statements must also be provided.

The Office of IG should submit the interim and final (updates only) legal representation letters in PDF and the accompanying management schedules in excel format including signatures to the Department of Justice, Fiscal Service, and GAO at their electronic addresses provided in Appendix B. Consult the Treasury Financial Manual (TFM) for applicable due dates.

The Office of IG should inform the Fiscal Service, via email, of any subsequent changes to the final legal representation letter that have arisen after the submission of the final legal representation letter. An email update must be sent to the Fiscal Service indicating "changes" or "no changes" at its electronic address provided in Appendix B. Consult the Treasury Financial Manual (TFM) for applicable due dates.

The Export-Import Bank of the U.S., the Smithsonian Institution, and calendar year-end entities such as the Farm Credit System Insurance Corporation, the Federal Deposit Insurance Corporation, and the National Credit Union Administration are each required to only submit a final legal representation letter and the accompanying management schedule no later than November 15. If November 15th falls on the weekend or holiday, the due date will automatically move to the next business day. This legal representation letter will be all inclusive of existing, pending, or threatened litigation and unasserted claims as of September 30. The documents must be submitted electronically in PDF and Excel format for the management schedule, including signatures, to the Department of Justice, the Fiscal Service and GAO at their electronic addresses provided in Appendix B.

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 (general-purpose and closing package[20]). Therefore, it is important that management representations include all

[20] General-purpose financial statements are the basic financial statements and note disclosures that report on the financial condition of a specific agency. The closing package financial statements are selected portions of the agencies' general-purpose financial statements, used to prepare the government-wide

representations that are required by generally accepted auditing standards[21] and OMB Bulletin No. 15-02 which can be found at: https://www.whitehouse.gov/omb/bulletins_default. General representations must, however, be modified to be consistent with findings reported by the auditor.

In accordance with U.S. Auditing Standards – AICPA (Clarified, (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 its materiality threshold(s) 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, 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. 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 sample Schedule of Uncorrected Misstatements and Adjusting Entries.

Management is required to include a representation that addresses the consistency of budgetary data reported on the SBR and the budgetary data submitted through GTAS to prepare the year-end SF 133s, *Reports on Budget Execution and Budgetary Resources*. Management will use language similar to the following sample representation:

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financial statements.

[21] AU-C Section 580, *Written Representations*, of the Codification of Statements on Auditing Standards discusses specific representations that should be obtained from management and included in the written representations from management. The representations obtained will depend on the circumstances of the engagement and the nature and basis of presentation of the financial statements. See also AU-C Section 725, *Supplementary Information in Relation to the Financial Statements as a Whole*, and AU-C Section 730, *Required Supplementary Information*, for additional specific representations that should be obtained from management regarding supplementary information and required supplementary information.

The information presented in the [insert agency's name] Statement of Budgetary Resources is reconcilable to the information submitted in its year-end Reports on Budget Execution and Budgetary Resources (SF 133s). The information will be used as input for the fiscal year 20xx actual column of the Program and Financing Schedules reported in the fiscal year 20xz Budget of the U.S. Government. This information is supported by the related financial records and related data.

Notification must be sent to OMB/OFFM, the 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 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. Management may consider using the following sample narrative:

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.

As noted above, the OMB and Treasury Department rely on the written representations obtained from agencies' management in generation of the written representations from management for the FR. Agencies are required to include in their email notification of subsequent events, the following paragraph:

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.

Additional representations are required specifically related to the audit of the closing package financial statements and can be found in OMB Bulletin No. 15-02. 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 spreadsheet 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.

The Office of the CFO should submit the written representations from management electronically in PDF format, including signatures, to OMB/OFFM, the 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 November 15 (for the general-purpose and closing package financial statements) following the end of the fiscal year. If November 15th falls on the weekend or holiday, the due date will automatically move to the next business day

The agencies' Office of the CFO should inform OMB/OFFM, the Fiscal Service, Treasury (Main), and GAO, via email, of any updates to the written representations from management and updates to financial statements due to subsequent events. An email update should be sent to OMB/OFFM, the Fiscal Service, the Department of the Treasury (Main), and GAO indicating "changes" or "no changes" at their electronic addresses provided in Appendix B. Consult the TFM for applicable due dates.

V.6 Adherence to Due Dates and Requirements

As required by this Circular, the *Financial Report of the United States Government* (FR) is due no later than February 26, 2016. Therefore, it is essential that agencies adhere to the dates and requirements published in the TFM, Volume 1, Part 2, Chapter 4700 (Figure 3) and Section I.5 of Circular No. A-136. All dates are "no later than dates" and earlier submissions are highly encouraged.

APPENDIX

Appendix A

Agencies Required to Prepare Closing Package 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
Nuclear Regulatory Commission
National Science Foundation
Office of Personnel Management
Overseas Private Investment Corporation
Small Business Administration
Social Security Administration
Export-Import Bank of the United States
Farm Credit System Insurance Corporation
Federal Communications Commission
Federal Deposit Insurance Corporation
National Credit Union Administration
Pension Benefit Guaranty Corporation
Railroad Retirement Board
Securities and Exchange Commission
Smithsonian Institution
Tennessee Valley Authority
U.S. Postal Service

Appendix B

Contact Information

Office of Management and Budget New Executive Office Building
Office of Federal Financial Management & Resource Management Office
MAX Federal Community:
Agency Financial Reporting - Financial Management Community - MAX Federal Community (See Section I.6 for more information on using the MAX Federal Community)

Department of the Treasury (Main)
1500 Pennsylvania Avenue, NW Room 2064
Washington, DC 20220 Attn: Ann Davis
E-mail: ann.davis@treasury.gov Telephone: (202) 622-1028
Fax: (202) 622-0962

Department of the Treasury
Bureau of Fiscal Service
3700 East-West Highway, Room 509B
Hyattsville, MD 20782
E-mail: Financial.Reports@fms.treas.gov Telephone: (202) 874-9910
Fax: (202) 874-9907

Government Accountability Office
441 G Street, NW, Room 5X23 Washington, DC 20548
Attn: Dawn Simpson
E-mail: USCFS@gao.gov Telephone: (202) 512-9473
Fax: (202) 512-9596

Department of Justice
Office of the Assistant Attorney General
950 Pennsylvania Avenue, NW
Room 3138
Washington, DC 20530
E-mail: Legal.letters@usdoj.gov Telephone: (202) 307-5906
Fax: (202) 514-8071

Department of Justice
Civil Division Communications Office
1100 L Street, NW
Washington, DC 20005 Attn: William Coombes
E-mail: Legal.letters@usdoj.gov Telephone: (202) 307-5745
Fax: (202) 616-2207